Consolidated Financial Statements and Report of Independent Certified Public Accountants

Starr Insurance & Reinsurance Limited and Subsidiaries

December 31, 2022 and 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Starr Insurance & Reinsurance Limited and Subsidiaries

Opinion

We have audited the consolidated financial statements of Starr Insurance & Reinsurance Limited (a Bermuda corporation) and subsidiaries (the “Company”), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations and comprehensive (loss) income, changes in shareholder’s equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the 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 financial statements

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

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our 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 information about incurred and paid claims and loss adjustment expense development for the years prior to December 31, 2012 and years ended December 31, 2013 through 2021, and the average annual percentage payout of incurred losses by age as set forth in Note 4 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a required part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by other auditors, who expressed an unmodified opinion on those financial statements in their report dated April 21, 2022.

Grant Thornton LLP

New York, New York
April 28, 2023

Starr Insurance & Reinsurance Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,
(Expressed in thousands of U.S. dollars, except for number of shares and par value data)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 502,765	$ 512,879
Investments at fair value:		
Fixed maturity securities, available-for-sale	2,761,308	2,614,030
Equity securities	6,434	70,894
Other investments	507,893	707,147
Real estate investment	98,233	98,763
Equity method investments	74,119	71,193
Accrued investment income	25,055	18,051
Insurance and reinsurance balances receivable	1,056,054	863,663
Funds withheld	215,763	10,167
Reinsurance balances recoverable	1,448,710	1,115,024
Prepaid reinsurance premiums	919,520	799,615
Deferred acquisition costs	141,466	123,759
Other assets	44,080	42,945
Total assets	$ 7,801,400	$ 7,048,130
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Loss and loss adjustment expense reserves	$ 3,154,173	$ 2,374,984
Insurance and reinsurance balances payable	745,253	669,589
Unearned premiums	1,520,001	1,318,236
Accounts payable and accrued liabilities	39,534	30,324
Unearned commissions	94,682	80,803
Net deferred tax liability	7,729	459
Due to related parties, net	7,730	22,316
Income taxes payable	11,111	8,015
Total liabilities	5,580,213	4,504,726
Shareholder's equity		
Share capital, par value $1.00 authorized and issued 1,000,000 shares in 2022 and 2021	1,000	1,000
Contributed capital	1,852,720	1,852,720
Retained earnings	581,293	607,200
Accumulated other comprehensive (loss) income	(213,826)	82,484
Total shareholder's equity	2,221,187	2,543,404
Total liabilities and shareholder's equity	$ 7,801,400	$ 7,048,130

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

Starr Insurance & Reinsurance Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

Years ended December 31,
(Expressed in thousands of U.S. dollars)

	2022	2021
Underwriting income		
Net premiums written	$ 1,202,638	$ 827,947
Change in unearned premiums	(230,712)	(252,162)
Change in prepaid reinsurance premiums	143,347	159,950
Net premiums earned	1,115,273	735,735
Underwriting expenses		
Losses and loss adjustment expenses	1,003,386	610,047
Commissions and brokerage	90,004	104,495
Change in deferred acquisition costs and unearned commission	(15,910)	(7,518)
Commission income	(64,572)	(63,936)
Total underwriting expenses	1,012,908	643,088
Net underwriting income	102,365	92,647
Net investment (loss) income	(22,610)	303,359
General and administrative expenses	41,762	38,068
Income before tax expense	37,993	357,938
Tax expense	28,900	15,815
Net income	9,093	342,123
Other comprehensive (loss) income		
Other comprehensive (loss) income from equity method investees	(5,889)	301
Unrealized (losses) gains on fixed maturity securities, available-for-sale	(224,041)	(10,660)
Reclassification adjustment for realized losses on fixed maturity securities, available-for-sale included in net investment income	(66,380)	(75,187)
Other comprehensive loss	(296,310)	(85,546)
COMPREHENSIVE (LOSS) INCOME	$ (287,217)	$ 256,577

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

Starr Insurance & Reinsurance Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

Years ended December 31, 2022 and 2021
(Expressed in thousands of U.S. dollars)

	Share Capital	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity
Balance, January 1, 2021	$ 1,000	$ 1,852,720	$ 305,077	$ 168,030	$ 2,326,827
Net income	-	-	342,123	-	342,123
Dividends	-	-	(40,000)	-	(40,000)
Other comprehensive loss, net	-	-	-	(85,546)	(85,546)
Balance, December 31, 2021	1,000	1,852,720	607,200	82,484	2,543,404
Net income	-	-	9,093	-	9,093
Dividends	-	-	(35,000)	-	(35,000)
Other comprehensive loss, net	-	-	-	(296,310)	(296,310)
Balance, December 31, 2022	$ 1,000	$ 1,852,720	$ 581,293	$ (213,826)	$ 2,221,187

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

Starr Insurance & Reinsurance Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,
(Expressed in thousands of U.S. dollars)

	2022	2021
Cash flows from operating activities		
Net income	$ 9,093	$ 342,123
Net realized gains on investments	(66,380)	(75,187)
Net unrealized loss (gain) on investments	184,774	(142,165)
Income from equity method investments	(45)	(53)
Depreciation of fixed assets	1,363	1,396
Deferred taxes	9,301	(477)
Net amortization of premiums on fixed maturity investments	2,049	8,421
Foreign exchange gain in income	3,496	547
Change in:		
Accrued investment (loss) income	(7,004)	456
Insurance and reinsurance balances receivable	(192,391)	(93,562)
Funds withheld	(205,596)	213
Reinsurance balances recoverable	(333,686)	(226,240)
Prepaid reinsurance premiums	(119,905)	(149,171)
Deferred acquisition costs	(17,707)	(17,154)
Due (from) to related parties, net	(14,586)	7,428
Other assets	(2,498)	(26,424)
Loss and loss adjustment expense reserves	779,189	383,836
Insurance and reinsurance balances payable	75,664	65,353
Unearned premiums	201,765	239,728
Accounts payable and accrued liabilities	9,210	4,202
Unearned commissions	13,879	24,973
Income taxes payable	3,096	(4,475)
Net cash provided by operating activities	333,081	343,768
Cash flows from investing activities		
Fixed maturity securities available-for-sale:		
Purchases	(1,023,092)	(1,377,028)
Sales, maturities and calls	561,937	1,030,794
Other investments:		
Purchases and contributions	(31,690)	(27,678)
Sales and distributions	165,984	137,590
Distributions from investment in real estate	530	3,981
Net cash used in investing activities	(326,331)	(232,341)
Cash flows from financing activities		
Dividends paid	(35,000)	(40,000)
Net cash used in financing activities	(35,000)	(40,000)
Effect of foreign exchange rate changes on cash	18,136	3,491
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,114)	74,918
Cash and cash equivalents, beginning	512,879	437,961
Cash and cash equivalents, ending	$ 502,765	$ 512,879
Supplemental disclosure of cash flow information		
Taxes paid	$ 17,984	$ 20,748

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

NOTE 1 - THE COMPANY AND ITS ACTIVITIES

Starr Insurance & Reinsurance Limited was incorporated under the laws of Bermuda on April 12, 2007. Starr Insurance & Reinsurance Limited and its Subsidiaries (the Company) is a wholly owned subsidiary of Starr Global Holdings, AG, a Switzerland registered company which in turn is wholly owned by Starr International Company, Inc. (SICO), a Swiss company incorporated in 1943. The registered office of the Company is 19 Par-la-Ville Road, Hamilton, Bermuda.

The Company reinsures affiliated and unaffiliated insurance companies, under quota share, excess of loss and aggregate stop loss reinsurance agreements. The Company assumes business from affiliates, including Starr Indemnity & Liability Company (SILC), Starr Surplus Lines Insurance Company, Starr Syndicate Limited and Starr Europe International Limited. The business reinsured from unaffiliated insurance companies is generally produced by the divisions of SILC (the Starr Agencies), a related party. The Company writes, through its subsidiaries Starr International (Europe) Limited, Starr International Insurance (Singapore) Pte., Ltd., Starr International Insurance (Asia) Limited and Starr International Seguros Generales S.A., and reinsures the following lines of business - aviation, energy, excess casualty, property, accident and health, professional liability, marine, residential construction, contractors' pollution and political financial risk. The Company uses quota share and excess of loss retrocessional and reinsurance agreements to limit its exposure on direct business written and on reinsurance assumed.

One of the Company's wholly owned subsidiaries (Starr International Cayman Inc.) is a Cayman-domiciled investment holding company that invests primarily in limited partnerships, real estate investments and private equity funds.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Estimates

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of consolidated financial statements in conformity with U.S GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. While management believes that the amounts included in the consolidated financial statements reflect the Company's best estimates and assumptions, actual results could differ from these estimates. Significant estimates made by the Company include fair value of investments, other-than-temporary impairment of investments, reinsurance balances recoverable and loss and loss adjustment expense reserves.

Principles of Consolidation

The consolidated financial statements include all accounts, after significant intercompany eliminations, between the Company and its subsidiaries.

Foreign Currency

The functional currency of the Company is the United States (U.S.) Dollar, while the accounts of foreign-based subsidiaries and branches are measured, in most instances, using the local currency of the subsidiary as the functional currency. Revenues and expenses of these businesses are generally translated into U.S. Dollars at the average exchange rate for the period. Assets and liabilities are translated at the exchange rate as of the end of the reporting period.

Gains or losses from translating the financial statements of foreign-based operations are included in equity as a component of accumulated other comprehensive income (AOCI). Gains and losses arising from transactions denominated in a currency other than the functional currency of the Company or the applicable subsidiary of the Company are included in the consolidated statements of operations and comprehensive (loss) income.

Other Comprehensive (Loss) Income

Certain changes in assets and liabilities, such as other comprehensive income from equity method investments and unrealized gains or losses on fixed maturity available-for-sale investments, are reported as a separate component in the equity section of the consolidated balance sheets. Such items, along with net income, are components of other comprehensive income and are reflected in the consolidated statements of operations and comprehensive (loss) income.

Premiums

Gross premiums written are recognized as revenue on a pro rata basis over the term of the insurance and reinsurance contracts to which they relate. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. Premiums written for which the ceding company's reports are not available until after the balance sheet date are estimated.

Insurance and Reinsurance Balances Receivable and Payable

Insurance and reinsurance balances receivable and payable are comprised of premium amounts due from ceding insurers and due to reinsurers net of acquisition costs, funds withheld and losses paid. Insurance balances receivable also includes amounts due from policyholders on direct written business. All amounts are due within one year of the balance sheet date.

Insurance and reinsurance balances receivable are periodically evaluated for collectability based on the credit history of insureds and reinsureds and their current financial condition. Provisions for uncollectible insurance and reinsurance balances receivable are charged against an allowance account when such balances are deemed to be uncollectible. The Company had no valuation allowance recorded as of December 31, 2022 and 2021.

Reinsurance Ceded

Reinsurance premiums ceded are recognized over the policy term in the same manner as the related premiums are earned on the underlying insurance contracts. The portion of premiums that will be recognized in the future are deferred and reported as prepaid reinsurance premiums in the accompanying consolidated balance sheets.

The Company uses quota share and excess of loss reinsurance arrangements to mitigate risk and reduce the risk of catastrophic loss from reinsurance assumed and direct insurance written. The ceding of risks to reinsurers does not relieve the Company of its obligations to its insureds or its ceding companies. The Company remains liable for the risks insured or reinsured to the extent that any reinsurer does not meet the obligations it assumed under the reinsurance arrangement or direct insurance written. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. It is the opinion of management that the financial strength of the Company's reinsurers is such that any potential exposure to the Company for nonpayment is minimal, and therefore no valuation allowance has been recorded as of December 31, 2022 and 2021.

Investment Income

Investment income includes interest income and distributions from investments which are recognized as revenue in the period earned. Dividend income from equity securities is recognized on the ex-dividend rate. For equity securities owned by foreign subsidiaries, income is recorded net of withholding taxes.

Deferred Acquisition Costs

Acquisition costs represent commissions and other costs of successfully acquiring new insurance and reinsurance contracts and the renewal of existing contracts. Acquisition costs are deferred and amortized over the term of the contracts to which they relate. Proceeds from retrocessional reinsurance transactions that represent recovery of acquisition costs reduce applicable unamortized acquisition costs in such a manner that net acquisition costs are capitalized and charged to expense in proportion to net premium earned.

The Company conducts a premium deficiency analysis whereby deferred acquisition costs are reviewed to determine if they are recoverable from future income. If such costs are estimated to be unrecoverable they are written off. The Company considers investment income in its determination of premium deficiency. The Company determined no such premium deficiency existed as of December 31, 2022 and 2021.

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses (LAE) include amounts paid and recovered, net of reinsurance, in the period and changes in the outstanding loss reserves, incurred but not reported (IBNR) reserves, reinsurance balances recoverable and accretion of loss reserve discount. LAE are charged to income as they are incurred and consist mainly of external costs relating to the negotiation and settlement of claims.

Loss and LAE Reserves and Reinsurance Balances Recoverable

The Company's loss and LAE reserves are comprised of outstanding loss and LAE reserves and IBNR loss and LAE reserves. The outstanding loss reserves comprise estimated losses based on reports provided by the ceding companies and direct loss notifications received from insureds. The IBNR reserves are based upon management's best estimate of the ultimate cost of settlement of losses that may be incurred by the Company, in accordance with the recommendations of an actuary.

Outstanding loss and LAE reserves and IBNR loss and LAE reserves reflect management's best estimate of future amounts needed to pay claims and related settlement costs with respect to insured events which have occurred, including events that have not been reported to the Company. In many cases, significant periods of time, ranging up to several years or more, may elapse between the occurrence of an insured loss, the reporting of the loss to the Company and the Company's payment of that loss. As part of the process in determining the Company's outstanding loss and LAE reserves and IBNR loss and LAE reserves, actuarial models are used that analyze industry data and consider the impact of current developments and trends, such as trends in claims severity and frequency and claims settlement trends. Also considered are legal developments, regulatory trends, legislative developments and changes in social attitudes and economic conditions. Management believes that its outstanding loss reserves and IBNR loss and LAE reserves are fairly stated as of December 31, 2022 and 2021. However, estimating the ultimate claims liability is necessarily a complex and judgmental process inasmuch as the amounts are based on management's informed estimates, assumptions and judgments using data currently available. As additional experience and data becomes available regarding claims payment and reporting patterns, legal and legislative developments, judicial theories of liability, the impact of regulatory trends, changes in social attitudes and economic conditions, the estimates are revised accordingly. If the Company's ultimate losses prove to differ substantially from the amounts recorded at December 31, 2022 and 2021, the related adjustments could have a material adverse effect on the Company's financial condition, results of operations and liquidity.

Reinsurance balances recoverable are estimated in a manner consistent with the reserving methodology adopted in the estimation of the outstanding loss reserves and the IBNR reserves and the related reinsurance arrangements.

Future adjustments to the amounts recorded resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be recorded in the consolidated statements of operations and comprehensive (loss) income when such adjustments become known and are estimable.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with maturities of three months or less at the date of acquisition.

Fixed Maturity Securities

Fixed maturity securities have been classified as available-for-sale and are reported at fair value, with unrealized holding gains and losses reported in AOCI, net of income taxes. Realized gains and losses are determined using the specific identification basis and are recognized in the consolidated statements of operations and comprehensive (loss) income. See Note 9 for further information regarding determination of fair value.

The Company reviews fixed maturity securities in its investment portfolio on a periodic basis to specifically identify individual securities that have incurred an other-than-temporary decline in fair value below cost or amortized cost. This review encompasses, among other things, recent issuer activities, such as defaults, quarterly earnings announcements and other pertinent financial news for the issuer, recent developments and economic outlooks for particular industries, rating agency actions and the length of time and extent to which fair value has been less than cost or amortized cost. When management's review identifies an other-than-temporary impairment, it compares its projected discounted cash flows to the amortized cost in order to determine the credit related portion of the impairment, which is recognized in the consolidated statements of operations and comprehensive income. The noncredit portion of the other-than-temporary impairment relative to all other factors is recorded as a component of AOCI in the consolidated balance sheets. In addition, management also considers whether it has the intent to sell a particular security or whether it is more-likely-than-not the Company has the ability to hold the security to recovery.

Equity Securities and Other Investments

All equity securities and other investments, which include hedge, private equity, private debt and real estate funds, are carried at fair value with net unrealized holding gains or losses reported in net income. Starr Private Equity Partners, LLC (SPEP) funds are investments held in funds established and managed by SPEP, a wholly owned subsidiary of C.V. Starr & Co., Inc. (C.V. Starr), a related party of the Company. See Note 3 for further details. Realized gains and losses on other investments are determined on a specific identification basis and are recognized in the consolidated statements of operations and comprehensive (loss) income. See Note 9 for further information regarding determination of fair value.

The various funds included within other investments record their underlying investments at fair value policies established by management of the underlying fund, typically the fund's Net Asset Value (NAV). Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information, including independent appraisals, from third party sources, however, in some instances current valuation information, for illiquid securities or securities in markets that are not active, may not be available from any third party source or fund management may conclude that the valuations that are available from third party sources are not reliable. In these instances fund management may perform model-based analytical valuations that may be used to value these investments.

The Company uses NAV per share (or its equivalent), as a practical expedient to estimate the fair value of certain alternative investments including hedge, real estate and private equity funds, if NAV is calculated consistent with U.S GAAP and sale of the investment at an amount different than NAV is not probable. The Company considers the nature, risk and probability for the sale of the investment (at amounts different from NAV). The Company's considerations include (but are not limited to):

- Unfunded commitments (for additional investment)
- Redemption eligibility and frequency
- Required redemption notice

Based upon these considerations, the Company concluded that NAV for the alternative investments is calculated consistent with U.S GAAP.

The Company uses cost as a basis for the fair value of its investments in various private investments during the early stages of the investment. This basis is then updated as the investments mature and other financial information becomes available.

Real Estate Investment

The Company's investment in real estate is considered to be a joint venture. The Company owns 70 percent of Avalange Commercial Corp. an entity incorporated in Bermuda. Joint ventures are entities whereby the Company and other parties undertake an economic activity which is subject to joint control. The Company records its investment in the real estate joint venture at cost, adjusted for other-than-temporary impairments, in a manner consistent with SICO and its subsidiaries' accounting policy for those investments in real estate in which SICO and its subsidiaries have a controlling interest. The carrying amount of the Company's investment in the real estate joint venture is $98,233 and $98,763 as of December 31, 2022 and 2021, respectively, and is included in real estate investment in the consolidated balance sheets.

Investments in real estate are evaluated for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable or the assets meet the criteria of held for sale. Upon the occurrence of a triggering event, the asset is reviewed to assess whether the estimated undiscounted cash flows expected from the use of the asset plus residual value from the ultimate disposal, or appraised value, exceeds the carrying value of the asset. If the carrying value exceeds the estimated recoverable amounts, the asset is reduced to the estimated discounted present value of the expected future cash flows from using the asset, or appraised value.

Equity Method Investments

The Company utilizes the equity method of accounting with respect to investments where it possesses the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when an investor possesses more than 20 percent but less than 50 percent of the voting interests of the investee. This presumption may be overcome based on specific facts and circumstances that demonstrate the ability to exercise significant influence is restricted.

In applying the equity method, the Company records its investment at cost in the consolidated balance sheets as equity method investments. Any increase or decrease in the carrying amount subsequent to acquisition is the result of the Company's share of the net income or losses and comprehensive income of the investee as well as distributions received from or contributions to the investee net of insurance transactions between the Company and the investee. The Company's share of earnings or loss and comprehensive income are recorded in the Company's consolidated statements of operations and comprehensive (loss) income.

The Company reviews its equity method investments for possible impairment taking into account events and circumstances that may have occurred since the prior review, and any impairment is recorded in the Company's consolidated statements of operations and comprehensive (loss) income. No impairment was recorded for the years ended December 31, 2022 and 2021.

Funds Withheld

Funds withheld comprise amounts held by a ceding insurer pursuant to the terms of a quota share reinsurance agreement.

Concentration of Risks

Financial instruments that potentially subject the Company to concentrations of risk consist principally of cash and cash equivalents.

The Company holds investments with a fair value of $114,870 and $181,005 as of December 31, 2022 and 2021, respectively, in funds established and managed by SPEP.

Certain subsidiaries of the Company, from time to time, maintain cash balances which exceed the federal depository insurance coverage limit. Management performs periodic reviews of the relative credit rating of its banks to lower its risk. In addition, at various times throughout the year, the Company's balances in a number of its accounts at financial institutions exceeded the $250 limit which is insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Interest Rate Risk

Fluctuations in interest rates will have a direct impact of the interest earned on the Company's cash and cash equivalents.

Variable Interest Entities

The Company consolidates variable interest entities (VIE) where it is the primary beneficiary. The primary beneficiary is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. See Note 13 for further details.

Recently Issued Accounting Pronouncements

<u>Accounting Standards Updates Adopted by the Company</u>

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. During 2018, the FASB issued ASU No. 2018-01, *Land Easement Practical Expedient*, which permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of Topic 842 and that were not previously accounted for under ASC 840; ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which addresses narrow aspects of the guidance originally issued in ASU No. 2016-02; ASU 2018-11, *Targeted Improvements*, which provides entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component; and ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*, which addresses sales and other similar taxes collected from lessees, certain lessor costs and the recognition of variable payments for contracts with lease and nonlease components. During 2019, the FASB issued ASU No. 2019-01, *Codification Improvements*, which deferred the effective date for certain entities and, during 2020, issued ASU No. 2020-05, *Effective Dates for Certain Entities*, which deferred the effective date of ASU No. 2016-02 for those entities that had not yet issued their financial statements at the time of ASU No. 2020-05's issuance. During 2021, the FASB issued ASU No. 2021-05, *Lessors-Certain Leases with Variable Lease Payments*, which affects lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as a sales-type or direct financing lease to align with practice under Topic 840. During 2021, the FASB also issued ASU No.2021-09, *Discount Rate for Lessees That Are Not Public Business Entities*, which allows a lessee that is not a public business entity to make the risk–free rate election by class of underlying asset, rather than at the entity-wide level. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Early Adoption is permitted. The Company adopted ASC 842 (as amended) as of January 1, 2022, the adoption of Topic 842 (as amended) did not have a material effect on its results of operations, financial position or cash flows.

<u>*Pending Accounting Standards Updates*</u>

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, November 2019 and March 2020, respectively, the FASB also issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*; ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*; ASU No. 2019-05 *Targeted Transition Relief*; ASU No. 2019-11, *Codification Improvements to Financial Instruments - Credit Losses*; and ASU No. 2020-03 *Codification Improvements to Financial Instruments*. ASU No. 2018-19 clarifies the effective date for nonpublic entities and clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-11 and 2020-03 amend ASU 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position or cash flows.

(Expressed in thousands of U.S. dollars)

NOTE 3 - INVESTMENTS

Fixed Maturity Securities

The gross unrealized gains or losses, amortized cost or cost and fair value of the Company's fixed maturity securities at December 31 were as follows:

	2022			
	Amortized Cost/Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government agencies	$ 27,582	$ 57	$ (124)	$ 27,515
States, political subdivisions and foreign government securities	231,387	392	(21,385)	210,394
Corporate debt securities	2,002,901	2,106	(134,846)	1,870,161
Asset-backed securities	358,494	215	(17,472)	341,237
Other	356,667	80	(44,746)	312,001
Total fixed maturity securities	$ 2,977,031	$ 2,850	$ (218,573)	$ 2,761,308

	2021			
	Amortized Cost/Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government agencies	$ 26,841	$ 171	$ (78)	$ 26,934
States, political subdivisions and foreign government securities	195,783	6,047	(1,598)	200,232
Corporate debt securities	1,807,492	92,278	(4,016)	1,895,754
Asset-backed securities	239,825	1,256	(1,284)	239,797
Other	250,466	2,782	(1,935)	251,313
Total fixed maturity securities	$ 2,520,407	$ 102,534	$ (8,911)	$ 2,614,030

Certain fixed maturity securities available-for-sale with an aggregate fair value of $1,277,301 and $1,179,579 as of December 31, 2022 and 2021, respectively, have been placed in trust accounts to secure the Company's obligations to ceding companies. Interest earned on the securities placed in the trust accounts amounted to $38,660 and $38,699 as of December 31, 2022 and 2021, respectively, and is included in net investment income in the consolidated statements of operations and comprehensive (loss) income. The Company may not reduce, close, terminate or draw from the trust accounts without the express permission of the respective ceding companies.

(Expressed in thousands of U.S. dollars)

The following table presents gross unrealized losses and fair value of investments with unrealized loss positions that are not deemed to be other-than-temporarily impaired, aggregated by length of time that individual securities have been in a continuous unrealized loss position at December 31, 2022 and 2021:

	2022					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government agencies	$ 12,791	$ 95	$ 170	$ 29	$ 12,961	$ 124
States, political subdivisions and foreign government securities	162,810	13,091	44,810	4,947	207,620	21,385
Corporate debt securities	1,594,469	108,855	166,850	27,774	1,761,319	134,846
Asset-backed securities	188,518	11,897	81,930	7,140	270,448	17,472
Other	198,999	18,354	104,060	26,391	303,059	44,746
Total fixed maturity securities	$ 2,157,587	$ 152,292	$ 397,820	$ 66,281	$ 2,555,407	$ 218,573

	2021					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government agencies	$ 14,210	$ 69	$ 190	$ 9	$ 14,400	$ 78
States, political subdivisions and foreign government securities	55,967	1,598	-	-	55,967	1,598
Corporate debt securities	201,960	3,795	4,101	221	206,061	4,016
Asset-backed securities	152,494	1,184	7,875	100	160,369	1,284
Other	150,284	1,844	1,620	91	151,904	1,935
Total fixed maturity securities	$ 574,915	$ 8,490	$ 13,786	$ 421	$ 588,701	$ 8,911

(Expressed in thousands of U.S. dollars)

The Company's investments are managed in accordance with its investment guidelines established by its Executive Committee and approved by its Board of Directors. The Company's investments potentially expose it to credit risk. The Company's portfolio comprises a diversified holding of fixed maturity securities and therefore does not contain significant holdings with any one single issuer. All fixed maturity securities are in accordance with the investment guidelines. Management has received Board approval to hold below investment grade securities and will continue to monitor these investments for potential impairment. Market risk exists in that the recorded fair value will fluctuate with changes in fair value. Management has considered the nature of investments in an unrealized loss position, the cause of their impairment, the severity and duration of their impairment and other relevant information available and believes that impairments are temporary in nature. In the opinion of management, the risk of exposure due to market risk is low due to the diversified portfolio.

The amortized cost or cost and fair value of securities with fixed maturities at December 31, 2022 are summarized below by contractual maturity dates. Actual maturities will differ from contractual maturities because the issuers may have the right to call or prepay certain obligations.

	Amortized Cost/Cost	Fair Value
Due in one year or less	$ 132,091	$ 129,680
Due after one year through five years	950,161	903,541
Due after 5 years through ten years	1,139,000	1,034,515
Due after ten years	397,285	352,335
Asset-backed securities	358,494	341,237
	$ 2,977,031	$ 2,761,308

Equity Securities

The cost, gross unrealized gains and losses and the fair value of the Company's equity securities at December 31 are as follows:

	2022	2021
Cost	$ 13,590	$ 58,506
Gross unrealized (loss)/gain	(7,156)	12,388
Fair value	$ 6,434	$ 70,894

(Expressed in thousands of U.S. dollars)

Other Investments

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Hedge funds	$ 4,839	$ 15,254	$ 37,766	$ 60,170
Private equity funds	77,314	53,858	81,109	94,691
SPEP funds	189,303	114,870	203,474	181,005
Real estate funds	8,692	4,097	14,498	9,124
Private debt funds	188,988	207,766	166,366	189,684
Other direct investments	-	112,048	-	172,473
Total	$ 469,190	$ 507,893	$ 503,213	$ 707,147

The hedge, private equity, real estate and private debt funds and other investments of the Company are managed under an investment management agreement with SPEP, a wholly owned subsidiary of C.V. Starr & Co, which is a registered investment advisor.

In previous years, the Company transferred a number of investments into funds managed by SPEP, and it continues to make further investments into those managed funds. The investment funds are accounted for as limited partnerships by the Company and are carried at fair value with unrealized gains and losses recorded in the statements of operations and comprehensive (loss) income.

Net Realized (Losses) Gains

Net realized (losses) gains on available-for-sale securities included in net investment income are summarized below for the years ended December 31:

	2022	2021
Fixed maturity securities:		
Gross gains from sales and other disposals	$ 994	$ 4,501
Gross losses from sales and other disposals	(2,745)	(1,568)
Other investments:		
Gross gains from sales and other disposals	68,197	72,902
Gross losses from sales	(66)	(648)
Net realized gains	$ 66,380	$ 75,187

Other Than Temporary Impairment

The Company performs quarterly reviews of its investments in order to determine whether declines in fair value below the cost or amortized cost basis were considered other-than-temporary. The Company recorded no other-than-temporary impairments on its investments during 2022 and 2021.

NOTE 4 - LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The reserving process for the unpaid losses and LAE provides for the Company's best estimate at a particular point in time of the ultimate unpaid cost of all losses and LAE incurred, including settlement and administration of losses, and is based on facts and circumstances known and includes losses that have been incurred but not yet reported. The process includes using actuarial methodologies to assist in establishing these estimates, judgments relative to estimates of future ultimate loss expectancy, the length of time before losses will develop to their ultimate level and the possible changes in the law and other external factors that are often beyond the Company's control. The methods used to select the estimated loss reserves include the initial expected loss ratio projection, incurred loss projection and the Bornhuetter-Ferguson (B-F) method. The process produces indicated reserve estimates and an acceptable range. The indicated reserve estimate is the result of numerous best estimates made by line of business, accident year and broken out between losses and LAE. The amount of loss and LAE reserves for reported losses is based primarily upon a case-by-case evaluation of coverage, liability, injury severity and any other information considered pertinent to estimating the exposure presented by the loss. The amounts of loss and LAE reserves for unreported losses are determined using historical information by line of business as adjusted to current conditions.

(Expressed in thousands of U.S. dollars)

Due to the inherent uncertainty associated with the reserving process, the ultimate liability may differ, perhaps substantially, from the original estimate. Such estimates are regularly reviewed and updated and any resulting adjustments are included in the current year's results. These liabilities are closely monitored and are recomputed periodically using the most recent information on reported losses and a variety of statistical techniques. Specifically, on at least a quarterly basis, the Company reviews, by line of business, existing revenues, new losses, changes to existing case reserves and paid losses with respect to the current and prior years.

	2022	2021
Gross balance as of January 1	$ 2,374,984	$ 1,991,148
Less reinsurance balance recoverable	1,115,024	888,784
Net balance as of January 1	1,259,960	1,102,364
Incurred related to:		
Current year	985,758	610,655
Prior years	17,628	(608)
Total incurred losses and LAE	1,003,386	610,047
Paid related to:		
Current year	162,438	145,805
Prior years	400,142	299,520
Total paid losses and LAE	562,580	445,325
Foreign exchange translation	4,697	(7,126)
Net balance as of December 31	1,705,463	1,259,960
Plus reinsurance balance recoverable	1,448,710	1,115,024
Gross balance as of December 31	$ 3,154,173	$ 2,374,984

For the years ended December 31, 2022 and 2021, losses and LAE incurred included (favorable) adverse development of $17,628 and ($608), respectively.

(Expressed in thousands of U.S. dollars)

The following information about incurred and paid loss development is as of December 31, 2021, net of reinsurance and the total of IBNR liabilities, plus expected development on reported losses included within the net incurred loss amounts. These tables include unaudited information about incurred and paid losses development for years preceding 2022, which is presented as required supplemental information.

The following factors are relevant to the loss development information included in the tables below: 1) Table Organization - The tables are organized by Accident Year. The majority of the casualty lines and property lines are written on an occurrence basis. 2) Groupings - The Company believes our two groupings have homogenous risk characteristics with similar development patterns and would generally be subject to similar trends. 3) Reinsurance - Our reinsurance program varies by exposure type and may change year to year, which may affect the comparability of the data presented in our tables. 4) IBNR - We include development from past reported losses in IBNR. 5) Data excluded from tables - Information with respect to accident years older than ten years is excluded from the development tables. Unallocated LAE are also excluded. 6) Loss Counts - Reported losses for the Company are not shown as a significant amount is assumed business and loss counts are not available.

Property

Incurred Losses and Allocated LAE, Net of Reinsurance (2013-2022, Unaudited)

											As of December 31, 2022
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Losses
2013	$ 185,181	$ 203,444	$ 205,718	$ 204,348	$ 195,222	$ 194,505	$ 194,572	$ 191,046	$ 191,528	$ 190,396	$ 970
2014		184,253	175,579	183,323	176,800	174,352	171,346	174,539	170,717	168,699	2,612
2015			157,158	124,099	128,167	121,908	120,336	127,968	124,443	140,835	7,431
2016				144,277	104,364	119,316	116,873	121,063	126,313	157,212	9,500
2017					185,643	142,940	143,911	147,229	149,944	196,840	9,276
2018						221,523	203,091	194,224	201,484	190,954	12,162
2019							212,508	200,194	196,616	163,684	20,749
2020								243,944	181,576	155,559	23,740
2021									372,618	154,393	41,816
2022										488,634	218,186
										$ 2,007,204	

Cumulative Paid Losses and Allocated LAE, Net of Reinsurance (2013-2022, Unaudited)

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	$ 77,666	$ 98,019	$ 144,468	$ 166,131	$ 175,365	$ 177,799	$ 181,153	$ 181,400	$ 184,937	$ 186,373
2014		184,253	94,940	124,809	143,822	149,964	155,169	167,108	162,747	163,747
2015			24,599	56,847	100,524	102,586	104,823	119,685	115,546	130,205
2016				30,262	64,454	86,129	92,658	100,609	112,647	141,532
2017					34,140	77,618	111,362	124,029	134,277	167,467
2018						63,469	120,310	147,429	159,693	154,217
2019							83,917	118,571	137,836	115,770
2020								59,799	88,924	90,676
2021									78,085	54,536
2022										110,001
										1,314,525
All outstanding liabilities before 2013, net of reinsurance										2,815
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 695,492

(Expressed in thousands of U.S. dollars)

Casualty

Incurred Losses and Allocated LAE, Net of Reinsurance (2013-2022, Unaudited)

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	As of December 31, 2022 Total of Incurred-but-Not-Reported Liabilities Plus Expected Development on Reported Losses
2013	$ 167,554	$ 175,968	$ 174,414	$ 174,936	$ 181,274	$ 205,289	$ 211,893	$ 224,985	$ 236,971	$ 245,533	$ 6,964
2014		227,678	212,718	204,399	208,988	225,197	229,781	239,868	241,663	252,651	11,093
2015			180,905	195,814	207,410	217,705	230,374	256,548	279,921	309,364	14,446
2016				205,145	218,946	213,189	212,929	205,621	224,242	255,867	13,143
2017					297,798	295,676	296,737	294,923	316,352	344,742	22,990
2018						237,848	224,597	206,896	213,364	297,293	22,709
2019							231,618	225,996	183,504	196,372	27,779
2020								302,449	284,422	272,425	41,479
2021									238,037	254,903	67,519
2022										496,957	313,133
										$ 2,926,105	

Cumulative Paid Losses and Allocated LAE, Net of Reinsurance (2013-2022, Unaudited)

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	$ 19,401	$ 41,505	$ 59,732	$ 96,093	$ 115,491	$ 155,434	$ 176,553	$ 192,621	$ 205,030	$ 218,400
2014		21,157	57,398	81,891	116,086	144,957	169,325	197,634	208,221	220,762
2015			20,399	77,656	108,838	142,824	167,940	186,477	220,210	268,675
2016				35,920	100,738	134,679	158,420	154,170	173,044	214,324
2017					49,448	143,091	192,900	221,634	244,326	281,439
2018						47,046	109,330	129,058	153,093	222,814
2019							62,849	105,455	110,549	136,323
2020								100,394	179,423	212,624
2021									67,100	135,122
2022										52,348
										1,962,831
All outstanding liabilities before 2013, net of reinsurance										42,809
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 1,006,083

(Expressed in thousands of U.S. dollars)

The reconciliation of the net incurred and paid loss development tables to loss and LAE reserves in the consolidated balance sheets is as follows as of December 31, 2022:

Net outstanding liabilities:	
Property	$ 695,492
Casualty	1,006,082
Other short-duration insurance lines	3,889
Loss and LAE reserves, net of reinsurance	1,705,463
Reinsurance recoverable on unpaid claims:	
All segments	1,448,710
Total reinsurance recoverable on unpaid losses	1,448,710
Total gross loss and LAE reserves	$ 3,154,173

Four predominant methods were used to project the portion of liabilities which is incurred but not reported as of December 31, 2022 for each line. The first is Expected Loss Ratio Method. All expected loss ratio methods calculate ultimate loss, and the IBNR component of that loss, using the same formula. Ultimate loss equals earned premium multiplied by the expected loss ratio. IBNR is the difference of the ultimate and reported losses. The second is the Bornhuetter-Ferguson (BF) method. The BF approach involves two assumptions: an expected loss ratio and an expected reporting pattern used to determine the percent of liabilities unreported as of the valuation date. The ultimate loss is determined by calculating an IBNR and adding it to the reported loss. IBNR loss equals the earned premium multiplied by the unreported percentile multiplied by the expected loss ratio. The third method is the IBNR to Earned Premium method. The IBNR to Earned Premium method assumes that IBNR reserves are only required to provide for claims in the process of adjustment. This amount of IBNR reserve depends on the earned premium. IBNR is earned premium multiplied by the IBNR to Earned Premium factor. The final method is the Loss Development Factor Method. Loss development factors are applied to reported losses to calculate ultimate loss indications.

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

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance, (Unaudited years 2-10)

Year	1	2	3	4	5	6	7	8	9	10
Property	31.5%	18.2%	16.4%	3.9%	(10.3%)	23.8%	6.1%	2.7%	1.2%	0.8%
Casualty	17.3%	21.4%	9.5%	11.2%	1.5%	19.4%	11.7%	8.8%	5.0%	5.4%

(Expressed in thousands of U.S. dollars)

NOTE 5 - REINSURANCE

The components of net premiums written and earned, and losses and LAE incurred were as follows for the years ended December 31:

	2022	2021
Premiums written		
Direct	$ 1,149,307	$ 1,019,681
Assumed	1,671,756	1,148,717
Ceded	(1,618,425)	(1,340,451)
Net	1,202,638	827,947
Premiums earned		
Direct	1,040,192	838,524
Assumed	1,709,125	1,024,748
Ceded	(1,634,044)	(1,127,537)
Net	1,115,273	735,735
Losses and LAE		
Direct	586,715	438,894
Assumed	1,374,468	823,505
Ceded	(957,797)	(652,352)
Net	$ 1,003,386	$ 610,047

The Company did not have any reinsurance balances recoverable greater than 3 percent of shareholder's equity as of December 31, 2022 or 2021.

NOTE 6 - RELATED-PARTY TRANSACTIONS AND BALANCES

During 2012, the Company entered an investment management agreement with SPEP, who manages certain of the Company's investments. SPEP charges fees directly to the Company, a limited partner. The expenses paid in 2022 and 2021 were $3,434 and $5,274, respectively.

The Company has entered into various contracts of reinsurance ceded by affiliated companies. The total gross written premium assumed from affiliated companies during the years ended 2022 and 2021 was $709,979 and $390,586, respectively. The Company also cedes to various affiliated companies. The gross premium ceded was $105,951 and $111,963 for 2022 and 2021, respectively. The Company recorded in insurance and reinsurance balances receivable, net reinsurance receivables from affiliated companies of $103,729 and $48,230, respectively, as of December 31, 2022 and 2021. Included in loss and LAE reserves are affiliated balances in the amount of $1,002,515 and $789,051, respectively, as of December 31, 2022 and 2021.

(Expressed in thousands of U.S. dollars)

NOTE 7 - INCOME TAXES

The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At the present time no such taxes are levied in Bermuda.

Certain of the Company's subsidiaries are subject to federal, state or local taxes based upon their countries of incorporation or where they conduct business. Such amounts are immaterial to the consolidated financial statements.

NOTE 8 - DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

Dividend Restrictions

Under Bermuda law, the Company is prohibited from declaring or making payment of a dividend if it fails to meet its minimum solvency margin or minimum liquidity ratio. Prior approval of the Bermuda Monetary Authority is required if the Company's dividend payments would reduce its prior year-end total statutory capital and surplus by 25 percent or more.

Statutory Financial Information

The Company prepares its statutory financial statements in conformity with accounting principles set forth in Bermuda in The Insurance Act 1978, amendments thereto and related regulations. The statutory capital and surplus of the Company was $2,406,536 and $2,575,552 at December 31, 2022 and 2021, respectively. The statutory net income of the Company was $9,093 and $342,123 for the years ended December 31, 2022 and 2021, respectively.

Capital Restrictions

The Company is subject to the Bermuda Solvency Capital Requirement (BSCR) administered by the Bermuda Monetary Authority (BMA). No regulatory action is taken if an insurer's capital and surplus is equal to or in excess of their enhanced capital requirement determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer, which is 120 percent of the enhanced capital requirement. The regulatory targeted capital and the actual statutory capital for the Company was as follows as of December 31:

	2022	2021
Regulatory targeted capital	$ 1,109,859	$ 1,003,814
Actual capital	$ 2,406,536	$ 2,575,552

NOTE 9 - FAIR VALUE MEASUREMENTS

The Company considers fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. U.S GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Fair value measures are based on unadjusted quoted market prices in active markets for identical securities. The fair value of securities included in this category was based on quoted prices that are readily and regularly available in an active market. Level 1 assets include equities and certain fixed maturity securities.

Level 2 - Fair value measures are based on observable inputs, such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. Assets which generally are included in this category may include states, municipalities and political subdivisions fixed maturities, corporate bonds and redeemable preferred stocks, mortgage backed securities and asset backed securities and other.

Level 3 - Fair value measures are based on inputs that are unobservable and significant to the overall fair value measurement and may involve management judgment. Assets included in this category generally include private equity placements. Fair value is based upon independent appraisals, from third party sources, however, in some instances current valuation information, for illiquid securities or securities in markets that are not active, may not be available from any third party source or fund management may conclude that the valuations that are available from third party sources are not reliable. In these instances fund management may perform model-based analytical valuations that may be used to value these investments. Based upon the fact that the investments carried at NAV may be adjusted based upon management's assumptions, these investments are classified as level 3 investments.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

The Company's policy is to record transfers of assets among levels at their fair values at the end of each reporting period consistent with the date of the determination of fair value. Transfers from Level 1 are recorded when the investment is no longer transacted with sufficient frequency or volume in an active market, and vice-versa. Investments are transferred into Level 3 when a significant input cannot be corroborated with observable market data or when market activity has dramatically decreased and underlying inputs cannot be observed, current prices are not available or substantial differences exist between quotes from market participants. The Company held an investment in Jovo Energy Company which was previously written off prior to January 1, 2020. The investment in Jovo Energy Company was classified as a level 3 investment in 2020 with a fair market value of $61,000 as of December 31, 2020 that was transferred in as a level 3 investment. During 2021, the investment went public on the Chinese market and was transferred out of level 3 classification to a level 2 classification with a fair market value of $112,048 as of December 31, 2022.

(Expressed in thousands of U.S. dollars)

The following table provides the fair value measurements of applicable Company financial assets by level within the fair value hierarchy as of December 31, 2022 and 2021. These financial assets are measured on a recurring basis:

	2022			
	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government agencies	$ 27,515	$ -	$ -	$ 27,515
States, political subdivisions and foreign government securities	-	210,394	-	210,394
Corporate debt securities	-	1,870,161	-	1,870,161
Asset-backed securities	-	341,237	-	341,237
Other	-	312,001	-	312,001
Total fixed maturity securities	27,515	2,733,793	-	2,761,308
Equity securities	6,434	-	-	6,434
Other direct investments	-	112,048	-	112,048
Total assets measured at fair value	$ 33,949	$ 2,845,841	$ -	$ 2,879,790

	2021			
	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government agencies	$ 26,934	$ -	$ -	$ 26,934
States, political subdivisions and foreign government securities	-	200,232	-	200,232
Corporate debt securities	-	1,895,754	-	1,895,754
Asset-backed securities	-	239,797	-	239,797
Other	-	251,313	-	251,313
Total fixed maturity securities	26,934	2,587,096	-	2,614,030
Equity securities	70,894	-	-	70,894
Other direct investments	-	172,473	-	172,473
Total assets measured at fair value	$ 97,828	$ 2,759,569	$ -	$ 2,857,397

(Expressed in thousands of U.S. dollars)

The following table includes information related to the Company's investments in certain other invested assets, including private equity funds, hedge funds and other alternative investments that calculate net asset value per share (or its equivalent). For these investments, which are measured at fair value on a recurring or nonrecurring basis at December 31, 2022, the Company uses the net asset value per share as a practical expedient for fair value.

	2022	
	Fair Value Using Net Asset Value	Unfunded Commitments
Investment category includes:		
Hedge funds	$ 15,254	$ 631
Private equity funds	53,858	8,470
SPEP funds	114,870	34,077
Real estate funds	4,097	1,250
Private debt funds	207,766	118,747
	$ 395,845	$ 163,175

Private equity and SPEP fund investments included above are not redeemable during the lives of the funds, and have expected remaining lives that extend in some cases to ten years. Expected lives are based upon legal maturity, which can be extended at the general manager's discretion, typically in one year increments.

In general, the hedge fund investments included above are redeemable, quarterly, with redemption notices ranging from 1 day to 180 days.

NOTE 10 - FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, investments at fair value and accrued investment income.

Fair Values

The carrying value of cash and cash equivalents, accrued investment income, funds withheld, accounts payable and accrued liabilities and due to related party approximate fair value due to their short term nature. Insurance assets and liabilities are excluded from the fair value disclosures.

NOTE 11 - EQUITY METHOD INVESTMENTS

On May 31, 2011, the Company purchased a 20 percent equity interest in Starr Property & Casualty Insurance (China) Company, Limited (Starr China). As a result, the Company acquired Board representation and participation in the policy making process of Starr China.

On May 31, 2022, the Company purchased a 25% equity interest in Starr International Insurance (Thailand) Public Company Limited (Starr Thailand), formerly known as FPG Insurance (Thailand) Public Company Limited. The Company purchased an additional 24% on August 31, 2022.

(Expressed in thousands of U.S. dollars)

The investments are considered equity method investments by the Company and are recorded under the equity method. Details of the investments at the date of acquisition are as follows:

	Starr China	Starr Thailand
Cash including acquisition expenses and capital expenditures	$ 62,448	$ 8,771
Net equity at date of acquisition	27,092	5,002
Goodwill	$ 35,356	$ 3,769

The following is the aggregated summary financial information of Starr China as of and for the years ended December 31, 2022 and 2021:

	2022	2021
Balance sheet information:		
Total assets	$ 899,568	$ 974,053
Total liabilities	733,234	790,562
Net equity	$ 166,334	$ 183,491
Statements of operations information:		
Total revenue	$ 100,004	$ 101,580
Total expenses	101,055	100,084
Net income	$ (1,051)	$ 1,496

The following is the aggregated summary financial information of Starr Thailand as of and for the years ended December 31, 2022:

	2022
Balance sheet information:	
Total assets	$ 50,215
Total liabilities	39,579
Net equity	$ 10,456
Statements of operations information:	
Total revenue	$ 11,890
Total expenses	12,531
Net income	$ (641)

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company may be involved in various legal proceedings and claims which arise in the ordinary course of its business. While any litigation contains an element of uncertainty, management and counsel believe that the outcome of such litigation will not have a material adverse effect on the Company's financial position or results of operations.

The Company’s direct wholly-owned subsidiary, Starr International Insurance (Asia) Limited, a non-life insurance company organized under the laws of Hong Kong (Starr International Insurance Asia), participated in certain treaty reinsurance agreements during 2021 and 2022 in regard to certain insurance policies issued by Fubon Insurance Co., Ltd. (Fubon) that offered coverage for certain certifiable infectious disease and/or vaccination protection insurance related risks (CID and Vaccination Treaties). Fubon is seeking reimbursement under the CID and Vaccination Treaties for claims that Fubon advised it has paid ostensibly pursuant to the underlying insurance policies (CID and Vaccination Claims). Starr International Insurance Asia has taken the position that it is not liable to reimburse Fubon as demanded, under applicable law and/or underlying insurance and reinsurance terms and conditions. Any liability ultimately incurred by Starr International Insurance Asia under the CID and Vaccination Treaties with respect to the CID and Vaccination Claims has been or will be retroceded by Starr International Insurance Asia to the Company pursuant to an existing reinsurance agreement between Starr International Insurance Asia and the Company.

NOTE 13 - VARIABLE INTEREST ENTITIES

A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity.

The primary beneficiary of a VIE is required to consolidate the entity. The primary beneficiary is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE.

The Company's exposure to VIE's primarily relates to ownership of limited partner interests in investment partnerships. Many investment partnerships are VIE's under ASU No. 2015-02, *Consolidation (Topic 810)* because the limited partners as a group lack kick-out or participating rights. The Company is not involved in the design or establishment of the investment partnerships, nor does it hold the general partner interest in the investment partnerships or otherwise actively participate in the management of the partnerships, and therefore does not direct investment activities of the VIE's. Therefore, the Company lacks power over the relevant activities of the vehicles and consequently does not qualify as the primary beneficiary. The Company is exposed to losses when the values of the investments held by the investment partnerships decrease. The Company's maximum exposure to loss equals the Company's share of the investment partnerships.

As of December 31, 2022 and 2021, the Company's total VIE assets and maximum exposure to loss from investment partnerships is $395,845 and $534,674, respectively.

The Company is also a passive investor in commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLO) and other asset-backed securities (ABS). By design, CMBS, CLO and ABS securitization entities are not adequately capitalized and therefore considered VIE's. The Company's investments in these securities are passive in nature and do not obligate the Company to provide any financial or other support to the issuer entities. Based on passive involvement in these types of securities, management has determined that the Company is not the primary beneficiary of these entities. These investments have been accounted for as available-for-sale securities which are disclosed in Note 3 and are not included in the total VIE assets or maximum exposure to loss figures presented above.

NOTE 14 - SUBSEQUENT EVENTS

The Company evaluated subsequent events for recognition or disclosure through April 28, 2023, the date the consolidated financial statements were available to be issued.