Enhanzed Reinsurance Ltd.

Financial Statements

(with Report of Independent Auditors)

December 31, 2022 and 2021

Enhanzed Reinsurance Ltd.
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May 31, 2023

Report of Independent Auditors

To the Board of Directors and Shareholder of Enhanzed Reinsurance Ltd.

Opinion

We have audited the accompanying financial statements of Enhanzed Reinsurance Ltd. (the "Company"), which comprise the balance sheet as of December 31, 2022, and the related statement of operations and comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, including the related notes (collectively referred to as the "financial statements").

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

Basis for opinion

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

Other Matter

The financial statements of the Company as of December 31, 2021 and for the year then ended were audited by other auditors whose report, dated April 29, 2022, expressed an unmodified opinion on those statements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 one year after the date the financial statements are available to be issued.

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Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional scepticism 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required supplemental information

Management has omitted the required supplemental information pertaining to Short-Duration Contracts disclosures that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinion on the basic financial statements is not affected by this missing information.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Enhanzed Reinsurance Ltd.

Balance Sheet

As at December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars, except share data)

	Note(s)	2022	2021
Assets			
Cash and cash equivalents		$ 326,276	$ 192,819
Fixed-income investments	4	77,007	48,687
Equity investments	4	55,238	684,829
Other investments		80,723	—
Funds withheld	4	—	2,743,950
Deferred charge asset	8	—	71,163
Deferred acquisition costs	8	—	43,929
Other assets		998	521
Total assets		**540,242**	**3,785,898**
Liabilities			
Reserves for losses and loss adjustment expenses	6	—	1,202,715
Future policyholder benefits	7	—	1,558,691
Subordinated notes		—	70,000
Reinsurance balances payable		—	79,407
Unearned premium		—	6,968
Other liabilities		414,435	3,919
Total liabilities		**414,435**	**2,921,700**
Equity			
Common shares	9	544	3,029
Additional paid-in capital		122,456	325,148
Retained earnings		2,807	536,021
Total shareholder's equity		**125,807**	**864,198**
Total liabilities and shareholder's equity		**$ 540,242**	**$ 3,785,898**

The accompanying notes are an integral part of the financial statements

Enhanzed Reinsurance Ltd.

Statement of Operations and Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars, except share data)

		2022		2021
Income				
Premium income	$	4,274	$	40,997
Net investment (loss) income		(438,445)		37,454
Gain on novation		389,326		—
Total (loss) income		**(44,845)**		**78,451**
Expenses				
Losses and loss adjustment expenses		(74,461)		110,857
Policyholder benefit expenses		4,076		17,542
Financing and interest expenses		2,866		3,850
Operating expenses		5,936		5,915
Foreign exchange gains		(18,087)		(2,430)
Total expenses		(79,670)		135,734
Net income (loss)		**34,825**		**(57,283)**
Comprehensive income (loss)	**$**	**34,825**	**$**	**(57,283)**

The accompanying notes are an integral part of the financial statements

Enhanzed Reinsurance Ltd.

Statement of Changes in Shareholder's Equity

For the years ended December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars, except share data)

	2022	2021
Common shares		
Common shares at beginning of year ($1.00 par 3,029,174 issued and outstanding)	$ 3,029	$ 3,029
Common shares repurchased and cancelled during the year	(2,485)	—
Common shares at end of year	**544**	**3,029**
Additional paid in capital		
Additional paid-in capital at beginning of year	325,148	325,148
Return of capital during the year	(202,692)	—
Additional paid-in capital at end of year	**122,456**	**325,148**
Retained earnings		
Retained earnings at beginning of year	536,021	593,304
Net income (loss)	34,825	(57,283)
Dividends paid	(568,039)	—
Retained earnings at end of year	**2,807**	**536,021**
Total shareholder's equity	**$ 125,807**	**$ 864,198**

The accompanying notes are an integral part of the financial statements

Enhanzed Reinsurance Ltd.

Statement of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars)

		2022		2021
Cash flows from operating activities				
Net income (loss)	$	34,825		(57,283)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Realized loss on sale of investments		437,774		697
Unrealized losses (gains) on investments, net of fees		56,083		(53,257)
Amortization		(3,676)		—
Dividend income		—		(1,693)
Gain on Novation		(435,857)		—
Cash received on novation		178,145		—
Gain on Commutation		(25,742)		—
Cash paid on Commutation		(82,000)		—
Change in operational balance sheet items:				
Change in funds withheld		113,077		235,254
Change in deferred charge assets		71,163		(11,101)
Change in deferred acquisition costs		6,641		14,920
Change in prepaid assets		(71)		—
Change in other assets		(66,289)		929
Change in reserve for loss and loss expense		(113,699)		244,100
Change in future policyholder benefits		(256,214)		(446,949)
Change in reinsurance balances payable		(85,787)		26,710
Change in unearned premium		(871)		6,968
Change in other liabilities		9,151		358
Net cash used in operating activities		(163,347)		(40,347)
Cash flows from investing activities				
Purchases of fixed-income investments		(305,797)		(21,723)
Purchases of equity investments		—		(686,004)
Purchases of other investments		(243,000)		—
Proceeds on sale of other investments		—		907,039
Proceeds on sale of fixed-income investments		—		16,190
Proceeds on sale of trading investments		1,032,051		—
Other investing activities		83,550		940
Net cash provided by investing activities		566,804		216,442
Cash flows from financing activities				
Repayments of subordinated notes		(70,000)		—
Dividends		(200,000)		—
Net cash used in financing activities		(270,000)		—
Cash flows from financing activities				
Change in cash and cash equivalents		133,457		176,095
Cash and cash equivalents at beginning of year		192,819		16,724
Cash and cash equivalents at end of year	**$**	**326,276**	**$**	**192,819**
Supplemental Information				
Interest paid in cash during the year	$	2,866	$	3,850

The accompanying notes are an integral part of the financial statements

1. Organization

Enhanzed Reinsurance Ltd. (“Enhanzed Re” or the “Company”) was incorporated in Bermuda on September 8, 2016 as an exempted company. On April 1, 2017, the Company obtained a license from the Bermuda Monetary Authority (“BMA”) to operate as a Class E insurer and reinsurer under the Insurance Act 1978 (the “Act”). On December 13, 2018, the Company obtained an additional license from the BMA to also operate as a Class 4 insurer and reinsurer under the Act.

Following the purchase on August 31, 2021 by Cavello Bay Reinsurance Limited ("Cavello"), a Bermuda company and indirect, wholly-owned subsidiary of Enstar Group Limited ("Enstar"), of the 27.7% interest in the Company previously held by HH ENZ Holdings, Ltd., a limited company incorporated in the Cayman Islands and under the management and control of Hillhouse Capital Management, Ltd. ("Hillhouse"), Cavello owned 75.1% of the Company and Allianz SE, a German company ("Allianz"), owned 24.9% of the Company.

On June 29, 2022, Enhanzed Re paid dividends of $150.2 million and $49.8 million to Cavello and Allianz respectively, in respect of their respective ownership interests in Enhanzed Re as of such date.

On September 28, 2022, the Company closed on a series of transactions to unwind the Company's operations, including i) commuting or novating all of the reinsurance contracts written by the Company (other than the Spanish Life Contract) and ii) repaying $70 million in aggregate principal of subordinated notes issued by the Company to an affiliate of Allianz.

On November 7, 2022, the Company closed on the Novation to Monument Re Limited ("Monument Re") of a retrocession agreement (the Spanish Life Contract) with respect to a closed block of life annuity policies.

On December 28, 2022, the Company repurchased (the "Share Buybacks") i) the entire 24.9% ownership interest in the Company previously held by Allianz, and ii) a portion of the ownership interest in the Company held by Cavello. Following the Share Buybacks, the Company became a wholly-owned subsidiary of Cavello.

The Company has engaged Enstar Limited, a company incorporated in Bermuda and a wholly-owned subsidiary of Enstar, to act as its reinsurance manager pursuant to a services agreement.

2. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The term “ASC” used in these notes refers to Accounting Standard Codification issued by the United States Financial Accounting Standards Board (the “FASB”).

Use of estimates and judgements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes the amounts included in the financial statements reflect management's best estimates and assumptions, actual results could differ from those estimates. The principal estimates recorded in the Company's financial statements include:

- Valuation of financial instruments including derivatives.

In addition the prior year principal estimates included the following:

- Valuation of reserves for losses and loss adjustment expenses;
- Valuation of future policyholder benefits;
- Determination of Deferred Charge Asset ("DCA"); and
- Determination of Deferred Acquisition Costs (“DAC”).

The Company is also subject to economic factors such as interest rates, inflation, foreign exchange rates, adverse reserve developments, regulation, tax policy changes, political risks and other market risks that can impact its strategy, operations, and results.

There are no reserves for losses and loss adjustment expenses, future policy benefits, DCA or DAC recorded in the balance sheet at December 31, 2022 as a result of the transactions that occurred during the year as described in Note 1.

Reinsurance

Reinsurance accounting as described by ASC 944 – Financial Services – Insurance ("ASC 944") is applied to contracts assumed where there is an identifiable insurable event and there is the potential to incur a liability, referred to as risk transfer. To meet the risk transfer requirements for short-duration contracts the agreement must subject the assuming entity to significant insurance risk in the timing and amount of claims, and there is a reasonable possibility of incurring a significant loss. To meet the risk transfer requirements for long-duration contracts the agreement must transfer mortality or morbidity risk and subject the assuming entity to a reasonable possibility of incurring a significant loss. Those contracts that do not meet the criteria of risk transfer are to be accounted for using deposit accounting.

As Enhanzed Re historically underwrote both property and casualty reinsurance on a retroactive and prospective basis as well as life reinsurance the significant accounting policies for each type of contract were as follows:

Retroactive reinsurance

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered by the underlying policies reinsured. If, at the inception of a retroactive reinsurance contract, the estimated undiscounted ultimate losses payable are in excess of the premiums received, a DCA is recorded for the excess within the balance sheet. The premium consideration that is received from the ceding companies may be lower than the undiscounted estimated ultimate losses payable. It is expected that profits will be generated from these retroactive reinsurance policies when taking into account the premium received and expected investment income, less contractual obligations and expenses. The DCA is amortized utilizing the recovery method to losses and loss adjustment expenses within the statement of operations.

DCA amortization is adjusted at each reporting period to reflect new estimates of the amount and timing of remaining loss payments. Changes in the estimated amount and the timing of payments of unpaid losses may have an effect on the unamortized DCA and the amount of periodic amortization. DCA's are assessed at each reporting period for impairment. If the asset is determined to be impaired, it is written down in the period in which the determination is made.

Premiums received as part of retroactive reinsurance agreements are not recorded within the Statement of Operations and Comprehensive Income but were presented within the Balance Sheet within funds withheld.

Prospective reinsurance

Prospective reinsurance reimburses a ceding company for potential liabilities incurred as a result of future insurable events covered by the underlying policies reinsured. Premiums received as part of prospective reinsurance are earned on a pro-rata basis over the period of coverage provided to the insured. Unearned premiums represent the portion of premiums written that relate to the unexpired period of coverage provided to the insured.

Life reinsurance

Life reinsurance reimburses a ceding company for liabilities incurred as a result of mortality or morbidity risk of insureds. Contracts are assessed under ASC 944 to determine if they possess significant mortality or morbidity risk, those contracts that do not possess significant mortality or morbidity risk are considered investment contracts. For life reinsurance contracts assumed, assets and liabilities are presented gross on the balance sheet. For Investment type contracts covered by Statement of Financial Accounting Standards number 97 ("FAS 97"), the assumption of this business does not constitute revenue or expenses within the Statement of Operations and Comprehensive Income.

The consideration received for life reinsurance contracts is calculated as the fair value of the assets received net of commissions, brokerage, or fronting fees. If, at the inception of the reinsurance contract, the fair value of the consideration received does not equal the liabilities assumed the difference is recognized as DAC.

DAC related to FAS 97 insurance contracts is amortized over the lives of the policies based upon the deferred costs to the present value of expected gross profits to be earned over the life of the polices. Expected gross profits are determined using accepted actuarial methods relating to estimated policyholder actions and investment returns. Gross profits include estimated investment yields, benefits expenses, asset management costs, and policy administrative costs. Each reporting period key assumptions used in calculations are revised and updated amending the expected gross profit. The effects of changes in the assumptions are recorded as unlocking adjustments in the period in which the change occurs. On an annual basis, an assessment is completed to assess the recoverability of unamortized DAC. To the extent that DAC is not recoverable it is expensed in the period.

Commutations and Novations

The gain on the novation of the Spanish Life Contract was shown as a separate line in the Statement of Operations and Comprehensive Income.

Gains (losses) on novations and commutations of the reinsurance contracts are included in loss and loss adjustment expenses in the Statement of Operations and Comprehensive Income.

Reserves for losses and loss adjustment expenses

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

The Company's reserves for losses and loss adjustment expense reserves included case reserves, reserves for losses incurred but not reported ("IBNR"), allocated loss adjustment expense (“ALAE”) and unallocated loss adjustment expense (“ULAE”) reserves.

Inherent in the estimate of ultimate reserves for losses and loss adjustment expenses are expected trends in claim severity and frequency and other factors that may vary significantly as claims are settled. Accordingly, ultimate losses and loss adjustment expenses may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes available, the reserves may be adjusted as necessary. Such adjustments, if any, are recorded in the Statement of Operations and Comprehensive Income within losses and loss adjustment expenses in the period in which they become known.

Future policyholder benefits

The Company’s life reinsurance contract included traditional single payment premium immediate annuities, life contingent deferred annuities, and life-contingent whole of life policies all possessing significant mortality risk in the form of longevity risk. Future policyholder benefit provisions were established based on the present value of anticipated future cash flows and are based on estimates of future investment yields and mortality rates. Management’s assumptions include provisions for adverse deviation.

Management’s best estimate of mortality rates, investment yields, and policy expenses were determined by reference to cedant historical data, regional mortality tables, and industry standards. The provision for future policyholder benefits, therefore, is subject to uncertainty and ultimate future policyholder benefits may differ materially from the amounts recorded in the financial statements. These estimates were reviewed regularly and, as experience develops, and new information becomes available the provisions are adjusted as necessary. Such adjustments, if any, were recorded in the Statement of Operations and Comprehensive Income within policyholder benefit expenses in the period in which they become known.

Cash and cash equivalents

Cash equivalents include highly liquid instruments, such as money market funds and other time deposits with commercial banks and financial institutions which have maturities of less than three months from the date of purchase.

Financial instruments and net investment income

Fixed income securities

The Company classifies all of its fixed-income investments as trading carried at fair value with changes in fair value included in net investment income.

Equity investments

The Company holds equity investments in hedge funds and exchange-traded funds (ETFs). These investments are carried at fair value with realized and unrealized gains and losses included in net investment income and recorded as net realized and unrealized gains and losses, respectively.

Other investments, at fair value

Other investments include investments in hedge funds, private equity funds and collateralized loan obligation ("CLO") equity funds that carry their investments at fair value.

Funds withheld assets

Under funds withheld ("FWH") arrangements, the reinsured companies retained funds that would otherwise have been remitted to the Company. While the assets in the FWH were legally owned by the ceding company, the Company was subject to the investment performance and had all economic rights and obligations on the FWH in a fashion similar to invested assets held directly by the Company. The FWH balance was carried at cost and was credited with premiums and investment income, with losses payable and acquisition costs being deducted. The investment returns on the funds held balance were recognized in net investment income.

In instances where the Company was the beneficiary of actual investment returns generated by assets supporting FWH assets, reinsurance agreements written on a FWH coinsurance or modified co-Insurance basis may contain embedded derivatives. In circumstances where the Company was the beneficiary of the investment returns generated by underlying securities within a portfolio the exposure is not considered clearly and closely linked to the host reinsurance contract and thus these contracts contain embedded derivatives as defined by *ASC 815 – Derivatives and Hedging*. The methodology and assumptions used to estimate the fair value of the embedded derivative are consistent with those described within *Note 2.8 Fair value measurement*. The fair value of embedded derivatives on FWH agreements were computed as the unrealized gain (loss) on the underlying assets and were included in funds withheld on the Balance Sheet. The change in the fair value of the embedded derivatives was recorded in net investment income within the Statement of Operations and Comprehensive Income.

Subordinated notes

Subordinated notes were issued to an affiliate at par value for a fixed coupon rate payable biannually. The subordinated notes were carried at par value with finance expenses, in relation to the stated coupon rates, being recognized within the Statement of Operations and Comprehensive Income within financing and interest expenses. The proportion of incurred but not paid coupon costs were recorded within other liabilities on the Balance Sheet.

Fair value measurement

The Company determines fair value in accordance with current accounting guidance, which defines fair value and establishes a three-level fair value hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Fair value is defined as the price that the Company would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date. An asset or liability's categorization within the fair value hierarchy is based on the lowest level of significant input 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 products does not entail a significant degree of judgement.

- 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 following methods and assumptions are used in estimating the fair value of each class of financial instruments recorded on the Balance Sheet:

a) Fixed-income investments

Fair values for fixed-income financial instruments are obtained from pricing services and asset managers based on observable market inputs including quoted prices for identical assets, or similar assets. Additionally, the pricing services and asset managers incorporate a variety of market observable information in the valuation techniques including broker quotes, bid prices, ask prices, benchmark yields, issuer spreads, credit quality, loss given default rates, and projected cash flows for the security.

b) Equity investments

Fair values for equity investments were obtained from an internationally recognized pricing service and asset managers. The fair values of these investments are based on unadjusted quoted prices in active markets for identical assets or observable market data and have been classified as either Level 1 or Level 2 securities.

c) Other investments, measured at fair value using NAV as a practical expedient

We use NAV as a practical expedient to fair value certain of our other investments.

d) Funds withheld embedded derivative

The fair value of embedded derivatives were based on the change in fair value of the underlying assets supporting the funds withheld and represented the component of the financial instrument which was not clearly and closely linked to the host insurance contract. Most of the funds withheld financial instrument values were obtained from cedants and asset managers and were based on observable market inputs including quoted prices for identical assets, or similar assets. Additionally, the cedants and asset managers incorporated a variety of market observable information in the valuation techniques including broker quotes, bid prices, ask prices, benchmark yields, issuer spreads, credit quality, loss given default rates, and projected cash flows for the security.

Certain funds withheld securities were structured products which were utilized to achieve asset-liability-matching requirements and to reduce the Company’s exposure to credit risk. Management utilized observable benchmark yields, issuer spreads, issuer credit ratings, loss given default rates, and probability of default rates to discount the future cash flows to derive the fair value of these structured products.

The following describes the techniques generally used to determine the fair value of fixed-income investments by sub-asset class, including the investments underlying the funds withheld - actively managed.

- U.S. and non-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, or consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs used to determine the fair value of these securities 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 as Level 2.

- 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 as 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 as Level 2.

- Asset-backed and commercial and residential mortgaged-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, prepayment speeds and default rates. These are considered observable market inputs and therefore the fair value of these securities are classified as Level 2.

- ◦ Structured products consist of funds withheld securities which are utilized to achieve asset-liability matching requirements. The Company utilizes observable benchmark yields, issue spreads, issuer credit ratings, loss given default rates, and probability of default rates to discount the future cash flows to derive the fair value of these investments.

Other financial instruments carrying value approximates fair value.

Foreign exchange

The Company's reporting currency is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate in effect at the balance sheet date with the resulting foreign exchange gains and losses included in foreign exchange losses within the Statement of Operations and Comprehensive Income. Non-monetary assets and liabilities are not revalued. Foreign currency revenues and expenses are translated at transaction date exchange rates or using an appropriately weighted average exchange rate for the reporting period.

Recent accounting pronouncements

The Financial Accounting Standards Board ("FASB") issues periodic updates in the form of Accounting Standards Updates ("ASU"). The Company has evaluated the impact of ASU's recently adopted and those issued but not yet adopted.

New Accounting Standards Adopted in 2022

ASU 2021-04 - Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity - Classified Written Call Options

In May 2021, the FASB issued ASU 2021-04 which requires issuers to account for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after the modification or exchange based on the economic substance of the modification or exchange. Under the ASU, an issuer considers the facts and circumstances of a modification or exchange and accounts for the resulting change in fair value of the written call option based on whether the transaction was done to issue equity, to issue or modify debt, or for other reasons. The guidance clarifies that to the extent applicable, issuers should first reference other GAAP to account for the effect of a modification. If other GAAP is not applicable, the guidance clarifies whether to account for the modification or exchange as either (i) an adjustment to equity, or (ii) an expense.

The adoption of ASU 2021-04 did not have an impact on our financial statements and disclosures.

Recently issued but not yet adopted accounting pronouncements

In June 2016, the FASB issued *ASU 2016-13*, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, (“ASU 2016-13”) and then issued further ASU’s regarding codification improvements to the issued guidance. ASU 2016-13 provides new guidance to improve the financial reporting by requiring earlier recognition of credit losses on financial instruments. The guidance is applicable to financial assets such as debt securities, loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost as well as certain other off-balance sheet credit exposures. The Company’s invested assets, principally fixed income and other investments are measured at fair value through net income and thus would not be impacted by the adoption of ASU 2016-13. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of the guidance; however, it is not expected to have a material impact on the Company’s Balance Sheet or Statement of Operations and Comprehensive Income.

ASU 2018-12 - Targeted Improvement to the Accounting for Long-Duration Contracts

In August 2018, the FASB issued ASU 2018-12 and subsequently issued ASUs 2019-09 and 2020-11 serving to defer the effective date of implementation. These updates:

- Require at least annual review of assumptions used to determine the provision for future policyholder benefits with the recognition of any resulting re-measurement gains or losses, excluding those related to discount rate changes, in the consolidated statement of earnings;
- Use upper-medium grade fixed-income instrument discount rates to discount future cash flows with the impact of these changes recognized in other comprehensive income; and
- Introduce new disclosure requirements around the provisions for future policyholder benefits, policyholder account balances, market risk benefits, separate account liabilities, and DAC, which includes information about significant inputs, judgments, assumptions and methods used in measurement.

This standard is not required to be adopted by private entities until January 1, 2025. Given the wind down of the Company we do not currently expect this standard to have a significant impact on our financial statements and disclosures.

3. Significant New Business

Significant new business in 2021
Effective May 26, 2021, the Company entered into a quota share agreement on a funds withheld basis with Cavello. Through the agreement, the Company provides reinsurance for risks related to certain energy liability, construction liability and homebuilders liability exposures.

Effective July 1, 2021, the Company entered into a quota share agreement on a funds withheld basis with Cavello. Through the agreement, the Company provides reinsurance for risks related to excess workers' compensation exposures.

Effective September 15, 2021, the Company entered into a quota share agreement on a funds withheld basis with Cavello. Through the agreement, the Company provide an in-the-money adverse development cover (ADC) for risks relating to certain long-tail casualty lines of business.

All contracts were novated in 2022.

(Expressed in thousands of U.S. dollars, except share data)

4. Financial instruments

Funds withheld

As described in *Note 2 – Summary of Significant Accounting Policies* the Company's funds withheld arrangements included both portfolios of assets which were actively managed and traditional funds withheld arrangements which were non-managed. The table below demonstrates the breakdown of actively managed and non-managed funds withheld as of December 31, 2022 and 2021.

	2022	**2021**
Funds withheld – actively managed	—	2,292,140
Funds withheld – non-managed	—	451,810
Total Funds withheld	—	2,743,950

Funds withheld – actively managed

As described in *Note 2 – Summary of Significant Accounting Policies,* the Company was exposed to returns which were not clearly and closely linked to the host reinsurance contract. These variable returns reflected the economics of the investment portfolios underlying the funds withheld asset and qualified as an embedded derivative in accordance with *ASC 815 – Derivatives and Hedging*. Management recorded the aggregate value of the funds withheld, at cost, and the embedded derivative as a single amount on the balance sheet. The below table illustrates the fair value of derivative instruments and resultant asset or (liability) recognized within the Balance Sheet and gain or loss in the Statement of Operations and Comprehensive Income:

Affiliated cedant	Balance Sheet location	**2022 Fair value**	**2021 Fair value**
Allianz	Funds withheld	—	(669)
Cavello	Funds withheld	—	(392)
Total		—	(1,061)

Affiliated cedant	Statement of Operations location	**2022 Fair value**	**2021 Fair Value**
Allianz	Net investment loss	(374,898)	(63,511)
Cavello	Net investment loss	(25,498)	(3,098)
Total		(400,396)	(66,609)

(Expressed in thousands of U.S. dollars, except share data)

The following tables summarize the components, asset type, credit ratings, and maturities of the underlying portfolio of fixed income investments for the treaties that the Company received a variable rate of return for funds withheld – actively managed.

Funds withheld component:

	2022 Fair value	2021 Fair Value
Fixed-income investments	—	2,049,128
Cash and cash equivalents	—	215,395
Exchange-traded fund	—	27,017
Other assets	—	600
Total	—	2,292,140

Funds withheld underlying fixed income portfolio asset types:

	2022 Fair value	2022 %	2021 Fair value	2021 %
Structured products	—	—%	483,750	23.6%
Corporate debt securities	—	—%	964,408	47.1%
Government	—	—%	327,712	16.0%
Asset Backed Securities, Collateralized Loan Obligations, and Mortgage Backed Securities	—	—%	243,861	11.9%
Municipal	—	—%	29,397	1.4%
Total	—	—%	2,049,128	100.0%

Funds withheld underlying fixed income portfolio credit ratings:

	2022 Fair value	2022 %	2021 Fair value	2021 %
AAA	—	—%	320,471	15.6%
AA	—	—%	575,201	28.1%
A	—	—%	311,453	15.2%
BBB	—	—%	356,757	17.4%
BB or lower	—	—%	485,246	23.7%
Total	—	—%	2,049,128	100.0%

(Expressed in thousands of U.S. dollars, except share data)

Funds withheld underlying fixed income portfolio maturities:

	2022 Fair value	2022 %	2021 Fair value	2021 %
Due in one year or less	—	—%	9,296	0.5%
Due after one through five years	—	—%	90,725	4.4%
Due after five through ten years	—	—%	325,510	15.9%
Due after ten years	—	—%	1,559,882	76.1%
Asset-backed	—	—%	63,594	3.1%
Residential mortgage-backed	—	—%	121	—%
Commercial mortgage-backed	—	—%	—	—%
Total	—	—%	2,049,128	100%

Investments by asset type

The following table represents the Company's investments by asset type:

	2022 Fair value	2022 %	2021 Fair value	2021 %
Fixed income investments				
Corporate debt securities	54,873	25.8%	23,741	3.2%
Asset Backed Securities, Collateralized Loan Obligations, and Mortgage Backed Securities	19,817	9.3%	19,875	2.7%
Government	1,234	0.6%	3,708	0.5%
Other government	177	0.1%	—	—%
Municipal	906	0.4%	1,363	0.2%
Fixed-income investments	77,007	36.2%	48,687	6.6%
Equity Investments				
Hedge funds	—	—%	15,755	2.2%
Publicly traded equity investment in common and preferred stocks	40,254	18.9%	—	—%
Exchange-traded funds	14,984	7.0%	669,074	91.2%
Equity Investments	55,238	25.9%	684,829	93.4%
Other investments	80,723	37.90%	—	—%
Investments	212,968	100%	733,516	100%

(Expressed in thousands of U.S. dollars, except share data)

Net investment (loss) income sources

The following table presents the sources of net investment (loss) income:

	2022	2021
Fixed-income investments, net of investment expenses	(3,272)	(360)
Equity investments, net of investment expenses	(18,092)	(1,176)
Other investments, net of investment expenses	(21,408)	55,605
Funds withheld, net of investment expenses	(395,673)	(16,620)
Other income, net of investment expenses	—	5
Net investment (loss) income	(438,445)	37,454

Net Investment (loss) income components

The following table presents the components of net investment (loss) income:

	2022	2021
Interest income	55,556	1,133
Realized losses	(437,918)	(697)
Unrealized (losses) gains	(56,083)	37,018
Net investment (loss) income	(438,445)	37,454

Fixed income investments by asset rating

The following table represents the Company’s total fixed income investments by asset rating.

	2022 Fair value	2022 %	2021 Fair value	2021 %
AAA	17,946	23.3%	19,669	40.4%
AA	1,902	2.5%	3,285	6.7%
A	9,086	11.8%	9,413	19.3%
BBB	14,530	18.9%	14,069	28.9%
BB or lower	33,543	43.6%	2,251	4.7%
Fixed-income investments	77,007	100%	48,687	100%

(Expressed in thousands of U.S. dollars, except share data)

Fixed income investments by contractual maturity

The table below shows fair value of the Company's total fixed income investments by contractual maturity. Actual maturities may differ in individual cases from the contractual maturities because issuers may have the right to call or prepay obligations with or without penalty.

	2022 Fair value	2022 %	2021 Fair value	2021 %
Due in one year or less	1,630	2.1%	502	1.0%
Due after one through five years	41,089	53.4%	10,586	21.7%
Due after five through ten years	10,760	14.0%	14,297	29.4%
Due after ten years	3,711	4.8%	19,508	40.1%
Asset-backed	3,719	4.8%	3,794	7.8%
Residential mortgage-backed	10,506	13.6%	—	—%
Commercial mortgage-backed	5,592	7.3%	—	—%
Fixed-income investments	77,007	100%	48,687	100%

5. Fair value measurements

At December 31, 2022, the Company's financial instruments are generally measured at fair value between Levels 1, 2 and 3. The Company's other investments are measured at fair value using NAV as a practical expedient and have not been classified with the fair value hierarchy described but disclosed as a separate line item as NAV:

	December 31, 2022				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed-income investments	—	77,007	—	—	77,007
Equity investments	40,254	14,984	—	—	55,238
Other investments	—	—	—	80,723	80,723
Total investments	40,254	91,991	—	80,723	212,968

	December 31, 2021				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed-income investments	—	48,687	—	—	48,687
Funds withheld embedded derivative	—	(1,061)	—	—	(1,061)
Equity investments	—	684,829	—	—	684,829
Total investments	—	732,455	—	—	732,455

At December 31, 2021 the 5.50% subordinated notes due 2031 were carried at amortized cost of $70.0 million and the fair value of the subordinated notes based on observable market inputs was $75.8 million. The subordinated notes were repaid in September 2022. The carrying value of other financial instruments approximates fair value.

There were no transfers of investments between levels as at December 31, 2022 or December 31, 2021.

At the beginning of 2021, the Company had other investments which included an investment in a limited partnership fund ("ENZ RE Fund") managed by an affiliate of its former shareholder, Hillhouse. These investments were stated at fair value, which ordinarily is the most recently reported net asset value ("NAV") as advised by the respective fund manager or administrator. The ENZ RE Fund was carried at fair value with changes in fair value included in net investment income. During March 2021, the winding up of the ENZ RE Fund commenced and the Company received its entire interest in the fund by December 31, 2021.

(Expressed in thousands of U.S. dollars, except share data)

6. Reserves for losses and loss adjustment expenses

Reserves for losses and loss adjustment expense summaries

The reserves for losses and loss adjustment expense, also referred to as loss reserves, represented the Company's estimate of the gross future amount to be paid in settlement of its ultimate liabilities for claims arising under reinsurance contracts that have occurred at or before the balance sheet date. The Company recognized loss reserves in three main categories:

- *Outstanding loss reserves* – represented loss reserves for reported unpaid losses and loss adjustment expenses and include allocated loss adjustment expenses which were linked to the settlement of an individual claim or loss;
- *IBNR reserves* – represented loss reserves for losses and loss adjustment expenses that have not yet been reported, under reported, or development on known claims, and claims that are reopened; and
- ULAE reserves – represented loss reserves for the Company's estimate of future costs to administer the claims and settlement processes.

The following table summarizes the loss reserves as at December 31, 2022 and December 31, 2021 by the stated categories:

	2022	2021
Outstanding loss reserves	—	552,523
IBNR reserves	—	606,618
ULAE reserves	—	43,574
Total	—	1,202,715

(Expressed in thousands of U.S. dollars, except share data)

The following table provides a reconciliation of the beginning and ending reserves for losses and loss adjustment expenses for the years ended December 31, 2022 and December 31, 2021:

	2022	2021
Reserves for losses and loss adjustment expenses, beginning of year	1,202,715	958,615
Reserves for losses and loss adjustment expenses assumed in the year	—	252,619
Foreign exchange (loss) gain	(27,854)	(2,184)
Increase (decrease) in net reserves for losses and loss adjustment expense in respect of losses occurring in:		
Current year	—	117,471
Prior years	(145,694)	(26,450)
Total net incurred losses and loss adjustment expenses	(145,694)	91,021
Net losses and loss adjustment expenses paid in respect of losses occurring in:		
Current year	—	—
Prior years	(432,112)	(97,356)
Total net paid losses and loss adjustment expenses	(432,112)	(97,356)
Novation of contracts	(597,055)	—
Reserves for losses and loss adjustment expenses, end of year	—	1,202,715

The following table provides a reconciliation of the total net incurred losses and loss adjustment expenses to the losses and loss adjustment expenses for the years ended December 31, 2022 and December 31, 2021:

	2022	2021
Total net incurred losses and loss adjustment expenses	(145,694)	91,021
Net Commissions, Federal Excise Tax, Brokerage and Bad Debt Expenses (Recoveries)	69	9,263
DCA amortization	71,164	10,573
	(74,461)	110,857

For the year ended December 31, 2022 the Company recorded a reduction of $145 million in incurred losses. These relate predominately to the commutation of certain contracts within the Company during 2022. Other movements comprise paid losses of $432 million and foreign exchange movements of $28 million, and the impact of contracts novated of $597 million.

For the year ended December 31, 2021 the Company recorded $91 million in incurred losses. These relate predominately to $117.5 million of losses on the CAT21 program due to various CAT events (European Convective Storm, German Flooding and Hurricane Ida) and losses of $10.4 million related to COVID-19, partially offset by favorable development of $37.3 million on retroactive deals. Other movements comprise paid losses of $97.4 million and reserves for losses and loss adjustment expenses assumed in the year of $252.6 million.

Methodology for establishing reserves for losses and loss adjustment expense

Reserves for losses and loss adjustment expenses included amounts determined from reported claims, case reserves, and an amount based on historical loss experience and industry statistics for IBNR. Management considers the reasonableness of reserves for losses and loss adjustment expenses recommended by the Company's actuaries and actuarial services provided by service providers.

Case loss reserves were recognized for known claims, including the cost of litigation, when sufficient information has been reported to indicate the involvement of a specific treaty. Considerable judgement was used in estimating losses of reported claims on an individual claim basis based upon knowledge of the circumstances surrounding the claim, the severity of the injury or damage, the jurisdiction of the occurrence, the potential for ultimate exposure, the type of loss, and the historical experience with these loss types and circumstances relating to a particular claim. The reserves for losses and loss adjustment expenses were established by management based on reports from ceding companies and represent the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by management. Additionally, facts regarding current state of law and coverage litigation were considered in these assessments.

IBNR loss reserves were established by management based on actuarially determined estimates of ultimate losses and loss adjustment expenses. Generally accepted actuarial methodologies were utilized to estimate ultimate losses and loss adjustment expenses and were reviewed by management. In addition, the routine settlement of claims that deviate from the carried advised loss reserves, and updates to historical loss development information to which actuarial methodologies are applied, often resulted in revised estimates of ultimate losses and loss adjustment expenses.

Estimates of the reserves for losses and loss adjustment expenses were reviewed and updated continually. Developed case law and claim histories are still evolving, especially because significant uncertainty exists about the outcome of coverage litigation and whether past claim experience will be representative of future claim experience. In view of the changes in the legal and tort environment that affect the development of such claims, the uncertainties inherent in valuing WC, and A&E claims are not likely to be resolved in the near future. Ultimate values for such claims cannot be estimated using traditional reserving techniques and there are significant uncertainties in estimating the amount of potential losses for these claims. There can be no assurance that the reserves established by the Company will be adequate or will not be adversely affected by the development of other latent exposures.

In establishing the reserves for losses and loss adjustment expenses related to catastrophe excess of loss liabilities management established case loss reserves based on reports from brokers and cedants. IBNR loss reserves, where applicable, were established by management based on actuarially determined estimate of ultimate losses and loss adjustment expenses which includes expected trends in claim severity, frequency and other factors which may vary significantly as claims are settled.

Management believes that the assumptions used represent a realistic and appropriate basis for estimating the outstanding losses and loss adjustment expenses as of December 31, 2021.

All contracts within the Company were novated or commuted in 2022.

7. Future policyholder benefits

During the year, the Company novated all business assumed from Allianz in respect of its reinsurance agreement covering mortality risks related to the defined benefit pension obligations of certain policyholders, and as a result the Company's future policyholder benefits reduced to nil. The transactions resulted in the acceleration of the amortization of the associated DAC balance at the date of the novation, which is recorded within the gain on novation in the Statement of Operations and Comprehensive Income. Amortization of DAC prior to novation is recorded in policyholder benefit expenses in the Statement of Operations and Comprehensive Income.

(Expressed in thousands of U.S. dollars, except share data)

During the year ended December 31, 2021, $89.4 million in policyholder benefits were paid. Incremental policyholder benefits expenses of $9.9 million were recognized as a result of updated in-force data and yields on investments utilized to determine the present value of future cash flows.

During the year ended December 31, 2021, the Company executed two recapture transactions with Allianz in respect of its reinsurance agreement covering mortality risks related to the defined benefit pension obligations of certain policyholders. Total consideration was $233.6 million and as a result the Company's future policyholder benefits reduced by $255.2 million. The transactions resulted in the acceleration of the amortization of the associated DAC balance which is recorded in policyholder benefit expenses in the Statement of Operations and Comprehensive Income.

Methodology for establishing provision for future policyholder benefits

The provision for future policyholder benefits included provisions for life contingent liabilities assumed as well as other policy benefits for insureds. The future policyholder benefits were equal to the present value of the future benefits payments, related expenses, less any future net premiums.

The mortality and morbidity assumptions were based on cedant historical data, regional mortality tables, and industry standards. The present value of the liabilities were discounted utilizing the discount rate derived from the yield on the assets supporting the liabilities and may include certain reinvestment assumptions. The future policyholder benefits include provisions for adverse deviation.

The table below summarizes the constituents of future policyholder benefits as at December 31, 2021:

	2021	2021 %
In-payment annuities	1,084,271	69.5%
Deferred life contingent annuities	290,994	18.7%
Whole of life reversion policies	183,426	11.8%
Total	1,558,691	100%

Management believes that the assumptions used represent a realistic and appropriate basis for estimating the provision for future policyholder benefits as of December 31, 2021.

8. Deferred charge assets and deferred acquisition costs

DCA and DAC relate to differences between the fair value of assets acquired and liabilities assumed for a given reinsurance transaction. DCA is the result of property and casualty business and is shown as a separate line within the Balance Sheet. DAC is the result of life reinsurance business and is shown as a separate line in the balance sheet; this balance may also include qualifying deferrable costs incurred in successful efforts underwriting activities for all business types.

(Expressed in thousands of U.S. dollars, except share data)

The table below summarizes the DCA and DAC amounts included in the Balance Sheet and amortized to the Statement of Operations and Comprehensive Income:

	DCA	DAC
Balance at December 31, 2020	60,062	58,848
Additions	21,674	—
Amortization	(10,573)	(14,920)
Balance at December 31, 2021	71,163	43,928
Amortization	(71,163)	(43,928)
Balance at December 31, 2022	—	—

DCA and DAC were assessed for impairment annually. As a result of the novations and commutations entered into in 2022 amortization was accelerated to fully amortize all DCA and DAC to zero. No impairment was recorded for the year ending December 31, 2021.

9. Share capital

The authorized share capital of the Company at December 31, 2022 and 2021 consisted of 4,380,650 voting common shares of par value $1.00 per share, of which 543,735 are issued, fully paid and outstanding as of December 31, 2022 and after giving effect to the Share Buybacks.

10. Income taxes

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda based upon income or capital gains. The Company has received a written undertaking from the Minister of Finance in Bermuda that in the event of any legislation enacted in Bermuda imposing any tax computed on profits, income, gain or appreciation on any capital asset, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to the Company until the year 2035.

(Expressed in thousands of U.S. dollars, except share data)

11. Related party transactions

The following table summarizes the significant related party balances as at December 31, 2022:

	StonePoint	Enstar	Allianz	Total
Assets				
Other investments	27,786	—	—	27,786
Liabilities				
Other liabilities	—	239,772	173,956	413,728

The following table summarizes the significant related party balances as at December 31, 2021:

	Enstar	Allianz	Total
Assets			
Cash and cash equivalents	—	2,724	2,724
Fixed-income	—	48,687	48,687
Funds withheld	448,705	2,295,245	2,743,950
Deferred charge asset	54,333	16,830	71,163
Deferred acquisition costs	—	43,929	43,929
Other Assets	168	318	486
Liabilities			
Reserves for loss and loss adjustment expenses	426,435	776,280	1,202,715
Future policyholder benefits	—	1,558,691	1,558,691
Subordinated notes	—	70,000	70,000
Reinsurance balances payable	25,451	53,956	79,407
Unearned premium	6,968	—	6,968
Other liabilities	497	1,966	2,463

The following table summarizes the significant related party transactions for the period ending December 31, 2022:

	Monument Re	StonePoint	Enstar	Allianz	Total
Income					
Premium income	—	—	1,095	3,178	4,273
Net investment income	—	(3,214)	1,651	18,162	16,598
Gain on Novation	389,326	—	—	—	389,326
Expenses					
Losses and loss adjustment expenses	—	—	1,342	(75,803)	(74,461)
Policyholder benefit expenses	—	—	—	4,076	4,076
Financing and interest expenses	—	—	—	2,866	2,866
Operating expenses	—	—	761	—	761

(Expressed in thousands of U.S. dollars, except share data)

The following table summarizes the significant related party transactions for the period ending December 31, 2021:

	Enstar	Hillhouse	Allianz	Total
Income				
Premium income	2,271	—	38,726	40,997
Net investment income	7,909	55,605	(24,889)	38,625
Expenses				
Losses and loss adjustment expenses	(3,014)	—	113,871	110,857
Policyholder benefit expenses	—	—	37,858	37,858
Financing and interest expenses	—	—	3,850	3,850
Operating expenses	828	—	169	997

All related party balances relate to underwriting, financing, and service transactions with the Company's shareholders or their affiliates. During the year ended December 31, 2022, $0.8 million (2021: $0.8 million) in expenses were incurred in relation to service level agreements in place with affiliated entities.

Net investment income is presented net of fees. During the year ended December 31, 2022, asset management fees paid to an affiliate of Allianz of $0.7 million (2021: $0.1 million) were netted from investment returns. During the year ended December 31, 2021, $7.8 million of performance fees and $3.0 million of asset management fees were netted from investment returns by an affiliate of Hillhouse.

Monument Re Limited
In November 2022, we closed a transaction with Monument Re, an affiliated party, to novate our reinsurance closed block of life annuity policies. The final impact of the novation resulted in a gain of $389.3 million.

Stone Point
As of December 31, 2022, the Company had investments of $27.8 million in funds, which are included within other investments, affiliated with Stone Point, a shareholder of Enstar. For the year ended December 31, 2022, net unrealized loss of $3.2 million is included within net investment (loss) income in the statement of operations and comprehensive income.

12. Statutory financial information and dividend restrictions

Under the Act, as amended, and related regulations of Bermuda, Enhanzed Re is registered as a Class E and a Class 4 insurer and is required to annually prepare and file statutory financial statements and a statutory financial return with the BMA. The Act also requires Enhanzed Re maintain minimum share capital and ensure that the value of its assets exceeds the amount of its liabilities by an amount greater than the prescribed minimum solvency margin ("MSM") and enhanced capital requirement ("ECR") pertaining to its general business. At December 31, 2022 and December 31, 2021, all such requirements were met.

Enhanzed Re is also required under its Class 4 license to maintain a minimum liability ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. As of December 31, 2022, and December 31, 2021 Enhanzed Re met the minimum liquidity ratio.

Under the Act, Enhanzed Re is subject to capital requirements calculated using the Bermuda Solvency Capital Requirement ("BSCR") model, which is a standardized statutory risk-based capital model used to measure the risk associated with the Company's assets, liabilities and premiums. The BSCR will be based on an Economic Balance Sheet derived from the Company's GAAP financial statements, with certain adjustments related to loss reserves, intangibles and contingencies, among others. Under the BSCR model, Enhanzed Re's required statutory capital and surplus is referred to as the Enhanced Capital Requirements ("ECR"). The ECR is equal to the higher of the MSM or the BSCR. Following receipt of the submission of Enhanzed Re's ECR, the BMA has the authority to impose additional capital requirements or capital add-ons, if it deems necessary. If an insurer fails to maintain or meet its ECR, the BMA may take various degrees of regulatory action. For the financial year ending December 31, 2022, the BMA directed the Company to complete a modified BSCR model which does not result in the calculation of an ECR. As of December 31, 2021 Enhanzed Re met its ECR.

Under applicable laws and regulations, the Company would be prohibited from declaring or paying any dividends if it were in breach of its MSM or minimum liquidity ratio or if the declaration or payment of such dividends would cause it to fail to meet such margin or ratio. Further, the Company is prohibited from declaring or paying in any fiscal year dividends of more than 25% of its prior year's statutory capital and surplus unless it files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause the company to fail to meet its relevant margins. In addition, the Company is prohibited, without the prior approval of the BMA from reducing by 15% or more its statutory capital and surplus, as set out in its previous year’s statutory financial statements.

On December 23, 2022, the BMA approved the Share Buyback share repurchase agreement.

Effective December 23, 2022, the BMA revised the conditions for the Company’s Class 4 and Class E Certificates of Registration such that the Company shall not declare and/or pay any dividends, or make any capital distributions to the Company’s parent, shareholder and/or affiliates without obtaining the prior written approval of the BMA.

13. Subsequent events

There are no significant subsequent events of note.