April 29, 2024

Report of Independent Auditors

To the Board of Directors of HCC Reinsurance Company Limited

Opinions

We have audited the accompanying condensed consolidated financial statements of HCC Reinsurance Company Limited and its subsidiaries (the “Company”), which comprise the condensed consolidated balance sheets and condensed consolidated statements of capital and surplus as of December 31, 2023 and 2022, and the related condensed consolidated statements of income for the years then ended, including the related notes (collectively referred to as the “condensed consolidated financial statements”).

Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed consolidated 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 for the years then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the “Legislation”).

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on U.S. generally accepted accounting principles* section of our report, the accompanying condensed consolidated financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations for the years then ended.

Basis for Opinions

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 condensed consolidated 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 opinions.

Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 3 to the condensed consolidated financial statements, the condensed consolidated financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority.

The effects on the condensed consolidated financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

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Responsibilities of management for the condensed consolidated financial statements

Management is responsible for the preparation and fair presentation of the condensed consolidated financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed 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 condensed consolidated financial statements are available to be issued.

Auditors' responsibilities for the audit of the condensed consolidated financial statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed 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 condensed consolidated financial statements.
- Obtain an understanding of internal controls 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 condensed consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

CONDENSED CONSOLIDATED BALANCE SHEET

Consolidated HCC Reinsurance Company Limited and Subsidiary
As at December 31, 2023
expressed in ['000s] United States Dollars

LINE No.		2023	2022
1.	CASH AND CASH EQUIVALENTS	40,003	48,206
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	
	ii. Other	331,124	296,412
(b)	Total Bonds and Debentures	331,124	296,412
(c)	Equities		
	i. Common stocks	-	
	ii. Preferred stocks	-	
	iii. Mutual funds	-	
(d)	Total equities	-	-
(e)	Other quoted investments	-	
(f)	Total quoted investments	331,124	296,412
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	
	ii. Other	-	
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks	-	
	ii. Preferred stocks	-	
	iii . Mutual funds	-	
(d)	Total equities	-	-
(e)	Other unquoted investments	-	
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services	-	
(b)	Unregulated non-financial operating entities	-	
(c)	Unregulated financial operating entities	-	
(d)	Regulated non-insurance financial operating entities	-	
(e)	Regulated insurance financial operating entities	-	
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	-	
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens	-	1,033
(b)	Other than first liens	-	-
(c)	Total investments in mortgage loans on real estate	-	1,033
6.	POLICY LOANS	-	
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS	-	
9.	INVESTMENT INCOME DUE AND ACCRUED	2,007	1,696
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	2,798	4,048
(b)	Deferred - not yet due	56,598	58,359
(c)	Receivables from retrocessional contracts	-	-
(d)	Total accounts and premiums receivable	59,396	62,407
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	-	
(b)	Domestic affiliates	-	
(c)	Pools & associations	-	
(d)	All other insurers	-	-
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS	65,700	36,623
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	-

CONDENSED CONSOLIDATED BALANCE SHEET

Consolidated HCC Reinsurance Company Limited and Subsidiary
As at December 31, 2023
expressed in ['000s] United States Dollars

LINE No.		2023	2022
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - other	-	-
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit assets	-	-
(f)	Deferred acquisition costs	36,020	33,356
(g)	Net receivables for investments sold	-	-
(h)	Airplane	41,906	109,526
(i)	Income tax receivable & deferred income taxes	6,686	5,391
(j)	Amounts due from affiliates	7,084	3,163
(k)	Total sundry assets	91,696	151,436
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	
(b)	Guarantees	-	
(c)	Other instruments	-	
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	589,926	597,813
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	139,959	148,463
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	8,121	9,022
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other insurers	19,498	23,641
(c)	Total ceded unearned premium reserve	27,619	32,663
(d)	Net unearned premium reserve	112,340	115,800
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	112,366	164,052
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	5,780	5,780
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other reinsurers	577	500
(c)	Total reinsurance recoverable balance	6,357	6,280
(d)	Net loss and loss expense provisions	106,009	157,772
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	-	
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	218,349	273,572
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS	-	
21.	RESERVE FOR UNREPORTED CLAIMS	-	
22.	POLICY RESERVES - LIFE	-	
23.	POLICY RESERVES - ACCIDENT AND HEALTH	-	
24.	POLICYHOLDERS' FUNDS ON DEPOSIT	-	
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS	-	
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates	-	
	(ii) Domestic Affiliates	-	
	(iii) Pools and Associations	-	
	(iv) All Other Insurers	-	
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	**Total Net Long-Term Business Insurance Reserves**	-	-

CONDENSED CONSOLIDATED BALANCE SHEET

Consolidated HCC Reinsurance Company Limited and Subsidiary
As at December 31, 2023
expressed in ['000s] United States Dollars

LINE No.		2023	2022
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	3,407	11,314
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	11,529	12,571
30.	LOANS AND NOTES PAYABLE	-	
31.	(a) INCOME TAXES PAYABLE	-	666
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	22,631	333
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	45	181
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	-	-
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies	-	-
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	5,042
(e)	Holdback and earnout liability	-	10,739
(f)	Deferred revenue	10,327	375
(g)	Reinsurers' portion of lease income	2,474	-
(h)	Total sundry liabilities	12,801	16,156
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	50,413	41,221
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	268,762	314,793
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	321,164	283,020
41.	TOTAL	589,926	597,813

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Consolidated HCC Reinsurance Company Limited and Subsidiary
As at December 31, 2023
expressed in ['000s] United States Dollars

LINE No.		2023	2022
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	19,729	15,098
	(b) Assumed gross premiums written	43,441	35,533
	(c) Total gross premiums written	63,170	50,631
2.	REINSURANCE PREMIUMS CEDED	4,681	2,351
3.	NET PREMIUMS WRITTEN	58,489	48,280
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	3,460	9,027
5.	NET PREMIUMS EARNED	61,949	57,307
6.	OTHER INSURANCE INCOME	9	25
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	61,958	57,332
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	34,770	14,877
9.	COMMISSIONS AND BROKERAGE	15,942	14,729
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	50,712	29,606
11.	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	11,246	27,726
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	-	
	(b) Assumed gross premiums and other considerations	-	
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED	-	
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	-	
	(b) Annuities	-	
	(c) Accident and health	-	
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME	-	
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE	-	
18.	POLICYHOLDERS' DIVIDENDS	-	
19.	SURRENDERS	-	
20.	MATURITIES	-	
21.	ANNUITIES	-	
22.	ACCIDENT AND HEALTH BENEFITS	-	
23.	COMMISSIONS	-	
24.	OTHER	-	
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	-	
	(b) Annuities	-	
	(c) Accident and health	-	
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	**NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS**	-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Consolidated HCC Reinsurance Company Limited and Subsidiary

As at December 31, 2023

expressed in ['000s] United States Dollars

LINE No.		2023	2022
29.	**COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS**	11,246	27,726
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	5,221	5,188
	(b) Personnel cost	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	5,221	5,188
31.	COMBINED INVESTMENT INCOME - NET	15,164	9,380
32.	COMBINED OTHER INCOME (DEDUCTIONS)	3,257	2,484
33.	COMBINED INCOME BEFORE TAXES	24,446	34,402
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	7,568	7,334
	(b) Deferred	323	(202)
	(c) Total	7,891	7,132
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	16,555	27,270
36.	COMBINED REALIZED GAINS (LOSSES)	13,848	1,032
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	30,403	28,302

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Consolidated HCC Reinsurance Company Limited and Subsidiary
As at December 31, 2023
expressed in ['000s] United States Dollars

LINE No.		2023	2022
1.	**CAPITAL:**		
(a)	Capital Stock		
	(i) Common Shares	120	120
	authorized 120,000 shares of par value $ 1.000 each issued and fully paid 120,000 shares		
	(ii)		
	(A) Preferred shares:		
	authorized shares of par value each issued and fully paid shares		
	aggregate liquidation value for —		
	2023		
	2022		
	(B) Preferred shares issued by a subsidiary:		
	authorized shares of par value each issued and fully paid shares		
	aggregate liquidation value for —		
	2023		
	2022		
	(iii) Treasury Shares		
	repurchased shares of par value each issued		
(b)	Contributed surplus	183,865	183,865
(c)	Any other fixed capital		
	(i) Hybrid capital instruments	-	
	(ii) Guarantees and others	-	
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	183,985	183,985
2.	**SURPLUS:**		
(a)	Surplus - Beginning of Year	99,035	102,440
(b)	Add: Income for the year	30,403	28,302
(c)	Less: Dividends paid and payable	-	-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	7,741	(31,707)
(e)	Add (Deduct) change in any other surplus	-	
(f)	Surplus - End of Year	137,179	99,035
3.	**MINORITY INTEREST**		
4.	**TOTAL CAPITAL AND SURPLUS**	321,164	283,020

HCC REINSURANCE COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022
(expressed in United States Dollars)

PART I

1. HCC Reinsurance Company Ltd. (the Company) is a wholly-owned subsidiary of HCC Insurance Holdings, Inc. (HCC), a Delaware Corporation, which is ultimately owned by Tokio Marine Holdings, Inc. (TMHD), a Japanese Corporation. The Company holds a Class 3A license under the Insurance Act of 1978. The condensed consolidated financial statements include the consolidation of the following subsidiaries:
   - HCC Re Agency Ltd., a Bermuda corporation, and wholly-owned subsidiary of the Company
   - WGIL1-North Mobile LLC, a wholly-owned subsidiary established in January 2021 to hold a mortgage loan received as salvage. The property securing the mortgage was sold, and the mortgage repaid, in June 2023.
   - WGIL 2-MLK LLC, a wholly-owned subsidiary established in January 2021 to hold a mortgage loan received as salvage. The property securing the mortgage was sold, and the mortgage repaid, in December 2021.
   - TMHCC_EMIR2 LLC, a wholly-owned subsidiary established in September 2021 to hold an airplane received as salvage.
   - TMHCC_Air 1 LLC, a wholly-owned subsidiary established in March 2022 to hold an airplane received as salvage. The plane was sold in August 2023.
   - TMHCC_Air 2 LLC, a wholly-owned subsidiary established in April 2022 to hold an airplane received as salvage. The plane was sold in August 2023.

2. The Company writes business both directly and assumes business from affiliated insurance companies. The Company writes medium to large limit aircraft and commercial real estate residual value (re)insurance, title, mortgage guarantee, other structured insurance and tax credit insurance policies. Additionally, the Company writes crisis management and eminent domain policies.

3. The condensed consolidated general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). The condensed consolidated general purpose financial statements are based upon accounting principles generally accepted in the United States of America ("US GAAP"), but are in accordance with reporting requirements of the Legislation, which varies in certain respects from US GAAP. The more significant variances are as follows:

   - A consolidated statement of cash flow is not included;
   - A consolidated statement of comprehensive income is not included;
   - The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under US GAAP.
   - The notes included in the condensed consolidated general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under US GAAP.

   The condensed consolidated general purpose financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

4. SIGNIFICANT ACCOUNTING POLICIES

   a. Premiums earned and reinsurance premiums
   The Company recognizes in current earned income the portion of the premium that provides insurance protection in the period. For the majority of the insurance policies, the Company recognizes premium, net of reinsurance, on a pro rata basis over the term of the related contract. Premiums for commercial title insurance policies are recognized in earnings on the effective date of the contract.

   b. Loss and loss expenses provisions
   Loss and loss expenses provisions are based on undiscounted estimates of payments to be made for reported losses, net of reinsurance. Estimates for reported losses are based on all available information, including reports received from ceding companies on assumed business. Estimates for incurred but not reported losses are based on the Company's and industry experience. While management believes that amounts included in the accompanying financial statements are adequate, such estimates may be more or less than the amounts ultimately paid when the claims are settled. The estimates are continually reviewed and any changes are reflected in current operations.

   c. Foreign currency translation
   Assets and liabilities recorded in foreign currencies are revalued at current exchange rates. Revenue and expenses recorded in foreign currencies are revalued based on the effective date of the original transaction. Gains and losses from foreign currency transactions are included in combined other income (deductions).

   d. Reinsurance
   All reinsurance amounts are calculated and recorded in a manner consistent with the underlying reinsured contracts. The Company reviews the collectability of the reinsurance recoverables and has recorded no allowance for uncollectible reinsurance. The estimate utilized to calculate the allowance is subject to change and this could affect the level of reserve required. Certain reinsurance agreements allow for reinsurance premiums to be held by the ceding entity as prescribed in the contract. The Company records these applicable reinsurance transactions as funds held by ceding reinsurers.

   As discussed in Note 4f, beginning January 1, 2023, the Company adopted the accounting guidance on CECL for financial instruments measured at amortized cost, including reinsurance recoverables. As of December 31, 2023, the Company did not recognize an allowance for credit losses associated with the reinsurance recoverables in the consolidated financial statements.

   e. Cash and cash equivalents
   The Company considers all certificates of deposit with original maturities of three months or less and money market funds to be cash equivalents. Cash and cash equivalents include restricted fiduciary funds of $0 and $10,739,000 as of December 31, 2023 and December 31, 2022, respectively, held in accordance with an acquisition agreement. The corresponding liability is included with sundry liabilities.

PART I (con't)

f. Investments

Bonds and debentures are classified as available for sale and reported at fair value.

A security has an impairment loss when its fair value is less than its cost or amortized cost at the balance sheet date. The Company evaluated impaired securities for possible other-than-temporary impairment loss at each quarter end, considering various factors including: 1) amount by which the security's fair value is less than its cost, 2) whether the Company intended to sell the security, 3) if it is more likely than not that the Company will sell the security before recovery of its amortized cost basis, 4) whether the impairment is due to an issuer-specific event, credit issues or change in market interest rates, 5) the security's credit rating and any recent downgrades and 6) stress testing of expected cash flows under various scenarios.

For each impaired security, the Company determines: 1) it does not intend to sell the security and 2) it is more likely than not that the Company will not be required to sell the security before recovery of its amortized cost basis. If the Company cannot assert these conditions, it records a permanent reduction of the security's cost equal to the impairment loss. The new cost basis is not adjusted for any subsequent recoveries in fair value. The Company recognized no other-than-temporary impairment losses in 2023 and 2022.

Realized investment gains or losses are determined based on specific identification and included in earnings on the trade date. If a structured security fails to pay the full amount of expected principal, the Company recognizes the unpaid amount as a realized loss in the period due and permanently reduces the security's cost basis. If a security or loan is non-income producing, it is placed on a non-accrual status and any cash proceeds are applied as a reduction of principal when received.

An accounting standard issued in 2016 provides amended guidance on the accounting for credit losses of financial instruments that are measured at amortized cost, by applying an approach based on CECL. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected. The guidance also amends the current other-than-temporary impairment model for available for sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position no longer impacts the determination of whether a credit loss exists. The Company adopted this standard on January 1, 2023 using a modified retrospective approach. The Company did not recognize any adjustments related to the CECL adoption.

g. Derivative instruments

During 2004, the Company assumed a transaction whose underlying exposure is the value of a portfolio of home mortgages over a 22 year period as measured by the Halifax Price Index. The transaction went off risk in April 2022, at which time the Company received $4,971,000, resulting in a $289,000 loss.

5. THE BASIS OF RECOGNITION OF THE FOLLOWING ITEMS ARE:

a. Premiums - The Company recognizes in current earned income the portion of the premium that provides insurance protection in the period. For the majority of the insurance policies, the Company recognizes premium, net of reinsurance, on a pro rata basis over the term of the related contract. Premiums for commercial title insurance policies are recognized in earnings on the effective date of the contract.

b. Investment income is earned on the accrual basis of accounting.

c. Commission Income - The Company does not have any commission income.

6. TRANSLATION METHODS

Assets and liabilities recorded in foreign currencies are revalued at current exchange rates. Revenue and expenses recorded in foreign currencies are revalued based on the effective date of the original transaction. Translation gains and losses are recorded in combined other income (deductions) on the condensed consolidated statement of income.

7. FOREIGN CURRENCY CONTROL RESTRICTIONS - N/A

8. CONTINGENCIES

From time to time, the Company has ceded certain risks to other companies. Although the ceding of reinsurance does not discharge the primary insurer from liability to its policyholder, the Company participates in such agreements for the purpose of limiting its loss exposure and diversifying its business.

A contingent liability is present with respect to the Company's reinsurance which would become an actual liability to the extent that any reinsuring company failed to meet its obligations to the Company. However, in the opinion of management, with the experience of the companies involved, there is no exposure related to this scenario.

9. COMPANY DEFAULT - N/A

10. ARREARS DIVIDENDS - N/A

11. LOANS - N/A

12. RETIREMENT BENEFITS - N/A

HCC REINSURANCE COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022
(expressed in United States Dollars)

13. INVESTMENTS - FAIR VALUE MEASUREMENTS
Items measured and reported at fair value by Levels 1, 2 and 3:

Level 1 - Inputs are based on quoted prices in active markets for identical instruments.

Level 2 - Inputs are based on observable market data (other than quoted prices), or are corroborated by observable market data. This category includes fixed maturity securities.

Level 3 - Inputs are observable and are not corroborated by market data.

The following tables summarize the Company's assets and liabilities measured and reported at fair value:

December 31, 2023:

Type of Financial Instrument	Level 1	Level 2	Level 3	Total
Fixed maturity securities				
Fixed income securities of states, municipalities, and political subdivisions	$ -	$ 20,225,000	$ -	$ 20,225,000
Special purpose revenue bonds of states, municipalities, and political subdivisions	-	53,885,000	-	- 53,885,000
Corporate securities	-	33,811,000	-	33,811,000
Residential mortgage-backed securities	-	141,239,000	-	141,239,000
Commercial mortgage-backed securities	-	25,438,000	-	25,438,000
Asset-backed securities	-	56,526,000	-	56,526,000
Total fixed maturity securities	-	331,124,000	-	331,124,000
Cash and short-term investments	27,832,000	7,670,000	-	35,502,000
Total assets measured at fair value	$ 27,832,000	$ 338,794,000	$ -	$ 366,626,000
Holdback liability	-	-	-	-
Total liabilities measured at fair value	$ -	$ -	$ -	$ -

December 31, 2022:

Type of Financial Instrument	Level 1	Level 2	Level 3	Total
Fixed maturity securities				
Fixed income securities of states, municipalities, and political subdivisions	$ -	$ 13,826,000	$ -	$ 13,826,000
Special purpose revenue bonds of states, municipalities, and political subdivisions	-	61,065,000	-	- 61,065,000
Corporate securities	-	24,858,000	-	24,858,000
Residential mortgage-backed securities	-	121,464,000	-	121,464,000
Commercial mortgage-backed securities	-	25,259,000	-	25,259,000
Asset-backed securities	-	49,940,000	-	49,940,000
Total fixed maturity securities	-	296,412,000	-	296,412,000
Cash and short-term investments	31,987,000	13,908,000	-	45,895,000
Total assets measured at fair value	$ 31,987,000	$ 310,320,000	$ -	$ 342,307,000
Holdback liability	-	10,739,000	-	10,739,000
Total liabilities measured at fair value	$ -	$ 10,739,000	$ -	$ 10,739,000

14. INVESTMENTS - CONTRACTUAL MATURITY

The value of bonds at December 31, 2023 and 2022 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Fixed maturity securities:	2023	2022
Due within one year	$ 3,778,000	$ 839,000
Due after one year through five years	15,916,000	16,399,000
Due after five years through ten years	46,829,000	52,581,000
Due after ten years	264,601,000	226,593,000
Total fixed maturity securities	$ 331,124,000	$ 296,412,000

(expressed in United States Dollars)

PART I (con't)

15. RELATED PARTY TRANSACTIONS

Certain management functions are performed by affiliates of the Company, HCC Service Co. and HCC Service Co. UK Branch. Costs incurred by these affiliates are allocated to the Company pursuant to an intercompany cost allocation agreement. Additional intercompany payables are related to the timing of receivable and payables that arise in the course of business.

The Company reported amounts receivable/(payable) to affiliates as follows at December 31:

	2023	2022
HCC International Insurance Co.	$ (221,000)	$ (204,000)
HCC Service Company, Inc.	(130,000)	(128,000)
HCC Service Co. UK	-	(1,000)
Houston Casualty Co.	7,084,000	3,157,000
U.S. Specialty Insurance Co.	(22,280,000)	6,000
Total	$ (15,547,000)	$ 2,830,000

Commission payable include $11,526,000 and $12,561,000 due to HCC Indemnity Guaranty, an affiliated company, at December 31, 2023 and December 31, 2022, respectively.

Accounts and premium receivable include $24,259,000 and $25,280,000 due from affiliated companies, at December 31, 2023 and December 31, 2022, respectively.

Funds held by ceding reinsurers include of $65,700,000 and $36,623,000 due from affiliated companies, at December 31, 2023 and December 31, 2022, respectively.

16. SUBSEQUENT EVENTS

None

17. ADDITIONAL DISCLOSURES

Mortgage Insurance Collateral

The Company reinsures excess losses on a portfolio of mortgage insurance policies that originated between 2018 and 2023. The Company provides collateral consisting of bonds, cash and accrued interest income of $88,413,000 and $81,752,000 at December 31, 2023 and December 31, 2022, respectively.

PART II

A. 1 (a) CAPITAL STOCK

Authorized, issued and fully paid - 120,000 shares of US $1.00 par value each - $120,000.

1 (b) CONTRIBUTED SURPLUS

The Company did not receive any capital contributions during 2023 or 2022.

2 (c) DIVIDENDS PAID AND PAYABLE

The Company did not pay any dividends during 2023 or 2022.

PART III

1. CASH AND CASH EQUIVALENTS

Cash consists of cash in banks and short term money market accounts. The Company considers all certificates of deposit with original maturities of three months or less and money market funds to be cash equivalents. Cash and cash equivalents include restricted fiduciary funds of $10,739,000 as of December 31, 2022 held in accordance with an acquisition agreement. The corresponding liability is included with sundry liabilities. These balances were settled in 2023 according to the terms of the agreement and the Company did not hold any restricted cash or cash equivalents as of December 31, 2023.

The Company reinsures excess losses on a portfolio of mortgage insurance policies that originated between 2018 and 2023. The Company provides collateral consisting of cash of $9,552,000 and $3,769,000 at December 31, 2023 and December 31, 2022, respectively.

2. QUOTED INVESTMENTS

Bonds and debentures are reported at fair value. Bonds and debentures are available for sale, but may be sold if the Company can reinvest the proceeds at a higher effective yield or if the security has credit-related issues. In 2023, the Company recorded bonds at fair value in the amount of $331,124,000, compared to bonds at fair value in the amount of $296,412,000 during 2022. There were no restricted bonds and debentures at either December 31, 2023 or December 31, 2022.

The Company reinsures excess losses on a portfolio of mortgage insurance policies that originated between 2018 and 2023. The Company provides collateral consisting of bonds of $78,638,000 and $77,776,000 at December 31, 2023 and December 31, 2022, respectively.

3. UNQUOTED INVESTMENTS - N/A

4. INVESTMENT IN AND ADVANCES IN AFFILIATES - N/A

PART III (con't)

5. INVESTMENT IN MORTGAGE LOANS ON REAL ESTATE

In January of 2021 the Company purchased the loan in settlement of a claim on two commercial real estate residual value insurance policies. In December 2021 one of the mortgage loans was paid off. The Company had investment in mortgage loans on real estate of $1,033,000 at December 31, 2022. In June 2023 the second mortgage loan was paid off and as of December 31, 2023, the Company does not hold any investments in mortgage loans on real estate.

6. POLICY LOANS - N/A

7. REAL ESTATE - N/A

8. COLLATERAL LOANS - N/A

9. INVESTMENT INCOME DUE AND ACCRUED
The Company had accrued investment income at December 31, 2023 and 2022 of $2,007,000 and $1,696,000, respectively.

10. ACCOUNTS AND PREMIUMS RECEIVABLE
At December 31, 2023, the Company had amounts receivable of $59,396,000, of which $24,259,000 was due from affiliated companies, compared to amounts receivable at December 31, 2022, the Company had amounts receivable of $62,407,000, of which $25,280,000 was due from affiliated companies.

11. REINSURANCE BALANCES RECEIVABLE - N/A

12. FUNDS HELD BY CEDING REINSURERS
The Company has provided cash balances to affiliated ceding reinsurers as collateral against future losses incurred by the ceding reinsurers. Total funds held by ceding reinsurers at December 31, 2023 and 2022 were $65,700,000 and $36,623,000, respectively.

13. SUNDRY ASSETS

a. Deferred commissions - Commission costs are deferred and charged to earnings proportionate with premiums earned.

b. Airplanes - During 2020, as a result of an RVI air claim, the Company took ownership of an Airbus A330 with a $25,000,000 book value. Consistent with the reinsurance on the policy, the reinsurers had an interest of approximately 41% in the airplane. The ceded portion was reported as a sundry liability. In August 2022 the aircraft was sold for $27,000,000, at which time the related sundry asset and sundry liability were removed.

During 2021, as a result of an RVI air claim, the Company took ownership of a Boeing 777-300ER with a $45,000,000 book value. The related sundry asset at December 31, 2023 and 2022 was $41,906,000 and $43,281,000, respectively. The plane is leased to a third party at a fixed rental rate of $375,000 per month. The lease expries September, 30, 2027.

During 2022, as a result of an RVI air claim, the Company took ownerhip of two airplanes:
Boeing 777-300ER with a $33,500,000 book value. At December 31, 2022, the related sundry asset was $33,122,000. In August 2023 the aircraft was sold for $40,000,000, at which time the related sundry asset was removed.

Boeing 777-300ER with a $33,500,000 book value. At December 31, 2022, the related sundry asset was $33,122,000. In August 2023, the aircraft was sold for $40,000,000, at which time the related sundry asset was removed.

c. Income tax receivable & deferred income taxes
See Note 31.

14. LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS
In the event that the Company is unable to pay any policyholder obligations within 30 days after the obligation becomes due, the Company has obtained a guarantee from affiliated insurer, Houston Casualty Company, and an additional separate guarantee from affiliated insurer Tokio Marine & Nichido Fire Insurance Co., to pay or cause to be paid such obligations.

16. UNEARNED PREMIUMS
Premiums are written on an accrual basis, net of reinsurance, and are generally included in earnings on a pro-rata basis over the lives of the related policies and the unearned portion is recognized as a liability on the balance sheet. Premiums for commercial title insurance policies are recognized in earnings on the effective date of the contract.

HCC REINSURANCE COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022
(expressed in United States Dollars)

PART III (con't)

17. LOSS AND LOSS EXPENSES PROVISIONS - See Part I, Note 4 (b)

(a) Loss and loss expenses provisions table for the years ended December 31, 2023 and 2022:

	2023	2022
Gross loss and loss expense provisions at beginning of year	$ 164,052,000	$ 96,051,000
Less: Reinsurance recoverable at beginning of year	(6,280,000)	(22,384,000)
Net loss and loss expense provisions at beginning of year	157,772,000	73,667,000
Net Incurred Losses and Loss Expenses		
Current year	59,977,000	25,313,000
Prior years	(25,207,000)	(10,436,000)
Total net incurred losses and loss expenses	34,770,000	14,877,000
Net loss and loss expenses paid or payable related to:		
Current year	(157,000)	17,000
Prior years	86,690,000	(69,245,000)
Total losses and loss expense paid or payable	86,533,000	(69,228,000)
Foreign exchange and other	-	-
Net loss and loss expense provisions at end of year	106,009,000	157,772,000
Add: Reinsurance recoverable at end of year	6,357,000	6,280,000
Gross loss and loss expense provisions at end of year	$ 112,366,000	$ 164,052,000

(b) The Company had prior year favorable development of $25,207,000 in 2023 and $10,436,000 in 2022 primarily related to release of IBNR on the RVI air line of business.

During 2023, the Company decreased its net loss provision for residual value insurance (RVI) business by $51,839,000. During 2022, the Company increased its net loss provision for residual value insurance (RVI) business by $83,894,000.

(c) Loss reserves related to RVI air claims are reported net of the associated salvage asset prior to the Company taking title to the insured asset. Once the Company takes title to the insured asset, the salvage asset is reclassified as a sundry asset and loss reserves no longer reflect the reduction for the associated asset. See Note 13c.

(d) At December 31, 2023 and 2022, the Company had unsecured policyholder obligations of $112,366,000 and $164,052,000, respectively. The Company did not have any restricted assets related to loss and loss expense provisions.

20. RESERVES FOR REPORTED CLAIMS - N/A

21. RESERVES FOR UNREPORTED CLAIMS - N/A

22. POLICY RESERVES - LIFE - N/A

23. POLICY RESERVES ACCIDENT AND HEALTH - N/A

24. POLICYHOLDERS' FUNDS ON DEPOSIT - N/A

25. LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS - N/A

26. OTHER INSURANCE RESERVES - LONG TERM - N/A

27. TOTAL LONG-TERM BUSINESS INSURANCE RESERVES - N/A

28. INSURANCE AND REINSURANCE BALANCES
The net amount payable by the Company for premiums and other balances under insurance or reinsurance contracts at December 31, 2023 and 2022 was $3,407,000 and $11,314,000, respectively.

29. COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE
At December 31, 2023, the Company had commission payable of $11,529,000, of which, $11,526,000 was due to an affiliated company.

30. LOANS AND NOTES PAYABLE - N/A

31. (a) INCOME TAXES PAYABLE
On December 27, 2023, the Corporate Income Tax Act 2023 was enacted into law in Bermuda. Effective for fiscal years beginning on or after January 1, 2025, the enacted law introduces a 15% corporate income tax (CIT) on Bermuda businesses that are part of multinational enterprise (MNE) groups with annual revenue of EUR 750 million or more. The Company plans to make the US Branch Exception for Bermuda CIT and as such no Bermuda taxes are provided. The Company has made the IRC 953(d) election to be treated as a U.S. domiciled company for U.S. income tax purposes. Therefore, income tax expense has been provided to record the Company's U.S. income taxes.

The Company and its U.S. subsidiaries are included in the consolidated Federal income tax return of HCC Insurance Holdings, Inc. and subsidiaries. The method of allocating taxes among the companies is subject to written agreement and approved by the Board of Directors. Under the terms of the agreement, income tax expense is allocated to companies with taxable income using a tax rate of 21%.

At December 31, 2023 the Company and subsidiaries had a current Federal income tax receivable due from HCC Insurance Holdings, Inc. of $3,675,000 in the consolidated balance sheet. At December 31, 2022, the Company and subsidiaries had a current Federal income tax liability due to HCC Insurance Holdings, Inc. of $666,000 in the consolidated balance sheet.

(expressed in United States Dollars)

PART III (con't)

(b) DEFERRED INCOME TAXES

Deferred income tax is accounted for using the liability method, which reflects the tax impact of temporary differences between the bases of assets and liabilities for financial reporting purposes and such bases as measured by tax laws and regulations. The Company regularly reviews the deferred tax assets for recoverability and establishes a valuation allowance based on history of earnings, expectations for future earnings, taxable income in carryback years and the expected timing of the reversals of existing temporary differences. Due to the history of earnings, expectations for future earnings, and taxable income in carryback years, the Company expects to be able to fully realize the benefit of any net deferred tax asset, excluding amounts covered by valuation allowances, on a consolidated basis.

On December 31, 2023 and 2022, the Company and subsidiaries had a net Federal deferred income tax asset of $3,010,000 and $5,391,000, respectively, primarily due to unrealized losses on investments, unearned premium revenue, other deferred revenue and discounting of loss reserves offset by the timing of recognition of deferred policy acquisition costs and book over tax basis of the fixed assets.

At December 31, 2023 and December 31, 2022, there were no valuation allowances, net operating losses or tax liabilities for unrecognized gross tax benefits related to uncertain tax positions.

32. AMOUNTS DUE TO AFFILIATES

The Company is not subject to any repayment terms, rate of interest and/or collateral for payables to affiliates. The Company is part of a consolidated group and is subject to allocation of general expenses from HCC Service Company and other affiliates.

33. ACCOUNTS PAYABLE AND ACCRUED INVESTMENT EXPENSE

The Company had $45,000 in accounts payable and accrued investment expense at December 31, 2023 and $181,000 at December 31, 2022.

34. FUNDS HELD UNDER REINSURANCE CONTRACTS - N/A

35. DIVIDENDS PAYABLE - N/A

PART VI

36. SUNDRY LIABILITIES

a. Holdback liability

The Company had a hold back liability to cover any losses that may occur related to a previously purchased insurance company, Indemnity and Guaranty International Reinsurance Limited (IGIRL) of $10,739,000 at December 31, 2022. The holdback liability was settled in January 2023.

b. Deferred revenue

During 2023, the Company wrote policies providing capital relief to the owner of a hedged portfolio. These policies do not provide risk transfer and were not accounted for as insurance policies. The premium for these policies were recorded as deferred revenue and are being earned out straight-line over the life of the policies and was included in combined other income.

In December 2022, the Company received a $375,000 prepayment of the January 2023 airplane rent. The prepayment was recorded as other deferred revenue.

c. Reinsurers' portion of lease income

At December 31, 2023, the Company had a $2,474,000 liability due to reinsuers of the Boeing plane acquired in 2021, for the excess proceeds from the lease revenue.

37. LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS - N/A

6. OTHER INSURANCE INCOME

The Company earned $9,000 and $25,000 of other insurance income during 2023 and 2022, respectively.

15. OTHER UNDERWRITING INCOME - N/A

32. COMBINED OTHER INCOME (DEDUCTIONS)

During 2023 and 2022, the Company recorded combined other income (deductions) consisting primarily of:

	2023	2022
Lease income from RVI airplane	$ 2,026,000	$ 2,823,000
Income from non-risk transfer - capital relief	$ 1,164,000	$ -
Income from financing future premium on an RVI policy	187,000	168,000
Foreign currency gain/(loss)	(125,000)	(21,000)
Service fee	5,000	-
Earnout expense related to IGIRL purchase	-	(490,000)
Total	$ 3,257,000	$ 2,480,000

36. COMBINED REALIZED GAINS (LOSSES)

During 2023 and 2022, the Company recorded realized gains (losses) consisting of:

	2023	2022
Sale of aircraft	$ 13,324,000	$ 1,297,000
Sale of real estate	415,000	-
Sale of investments	109,000	24,000
Derivative going off risk	-	(289,000)
Total	$ 13,848,000	$ 1,032,000