Citadel Reinsurance Company Limited

Condensed Financial Statements

Financial Year Ended December 31, 2022

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Citadel Reinsurance Company Limited

Opinions

We have audited the condensed consolidated financial statements of Citadel 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, 2022 and 2021, 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, 2022 and 2021, 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").

Emphasis of Matter – Non compliance with Statutory Requirements

We draw attention to Notes 17 of the financial statements which describes the Company's non-compliance with statutory requirements as of December 31, 2022. Our opinion is not modified in respect of this matter.

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 *Auditor's 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.

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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 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 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.

Deloitte Ltd.

March 15, 2024

CONDENSED CONSOLIDATED BALANCE SHEET

Citadel Reinsurance Company Limited
As at December 31, 2022
expressed in United States Dollars

LINE No.		2022	2021
1.	CASH AND CASH EQUIVALENTS	34,300,743	25,059,643
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		22,654,689
	ii. Other	21,925,807	2,110,974
(b)	Total Bonds and Debentures	21,925,807	24,765,663
(c)	Equities		
	i. Common stocks	1,569,722	2,054,126
	ii. Preferred stocks	2,138,915	2,977,216
	iii. Mutual Funds	-	-
(d)	Total equity investments	3,708,637	5,031,342
(e)	Other quoted investments	-	-
(f)	Total quoted investments	25,634,444	29,797,004
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 equity investments	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES (EQUITY METHOD):		
(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 (equity method)	-	-
(g)	Advances to affiliates	8,557	4,395,886
(h)	Total investments in and advances to affiliates (equity method)	8,557	4,395,886
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		

CONDENSED CONSOLIDATED BALANCE SHEET

Citadel Reinsurance Company Limited

As at December 31, 2022

expressed in United States Dollars

LINE No.			2022	2021
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		174,975	181,891
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:			
(a)	In course of collection		9,034,922	7,282,404
(b)	Deferred - not yet due		-	-
(c)	Receivables from retrocessional contracts			
(d)	Total accounts and premiums receivable		9,034,922	7,282,404
11.	REINSURANCE BALANCES RECEIVABLE:			
(a)	Foreign affiliates			
(b)	Domestic affiliates			
(c)	Pools & associations			
(d)	All other insurers	AMIC	11,004,955	12,077,367
(e)	Total reinsurance balances receivable		11,004,955	12,077,367
12.	FUNDS HELD BY CEDING REINSURERS:		8,530,229	7,417,220
13.	SUNDRY ASSETS:			
(a)	Derivative instruments			
(b)	Segregated accounts companies - long-term business - variable annuities			
(c)	Segregated accounts companies - long-term business - others			
(d)	Segregated accounts companies - general business			
(e)	Deposit assets		-	(0)
(f)	Deferred acquisition costs	Deferred policy acqn costs less Deferred Ceding commission income	2,839,919	3,192,139
(g)	Net receivables for investments sold			
(h)	Deferred tax assets		490,758	1,503,054
(i)	Federal and state tax receivable		1,104,707	948,279
(j)	Property and equipment and Other	Other Receivables less Prepayments treated as Non-admissable assets	695,240	2,896,587
(k)	Total sundry assets		5,130,624	8,540,058
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		93,819,449	94,751,474

CONDENSED CONSOLIDATED BALANCE SHEET

Citadel Reinsurance Company Limited

As at December 31, 2022

expressed in United States Dollars

LINE No.		2022	2021
	INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
	INSURANCE RESERVES		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	35,124,373	37,941,409
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers	19,477,755	22,280,059
(c)	Total ceded unearned premium reserve	19,477,755	22,280,059
(d)	Net unearned premium reserves	15,646,617	15,661,350
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	111,787,072	115,173,968
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers	63,910,497	74,872,819
(c)	Total reinsurance recoverable balance	63,910,497	74,872,819
(d)	Net loss and loss expense provisions	47,876,575	40,301,149
18.	OTHER INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS - INSURANCE RESERVES	63,523,192	55,962,499
		63,523,192	*55,962,499*
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	12,424,877	12,039,099
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		1,912,643
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE	269,949	45,252
	(b) DEFERRED INCOME TAXES	386,733	4,187
32.	AMOUNTS DUE TO AFFILIATES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1,958,703	1,949,902
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	8,598,933	4,212,698
35.	DIVIDENDS PAYABLE		

CONDENSED CONSOLIDATED BALANCE SHEET

Citadel Reinsurance Company Limited

As at December 31, 2022

expressed in United States Dollars

LINE No.		2022	2021
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities		-
(d)	Net payable for investments purchased		
(e)	Other sundry liabilities (specify)		-
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	-	-
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	23,639,195	20,163,781
39.	TOTAL INSURANCE PROVISIONS AND OTHER LIABILITIES	87,162,388	76,126,280
	CAPITAL AND SURPLUS		
40.	TOTAL STATUTORY CAPITAL AND SURPLUS	6,657,061	18,625,194
41.	TOTAL	93,819,449	94,751,474

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Citadel Reinsurance Company Limited
As at December 31, 2022
expressed United States Dollars

LINE No.		2022	2021
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN:		
	(a) Direct gross premiums written	29,771,404	33,588,631
	(b) Assumed gross premiums written	36,642,165	38,107,842
	(c) Total gross premiums written	66,413,569	71,696,473
2.	REINSURANCE PREMIUMS CEDED	36,310,105	45,725,757
3.	NET PREMIUMS WRITTEN	30,103,464	25,970,716
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(1,160,127)	(1,779,891)
5.	NET PREMIUMS EARNED	28,943,337	24,190,825
6.	OTHER INSURANCE INCOME	8,105,601	222,002
7.		37,048,938	24,412,827
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	20,795,781	17,921,497
9.	COMMISSIONS AND BROKERAGE	9,993,138	3,752,071
10.		30,788,919	21,673,568
11.	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	6,260,020	2,739,259
29.	**COMBINED NET UNDERWRITING PROFIT (LOSS) BEFORE THE UNDERNOTED ITEMS**	6,260,020	2,739,259
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSES:		
	(a) General and administrative	3,759,382	4,257,358
	(b) Personnel Costs	1,693,766	4,936,999
	(c) Other		1,777,789
	(d) Total combined operating expenses	5,453,148	10,972,147
31.	COMBINED INVESTMENT INCOME - NET	(727,818)	998,839
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(5,297,333)	5,689,508
33.	COMBINED INCOME BEFORE TAXES	(5,218,279)	(1,544,541)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	22,583	30,885
	(b) Deferred	1,500,903	(30,781)
	(c) Total	1,523,486	105
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	(6,741,765)	(1,544,645)
36.	COMBINED REALIZED GAINS (LOSSES)	749,908	
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	(5,991,856)	(1,544,645)

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Citadel Reinsurance Company Limited
As at December 31, 2022
expressed in United States Dollars

LINE No.				2022	2021
1.	CAPITAL				
(a)	Capital Stock				
	(i) Common Shares			20,000,000	20,000,000
	authorized	20,000,000	shares of par		
	value	1	each issued and		
	fully paid	20,000,000	shares		
	(ii) Preferred Shares				
	authorized		shares of par		
	value		each issued and		
	fully paid		shares		
	aggregate liquidation value for —				
	2022				
	2021				
	(iii) Treasury Shares				
	repurchased		shares of par		
	value		each issued		
(b)	Contributed surplus				
(c)	Any other fixed capital				
	(i) Hybrid capital instruments				
	(ii) Guarantees and others				
	(iii) Total any other fixed capital			-	-
(d)	Total Statutory Capital			20,000,000	20,000,000
2.	SURPLUS:				
(a)	Statutory Surplus - Beginning of Year			(3,237,483)	(2,385,350)
(b)	Add: Income for Year			(5,991,856)	(1,544,645)
(c)	Less: Dividends paid and payable			-	-
(d)	Add (Deduct): Change in unrealized appreciation			(2,130,555)	-
(e)	Add (Deduct): Change in non-admitted assets				
(f)	Add (Deduct): Change in appraisal of real estate				
(g)	Add (Deduct): Change in any other statutory capital			- 1,983,045	692,512
(h)	Statutory Surplus - End of Year			(13,342,939)	(3,237,483)
3.	MINORITY INTEREST				1,862,677
4.	TOTAL CAPITAL AND SURPLUS			6,657,061	18,625,194

Matters to set forth in a General Note to the Financial Statements

1. General

Citadel Reinsurance Company Limited ("Citadel Re" and/or "the Company") was incorporated under the laws of Bermuda on January 4, 1984 and is registered as a Class 3A insurer. Citadel Re is managed and has its principal place of business in Bermuda. The Company's ultimate parent company is Sirius International Limited, also incorporated in Bermuda.

2. Nature of risks underwritten

Together with its subsidiaries (the "Group"), the Group provides innovative reinsurance solutions to regional and specialty insurers in Europe and the United States of America.

Citadel Re has been in run-off since the second half of 2022. The Company's management continues to liaise closely with the Bermuda Monetary Authority ("BMA"), ensuring that the BMA is kept regularly updated with the progress on the orderly run-off of the Company.

Since being in run-off, the Company shall not, without prior written approval of the BMA, enter into any "insurance business". In the third quarter of 2022, Citadel Re mistakenly renewed an underwriting program with Ethio. This breach of condition was identified in 2023 and the contract was duly commuted via endorsement, with the BMA being fully informed of the resolution.

3. Accounting standards

Basis of presentation

The condensed consolidated general purpose financial statements, which include the accounts of the Company and its subsidiaries, 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 General Purpose Financial Statements are based upon accounting principles generally accepted in the United States of America ("US GAAP") but are in accordance with the reporting requirement of the Legislation, which varies in certain respects from U.S. GAAP.

The more significant variances are as follows:

- A statement of cash flows is not included;
- A 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 U.S. GAAP; and
- The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under U.S. GAAP.

The preparation of Condensed General Purpose Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Amounts included in the Condensed Consolidated Financial Statements reflect the Company's best estimates and assumptions; actual amounts could differ materially from these estimates.

The Company's principal estimates include:

- Loss and loss adjustment expense reserves;
- Recoverability of acquisition costs;
- Insurance and reinsurance balances recoverable;
- Valuation of investments and determination of impairment of investments;
- Recoverability of deferred tax assets; and
- Determination impairment of goodwill.

Certain reclassifications have been made to prior year amounts to conform to the 2021 presentation. There is no impact of these reclassifications on net profit or shareholder's equity.

Consolidation

Citadel International Reinsurance Company Limited ("CIRCL") is a segregated accounts company, incorporated in Bermuda. There are eighteen segregated cells (2021 - eighteen) within CIRCL, two of which (2021 - two) have been consolidated into these financial statements on the basis that the Company owns 100% of the preferred shares in one of the cells and 65% of the preferred shares in the other. The remaining 35% of the latter cell's income is recognised as a minority interest. To the extent that the cell has a deficiency in excess of its share capital, the full amount of the deficiency is consolidated into these financial statements. To the extent that the cell's retained earnings exceed its share capital the noncontrolling 35% interest is accrued on the balance sheet.

4. Significant accounting policies

a. Premiums and Acquisition Costs

Written premiums comprise the premiums on insurance contracts entered into during the accounting period and are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on premiums. Premiums are recognised when receivable and are earned on either a daily or monthly pro-rata basis over the term of the related policies.

The Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance business are recognised in the same manner as they would be if the reinsurance were considered direct business.

Premiums written and ceded, and commissions payable on certain policies are subject to adjustment based upon actual loss experience. Since actual loss experience may differ from expected amounts, ultimate net premiums earned, or the commissions expense may differ materially from the amounts recorded in the financial statements. Any resulting premium or commission adjustments are reflected in the operating results of the period in which the adjustment is determined.

The provision for unearned premiums represents that portion of the premiums written in respect of the current and prior years, which is attributable to the unexpired term of the corresponding policy in force.

Acquisition costs are comprised of ceding commissions, brokerage, premium taxes, profit commissions and other expenses that relate directly to the writing of insurance and reinsurance contracts. Acquisition costs that are incremental and directly attributable to new and renewal business that has been secured are deferred and amortized over the underlying term of the related policy.

b. **Loss and Loss Adjustment Expense Reserves**

Loss and loss adjustment expenses include all claims for losses incurred during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Estimates for loss and loss adjustment expense reserves are established based on undiscounted estimates of the ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs.

The estimated provisions established for the Group's reinsurance business is determined in a similar manner to direct business and is based on reports received from the company ceding the insurance business.

The Group's loss and loss adjustment expense provisions are mainly derived from standard actuarial methods. As the provisions are based upon known facts and interpretation of circumstances, the provision setting process is a complex and dynamic process influenced by a large variety of factors. In establishing a provision for unpaid claims and claims expenses, management considers facts currently known, the current state of laws and litigation and current estimates of reported losses and loss expenses. Liabilities are recognized for known claims when sufficient information has been developed to indicate the involvement of a specific policy and management can reasonably estimate the Company's liability. In addition, a provision for adverse development for reported notifications and incurred but not reported claims is recorded based on the recommendations of an independent actuary.

The actuary has utilized the Loss Development, Bornhuetter-Ferguson and Modified Berquist-Sherman methods using the paid and the reported loss and loss adjustment expense history of the Company and industry data. These methods create estimates for each business segment and the actuary's indicated loss and expenses reserve range is based upon a selective weighting of these methods.

Management believes that the provision for losses and loss adjustment expenses at December 31, 2022 is reasonable to cover the ultimate net cost of losses incurred on a gross and net basis; however, such liability is necessarily based on estimates and no representation is made that the ultimate liability may not exceed such estimates. Subsequent revisions to estimated ultimate losses will be reflected in operations in the period in which they are determined.

c. Reinsurance

Reinsurance premiums and loss and loss adjustment expenses ceded to other companies are accounted for on a basis consistent with those used in accounting for original policies issued and pursuant to the terms of the reinsurance contracts. The Company records premiums earned and loss and loss adjustment expenses incurred and ceded to other companies as reduction of premium revenue and loss and loss adjustment expenses. The Company accounts for commissions allowed by reinsurers on business ceded as ceding commission, which is a reduction of acquisition costs and other underwriting expenses. The Company earns commissions on reinsurance premiums ceded in a manner consistent with the recognition of the earned premium on the underlying insurance policies, on a pro-rata basis over the terms of the policies reinsured. Reinsurance recoverable relates to the portion of reserves and paid loss and LAE that are ceded to other companies. The Company remains contingently liable for all loss payments in the event of failure to collect from reinsurers.

d. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired by the Company. Goodwill is recorded as an asset and is not amortized. The Company performs, at a minimum, an annual valuation of its goodwill to test for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. For purposes of annual impairment evaluation, goodwill is assigned to the applicable reporting unit of the acquired entities giving rise to the goodwill.

It is the Company's policy to conduct impairment testing based on the Company's current business strategy considering present industry and economic conditions, as well as the Company's future expectations. If, because of the assessment, the Company determines that the value of its goodwill and intangible assets are impaired, the Company will record an impairment charge in the period in which the determination is made.

During the year ended December 31, 2021, the Company wrote off the goodwill relating to the acquisition of AMIC which was deemed to be permanently impaired. The Company recognized an impairment loss of $1,633,739 as a result. No Goodwill remains as at December 31, 2022.

e. Noncontrolling Interests

The Company accounts for its noncontrolling interests in accordance with ASC Topic 810 "Consolidations" and presents such minority interest in the Consolidated Statement of Capital and Surplus.

f. Cash and Cash Equivalents

The Company maintains its cash accounts in several banks and other financial institutions. Cash equivalents consist of investments in money market funds and short-term, highly liquid investments maturing in less than 90 days and are stated at cost, which approximates fair value.

g. Investments

Investments consist of fixed maturity securities held for general investment purposes. The portfolio of investment securities includes debt securities held for trading, debt securities available for sale ("AFS"), and short-term investments. Accounting is in accordance with Financial Accounting Standards Board ("FASB")

Accounting Standards Codification ("ASC") Topic 944, "Financial Services - Insurance" ("ASC 944"). Trading securities are carried at fair value with changes in fair value included in earnings in the Condensed Statement of Income. AFS securities are held at fair value, net of an allowance for credit losses, and any decline in fair value that is believed to arise from factors other than credit is recorded as a separate component of statutory surplus.

Premiums and discounts on all fixed maturity investments are amortized and/or accreted over the anticipated life of the related investment. Interest income is recognized when earned in the Condensed Statement of Income. Purchases and sales of investments are recorded on a trade date basis. Realized gains and losses are determined based on the first in first out cost method and included in combined realized gains (losses) on the Condensed Statement of Income. Net investment income is recognized when earned and includes interest and dividend income together with amortization of market premiums and discounts using the effective yield method and is net of investment management fees.

h. **Fair Value of Financial Instruments**

ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between open market participants at the measurement date. Additionally, ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment;

Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly; and

Level 3 – Valuations based on models where significant inputs are unobservable. The unobservable inputs generally reflect our own assumptions about assumptions that market participants would use.

The Company used the following valuation technique and assumptions in estimating the fair value of financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

At each valuation date, the Company uses a market approach technique to estimate the fair value of our fixed maturities portfolios, when possible. This market approach includes, but is not limited to, prices obtained from third party pricing services and broker-dealers for identical or comparable securities. The pricing services use market quotations for securities that have quoted prices in active markets. When quoted market prices are unavailable, the pricing services prepare estimates of fair value measurements using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, expected cash flows including prepayment speeds, reported trades and broker/dealer quotes.

A review of fair value hierarchy classifications is conducted on an annual basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications between Level 1, 2 and 3 of the fair value hierarchy are reported as transfers in and/or out as of the beginning of the period in which the reclassifications occur.

i. Taxation

The Company accounts for income taxes using ASC Topic 740 "Income Taxes" for its subsidiaries operating in taxable jurisdictions.

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. A valuation allowance is recorded if it is more likely than not that some or all of a deferred tax asset may not be realized. The Company considers future taxable income and feasible tax planning strategies in assessing the need for a valuation allowance. In the event the Company determines that it will not be able to realize all or part of its deferred income tax assets in the future, an adjustment to the deferred income tax assets would be charged to income in the period in which such determination is made.

In addition, if the Company subsequently assesses that the valuation allowance is no longer needed, a benefit would be recorded to income in the period in which such determination is made. U.S. GAAP allows for the recognition of tax benefits of uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities.

A liability is established for any tax benefit claimed in a tax return in excess of this threshold. Income tax related interest and penalties would be included as income tax expense. The Company has not recorded or accrued and interest or penalties during the years ended December 31 2022 and 2021.

j. Fiduciary Assets and Liabilities

The assets and liabilities of the segregated cells of CIRCL that are not consolidated were $121,836,807 and $122,678,367 at December 31, 2022 and 2021, respectively. CIRCL is not a principal to, or has any rights, under the reinsurance contracts or other transactions within these segregated cells. Accordingly, since these are not assets and liabilities of CIRCL they are not included in the accompanying Consolidated Balance Sheets.

k. Investments in Affiliates

Investments in affiliates per line 4 (f) of Form 1 SFS are accounted for under the equity method. The Company’s investments in affiliates are initially recorded at cost. For 2022, the accounting policy has changed where the carrying amounts are adjusted to the Company’s share in the net assets of the affiliates. In prior years, these investments were held at cost. The new method more accurately reflects the value of affiliates on the Company’s balance sheet.

5. Revenue Recognition

For revenue recognition of premium, income, see Note 4(a) in the general note to the Condensed Consolidated Financial Statements.

Other revenues are derived by the Company's subsidiaries from segregated account rental and management fees and third-party administration services. Contracts govern each source of revenue and set out the performance obligations of the subsidiaries. Income is recognized evenly during the financial year, except where a new management agreement is entered into, or an existing management agreement is terminated during a financial year, in which case the fee income is recognized on a pro-rata basis in the year of inception/termination. The even spread of income recognition is intended to match the performance obligations which are typically spread evenly across the duration of the contract.

6. Foreign Currency Translation

Monetary assets and liabilities are translated into U.S. dollars at year-end exchange rates and non-monetary assets and liabilities at the exchange rates prevailing when the assets were acquired, or liabilities incurred. Income and expenses are translated at the rate of exchange prevailing at the transaction date.

Translation gains and losses are included in foreign exchange gains or losses unless the gain or loss is a result of trading foreign currency as part of the Company's overall investment strategy, in which case the income is recognized as other income.

7. Foreign Exchange Control Restrictions

There are no foreign exchange control restrictions affecting any of the Group's assets.

8. Commitments, Contingencies, and Guarantees

a. Letters of Credit

At December 31, 2022 and 2021, the Company had letters of credit outstanding of $1,489,000 and $1,428,000, respectively. The letters of credit are for collateral purposes and are secured by cash of $1,489,000 (2021 - $1,428,000).

b. Operating Lease Commitments

The Group leases office space under operating leases expiring in various years through 2024. Future minimum lease payments at December 31, 2022 under non-cancellable operating leases for the next two years are approximately $344,678 and $8,118 for the years ended December 31, 2023 and 2024, respectively.

c. Concentration of Credit Risk

As at December 31, 2022, Cash and cash equivalents are held with 21 financial institutions (2021 – 21) and Investment portfolios are held with 4 financial institutions (2021 – 4).

(Expressed in United States Dollars)

9. Default

Not applicable.

10. Dividends on Preferred Shares

Not applicable.,

11. Loans

Not applicable.

12. Retirement obligation

Not applicable.

13. Fair Value

The following table presents the fair value hierarchy for the Company's investments measured at fair value at December 31, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Ordinary shares	$ 1,569,722	$ –	$ –	$ 1,569,722
Preferred shares	2,138,915		–	2,138,915
Bonds	–	21,925,807	–	21,925,807
	$ 3,708,637	$ 21,925,807	$ –	$ 25,634,444

	2021			
	Level 1	Level 2	Level 3	Total
Ordinary shares	$ 2,054,126	–	–	2,054,126
Preferred shares	3,012,008	–	–	3,012,008
Bonds	–	24,527,567	–	24,527,567
	$ 5,066,133	24,527,567	–	29,593,700

* Note that all the Company's portfolios that were previously designated as held to maturity and accounted at amortized cost are now classified as available for sale. The total quoted investments at December 31, 2021 per the Balance Sheet of $ 29,797,004 includes held to maturity investments with a fair value of $24,027,715 which was carried at amortized cost of $24,231,019.

(Expressed in United States Dollars)

14. Contractual Maturity

The following table presents the Company's fixed maturities by contractual maturity at December 31, 2022 and 2021**:**

	Amortized cost **2022**	Fair value **2022**
Due within one year	$ 1,987,159	$ 1,964,625
Due after one year through five years	16,659,558	15,162,633
Due after five years	5,680,178	4,798,549
	$ 24,326,894	$ 21,925,807

	Amortized cost **2021**	Fair value **2021**	Balance Sheet value **2021**
Due within one year	$ 1,791,366	$ 1,793,972	$ 1,785,291
Due after one year through five years	15,223,107	15,138,683	15,218,626
Due after five years	10,749,849	10,606,920	10,738,961
	$ 27,764,323	$ 27,539,574	$ 27,742,878

* Note that for 2021, Balance Sheet Value for maturity analysis is a combination of Amortized Cost and Fair Value for securities Held to Maturity and Held for Trading. For 2022, Balance Sheet Value equals Fair Value as securities that were previously held to maturity are now classified as Available for Sale.

15. Related Party Transactions

Included in accounts payable and accrued liabilities are advances made by affiliated companies totaling $nil (2021 - $16,094). Included in accounts receivable are advances made to affiliated companies totaling $8,557 (2021 – Nil) and advances made to the parent company totaling $Nil (2021 - $4,395,886). The advances are non-interest bearing and repayable on demand.

16. Subsequent Events

Subsequent events have been evaluated through March 15, 2024, which is the date the December 31, 2022 financial statements were available to be issued.

17. Statutory Requirements

As a registered insurance company under the Bermuda Insurance Act 1978 Act ("the Act"), the Company is required to prepare Statutory Financial Statements and to file a Statutory Financial Return each year.

The Act also requires the Company to meet certain minimum capital and surplus requirements. To satisfy these requirements, the Company was required to maintain a minimum level of statutory capital and surplus of $5,344,624 at December 31, 2022 (2021 - $4,356,328). The Company met this requirement with unconsolidated statutory capital and surplus was $5,474,609 at December 31, 2022 (2021 - $21,388,899). The Company is also required to calculate its Enhanced Capital Requirement (‘ECR’), an additional capital and surplus requirement imposed by the Prudential Standard Rules under section 6A of the Act. The ECR, has not yet been calculated through the Bermuda Solvency Capital Requirement (‘BSCR’) model. The statutory economic capital and surplus as reported through the Economic Balance Sheet (‘EBS’) is expected to be lower than the ECR. (2021: EBS capital and surplus of $21,844,894 greater than ECR of $16,654,363).

The National Association of Insurance Commissioners (NAIC) requires the Company’s two affiliates, American Millennium Insurance Company (AMIC) and Great Falls Insurance Company (GFIC) to submit annual risk-based capital filings. The filings are intended to help the regulators identify insurers that are in financial difficulty by establishing minimum capital needs based upon risks applicable to the operations of the specific insurer. At December 31, 2022 and December 2021, the capital and surplus of GFIC was in excess of their respective risk based capital and minimum capital and surplus requirements.

AMIC’s 2022 and 2021 filings indicate that it exceeded the minimum capital requirements as determined by the NAIC.

Under a consent order issued by the New Jersey Banking and Insurance Department dated August 31, 1991, payment of dividends by AMIC requires the prior approval of the New Jersey Department of Banking and Insurance. There have been no dividends declared or paid by the Company during 2022 and 2021.

Under the laws of the State of Maine, USA, GFIC may not pay dividends to stockholders from any source other than statutory unassigned surplus. At December 31, 2022 and 2021 the Company has unassigned surplus of $1,397,572 and $1,594,299 respectively. There have been no dividends declared or paid by the Company during 2022 and 2021.

18. Other Information

Not applicable.

(Expressed in United States Dollars)

Matters to set forth in Notes to the Statement of Capital and Surplus

1. (a) Capital Stock

Share capital is comprised of the following authorized, issued and fully paid shares of the par value $1 each:

	2022	**2021**
Common shares (20,000,000 shares in 2022 and 2021)	$ 20,000,000	$ 20,000,000
Total	$ 20,000,000	$ 20,000,000

1. (b) Contributed Surplus

Not applicable.

2. Dividends paid and payable

No dividends were declared or paid during 2022 and 2021.

Matters to set forth in Notes to the Condensed Consolidated Balance Sheet

1. Cash and Cash Equivalents

Pursuant to its assumed reinsurance arrangements, the Company is required to provide its ceding companies with collateral to secure its obligations to them. The Company has provided its ceding companies with insurance trusts with cash and cash equivalents amounting to $6,231,886 at December 31, 2022 (2021 - $3,661,689) and with investments with a carrying value of $13,680,572 at December 31, 2022 (2021 - $10,314,908).

In addition, pledged but unmatched cash and cash equivalents at December 31, 2022 of $927,350 (2021: $1,844,473) and investments with a carrying value at December 31, 2022 of $921,074 (2021: $Nil) have been deposited with US financial institutions to meet licensing requirements of US state regulatory authorities.

2. Quoted Investments

Refer to Note 1 above.

3. Unquoted Investments

Not applicable.

4. Investment in and advances to affiliates

Refer to General Note 15 to the Condensed Consolidated Financial Statements.

(Expressed in United States Dollars)

5. Investments in Mortgage loans on Real Estates

Not applicable.

6. Policy Loans

Not applicable.

7. Real Estate

Not applicable.

8. Collateral Loans

Not applicable.

9. Investment Income due and Accrued

At December 31, 2022 and 2021, there was $174,975 and $181,891 of accrued investment income included in the Condensed Consolidated Balance Sheets.

10. Sundry Assets

Sundry assets relate entirely to property and equipment.

11. Letters of Credit, Guarantees and other

Not applicable.

16. Unearned Premium Reserve

Unearned premium reserves represent the portion of premiums written that are applicable to future reinsurance coverage provided by policies in force and are calculated on a pro-rata basis.

17. Loss and loss Expense Provisions

	2022	2021
Gross loss and loss adjustment expense reserves	$ 117,787,072	$ 115,173,968
Reinsurance recoverable	(63,910,497)	(74,872,819)
Net loss and loss adjustment expense reserves	$ 47,876,575	$ 40,301,149

(Expressed in United States Dollars)

The following table presents a reconciliation of unpaid losses and loss expense provisions for the years ended December 31, 2022 and 2021.

	2022	2021
Net loss and loss adjustment expense reserves - beginning of year	$ 40,301,149	$ 38,687,960
Loss and loss expenses incurred	20,795,781	17,921,497
Loss and loss expenses paid	(13,220,355)	(16,308,308)
Net loss and loss adjustment expense reserves - end of year	$ 47,876,575	$ 40,301,149

20. Reserves for Reported Claims

Not applicable.

21. Reserves for Unreported Claims

Not applicable.

22. Policy Reserves - Life

Not applicable.

23. Policy Reserves for Accident and Health

Not applicable.

24. Policyholders’ funds on deposit

Not applicable.

25. Liability for Future Policyholders’ dividends

Not applicable.

26. Other Insurance Reserves – Long term

Not applicable.

27. Total Long-term Business Insurance Reserves

Not applicable.

28. Commissions, expenses, fees and taxes payable

Not applicable.

29. Loans and Notes Payable

Not applicable.

30. Income Taxes

Not applicable.

31. Amounts due to Affiliates

Not applicable.

32. Dividends Payable

Not applicable.

33. Sundry Liabilities

Not applicable.

34. Letters of Credit, Guarantees and other instruments

Not applicable.

Matters to set forth in Notes to the Condensed Consolidated Statement of Income

6. Other Insurance Income

Not applicable.

15. Other Insurance Income

Not applicable.

32. Combined Other Income (Deductions)

Not applicable.

36. Combined Realized Gains (Loss)

Realized gains/(losses) include foreign exchange gains/(losses) and investment gains/(losses) during the year.