Consolidated Financial Statements and
Report of Independent Certified Public Accountants

777 Re Ltd. and Subsidiary

December 31, 2022 and 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Shareholders and Audit Committee
777 Re Ltd.

Opinion

We have audited the consolidated financial statements of 777 Re Ltd. (a Bermuda Exempt Company) and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years 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 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits 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.

Grant Thornton

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.

Grant Thornton LLP

Hartford, Connecticut
July 31, 2023

777 Re Ltd. and Subsidiary
Consolidated Balance Sheets

	December 31, 2022	December 31, 2021
ASSETS:		
Fixed income investments, at fair value	$ 11,264,297	$ 17,678,069
Equity securities, at fair value	31,521,615	20,000,000
Equity method investments	-	7,162,547
Investment funds, at fair value	1,050,391	2,805,862
Total investments	43,836,303	47,646,478
Funds withheld receivable, at fair value	2,975,079,980	2,279,190,681
Cash and cash equivalents	3,048,838	22,634,140
Deferred tax asset	-	4,195,908
Other assets, net	5,757,760	2,070,970
Intangible assets, net	76,836	101,100
Property and equipment, net	48,941	37,257
Income tax receivable	-	24,711
Total assets	**$ 3,027,848,658**	**$ 2,355,901,245**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Insurance liabilities, at fair value	$ 2,550,138,900	$ 2,124,865,839
Reinsurance payables	16,261,116	59,013,878
Other liabilities and accrued expenses	2,949,922	1,839,586
Deferred tax liability	29,615,807	-
Income tax payable	25,490	-
Total liabilities	**2,598,991,235**	**2,185,719,303**
SHAREHOLDERS' EQUITY:		
Share capital	250,000	250,000
Additional paid-in capital	316,757,818	185,276,504
Retained earnings (accumulated deficit)	102,518,107	(16,368,427)
Accumulated other comprehensive income	9,331,498	1,023,865
Total shareholders' equity	**428,857,423**	**170,181,942**
Total liabilities and shareholders' equity	**$ 3,027,848,658**	**$ 2,355,901,245**

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

777 Re Ltd. and Subsidiary
Consolidated Statements of Operations and Comprehensive Income (Loss)

	Years ended December 31,	
	2022	**2021**
REVENUES:		
Fair value changes associated with reinsurance contracts	$ 156,394,307	$ (24,429,151)
Net investment income	5,320,169	2,929,035
Net investment (losses) gains	(5,171,891)	480,354
Total revenues	**$ 156,542,585**	**$ (21,019,762)**
EXPENSES:		
Professional fees	2,188,101	2,473,618
Salaries and benefits	2,282,872	2,265,743
General and administrative	1,485,634	866,579
Depreciation and amortization	38,373	28,672
Total expenses	**5,994,980**	**5,634,612**
Income (loss) before income taxes	**150,547,605**	**(26,654,374)**
Income tax expense (benefit)	31,661,071	(5,581,315)
Net income (loss)	**$ 118,886,534**	**$ (21,073,059)**
OTHER COMPREHENSIVE INCOME:		
Change in insurance liabilities due to change in own credit risk, net of tax expense of $2,212,581 and $451,843, respectively	8,323,519	1,699,797
Change in fair value of available-for-sale securities, net of tax (benefit) expense of $(4,223) and $43,619, respectively	(15,886)	164,090
Other comprehensive income, net of tax	**8,307,633**	**1,863,887**
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 127,194,167**	**$ (19,209,172)**

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

777 Re Ltd. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2022 and 2021

	Common Share Capital	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
Balance, December 31, 2020	$ 250,000	$ 61,885,421	$ 4,704,632	$ (840,022)	$ 66,000,031
Net loss	-	-	(21,073,059)	-	(21,073,059)
Other comprehensive income	-	-	-	1,863,887	1,863,887
Capital contributions	-	123,305,070	-	-	123,305,070
Stock-based compensation	-	86,013	-	-	86,013
Balance, December 31, 2021	$ 250,000	$ 185,276,504	$ (16,368,427)	$ 1,023,865	$ 170,181,942
Net income	-	-	118,886,534	-	118,886,534
Other comprehensive income	-	-	-	8,307,633	8,307,633
Capital contributions	-	131,449,814	-	-	131,449,814
Stock-based compensation	-	31,500	-	-	31,500
Balance, December 31, 2022	$ 250,000	$ 316,757,818	$ 102,518,107	$ 9,331,498	$ 428,857,423

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

777 Re Ltd. and Subsidiary
Consolidated Statements of Cash Flows

	Years ended December 31, 2022	2021
Cash Flows from Operating Activities		
Net income (loss)	$ 118,886,534	$ (21,073,059)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Deferred income tax expense (benefit)	31,603,357	(5,647,416)
Net loss on equity securities	3,583,313	134,031
Net loss (gain) on fixed income investments	3,379,415	(8,674)
Net gain on equity method investments	(2,061,064)	(560,093)
Unrealized loss (gain) on investment funds	270,227	(45,618)
Net amortization of premiums and accretion of discounts on fixed income investments	(217,144)	84,411
Depreciation and amortization expense	38,373	28,672
Stock-based compensation	31,500	86,013
Change in assets and liabilities:		
Funds withheld receivable assumed	(695,889,299)	(1,717,528,285)
Other assets	(3,686,790)	19,279,189
Income taxes receivable	24,711	(24,711)
Insurance liabilities assumed	435,809,161	1,587,027,521
Reinsurance payables	(15,241,673)	45,173,474
Other liabilities and accrued expenses	1,110,336	563,058
Income taxes payable	25,490	(72,997)
Net cash used in operating activities	**(122,333,553)**	**(92,584,484)**
Cash Flows from Investing Activities		
Payments for the purchase of:		
Property and equipment	(25,793)	(45,709)
Intangible assets	-	(121,320)
Fixed income investments, available-for-sale	(97,072,850)	(14,560,555)
Equity method investments	(2,518,463)	(8,753,206)
Investment funds, at fair value	(525,000)	(2,492,530)
Other invested assets, at fair value	-	(7,250,000)
Common equity, at fair value	(2,078,084)	-
Preferred equity, at fair value	(14,358,844)	(15,000,000)
Proceeds from the sale/maturity/prepayment of:		
Fixed income investments, trading	3,723,406	-
Fixed income investments, held to maturity	-	6,019,732
Fixed income investments, available-for-sale	96,580,836	3,935,387
Other invested assets, at fair value	-	14,575,371
Investment funds, at fair value	2,010,244	-
Common equity, at fair value	5,000,000	9,550,808
Equity method investments	3,717,825	6,957,344
Net cash used in investing activities	**(5,546,723)**	**(7,184,678)**

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

		Years ended December 31,		
		2022		2021
Cash Flows from Financing Activities				
Capital contributions		108,294,974		118,498,478
Net cash provided by financing activities		**108,294,974**		**118,498,478**
Net (decrease) increase in cash and cash equivalents		(19,585,302)		18,729,316
Cash and cash equivalents, beginning of year		22,634,140		3,904,824
Cash and cash equivalents, end of year	**$**	**3,048,838**	**$**	**22,634,140**

Supplemental cash flow information:

Cash paid for interest and penalties	$	-	$	1,324
Cash paid for income taxes	$	-	$	163,810

Supplemental schedules of non-cash investing and financing activities:

Capital contributions in the form of investments included in fixed income investments, at fair and equity method investments	$	23,154,840	$	4,806,592
Settlement of reinsurance payables in the form of equity method investments	$	4,356,249	$	-
Settlement of reinsurance payables in the form of fixed income investments, at fair value	$	23,154,840	$	-

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

1. Organization, Nature of Operations and Significant Accounting Policies

Organization

On March 4, 2019, 777 Re Ltd. ("777 Re" or the "Company") was incorporated as a Bermuda exempt company in accordance with Section 14 of the Companies Act 1981. The Company is registered as a Class E Insurer pursuant to Section 4 of the Insurance Act 1978. The Company's financial strength rating of A- and long-term issuer credit rating of a- from AM Best was reaffirmed on November 15, 2022.

The Company had a wholly owned subsidiary, Salt Lake Acquisition Corporation ("SLAC"), a company incorporated in the state of Delaware on July 31, 2019. Effective April 11, 2022, SLAC dissolved. The Company is a 98% directly held subsidiary of Brickell Insurance Holdings LLC (the "Holding Company") and 2% directly held by management. The Holding Company is a consolidated subsidiary of 777 Partners LLC (the "Parent").

Nature of Operations

The Company was established as a long-term reinsurer to acquire both active and run-off blocks of life insurance and annuity business underwritten by global insurance companies. The product focus includes multi-year guaranteed annuities, fixed indexed annuities, structured settlements, whole-life insurance and pension risk transfer.

As of December 31, 2022, the Company has completed six reinsurance agreements with third-party companies. The in-force business consists of reinsurance of multi-year guarantee annuities and fixed indexed annuities.

Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported on these consolidated financial statements and notes. Actual results could differ from those estimates and such differences could be material. The Company's principal estimates include hard to value investment assets and assets within the funds withheld receivable, at fair value, insurance liabilities, at fair value, other-than-temporary impairments ("OTTI") of investments and valuation of deferred tax assets.

Cash and Cash Equivalents

The Company considers all cash on hand and highly liquid instruments purchased with original maturity dates of three months or less to be cash equivalents. The Company maintains cash balances at banks insured by the Federal Deposit Insurance Corporation, which many times may exceed the federally insured limits of $250,000.

Investments

Fixed income investments that are classified as available-for-sale ("AFS") or trading are stated at fair value. Fixed income investments that are classified as held to maturity ("HTM") are carried at amortized cost. Unrealized gains and losses, net of related tax effects, on AFS fixed income investments are recorded directly to accumulated other comprehensive income (loss). Investments in equity securities and fixed income investments classified as trading are stated at fair value and unrealized holdings gains and losses are credited or charged to net income (loss) as incurred and are included in net investment (losses) gains on the accompanying consolidated statements of operations and comprehensive income (loss).

Realized gains and losses on sales of equity securities and fixed income investments, as well as other investments, are recognized into income based upon specific identification method. Interest and dividends are recognized as earned. Short-term investments are considered to be highly liquid investments that are less than one year in term to the dates of maturity at purchase dates, and they present insignificant risk of changes in value due to changing interest rates.

The Company regularly evaluates all of its investments based on current economic conditions, credit loss experience, and other specific developments. If there is a decline in an investment's net realizable value that is other-than-temporary, it is considered as a realized loss and the cost basis in the investment is reduced to its estimated fair value.

A fixed income investment is considered to be other-than-temporarily impaired when the investment's fair value is less than its amortized cost and 1) the Company intends to sell the investment, 2) it is more likely than not that the Company will be required to sell the investment before recovery of the investment's amortized cost basis, or 3) the Company believes it will be unable to recover the entire amortized cost basis of the investment (i.e. credit loss has occurred). OTTI of fixed income investments are separated into credit and non-credit related amounts when there are credit-related losses associated with the impaired fixed income investment for which management asserts that it does not have the intent to sell the investment, and it is more likely than not that it will not be required to sell the investment before recovery of its cost basis. The amount of the OTTI related to a credit loss is recognized in earnings, and the amount of the OTTI related to other factors is recorded in other comprehensive income. A credit loss is determined by assessing whether the amortized cost basis of the investment will be recovered, by comparing the present value of cash flows expected to be collected from the investment, computed using original yield as the discount rate, to the amortized cost basis of the investment. The shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis is considered to be the "credit loss".

Intangible Assets

Intangible assets of $76,836 and $101,100 as of December 31, 2022 and 2021, respectively, consist of software licenses. Such licenses will be amortized over a period of five years from purchase date. An amortization expense of $24,264 and $20,220 was recorded in 2022 and 2021, respectively.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation on property and equipment is calculated utilizing the straight-line method over their estimated useful lives. Maintenance and repairs are charged to expense. A depreciation expense of $14,109 and $8,452 was recorded in 2022 and 2021, respectively.

Funds Withheld Receivable, at Fair Value

In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825-10-15-4, *Financial Instruments,* the Company elected to carry assets and liabilities associated with reinsurance contracts at fair value. This election is made on a contract-by-contract basis. For those contracts for which this election is made, assets and liabilities associated with the reinsurance contract are carried at fair value with the change in the fair value of the assets and the liabilities being recorded in the line titled fair value changes associated with reinsurance contracts on the consolidated statements of operations and comprehensive income (loss). This reduces earnings volatility in the accounting of the reinsurance agreements.

Funds withheld receivable, at fair value results from reinsurance contracts executed on a modified coinsurance or funds withheld basis. The fair value for the equity and fixed income investments that support the funds withheld receivable, at fair value is determined by the Company considering various sources of information, including information provided by third party pricing services. The Company obtains an understanding of the pricing service's valuation methodologies and related inputs. The determination of the fair value of funds withheld receivable, at fair value is further explained in Note 2.

Insurance Liabilities, at Fair Value

Insurance liabilities, at fair value include amounts for unpaid losses and future policy benefits. The fair value related to insurance liabilities is determined using the income approach allowed under ASC 820, *Fair value measurement and disclosures*. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value techniques.

The liability cash flows are generated using best estimate assumptions (plus a risk margin where applicable) and are consistent with market prices where available. Risk margins are typically applied to non-observable, non-hedgeable market inputs such as long-term volatility, mortality, morbidity, surrender, etc. Best estimate assumptions are made with respect to these inputs (including mortality, morbidity, surrender and investment returns). Actual experience is monitored to ensure that the assumptions remain appropriate and changes are made when warranted. The liability cash flows consist of all directly related cash flows of the reinsurance agreement, including premiums, policyholder benefits, expense allowance, premium tax and commissions.

Policies are terminated through surrenders and maturities, where surrenders represent the voluntary terminations of policies by policyholders and maturities are determined by policy contract terms. Surrender assumptions are based upon cedent experience adjusted for expected future conditions. The Company uses duration weighting in the development of the discount rate. The Company uses weighted market yields on underlying benchmark indices plus a risk margin to reflect uncertainty and adjusts the discount rate to reflect the credit risk of the Company. The liability cash flows are discounted using a rate that is composed of the following:

- Risk-free rate, plus
- Non-performance risk spread, less
- Risk margin to reflect uncertainty

The non-performance risk spread refers to the risk that the obligation will not be fulfilled and includes the Company’s own credit risk. The non-performance risk relating to the liability is assumed to be the same before and after its transfer. The risk margin is reflective of the uncertainty within the cash flows associated with the reinsurance contract.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments and non-U.S. government bonds. Cash and cash equivalents are deposited with financial institutions with balances that fluctuate in excess of federally insured limits. If the financial institutions were not to honor their contractual liability to the Company, it could incur losses. The Company is also subject to concentrations of credit risk through short-term money market investments. The credit risk related to short-term money market investments is minimized by investing in money market funds or repurchase agreements, both secured by U.S. government securities.

Net Investment Income

Dividends and interest income, recorded in net investment income per the consolidated statements of operations and comprehensive income (loss), are recognized on an accrual basis. Amortization of premiums and accretion of discounts on investments in fixed income investments are reflected in net investment income over the contractual terms of the investments in a manner that produces a constant effective yield. Net investment income is presented net of incurred investment management fees.

Net Investment (Losses) Gains

Net investment (losses) gains include net realized and unrealized investment gains and losses from the sale of investments, write-downs for OTTI of AFS investments and HTM investments. It also includes investment expenses and gains and losses on securities carried at fair value, including trading securities. Realized gains and losses on the sale of investments are determined using the specific cost identification method.

Other Comprehensive Income

Certain changes in assets and liabilities, such as unrealized gains and losses on AFS fixed income investments, unrealized losses related to factors other than credit on fixed income investments and change in insurance liabilities, at fair value due to change in own credit risk, are reported as a separate component in the equity section on the accompanying consolidated balance sheets. Such items, along with net income (loss), are components of comprehensive income and are reflected on the accompanying consolidated statements of operations and comprehensive income (loss). Reclassifications of realized gains and losses on sales of investments out of accumulated other comprehensive income (loss) are recorded in net investment (losses) gains, if any, on the accompanying consolidated statements of operations and comprehensive income (loss).

Foreign Currencies

Foreign currency assets and liabilities considered monetary items are translated at exchange rates in effect at the consolidated balance sheets date. Foreign currency income and expenses are translated at the transaction date exchange rates. Exchange gains and losses are included in net investment (losses) gains on the consolidated statements of operations and comprehensive income (loss).

Income Taxes

The Company made a 953(d) election in 2020 to retroactively be regarded as a U.S. tax payer from 2019. The Company will be taxed as a corporation for U.S. income tax purposes and will file its own standalone tax return. The Company's subsidiary SLAC is also treated as a corporation for U.S. income tax purposes and will file its own standalone tax return. The taxable items resulting from the Company and SLAC are included in the tax provision computation.

The Company accounts for income taxes under the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized on the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the consolidated financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversal of existing taxable temporary differences, tax planning strategies, projected future taxable income, and recent financial operations.

The Company recognizes tax benefits in accordance with the provisions of the standard for accounting for uncertainty in income taxes. Penalties and interest on the Company's tax positions are classified as a component of the Company's income tax provision.

Recently Issued Accounting Standards

Financial instruments - credit losses
(ASC 326: ASU 2020-02, ASU 2019-11, ASU 2019-05, ASU 2019-04, ASU 2018-19, ASU 2016-13)

This update is designed to reduce complexity by limiting the number of credit impairment models used for different assets. The model will result in accelerated credit loss recognition on assets held at amortized cost. The identification of credit-deteriorated securities will include all assets that have experienced a more than significant deterioration in credit since origination. Additionally, any changes in the expected cash flows of credit deteriorated securities will be recognized immediately on the consolidated income statements. AFS fixed maturity securities are not in scope of the new credit loss model but will undergo targeted improvements to the current reporting model including the establishment of a valuation allowance for credit losses versus the current direct write down approach. The most recent update provides entities that have certain instruments within the scope of credit losses - measured at amortized cost, with an option to irrevocably elect the fair value option in ASC 825-10. The fair value option election does not apply to HTM fixed income investments. An entity that elects the fair value options should subsequently apply the guidance as per ASC 825-10.

The Company is required to adopt this standard for fiscal years beginning after December 15, 2022. The Company is in the process of evaluating the impact of this guidance on its future consolidated financial statements.

Insurance - targeted improvements to the accounting for long-duration contracts
(ASC 944: ASU 2020-11, ASU 2019-09, ASU 2018-12)
This update amends four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts:

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be updated at least annually and no longer allows a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in net income. Loss recognition testing is eliminated for traditional and limited payment contracts. The update also requires the discount rate utilized in measuring the liability to be an upper-medium grade fixed-income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in OCI.
- The update simplifies the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins, requiring such balances to be amortized on a constant level basis over the expected term of the contracts. Deferred costs are required to be written off for unexpected contract terminations but are subject to impairment testing.
- The update requires certain contract features meeting the definition of market-risk benefits to be measured at fair value. Among the features included in this definition are the guaranteed lifetime withdrawal benefits (GLWB) and guaranteed minimum death benefits (GMDB) riders attached to annuity products. The change in the fair value of the market risk benefits is to be recognized in net income, excluding the portion attributable to changes in instrument- specific credit risk which is recognized in OCI.
- The update also introduces disclosure requirements which include disaggregated roll forwards of balances and information about significant inputs, judgements, assumptions and methods used in their measurement.

The Company is required to adopt this update for fiscal years beginning after December 15, 2024. The Company is in the process of evaluating the impact of this guidance on its future consolidated financial statements.

Recently Adopted Accounting Standards

Leases
(ASC 842: ASU 2020-05, ASU 2020-02, ASU 2019-01, ASU 2018-20, ASU 2018-11, ASU 2018-10, ASU 2018-01, ASU 2017-13, ASU 2016-02)

These updates are intended to increase transparency and comparability for lease transactions. ASU 2016-02 requires a lessee to recognize a right-of-use asset and lease liability on the consolidated balance sheets for all leases with an original term longer than twelve months and disclose key information about leasing arrangements. Lessor accounting is largely unchanged. ASU 2016-02 requires the adoption on a modified retrospective basis. However, with the issuance of ASU 2018-11, the Company has the option to recognize the cumulative effect as an adjustment to the opening balance of retained earnings in the year of adoption, while continuing to present all prior periods under the previous lease guidance. These updates provide optional practical expedients in transition.

The Company has adopted this standard as of January 1, 2022. The Company has evaluated its existing lease contracts and noted that, at present, this update does not have a material impact on its current consolidated financial statements.

Reclassifications

Certain reclassifications were made to prior year amounts to conform to the current year presentation.

2. Funds withheld receivable, at fair value

The underlying components of the funds withheld receivable, at fair value are as follows as of December 31, 2022 and 2021:

Funds withheld receivable, at fair value		**2022**		**2021**
U.S. corporates	$	1,801,070,297	$	999,264,871
Asset-backed securities and loans		465,821,891		499,219,439
Mortgage-backed securities and loans		449,348,154		256,758,133
Preferred equity		84,648,042		12,500,000
Common equity		24,350,215		27,821,470
U.S. government		12,728,438		113,907,125
Investment funds		2,264,131		-
States, municipalities, and other government		9,561,750		679,800
Total fixed income and equity investments		2,849,792,918		1,910,150,838
Cash and cash equivalents		41,386,750		136,703,419
Accrued investment income		57,591,124		16,107,340
Net receivables		26,309,188		216,229,084
Funds withheld receivable, at fair value	$	2,975,079,980	$	2,279,190,681

The roll-forward of funds withheld receivable, at fair value for the years ended December 31, 2022 and 2021 was as follows:

Funds withheld receivable, at fair value roll-forward		**2022**		**2021**
Funds withheld receivable, at fair value – beginning of year	$	2,279,190,681	$	561,662,396
Contribution from assumed reinsurance		-		558,092,529
Reinsurance contract payments from cedent		857,453,642		983,746,611
Cash settlements from 777 Re		103,685,831		116,891,630
Fair value changes associated with reinsurance contracts		(265,250,174)		58,797,515
Funds withheld receivable, at fair value – end of year	$	2,975,079,980	$	2,279,190,681

The roll-forward of insurance liabilities, at fair value for the years ended December 31, 2022 and 2021 was as follows:

Insurance liabilities, at fair value roll-forward		2022		2021
Insurance liabilities, at fair value – beginning of year	$	2,124,865,839	$	539,989,958
Change from assumed reinsurance		-		520,054,244
Reinsurance contract payments from cedent		857,453,642		983,746,611
Fair value changes associated with reinsurance contracts		(421,644,481)		83,226,666
Change in insurance liabilities due to change in own credit risk		(10,536,100)		(2,151,640)
Insurance liabilities, at fair value – end of year	$	2,550,138,900	$	2,124,865,839

3. Investments

The following table below shows amortized cost, fair value and gross unrealized gains and losses of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category as of December 31, 2022 and 2021:

December 31, 2022		Amortized cost / Cost		Gross unrealized gains		Gross unrealized losses		Fair value
Fixed income investments								
Available-for-sale								
U.S. corporates	$	11,284,406	$	-	$	(20,109)	$	11,264,297
Total available-for-sale	$	11,284,406	$	-	$	(20,109)	$	11,264,297
Investment funds	$	1,320,618	$	-	$	(270,227)	$	1,050,391
Equity securities								
Preferred equity	$	33,026,844	$	-	$	(3,252,230)	$	29,774,614
Common equity		2,078,084		-		(331,083)		1,747,001
Total equity securities	$	35,104,928	$	-	$	(3,583,313)	$	31,521,615
Total investments	$	47,709,952	$	-	$	(3,873,649)	$	43,836,303

December 31, 2021	**Amortized cost / Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Fixed income investments				
Available-for-sale				
Asset-backed securities	$ 1,548,744	$ 200,780	$ -	$ 1,749,524
U.S. corporates	12,265,886	187,208	(180,278)	12,272,816
Total available-for-sale	$ 13,814,630	$ 387,988	$ (180,278)	$ 14,022,340
Trading				
U.S. corporates	$ 3,666,787	$ -	$ (11,058)	$ 3,655,729
Total trading	$ 3,666,787	$ -	$ (11,058)	$ 3,655,729
Investment funds	$ 2,760,244	$ 45,618	$ -	$ 2,805,862
Equity securities				
Preferred equity	$ 20,000,000	$ -	$ -	$ 20,000,000
Equity method investments (1)	7,162,547	-	-	-
Total equity securities	$ 27,162,547	$ -	$ -	$ 20,000,000
Total investments	$ 47,404,208	$ 433,606	$ (191,336)	$ 40,483,931

(1) Equity method investments is not carried at fair value.

None of the Company's securities have been in a continuous unrealized loss position exceeding twelve months as of December 31, 2022 and 2021.

As of December 31, 2022, contractual maturities of investments in fixed income investments by classification are as follows:

December 31, 2022

Available-for-sale	**Amortized cost**	**Fair value**
Within one year	$ 3,099,530	$ 3,099,870
From one to five years	-	-
From five to ten years	-	-
After ten years	8,184,876	8,164,427
Total	$ 11,284,406	$ 11,264,297

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

Net investment income		**2022**		**2021**
Interest earned on fixed income investments	$	3,792,725	$	2,041,389
Interest earned on other invested assets		-		751,570
Distribution income earned on investment funds		281,247		78,300
Dividend income earned on preferred equity		1,500,000		375,000
Net amortization of premiums and accretion of discounts on fixed income investments		217,144		(84,411)
Gross investment income		5,791,116		3,161,848
Less: Investment expenses		(470,947)		(232,813)
Net investment income	$	5,320,169	$	2,929,035

Realized gains and losses are determined using the specific identification method. The major categories of net investment (losses) gains for the years ended December 31, 2022 and 2021 are as follows:

Net investment (losses) gains		**2022**		**2021**
Unrealized (loss) gain on investment funds	$	(270,227)	$	45,618
Net gain on equity method investments		2,061,064		560,093
Realized (loss) gain on fixed income investments		(3,382,915)		19,732
Realized loss on equity securities		-		(134,031)
Unrealized gain (loss) on fixed income investments		3,500		(11,058)
Unrealized loss on equity securities		(3,583,313)		-
Net investment (losses) gains	$	(5,171,891)	$	480,354

Fair values of interest rate sensitive instruments may be affected by increases and decreases in prevailing interest rates, which generally translate, respectively, into decreases and increases in fair values of fixed income investments. The fair values of interest rate sensitive instruments also may be affected by the credit worthiness of the issuer, prepayment options, relative values of other investments, the liquidity of the instrument, and other general market conditions.

The Company evaluated each security and considered the severity and duration of the impairment, the current rating on the bond, and the outlook for the issuer according to independent analysts. The Company found that the declines in fair value are most likely attributable to increases in interest rates, and there is no evidence that the likelihood of not receiving all the contractual cash flows as expected has changed. The Company's investment portfolio is managed by its investment manager and monitored by its Investment and Asset Liability Matching Committee ("IALM"). By agreement, the investment manager cannot sell any security without the consent of its IALM if such sale will result in a net realized loss. The Company monitors its investment portfolios and reviews securities that have experienced a decline in fair value below cost to evaluate whether the decline is other-than-temporary. When assessing whether the amortized cost basis of the security will be recovered, the Company compares the present value of the cash flows likely to be collected, based on an evaluation of all available information relevant to the collectability of the security, to the amortized cost basis of the security. If there is a credit loss, the impairment is considered to be other-than-temporary. If the Company identifies that an OTTI loss has occurred, the Company then determines whether it intends to sell the security, or if it is more likely than not that it will be required to sell the security prior to recovering the amortized cost basis less any current-period credit losses. If the Company determines that it does not intend to sell, and it is more likely than not that it will not be required to sell the security, then the amount of the impairment loss related to the credit loss will be recorded in earnings, and the remaining portion of the OTTI loss will be recognized in other comprehensive income, net of tax. If the Company determines that it intends to sell the security, or that it is more likely than not that it will be required to sell the security prior to recovering its amortized cost basis less any current-period credit losses, then the full amount of the OTTI will be recognized in earnings.

For the years ended December 31, 2022 and 2021, the Company determined that none of its securities were other-than-temporarily impaired. Adverse investment market conditions, or poor operating results of underlying investments, could result in impairment charges in the future.

4. Fair Value of Financial Instruments

ASC 820, *Fair Value Measurement and Disclosures*, provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity’s own assumptions.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lower level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2022 and 2021:

December 31, 2022

	Total	Level 1	Level 2	Level 3
U.S. corporates	$ 11,264,297	$ -	$ -	$ 11,264,297
Investment funds	1,050,391	-	-	1,050,391
Preferred equity	29,774,614	-	-	29,774,614
Common equity	1,747,001	-	-	1,747,001
Total investments at fair value	$ 43,836,303	$ -	$ -	$ 43,836,303

December 31, 2021

	Total	Level 1	Level 2	Level 3
Asset-backed securities	$ 1,749,524	$ -	$ 1,749,524	$ -
U.S. corporates	15,928,545	-	10,375,623	5,552,922
Investment funds	2,805,862	-	-	2,805,862
Preferred equity	20,000,000	-	-	20,000,000
Total investments at fair value	$ 40,483,931	$ -	$ 12,125,147	$ 28,358,784

Funds withheld receivable, at fair value

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2022 and 2021:

December 31, 2022

	Total	Level 1	Level 2	Level 3
U.S. corporates	$ 1,801,070,297	$ -	$ 223,231,706	$ 1,577,838,591
Asset-backed securities and loans	465,821,891	-	287,373,580	178,448,311
Mortgage-backed securities and loans	449,348,154	-	240,784,314	208,563,840
Preferred equity	84,648,042	-	-	84,648,042
Common equity	24,350,215	15,779,329	-	8,570,886
U.S. government	12,728,438	12,728,438	-	-
Investment funds	2,264,131	-	-	2,264,131
States, municipalities, and other government	9,561,750	-	9,561,750	-
Cash and cash equivalents	41,386,750	41,386,750	-	-
Accrued investment income	57,591,124	-	57,591,124	-
Net receivables	26,309,188	-	26,309,188	-
Total funds withheld receivable, at fair value	$ 2,975,079,980	$ 69,894,517	$ 844,851,662	$ 2,060,333,801

December 31, 2021

	Total	Level 1	Level 2	Level 3
U.S. corporates	$ 999,264,871	$ -	$ 296,886,093	$ 702,378,778
Asset-backed securities and loans	499,219,439	-	347,614,398	151,605,041
Mortgage-backed securities and loans	256,758,133	-	217,529,639	39,228,494
Preferred equity	12,500,000	-	-	12,500,000
Common equity	27,821,470	27,821,470	-	-
U.S. government	113,907,125	-	113,907,125	-
States, municipalities, and other government	679,800	-	679,800	-
Cash and cash equivalents	136,703,419	136,703,419	-	-
Accrued investment income	16,107,340	-	16,107,340	-
Net receivables	216,229,084	-	216,229,084	-
Total funds withheld receivable, at fair value	$ 2,279,190,681	$ 164,524,889	$ 1,208,953,479	$ 905,712,313

Insurance liabilities, at fair value

The following table presents the Company's fair value hierarchy for those liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021:

December 31, 2022

	Total	Level 1	Level 2	Level 3
Insurance liabilities, at fair value	$ 2,550,138,900	$ -	$ -	$ 2,550,138,900

December 31, 2021

	Total	Level 1	Level 2	Level 3
Insurance liabilities, at fair value	$ 2,124,865,839	$ -	$ -	$ 2,124,865,839

Quantitative information regarding significant unobservable inputs used for Level 3 fair value measurements of financial instruments carried at fair value as of December 31, 2022 and 2021 is as follows:

December 31, 2022		Fair value	Unobservable inputs	Range
Assets				
Investments				
U.S. corporates	$	11,264,297	Discount rate	4.50% - 11.30%
Investment funds		1,050,391	Equity index adjusted FV price	82.00%
Preferred equity		29,774,614	Discount rate	10.80% - 12.60%
Common equity		1,747,001	Equity index adjusted FV price	78.00% - 98.50%
Total investments	$	43,836,303		
Funds withheld receivable, at fair value:				
U.S. corporates	$	1,577,838,591	Discount rate	4.50% – 31.10%
Asset-backed securities and loans		178,448,311	Discount rate	3.30% - 21.40%
Mortgage-backed securities and loans		208,563,840	Discount rate	5.00% - 6.30%
Preferred equity		84,648,042	Discount rate	1.70% - 15.80%

Common equity		8,570,886	Equity index adjusted FV price	79.00%
Investment funds		2,264,131	Equity index adjusted FV price	80.00%
Total funds withheld receivable, at fair value	$	2,060,333,801		
Total assets	$	2,104,170,104		
Liabilities				
Insurance liabilities, at fair value	$	2,550,138,900	Non-performance risk spread	0.40% - 4.65%
			Risk margin to reflect uncertainty	0.50%
Total liabilities	$	2,550,138,900		

December 31, 2021		**Fair value**	**Unobservable inputs**	**Range**
Assets				
Investments				
U.S. corporates	$	5,552,922	Discount rate	6.84% - 7.84%
			Transaction price	100.00%
Investment funds		2,805,862	Transaction price	100.00%
Preferred equity		20,000,000	Transaction price	100.00%
Total investments	$	28,358,784		
Funds withheld receivable:				
U.S. corporates	$	702,378,778	Discount rate	4.08% - 14.48%
			Transaction price	100.00%
Asset-backed securities and loans		151,605,041	Discount rate	2.31% - 6.69%
			Transaction price	100.00%
Mortgage-backed securities and loans		39,228,494	Discount rate	7.29% - 9.29%
			Constant prepayment rate	0.00%

			Loss severity	50.00% - 60.00%
Preferred equity		12,500,000	Transaction price	100.00%
Total funds withheld receivable, at fair value	$	905,712,313		
Total assets	$	934,071,097		
Liabilities				
Insurance liabilities, at fair value	$	2,124,865,839	Non-performance risk spread	0.63% – 1.37%
			Risk margin to reflect uncertainty	0.50%
Total liabilities	$	2,124,865,839		

The following table summarizes changes to the Company's financial instruments carried at fair value and classified within Level 3 of the hierarchy as of December 31, 2022 and 2021, respectively:

December 31, 2022

Level 3 Assets		**Purchases**		**Transfers in (out) of level 3**
Investments				
Asset-backed securities	$	99,104,379	$	-
U.S. corporates		21,123,311		-
Investment funds		525,000		-
Preferred equity		22,926,844		-
Common equity		2,078,084		-
Equity method investments		2,518,463		-
Total investments	$	148,276,081	$	-
Funds withheld receivable, at fair value:				
U.S. corporates	$	1,233,271,455	$	-
Asset-backed securities and loans		173,246,765		-
Mortgage-backed securities and loans		188,179,759		-
Preferred equity		73,398,042		
Common equity		8,570,907		
Investment funds		2,264,132		
Total funds withheld receivable, at fair value	$	1,678,931,060	$	-
Total purchases	$	1,827,207,141	$	-

December 31, 2021

Level 3 Assets		**Purchases**		**Transfers in (out) of level 3**
Investments				
U.S. corporates	$	13,564,013	$	-
Investment funds		2,492,530		-
Total investments	$	16,056,543	$	-
Funds withheld receivable, at fair value:				
Asset-backed securities and loans	$	148,605,042	$	-
U.S. corporates		646,975,467		-
Mortgage-backed securities and loans		28,986,372		-
Preferred equity		12,500,000		
Total funds withheld receivable, at fair value	$	837,066,880	$	-
Total purchases	$	853,123,423	$	-

December 31, 2022

Level 3 Liabilities		**Purchases**		**Transfers in (out) of level 3**
Insurance liabilities, at fair value	$	857,453,642	$	-

December 31, 2021

Level 3 Liabilities		**Purchases**		**Transfers in (out) of level 3**
Insurance liabilities, at fair value	$	1,503,800,855	$	-

5. Other assets, net

Other assets, net as of December 31, 2022 and 2021 are as follows:

Other assets		**2022**		**2021**
Accrued investment income	$	966,506	$	1,867,158
Prepaid expenses and other receivables		4,791,254		203,812
Other assets	$	5,757,760	$	2,070,970

6. Statutory requirements

The Company is licensed by the Bermuda Monetary Authority ("BMA") as a long-term insurer and is subject to the Bermuda Insurance Act 1978, as amended ("the Act") and regulations promulgated thereunder. The Company is registered as a Class E insurer, which is defined by regulation as having total assets of more than $500 million. The BMA implemented the Economic Balance Sheet framework into the Bermuda Solvency Capital Requirement ("BSCR"), which was granted equivalence to the European Union's Directive (2009/138/EC).

Under the Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the Minimum Margin of Solvency ("MMS") and the Enhanced Capital Requirement ("ECR"). As a Class E insurer, the MMS is equal to the greater of 1.5% of the statutory assets of the Company or $500,000. The Company is required to calculate the ECR and Target Capital Level ("TCL") as prescribed by or under rules made under Section 6A of the Act, which are additional capital and surplus requirements to the MMS. The Company's ECR is the higher of the BSCR and the MMS. The TCL is calculated as 120% of the ECR. As of December 31, 2022 and 2021, the Company has met the requirements.

7. Taxation

Bermuda

Under the current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company received an undertaking from the Bermuda Minister of Finance that, in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2035.

United States

The Company has submitted an election under Section 953(d) of the Internal Revenue Code ("IRC") to be treated as a U.S. domestic life insurance corporation for tax purposes. The Company qualifies as a life insurance company under IRC §816 and, consequently, will file U.S. federal tax returns.

For the years ended December 31, 2022 and 2021, income tax expense (benefit) consists of the following:

		2022		2021
Current	$	57,714	$	66,101
Deferred		31,603,357		(5,647,416)
Total	$	31,661,071	$	(5,581,315)

As of December 31, 2022 and 2021, the components of net deferred tax (liabilities) assets are as follows:

		2022		**2021**
Deferred tax assets:				
Deferred rent	$	-	$	816
Accrued bonus		146,251		171,833
Start-up costs		78,743		85,742
FVO credit risk change		-		(228,547)
Net operating losses		56,071,554		33,783,960
Investments		112,313		33,563
Due and accrued dividends		-		189,000
Capital loss carryforward		773,914		24,003
Unrealized losses		664,838		-
Total gross deferred tax assets	$	57,847,613	$	34,060,370
Deferred tax liabilities:				
Deferred market discount	$	48,016	$	14,208
Deferred modco premium revenue - FV adjustments		84,839,899		29,706,217
Unrealized gains		-		144,037
Due and accrued dividends		105,322		-
FVO credit risk change		2,441,128		-
Depreciation		29,055		-
Total gross deferred tax liabilities	$	87,463,420	$	29,864,462
Net deferred tax (liability) asset	$	(29,615,807)	$	4,195,908

A valuation allowance is recognized if, based on the weight of available evidence, it is “more likely than not” that some portion or all the deferred tax assets will not be realized. The Company determined no valuation allowance was necessary as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, there were no material positions for which management believes it is reasonably possible that the total amounts will significantly increase or decrease within 12 months of the reporting date.

Tax years 2020 through 2022 are open under the statute of limitations and remains subject to examination by the Internal Revenue Service.

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items for the years ended December 31, 2022 and 2021 causing this difference are as follows:

		2022		2021
Provision computed at the statutory rate	$	31,767,808	$	(5,597,419)
State taxes and penalties		11,389		21,711
Dividends received deduction		(118,126)		(1,925)
Meals and entertainment		-		-
Return to provision		-		(3,682)
Total income tax expense (benefit)	$	31,661,071	$	(5,581,315)

As of December 31, 2022 and 2021, the Company generated $267,007,399 and $162,439,355 of net operating losses, respectively that can be carried forward indefinitely. As of December 31, 2022 and 2021, the Company has a capital loss carryforward of $3,685,306 and $114,298, respectively.

The Company and its subsidiary SLAC file a 1120-L and 1120, respectively, with the Internal Revenue Service on a separate company basis.

8. Litigation, claims and assessments

In the ordinary course of its business, the Company may become subject to claims or proceedings from time to time arising in the normal course of its business. As of December 31, 2022 and 2021, the Company does not believe it is involved in any legal action that could have a material adverse effect on its consolidated financial condition, results of operations, or cash flows.

9. Common share capital

Common shares are entitled to one vote per share and are entitled to receive dividends and, in the event of a capital distribution, are entitled to the surplus assets of the Company. The Company's share capital comprises 25,000,000 authorized and 25,000,000 issued and fully paid shares of $0.01 par value each.

10. Additional paid-in capital

Additional paid-in capital represents net amounts contributed by the Company's common shareholders in addition to par value cost of their subscription to the issued share capital. During the years ended December 31, 2022 and 2021, there was contributions of additional paid-in capital from the Company's shareholders of $131,449,814 and $123,305,070 respectively, of which $108,294,974 and $118,498,478, respectively, was cash and $23,154,840 and $4,806,592, respectively, was in the form of an investment.

A stock compensation award with a value of $126,000 was granted on April 8, 2019. The award vests over a 4-year period. For the years ended December 31, 2022 and 2021, stock compensation expense of $31,500 and $86,013, respectively, has been included in salaries and benefits on the consolidated statements of operations and comprehensive income (loss) and in additional paid-in capital on the consolidated balance sheets.

11. Accumulated other comprehensive income

The following table presents the components of the accumulated other comprehensive income as of December 31, 2022 and 2021:

		2022		2021
Accumulated other comprehensive income due to available-for-sale securities	$	148,204	$	164,090
Accumulated other comprehensive income due to change in own credit risk		9,183,294		859,775
Total accumulated other comprehensive income	$	9,331,498	$	1,023,865

12. Related party transactions

Intercompany Service Agreements

Effective April 1, 2020, the Company entered into an intercompany support services agreement with the Holding Company. During the years ended December 31, 2022 and 2021, the expense incurred of $764,004 and $330,000, respectively, is included in general and administrative expense on the consolidated statements of operations and comprehensive income (loss).

The expense and cost allocations have been prepared on a basis that management of the Holding Company and the Company believes to be reasonable and reflects an appropriate utilization of the services provided or the benefit received by the Company during the period. However, the amounts recorded for these transactions and allocations are not necessarily representative of the amounts that would have been reflected in the financial statements had the Company not been a related party of the Holding Company.

Intercompany Loan Agreements

During 2020, the Company entered into a revolving loan facility agreement with the Parent as borrower, with a maximum limit of $15 million. The loan is secured by common shares held in a public entity by the Holding Company. During 2021, the Parent made a drawdown of $7.25 million. Prior to December 31, 2021, the loan amount of $14,575,371 and related accrued interest was repaid in full. The loan earned interest income of $751,571 is included in net investment income on the consolidated statements of operations and comprehensive income (loss).

Effective December 31, 2020, there was a related party promissory note due from the Holding Company as borrower, with a principal value of $20 million. The promissory note accrued interest on the principle and had a maturity date of April 30, 2021. The purpose of the promissory note was to contribute additional paid-in capital to the Company. On March 5, 2021, the Holding Company fully paid off the promissory note including the interest earned of $38,261, which is included in net investment income on the consolidated statements of operations and comprehensive income (loss).

Effective July 30, 2021, the Company entered into a promissory note agreement with the Holding Company as borrower, with a principal value of $38,038,285 that had a maturity date of August 13, 2021. The purpose of the promissory note is to contribute additional paid-in capital to the Company. The promissory note including the interest earned of $5,387, which is included in net investment income on the consolidated statements of operations and comprehensive income (loss), was paid off on August 10, 2021.

Effective September 30, 2021, the Company entered into a promissory note agreement with the Holding Company as borrower, with a principal value of $22,000,000 that had a maturity date of October 30, 2021. The purpose of the promissory note is to contribute additional paid-in capital to the Company. The promissory note, including the interest earned of $34,945, which is included in net investment income on the consolidated statements of operations and comprehensive income (loss), was paid off on October 23, 2021.

Effective March 31, 2022, the Company entered into a promissory note agreement with the Holding Company as borrower, with a principal value of $70,000,000 that had a maturity date of December 31, 2022. The purpose of the promissory note is to contribute additional paid-in capital to the Company. The promissory note, including the interest earned of $1,473,545, which is included in net investment income on the consolidated statements of operations and comprehensive income (loss), was paid off on August 25, 2022.

Effective May 13, 2022, the Company entered into a promissory note agreement with the Holding Company as borrower, with a principal value of $23,154,840 that had a maturity date of May 12, 2023. The purpose of the promissory note is to contribute additional paid-in capital to the Company. The promissory note, including the interest earned of $710,505, which is included in net investment income on the consolidated statements of operations and comprehensive income (loss). The promissory note was contributed to the funds withheld account in settlement of reinsurance payables on September 30, 2022.

Investment Management Agreement

The Company has an investment management agreement with 777 Asset Management LLC ("777 AM") for the management of its investments included on the consolidated balance sheets. For the years ended December 31, 2022 and 2021, asset management fees of $386,035 and $189,784, respectively, are included in net investment income on the consolidated statements of operations and comprehensive income (loss). As of December 31, 2022 and 2021, an accrual of $124,608 and $51,343, respectively, for asset management fees, are included in other liabilities and accrued expenses on the consolidated balance sheets. 777 AM has investment management agreements with the Company's cedents to manage the funds withheld receivables backing the supporting reinsurance contracts.

Investments

Included in investments on the consolidated balance sheets as of December 31, 2022 and 2021 is the below related party investments:

December 31, 2022

Related party name	**Classification**		**Market value**		**Accrued investment income**
777 Partners LLC	Preferred equity	$	13,500,000	$	375,000
Scout Law Group LLC	U.S. corporates		454,545		7,192
Trans Atlantic Lifetime Mortgages Ltd.	Preferred equity		2,162,000		122,367
SPFS Residual LLC	U.S. Corporates		8,164,426		29,889
F3EA Funding LLC	U.S. corporates		2,645,326		117,154
Total investments		$	26,926,297	$	651,602

December 31, 2021

Related party name	**Classification**		**Market value**		**Accrued Investment income**
777 Partners LLC	Preferred equity	$	15,000,000	$	-
Ensurem LLC	U.S. corporates		3,655,729		67,332
Total investments		$	18,655,729	$	67,332

For the years ended December 31, 2022 and 2021, $3,059,643 and $1,291,411 net investment income in relation to related party assets is included in net investment income on the consolidated statements of operations and comprehensive income (loss). For the years ended December 31, 2022 and 2021, $1,352,093 and $0 unrealized net loss on related party assets is included on the consolidated statements of operations and comprehensive income (loss).

Funds withheld receivable, at fair value

Included in the funds withheld receivable, at fair value on the consolidated balance sheets as of December 31, 2022 and 2021 is the below related party investments:

December 31, 2022

Related party name	**Classification**		**Market value**		**Accrued investment income**
Heron Finance 2021-1 LLC	U.S. corporates	$	139,482,691	$	2,537,517
Brickell PC Insurance Holdings LLC	Asset-backed securities and loans		23,163,052		1,177,408
Brickell PC Insurance Holdings LLC	U.S. corporates		43,918,612		5,913,837
Claughton Island Holdings LLC	U.S. corporates		35,824,690		510,368
Case Strategies Group LLC, Principal Engineering Consultants LLC and Global Claim Advisors LLC	U.S. corporates		39,514,335		888,508
Employee Funding of America LLC	U.S. corporates		22,500,000		493,476
Film Finances Inc.	U.S. corporates		52,336,991		24,107
Noble Financial Solutions LLC	U.S. corporates		25,105,874		640,110
Nutmeg Acquisition LLC	U.S. corporates		102,958,112		5,370,320
SuttonPark Servicing LLC	U.S. corporates		46,572,881		227,948
STX Financing LLC	U.S. corporates		54,916,491		2,797,860
777 Partners LLC	U.S. corporates		11,853,372		489,670
777 Partners LLC	Preferred equity		11,250,000		315,972
F3EA Funding LLC	U.S. corporates		994,702		56,472
Trans Atlantic Lifetime Mortgages Ltd.	Preferred equity		7,520,000		2,905
Trans Atlantic Lifetime Mortgages Ltd.	Mortgage-backed securities and loans		61,798,714		492,604
SoundWaves Holdings, LLC	Preferred equity		4,730,550		-
Fanatiz Holdings Ltd.	U.S. Corporates		3,390,703		4,538
Sevillistas Unidos SL	U.S. Corporates		9,227,569		1,117,435

Triple 7 Finance Leasing Ltd.	U.S. corporates		232,667,918		7,047,798
Medset Funding LLC	Asset-backed securities and loans		137,636,289		1,504,783
SPFS Residual LLC	U.S. corporates		229,058,736		784,078
SPSS 2021-1 LLC	U.S. corporates		39,756,844		62,610
SPSS 2020-1 LLC	U.S. corporates		36,741,438		85,559
SPSS Fund 1 LLC	U.S. corporates		4,057,942		14,820
SPSS Fund 2 LLC	U.S. corporates		16,490,827		978,071
SPSS 2021-A LLC	U.S. corporates		13,621,341		38,318
SPSS Fund 6 LLC	U.S. corporates		22,734,028		169,264
Flair Airlines Ltd.	U.S. Corporates		58,114,537		2,510,668
777 Stream LLC	U.S. Corporates		5,812,840		123,678
777 Asset Management LLC	Accrued asset management fees		(11,235,194)		-
Total funds withheld receivable, at fair value		$	1,482,516,885	$	36,380,702

December 31, 2021

Related party name	Classification		Market value		Accrued investment income
777 Re Investments LLC	Asset-backed securities and loans	$	110,000,000	$	426,666
Flair Airlines Ltd.	U.S. corporates		37,638,000		1,675,527
777 Partners LLC	U.S. corporates		15,000,000		321,439
777 Partners LLC	Preferred equity		12,500,000		-
Brickell PC Insurance Holdings LLC	U.S. corporates		25,000,000		4,278
SPSS 2020-1 LLC	U.S. corporates		47,262,650		52,514
SPSS 2021-1 LLC	U.S. corporates		52,421,453		64,070
SPSS 2021-A LLC	U.S. corporates		18,216,077		32,257
SPSS Fund 2 LLC	U.S. corporates		16,492,064		178,664
SPSS Fund 4 LLC	U.S. corporates		85,070,071		189,044
SuttonPark Servicing LLC	U.S. corporates		29,324,905		7,331
Case Strategies Group LLC	U.S. corporates		35,000,000		466,027

Heron Finance 2021-1 LLC	U.S. corporates		40,000,000		11,111
Triple 7 Finance Leasing Ltd.	U.S. corporates		21,320,577		280,172
Sevillistas Unidos, SL	U.S. corporates		9,277,600		158,750
777 Asset Management LLC	Accrued asset management fees		(2,686,855)		-
Total funds withheld receivable, at fair value		$	551,836,542	$	3,867,850

For the years ended December 31, 2022 and 2021, $127,997,287 and $0 unrealized net loss on related party assets in the funds withheld account is included in fair value changes associated with reinsurance contracts on the consolidated statements of operations and comprehensive income (loss). For the years ended December 31, 2022 and 2021, $89,400,800 and $12,603,590 investment income in relation to related party assets held in the funds withheld account is included in fair value changes associated with reinsurance contracts on the consolidated statements of operations and comprehensive income (loss). For the years ended December 31, 2022 and 2021, $18,877,348 and $3,387,380 asset management fees in relation to related party assets held in the funds withheld account is included in fair value changes associated with reinsurance contracts on the consolidated statements of operations and comprehensive income (loss).

13. Risks and Uncertainties

Unless otherwise indicated, all information included on these consolidated financial statements is as of December 31, 2022 and 2021 and you should not assume that valuations of assets, including assets within the funds withheld receivables account, or other matters are current as of any later date.

14. Subsequent events

The Company evaluated the consolidated financial statements for subsequent events and transactions through July 31, 2023, the date they were available to be issued, and is not aware of any material events that would require disclosure.