

EVEREST INTERNATIONAL ASSURANCE, LTD.

(a wholly owned subsidiary of Everest Reinsurance Company)

GAAP Financial Statements

For the Years Ended December 31, 2023 and 2022



Report of Independent Auditors

To the Board of Directors of Everest International Assurance, Ltd.

Opinion

We have audited the accompanying financial statements of Everest International Assurance, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and comprehensive income (loss), of changes in shareholder's equity and of cash flows for the years 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, 2023 and 2022, 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 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Company has entered into significant transactions with related parties. Our opinion is not modified with respect to this matter.

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.

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 judgment made by a reasonable user based on the 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers LLP

New York, New York
April 25, 2024

EVEREST INTERNATIONAL ASSURANCE, LTD.
BALANCE SHEETS

(Dollars in thousands, except par value per share)

	December 31,	
	2023	2022
ASSETS:		
Fixed maturities - available for sale (amortized cost: 2023, \$50,422; 2022, \$49,792, credit allowances: 2023, \$0; 2022, \$0)	\$ 47,758	\$ 46,171
Short-term investments	4,189	2,602
Cash	5,759	3,341
Total investments and cash	57,706	52,114
Accrued investment income	259	246
Premiums receivable (net of credit allowances: 2023, \$(93); 2022, \$0)	6,022	5,592
Reinsurance paid loss recoverables (net of credit allowances: 2023,\$(4); 2022, \$0)	116	86
Reinsurance unpaid loss recoverables	36,465	27,873
Prepaid reinsurance premiums	23,655	20,331
Income tax asset	567	766
Receivable from Affiliates	33	63
TOTAL ASSETS	\$ 124,823	\$ 107,071
LIABILITIES:		
Reserve for losses and loss adjustment expenses	36,465	27,890
Unearned premium reserve	23,655	20,331
Losses in course of payment	215	267
Amounts due to reinsurers	10,846	12,411
Other liabilities	1,660	802
Total liabilities	72,841	61,701
SHAREHOLDER'S EQUITY:		
Common shares, par value: \$1.00; 370,000 shares issued and outstanding (2023 and 2022)	370	370
Additional paid-in capital	56,638	52,635
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of \$(559) at 2023 and \$(761) at 2022	(2,104)	(2,861)
Retained earnings	(2,922)	(4,774)
Total shareholder's equity	51,982	45,370
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 124,823	\$ 107,071

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

EVEREST INTERNATIONAL ASSURANCE, LTD.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)	Years Ended December 31,	
	2023	2022
REVENUES:		
Net investment income	1,721	1,107
Other income (expense)	130	(78)
Total revenues	1,851	1,029
CLAIMS AND EXPENSES:		
Other underwriting expenses	—	1,566
Total claims and expenses	—	1,566
INCOME (LOSS) BEFORE TAXES	1,851	(537)
Income tax expense (benefit)	—	—
NET INCOME (LOSS)	\$ 1,851	\$ (537)
Other comprehensive income (loss), net of tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	757	(3,540)
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	—	—
Total URA(D) on securities arising during the period	757	(3,540)
Total other comprehensive income (loss), net of tax	757	(3,540)
COMPREHENSIVE INCOME (LOSS)	\$ 2,608	\$ (4,077)

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

EVEREST INTERNATIONAL ASSURANCE, LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(Dollars and share amounts in thousands)

	Years Ended December 31,	
	2023	2022
COMMON SHARES (shares outstanding):		
Balance, beginning of period	370	370
Issued during the period, net	—	—
Balance, end of period	<u>370</u>	<u>370</u>
COMMON SHARES (par value):		
Balance, beginning of period	\$ 370	\$ 370
Issued during the period, net	—	—
Balance, end of period	<u>370</u>	<u>370</u>
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	52,635	52,633
Capital contribution from Parent	4,000	—
Other net increase (decrease) during period	2	2
Balance, end of period	<u>56,638</u>	<u>52,635</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Balance, beginning of period	(2,861)	679
Net increase (decrease) during the period	757	(3,540)
Balance, end of period	<u>(2,104)</u>	<u>(2,861)</u>
RETAINED EARNINGS (DEFICIT):		
Balance, beginning of period	(4,774)	(4,237)
Net income (loss)	1,851	(537)
Balance, end of period	<u>(2,922)</u>	<u>(4,774)</u>
TOTAL SHAREHOLDER'S EQUITY, END OF PERIOD	<u>\$ 51,982</u>	<u>\$ 45,370</u>

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

EVEREST INTERNATIONAL ASSURANCE, LTD.
STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,851	\$ (537)
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(430)	2,941
Decrease (increase) in reinsurance recoverables	(8,622)	(13,056)
Increase (decrease) in prepaid reinsurance premiums	(3,324)	(2,379)
Increase (decrease) in unearned premiums	3,324	2,379
Increase (decrease) in reserve for losses and loss adjustment expenses	8,575	14,823
Increase (decrease) in amounts due to reinsurers	(1,565)	(10,104)
Amortization of bond premium (accrual of bond discount)	(77)	251
Change in other assets and liabilities, net	828	(3,489)
Net cash provided by (used in) operating activities	560	(9,171)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from fixed maturities matured/called - available for sale	7,338	7,563
Proceeds from fixed maturities sold - available for sale	—	—
Cost of fixed maturities acquired - available for sale	(7,891)	(7,423)
Net change in short-term investments	(1,587)	(988)
Net change in unsettled securities transactions	(3)	—
Net cash provided by (used in) investing activities	(2,142)	(848)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from Parent	4,000	—
Net cash provided by (used in) financing activities	4,000	—
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	—	—
Net increase (decrease) in cash	2,418	(10,019)
Cash, beginning of period	3,341	13,360
Cash, end of period	\$ 5,759	\$ 3,341

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

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business and Basis of Presentation.

Everest International Assurance, Ltd. (“Everest Assurance” or the “Company”) was established in 2015 and is registered in Bermuda as a Class 3A general business insurer and as a Class C long-term insurer. Everest Assurance has made a one-time election under section 953(d) of the U.S. Internal Revenue Code to be a U.S. income tax paying “Controlled Foreign Corporation.” By making this election, Everest Assurance is authorized to write life reinsurance and casualty reinsurance in both Bermuda and the U.S.

The company is a direct subsidiary of Everest Reinsurance Company (“Everest Re”), which is in turn a direct subsidiary of Everest Reinsurance Holdings, Inc. (“Holdings”).

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). All amounts are reported in U.S. dollars.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported 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. Ultimate actual results could differ, possibly materially, from those estimates.

B. Investments.

Fixed maturity securities designated as available for sale reflect unrealized appreciation and depreciation, as a result of changes in fair value during the period, in shareholder’s equity, net of income taxes in “accumulated other comprehensive income (loss)” in the balance sheets. The Company reviews all of its fixed maturity - available for sale securities whose fair value has fallen below their amortized cost at the time of review. The Company then assesses whether the decline in value is due to non-credit related or credit related factors. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security’s value caused by a change in the market, interest rate or foreign exchange environment does not constitute a credit impairment, but rather a non-credit related decline in fair value which is recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company determines that the decline is non-credit related and the Company intends to sell the impaired security, or it is more likely than not that the Company will be required to sell the security before an anticipated recovery in value, the Company records the entire impairment in net gains (losses) on investments in the Company’s statements of operations and comprehensive income (loss). If the Company determines that a decline in a security’s value is credit related and the Company does not have the intent to sell the security, and it is more likely than not that the Company will not have to sell the security before recovery in value, the Company establishes a credit allowance, equal to the estimated credit loss, which is recorded in net gains (losses) on investments in the Company’s statements of operations and comprehensive income (loss). The determination of credit related or non-credit related impairment is first based on an assessment of qualitative factors, which may determine that a qualitative analysis is sufficient to support the conclusion that the present value of expected cash flows equals or exceeds the security’s amortized cost basis. However, if the qualitative assessment suggests a credit loss may exist, a quantitative assessment is performed, and the amount of the allowance for a given security will generally be the difference between a discounted cash flow model and the Company’s carrying value. The Company will adjust the credit allowance account for future changes in credit loss estimates for a security and record this adjustment through net gains (losses) on investments in the Company’s statements of operations and comprehensive income (loss).

The Company does not create an allowance for uncollectible interest. If interest is not received when due, the interest receivable is immediately reversed and no additional interest is accrued. If future interest is received that has not been accrued, it is recorded as income at that time.

The Company’s assessments are based on the issuers’ current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or

breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

Retrospective adjustments are employed to recalculate the values of asset-backed securities. All of the Company's asset-backed and mortgage-backed securities have a pass-through structure. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used in the calculation of projected prepayments for pass-through security types.

Interest income on all fixed maturities are included as part of net investment income in the statements of operations and comprehensive income (loss).

Short-term investments comprise securities due to mature within one year from the date of purchase and are stated at cost, which approximates fair value.

Realized gains or losses on sales of investments are determined on the basis of identified cost. For some non-publicly traded securities, market prices are determined through the use of pricing models that evaluate securities relative to the U.S. Treasury yield curve, taking into account the issue type, credit quality, and cash flow characteristics of each security. For other non-publicly traded securities, investment managers' valuation committees will estimate fair value, and in many instances, these fair values are supported with opinions from qualified independent third parties. All fair value estimates from investment managers are reviewed by the Company for reasonableness. For publicly traded securities, fair value is based on quoted market prices or valuation models that use observable market inputs. When a sector of the financial markets is inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value.

Cash includes cash on hand. Restricted cash is included within cash in the balance sheets and represents amounts held for the benefit of third parties that is legally or contractually restricted as to its withdrawal or usage. Amounts include trust funds set up for the benefit of ceding companies.

C. Allowance for Receivable Balances.

The Company applies the Current Expected Credit Losses (CECL) methodology for estimating allowances for credit losses. The Company evaluates the recoverability of its premiums and reinsurance recoverable balances and establishes an allowance for estimated uncollectible amounts.

Premiums receivable, excluding receivables for losses within a deductible and retrospectively-rated policy premiums, are primarily comprised of premiums due from policyholders/cedents. Balances are considered past due when amounts that have been billed are not collected within contractually stipulated time periods. For these balances, the allowance is estimated based on recent historical credit loss and collection experience, adjusted for current economic conditions and reasonable and supportable forecasts, when appropriate.

The Company records total credit loss expenses related to premiums receivable in other underwriting expenses in the Company's statements of operations and comprehensive income (loss).

The allowance for uncollectible reinsurance recoverable reflects management's best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers' unwillingness or inability to pay. The allowance for uncollectible reinsurance recoverable comprises an allowance and an allowance for disputed balances. Based on this analysis, the Company may adjust the allowance for uncollectible reinsurance recoverable or charge off reinsurer balances that are determined to be uncollectible.

Due to the inherent uncertainties as to collection and the length of time before reinsurance recoverable become due, it is possible that future adjustments to the Company's reinsurance recoverable, net of the allowance, could be required, which could have a material adverse effect on the Company's results of operations or cash flows in a particular quarter or annual period.

The allowance is estimated as the amount of reinsurance recoverable exposed to loss multiplied by estimated factors for the probability of default. The reinsurance recoverable exposed is the amount of reinsurance recoverable net of collateral and other offsets, considering the nature of the collateral, potential future changes in collateral values, and historical loss information for the type of collateral obtained. The probability of default factors are historical insurer and reinsurer defaults for liabilities with similar durations to the reinsured liabilities as estimated through multiple economic cycles. Credit ratings are forward-looking and consider a variety of economic outcomes. The Company's evaluation of the required allowance for reinsurance recoverable considers the current economic environment as well as macroeconomic scenarios.

The Company records credit loss expenses related to reinsurance recoverable in Incurred losses and loss adjustment expenses in the Company's statements of operations and comprehensive income (loss). Write-offs of reinsurance recoverable and any related allowance are recorded in the period in which the balance is deemed uncollectible.

D. Deferred Acquisition Costs.

Acquisition costs and ceding commissions received, consisting principally of commissions and brokerage expenses and certain premium taxes and fees incurred or charged at the time a contract or policy is issued and that vary with and are directly related to the Company's reinsurance and insurance business, are deferred and amortized over the period in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income. The amortized portion of deferred acquisition costs are reported within other underwriting expenses in the Statements of Operations and Comprehensive Income (Loss).

E. Reserve for Losses and Loss Adjustment Expenses.

The reserve for losses and loss adjustment expenses ("LAE") is based on individual case estimates and reports received from ceding companies. A provision is included for losses and LAE incurred but not reported ("IBNR") based on past experience. See also Note 4. The reserves are reviewed periodically and any changes in estimates are reflected in earnings in the period the adjustment is made. The Company's loss and LAE reserves represent management's best estimate of the ultimate liability. Loss and LAE reserves are presented gross of reinsurance recoverable and incurred losses and LAE are presented net of reinsurance.

Accruals for commissions are established for reinsurance contracts that provide for the stated commission percentage to increase or decrease based on the loss experience of the contract. Changes in estimates for such arrangements are recorded as commission expense. Commission accruals for contracts with adjustable features are estimated based on expected loss and LAE.

F. Premium Revenues.

Written premiums are earned ratably over the periods of the related insurance and reinsurance contracts. Unearned premium reserves are established relative to the unexpired contract period. For reinsurance contracts, such reserves are established based upon reports received from ceding companies or estimated using pro rata methods based on statistical data. Reinstatement premiums represent additional premium recognized and earned at the time a loss event occurs and losses are recorded, most prevalently catastrophe related, when limits have been depleted under the original reinsurance contract and additional coverage is granted. The recognition of reinstatement premiums is based on estimates of loss and LAE, which reflects management's judgement. Written and earned premiums and the related costs, which have not yet been reported to the Company, are estimated and accrued. Premiums are net of ceded reinsurance.

G. Prepaid Reinsurance Premiums.

Prepaid reinsurance premiums represent unearned premium reserves ceded to other reinsurers.

H. Income Taxes.

The Company, which is a Bermuda domiciled corporation, made an election under Section 953(d) of the U.S. Internal Revenue Code to be treated as a U.S. corporation for U.S. income tax purposes. As such, income taxes have been recorded to recognize the tax effect of temporary differences between the financial reporting and income tax basis of assets and liabilities, which arise because of differences between GAAP and income tax accounting rules.

As an accounting policy, the Company has adopted the aggregate portfolio approach for releasing disproportionate income tax effects from AOCI.

I. Share-Based Compensation

Certain employees of the Company participate in the Group Employee Stock Incentive Plan. These financial statements include the total cost of share compensation for the plan, calculated using the fair value method of accounting for share-based employee compensation. This stock compensation plan is in respect of shares of Group. Amounts expensed to income in respect to this plan are included in operating expenses.

J. Application of Recently Issued Accounting Standard Changes.

Adoption of New Accounting Standards

The Company did not adopt any new accounting standards that had a material impact in 2023.

Future Adoption of Recently Issued Accounting Standards

The Company assessed the adoption impacts of recently issued accounting standards that are effective after 2023 by the Financial Accounting Standards Board on the Company's financial statements. Additionally, the Company assessed whether there have been material updates to previously issued accounting standards that are effective after 2023. There were no accounting standards identified that are expected to have a material impact to the Company.

2. INVESTMENTS

The tables below present the amortized cost, allowance for credit losses, gross unrealized appreciation/(depreciation) ("URA(D)") and fair value of fixed maturity securities - available for sale for the periods indicated:

	At December 31 2023				
	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Fair Value
(Dollars in thousands)					
Fixed maturity securities - available for sale					
U.S. corporate securities	\$ 22,157	\$ —	\$ 38	\$ (934)	\$ 21,261
Asset-backed securities	1,289	—	—	(77)	1,212
Mortgage-backed securities					
Commercial	7,499	—	3	(672)	6,829
Agency residential	15,033	—	71	(908)	14,196
Foreign corporate securities	4,444	—	3	(187)	4,260
Total fixed maturity securities - available for sale	\$ 50,422	\$ —	\$ 115	\$ (2,779)	\$ 47,758

(Some amounts may not reconcile due to rounding.)

	At December 31 2022				
	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Fair Value
(Dollars in thousands)					
Fixed maturity securities - available for sale					
U.S. corporate securities	\$ 23,353	\$ —	\$ 172	\$ (1,445)	\$ 22,079
Asset-backed securities	2,552	—	—	(116)	2,436
Mortgage-backed securities					
Commercial	7,170	—	—	(860)	6,310
Agency residential	11,366	—	13	(1,070)	10,309
Foreign corporate securities	5,352	—	4	(319)	5,036
Total fixed maturity securities - available for sale	\$ 49,792	\$ —	\$ 188	\$ (3,809)	\$ 46,171

(Some amounts may not reconcile due to rounding.)

The amortized cost and fair value of fixed maturity securities - available for sale are shown in the following table by contractual maturity. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

(Dollars in thousands)	At December 31 2023		At December 31 2022	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Fixed maturity securities – available for sale				
Due in one year or less	\$ 7,072	\$ 6,934	\$ 4,401	\$ 4,385
Due after one year through five years	16,185	15,494	21,021	19,921
Due after five years through ten years	3,033	2,797	3,283	2,810
Due after ten years	310	296	—	—
Asset-backed securities	1,289	1,212	2,552	2,436
Mortgage-backed securities				
Commercial	7,499	6,829	7,170	6,310
Agency residential	15,033	14,196	11,366	10,309
Total fixed maturity securities - available for sale	\$ 50,422	\$ 47,758	\$ 49,792	\$ 46,171

(Some amounts may not reconcile due to rounding.)

The changes in net URA(D) for the Company's investments are as follows:

(Dollars in thousands)	Years Ended December 31,	
	2023	2022
Increase (decrease) during the period between the fair value and cost of investments carried at fair value, and income taxes thereon:		
Fixed maturity securities - available for sale	\$ 958	\$ (4,481)
Change in unrealized appreciation (depreciation), pre-tax	958	(4,481)
Income tax benefit (expense)	(201)	941
Change in unrealized appreciation (depreciation), net of income taxes, included in shareholder's equity	\$ 757	\$ (3,540)

(Some amounts may not reconcile due to rounding.)

The tables below display the aggregate fair value and gross unrealized depreciation of fixed maturity securities - available for sale by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the periods indicated:

(Dollars in thousands)	Duration of Unrealized Loss at December 31, 2023 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. corporate securities	\$ 1,015	\$ (26)	\$ 18,075	\$ (908)	\$ 19,090	\$ (934)
Asset-backed securities	—	—	1,212	(77)	1,212	(77)
Mortgage-backed securities						
Commercial	—	—	6,416	(672)	6,416	(672)
Agency residential	1,419	(13)	8,620	(896)	10,039	(908)
Foreign corporate securities	—	—	3,908	(187)	3,908	(187)
Total fixed maturity securities - available for sale	\$ 2,434	\$ (38)	\$ 38,230	\$ (2,741)	\$ 40,664	\$ (2,779)

(Some amounts may not reconcile due to rounding.)

	Duration of Unrealized Loss at December 31, 2023 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
Due in one year or less	\$ 243	\$ (7)	\$ 6,691	\$ (131)	\$ 6,934	\$ (139)
Due in one year through five years	476	(5)	13,344	(707)	13,820	(711)
Due in five years through ten years	—	—	1,948	(257)	1,948	(257)
Due after ten years	296	(14)	—	—	296	(14)
Asset-backed securities	—	—	1,212	(77)	1,212	(77)
Mortgage-backed securities	1,419	(13)	15,036	(1,568)	16,455	(1,581)
Total fixed maturity securities - available for sale	\$ 2,434	\$ (38)	\$ 38,230	\$ (2,741)	\$ 40,664	\$ (2,779)

(Some amounts may not reconcile due to rounding.)

The aggregate fair value and gross unrealized losses related to fixed maturity securities - available for sale in an unrealized loss position at December 31, 2023 were \$40.7 million and \$2.8 million, respectively. The fair value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2023, did not exceed 2.7% of the overall fair value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The \$38 thousand of unrealized losses related to fixed maturity securities - available for sale that have been in an unrealized loss position for less than one year were generally comprised of U.S. corporate securities and agency residential mortgage-backed securities. All of these unrealized losses were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The \$2.7 million of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to U.S. corporate securities and commercial and agency residential mortgage-backed securities. All of these unrealized losses were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The tables below display the aggregate fair value and gross unrealized depreciation of fixed maturity securities – available for sale, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the periods indicated:

	Duration of Unrealized Loss at December 31, 2022 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. corporate securities	\$ 21,367	\$ (1,400)	\$ 296	\$ (44)	\$ 21,663	\$ (1,444)
Asset-backed securities	2,311	(108)	124	(8)	2,435	(116)
Mortgage-backed securities						
Commercial	5,910	(746)	400	(114)	6,310	(860)
Agency residential	9,828	(1,070)	—	—	9,828	(1,070)
Foreign corporate securities	3,843	(259)	440	(60)	4,283	(319)
Total fixed maturity securities - available for sale	\$ 43,259	\$ (3,583)	\$ 1,260	\$ (226)	\$ 44,519	\$ (3,809)

(Some amounts may not reconcile due to rounding.)

Duration of Unrealized Loss at December 31, 2022 By Maturity

	Less than 12 months		Greater than 12 months		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
Due in one year or less	\$ 3,884	\$ (16)	\$ —	\$ —	\$ 3,884	\$ (16)
Due in one year through five years	18,516	(1,171)	736	(104)	19,252	(1,275)
Due in five years through ten years	2,810	(472)	—	—	2,810	(472)
Due after ten years	—	—	—	—	—	—
Asset-backed securities	2,311	(108)	124	(8)	2,435	(116)
Mortgage-backed securities	15,738	(1,816)	400	(114)	16,138	(1,930)
Total fixed maturity securities - available for sale	\$ 43,259	\$ (3,583)	\$ 1,260	\$ (226)	\$ 44,519	\$ (3,809)

(Some amounts may not reconcile due to rounding.)

The aggregate fair value and gross unrealized losses related to fixed maturity securities - available for sale in an unrealized loss position at December 31, 2022 were \$44.5 million and \$3.8 million, respectively. The fair value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2022, did not exceed 2.7% of the overall fair value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The \$3.6 million of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of U.S. corporate securities and mortgage-backed securities (commercial & agency residential). All of these unrealized losses were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The \$226 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to commercial mortgage-backed securities. All of these unrealized losses were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The components of net investment income are presented in the table below for the periods indicated:

	Years Ended December 31,	
	2023	2022
(Dollars in thousands)		
Fixed maturities - available for sale	\$ 1,644	\$ 1,104
Short-term investments and cash	87	21
Gross investment income	1,731	1,125
Investment expenses	11	18
Net investment income	\$ 1,721	\$ 1,107

(Some amounts may not reconcile due to rounding.)

There were no net gains (losses) on investments for the periods ended December 31, 2023 and December 31, 2022.

The proceeds and split between gross gains and losses, from sales of fixed maturity securities - available for sale are presented in the table below for the periods indicated:

	Years Ended December 31,	
	2023	2022
(Dollars in thousands)		
Proceeds from sales and maturities of fixed maturity securities - available for sale	\$ 7,338	\$ 7,563
Gross gains from dispositions	—	—
Gross losses from dispositions	—	—

3. FAIR VALUE

GAAP guidance regarding fair value measurements address how companies should measure fair value when they are required to use fair value measures for recognition or disclosure purposes under GAAP and provides a common definition of fair value to be used throughout GAAP. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. In addition, it establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement, with Level 1 being the highest priority and Level 3 being the lowest priority.

The levels in the hierarchy are defined as follows:

Level 1: Inputs to the valuation methodology are observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in an active market;

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's fixed maturity securities are managed both internally and on an external basis by independent, professional investment managers using portfolio guidelines approved by the Company. The Company obtains prices from nationally recognized pricing services. These services seek to utilize market data and observations in their evaluation process. These services use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

The Company does not make any changes to prices received from the pricing services. In addition, the Company has procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. The Company also continually performs quantitative and qualitative analysis of prices, including but not limited to initial and ongoing review of pricing methodologies, review of prices obtained from pricing services and third party investment asset managers, review of pricing statistics and trends, and comparison of prices for certain securities with a secondary price source for reasonableness. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value.

Fixed maturity securities listed in the tables have been categorized as Level 2, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. For foreign government securities and foreign corporate securities, the fair values provided by the third-party pricing services in local currencies, and where applicable, are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

In addition, fixed maturities with fair values categorized as Level 3 will result when prices are not available from the nationally recognized pricing services and are obtained from investment managers and are derived using unobservable inputs. The Company will value the securities with unobservable inputs using comparable market information or receive fair values from investment managers. The investment managers may obtain non-binding price quotes for the securities from brokers. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third-party asset managers and the Company. If the broker quotes are for foreign denominated securities, the quotes are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

The composition and valuation inputs for the presented fixed maturities categories are as follows:

- Corporate securities are primarily comprised of U.S. corporate and public utility bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;
- Asset-backed and mortgage-backed securities fair values are based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads;
- Foreign corporate securities are comprised of global non-U.S. corporate bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source.

The following tables present the fair value measurement levels for all assets, which the Company has recorded at fair value as of the periods indicated:

	December 31, 2023	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)				
Assets:				
Fixed maturities, fair value				
U.S. corporate securities	21,261	—	21,261	—
Asset-backed securities	1,212	—	1,212	—
Mortgage-backed securities				
Commercial	6,829	—	6,829	—
Agency residential	14,196	—	14,196	—
Foreign corporate securities	4,260	—	4,260	—
Total fixed maturities, fair value	\$ 47,758	\$ —	\$ 47,758	\$ —

(Some amounts may not reconcile due to rounding.)

	December 31, 2022	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)				
Assets:				
Fixed maturities, fair value				
U.S. corporate securities	22,080	—	22,080	—
Asset-backed securities	2,436	—	2,436	—
Mortgage-backed securities				
Commercial	6,310	—	6,310	—
Agency residential	10,309	—	10,309	—
Foreign corporate securities	5,036	—	5,036	—
Total fixed maturities, fair value	\$ 46,171	\$ —	\$ 46,171	\$ —

(Some amounts may not reconcile due to rounding.)

Financial Instruments Disclosed, But Not Reported, at Fair Value

Certain financial instruments disclosed, but not reported, at fair value are excluded from the fair value hierarchy tables above. Short-term investments are stated at cost, which approximates fair value. See Note 1.

4. RESERVE FOR LOSSES AND LAE

The following table provides a roll forward of the Company's beginning and ending reserve for losses and LAE and is summarized for the periods indicated:

	At December 31,	
	2023	2022
(Dollars in thousands)		
Gross reserves at January 1	\$ 27,873	\$ 13,068
Less reinsurance recoverables on unpaid losses	(27,873)	(13,068)
Net reserves at January 1	—	—
Incurred related to:		
Current year	—	—
Prior years	—	—
Total incurred losses and LAE	—	—
Paid related to:		
Current year	—	—
Prior years	—	—
Total paid losses and LAE	—	—
Foreign exchange/translation adjustment	—	—
Net reserves at December 31	—	—
Plus reinsurance recoverables on unpaid losses	36,465	27,873
Gross reserves at December 31	\$ 36,465	\$ 27,873

(Some amounts may not reconcile due to rounding.)

Reserving Methodology

The Company maintains reserves equal to our estimated ultimate liability for losses and loss adjustment expense (LAE) for reported and unreported claims. Because reserves are based on estimates of ultimate losses and LAE by underwriting or accident year, the Company uses a variety of statistical and actuarial techniques to monitor reserve adequacy over time, evaluate new information as it becomes known, and adjust reserves whenever an adjustment appears warranted. The Company considers many factors when setting reserves including: (1) exposure base and projected ultimate premium; (2) expected loss ratios by product and class of business, which are developed collaboratively by underwriters and actuaries; (3) actuarial methodologies and assumptions which analyze loss reporting and payment experience, reports from ceding companies and historical trends, such as reserving patterns, loss payments, and product mix; (4) current legal interpretations of coverage and liability; and (5) economic conditions. Management's best estimate is developed through collaboration with actuarial, underwriting, claims, legal and finance departments and culminates with the input of reserve committees. Each reserve committee includes the participation of the relevant parties from actuarial, finance, claims and segment senior management and has the responsibility for recommending and approving management's best estimate. Reserves are further reviewed by Everest's Chief Reserving Actuary and senior management. The objective of such process is to determine a single best estimate viewed by management to be the best estimate of its ultimate loss liability. Actual loss and LAE ultimately paid may deviate, perhaps substantially, from such reserves. Net income will be impacted in a period in which the change in estimated ultimate loss and LAE is recorded.

Reserving for reinsurance requires evaluation of loss information received from ceding companies. Ceding companies report losses in many forms depending on the type of contract and the agreed or contractual reporting requirements. Generally, pro rata contracts require the submission of a monthly/quarterly account, which includes premium and loss activity for the period with corresponding reserves as established by the ceding company. This information is recorded

into the Company's records. For certain pro rata contracts, the Company may require a detailed loss report for claims that exceed a certain dollar threshold or relate to a particular type of loss. Excess of loss and facultative contracts generally require individual loss reporting with precautionary notices provided when a loss reaches a significant percentage of the attachment point of the contract or when certain causes of loss or types of injury occur. Experienced claims staff handles individual loss reports and supporting claim information. Based on evaluation of a claim, the Company may establish additional case reserves in addition to the case reserves reported by the ceding company. To ensure ceding companies are submitting required and accurate data, Everest's Underwriting, Claim, Reinsurance Accounting, and Internal Audit Departments perform various reviews of ceding companies, particularly larger ceding companies, including on-site audits.

5. REINSURANCE

The Company engages in reinsurance transactions with Everest Reinsurance Company ("Everest Re"), Everest Reinsurance Bermuda, Ltd. ("Bermuda Re") and Lloyd's Syndicate 2786, which are all affiliated entities. The entirety of the Company's direct and assumed business is ceded to these affiliates. These transactions are primarily driven by enterprise risk and capital management considerations under which business is ceded at market rates and terms. These agreements provide for recovery from reinsurers of a portion of losses and LAE under certain circumstances without relieving the ceding company of its obligations to the policyholders. All of the Company's retrocessions are with affiliates.

Balances are considered past due when amounts that have been billed are not collected within contractually stipulated time periods, generally 30, 60 or 90 days. To manage reinsurer credit risk, a reinsurance security review committee evaluates the credit standing, financial performance, management and operational quality of each potential reinsurer. In placing reinsurance, the Company considers the nature of the risk reinsured, including the expected liability payout duration, and establishes limits tiered by reinsurer credit rating.

Where its contracts permit, the Company secures future claim obligations with various forms of collateral or other credit enhancement, including irrevocable letters of credit, secured trusts, funds held accounts and group-wide offsets.

See Note 1C for discussion of allowance on reinsurance recoverables.

Insurance companies, including reinsurers, are regulated and hold risk-based capital to mitigate the risk of loss due to economic factors and other risks. Non-U.S. reinsurers are either subject to a capital regime substantively equivalent to domestic insurers or we hold collateral to support collection of reinsurance receivable. As a result, there is limited history of losses from insurer defaults.

Premiums written and earned and incurred losses and LAE are comprised of the following for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2023	2022
Written premiums:		
Direct	\$ 25,593	\$ 25,644
Assumed	2,258	3,408
Ceded	(27,851)	(29,051)
Net written premiums	\$ —	\$ —
Premiums earned:		
Direct	\$ 23,053	\$ 22,982
Assumed	1,474	3,690
Ceded	(24,527)	(26,672)
Net premiums earned	\$ —	\$ —
Incurred losses and LAE:		
Direct	\$ 8,877	\$ 12,807
Assumed	3,892	5,730
Ceded	(12,769)	(18,537)
Net incurred losses and LAE	\$ —	\$ —

(Some amounts may not reconcile due to rounding.)

The following table summarizes the premiums and losses ceded by the Company to its affiliated entities for the periods indicated:

<u>Everest Re, Bermuda Re, and Lloyd's Syndicate 2786</u>	Years Ended December 31,	
	2023	2022
(Dollars in thousands)		
Ceded written premiums	\$ 27,851	\$ 29,051
Ceded earned premiums	24,527	26,672
Ceded losses and LAE	12,769	18,537

6. COMPREHENSIVE INCOME (LOSS)

The following table presents the components of other comprehensive income (loss) in the statements of operations and comprehensive income (loss) for the periods indicated:

(Dollars in thousands)	Years Ended December 31,					
	2023			2022		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
URA(D) on securities - non-credit related	\$ 958	\$ (201)	\$ 757	\$ (4,481)	\$ 941	\$ (3,540)
Reclassification of net realized losses (gains) included in net income (loss)	—	—	—	—	—	—
Total other comprehensive income (loss)	\$ 958	\$ (201)	\$ 757	\$ (4,481)	\$ 941	\$ (3,540)

(Some amounts may not reconcile due to rounding.)

There were no amounts reclassified from AOCI as of 2023 and 2022.

The following table presents the components of accumulated other comprehensive income (loss), net of tax, in the balance sheets for the periods indicated:

	Years Ended December 31,	
	2023	2022
(Dollars in thousands)		
Beginning balance of URA(D) on securities	\$ (2,861)	\$ 679
Current period change in URA(D) of investments - non-credit related	757	(3,540)
Ending balance of URA(D) on securities	\$ (2,104)	\$ (2,861)

(Some amounts may not reconcile due to rounding.)

7. RELATED-PARTY TRANSACTIONS

In 2023, the Company received a capital contribution from its Parent, Everest Re, of \$4 million.

Assurance, provides centralized management and home office services, through a management agreement. Services provided by Everest Global include executive managerial services, legal services, actuarial services, accounting services, information technology services and others.

The following table presents the expenses incurred by Everest Assurance from services provided by Everest Global for the periods indicated.

	Years Ended December 31,	
	2023	2022
(Dollars in thousands)		
Expenses incurred	\$ 633	\$ 458

8. INCOME TAXES

With the assent of the governor on December 27, 2023, the Bermuda Corporate Income Tax Act of 2023 (“The 2023 Act”) became law. Beginning in 2025, a 15% corporate income tax will be applicable to Bermuda businesses that are part of multinational enterprise groups with annual revenue of €750 million or more. The Company has elected to be taxed as a U.S. corporation under Internal Revenue Code Section 953(d) and will accrue and pay U.S. income tax. Pursuant to the tax allocation agreement, current and deferred tax expense or benefit is determined on a separate company basis. The following disclosure, therefore, reflects its share of income tax expense as calculated on that basis.

On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was enacted. We have evaluated the tax provisions of the IRA, the most significant provision is the corporate alternative minimum tax and do not expect it to have a material impact on our results of operations.

The significant components of the provision are as follows for the periods indicated:

	Years Ended December 31,	
	2023	2022
(Dollars in thousands)		
Current tax expense (benefit)		
U.S.	\$ —	\$ —
Non-U.S.	—	—
Total current tax expense (benefit)	—	—
Deferred U.S. tax expense (benefit)	—	—
Total deferred tax expense (benefit)	—	—
Total income tax expense (benefit)	\$ —	\$ —

(Some amounts may not reconcile due to rounding.)

A reconciliation of the total income tax provision using the statutory U.S. Federal income tax rate to the company's total income tax provision is as follows for the periods indicated:

	Years Ended December 31,	
	2023	2022
(Dollars in thousands)		
Expected tax provision at applicable statutory rate	\$ 389	\$ (113)
Change in valuation allowance	(424)	113
Other	35	—
Total income tax provision	\$ —	\$ —

(Some amounts may not reconcile due to rounding.)

At December 31, 2023 and 2022, the Company had no uncertain tax positions.

In 2015, the Company became a member of the Holdings consolidated federal income tax return. Holdings' and its subsidiaries' 2014 through 2018 U.S. Federal income tax returns are under audit by the Internal Revenue Service ("IRS"). To date, the Company has received a significant number of Information Document Requests ("IDRs"). In 2023, the IRS issued several insignificant Notice(s) of Proposed Adjustment. The Company had filed amended tax returns requesting refunds for 2015 and 2016 for \$2 million and \$5 million, respectively.

In the fall of 2023, the IRS issued a final Revenue Agent Report ("RAR") which is under review by the Company. We have asked for and received an extension from the IRS to complete our review. Note that the IRS requested, and we have signed, an extension of the audit to June 30, 2025.

For tax year 2019, the Statute of Limitations has expired and, thus, the Federal income tax return for the year is no longer subject to IRS examination except to the extent the Company files an amended return

Tax years 2020, 2021 and 2022 are open for examination by the IRS.

Deferred Income taxes reflect the tax effect of the temporary differences between the value of assets and liabilities for financial statement purposes and such values are measured by the U.S. tax laws. The principal items making up the net deferred income tax assets/(liabilities) are as follows for the periods indicated:

	At December 31,	
	2023	2022
(Dollars in thousands)		
Deferred tax assets:		
Net unrealized investment losses	\$ 559	\$ 761
Net operating loss carryforward	450	868
Deferred expenses	65	80
Deferred acquisition cost	65	65
Other	8	—
Total deferred tax assets	1,147	1,774
Deferred tax liabilities:		
Other	13	14
Total deferred tax liabilities	13	14
Net deferred tax assets/(liabilities)	1,134	1,760
Less: Valuation allowance	(575)	(999)
Total net deferred tax assets/(liabilities)	\$ 559	\$ 761

(Some amounts may not reconcile due to rounding.)

The Company has a net operating loss carryforward of \$0.5 million. The Company's net operating losses begin to expire in 2035.

At December 31, 2023, \$0.6 million of the Company’s deferred tax asset related primarily to unrealized losses on available for sale fixed maturity securities. The unrealized losses on the available for sale fixed maturity securities were a result of market conditions, including rising interest rates. Ultimate realization of deferred tax assets depends on the Company’s ability and intent to hold the available for sale securities until they recover their value or mature. As of December 31, 2023, based on all available evidence, the Company has concluded that the deferred tax asset related to the unrealized losses on the available for sale fixed maturity portfolio are, more likely than not, expected to be realized.

9. DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

Dividend Restrictions.

Under Bermuda law, Everest Assurance is prohibited from declaring or making payment of a dividend if it fails to meet its minimum solvency margin or minimum liquidity ratio. Prior approval of the Bermuda Monetary Authority (“BMA”) is required if dividend payments would reduce its prior year-end total statutory capital and surplus by 25% or more.

Statutory Financial Information.

Everest Assurance prepares its statutory financial statements in conformity with the accounting principles set forth in Bermuda in The Insurance Act 1978, amendments thereto and related regulations. The statutory capital and surplus of Everest Assurance was \$52.0 million and \$45.6 million at December 31, 2023 and 2022, respectively. The statutory net income of Everest Assurance was \$1.7 million and \$0.3 million for the years ended December 31, 2023 and 2022, respectively.

Capital Restrictions.

Everest Assurance is subject to the Bermuda Solvency Capital Requirement (“BSCR”) administered by the BMA. No regulatory action is taken if an insurer’s capital and surplus is equal to or in excess of their enhanced capital requirement determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer, which is 120% of the enhanced capital requirement.

The regulatory targeted capital and the actual statutory capital was as follows:

	At December 31,	
	2023	2022
(Dollars in thousands)		
Regulatory targeted capital ⁽¹⁾	\$ 6,774	\$ 6,383
Actual capital	51,983	45,565

⁽¹⁾ Regulatory targeted capital represents the target capital level from the applicable year’s BSCR calculation.

10. SUBSEQUENT EVENTS

The Company has evaluated known recognized and non-recognized subsequent events through April 25, 2024, the date the financial statements are available to be issued. The Company does not have any subsequent events to report.