

**Newport Re Ltd.**  
(Incorporated in Bermuda)

Financial Statements  
**For the years ended December 31, 2023 and 2022**  
(expressed in U.S. dollars)



March 22, 2024

## Report of Independent Auditors

To the Board of Directors and Shareholders of Newport Re Ltd.

### Opinion

We have audited the accompanying financial statements of Newport Re Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income (loss) and comprehensive income (loss), of shareholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for opinion

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

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from



fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

### **Required supplemental information**

Accounting principles generally accepted in the United States of America require that the required supplemental information pertaining to Short-Duration Contracts disclosures labelled as "Unaudited" within Note 7 on pages 12 to 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*PricewaterhouseCoopers Ltd.*

**Chartered Professional Accountants**

# Newport Re Ltd.

## Balance Sheets

As at December 31, 2023 and 2022

(expressed in U.S. dollars)

	2023	2022
	\$	\$
<b>Assets</b>		
Cash and cash equivalents (note 3)	5,272,049	5,328,570
Restricted cash and cash equivalents (notes 3 & 4)	200,371,556	333,289,288
Premiums receivable	20,771,320	57,430,944
Deferred acquisition costs	4,664	1,600,293
Due from related parties (note 12)	1,864,334	1,913,373
Accrued Interest	1,901,204	1,762,968
Other assets	344,840	137,378
	<hr/>	<hr/>
Total assets	230,529,967	401,462,814
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<b>Liabilities</b>		
Reserve for losses and loss adjustment expenses (notes 6 & 7)	74,558,830	175,941,385
Unearned premiums	96,215	12,096,118
Reinsurance balances payable	1,834,794	5,648,951
Accounts payable and accrued expenses	3,248,357	4,352,895
	<hr/>	<hr/>
Total liabilities	79,738,196	198,039,349
	<hr/>	<hr/>
<b>Shareholders' equity</b>		
Share capital (note 9)	120,029	120,021
Contributed surplus (note 9)	148,054,882	233,552,739
Retained earnings (accumulated deficit)	2,616,860	(30,249,295)
	<hr/>	<hr/>
Total shareholders' equity	150,791,771	203,423,465
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Total liabilities and shareholders' equity	230,529,967	401,462,814
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The accompanying notes are an integral part of these financial statements.

# Newport Re Ltd.

## Statements of Income (Loss) and Comprehensive Income (Loss) For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

	2023	2022
	\$	\$
<b>Revenues</b>		
Gross and net premiums written (note 8)	43,713,140	156,331,980
Change in net unearned premiums	11,999,903	(3,421,366)
Net earned premiums (note 8)	55,713,043	152,910,614
Investment income (note 5)	16,390,400	5,536,059
Total revenues	72,103,443	158,446,673
<b>Expenses</b>		
Losses and loss adjustment expenses (notes 6, 7 & 8)	26,536,791	152,750,313
Other underwriting expenses (note 13)	10,371,136	25,382,506
General and administrative expenses (note 12)	1,715,760	2,244,670
Net foreign exchange (gain) loss	(584,192)	751,477
Total expenses	38,039,495	181,128,966
<b>Net income (loss) and comprehensive income (loss)</b>	34,063,948	(22,682,293)

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

# Newport Re Ltd.

## Statements of Shareholders' Equity For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

	2023	2022
	\$	\$
<b>Share Capital</b>		
Balance at beginning of year	120,021	120,014
Issuance of share capital	8	7
Balance at end of year	120,029	120,021
<b>Contributed Surplus</b>		
Balance at beginning of year	233,552,739	214,816,354
Contributions from shareholders	87,402,945	118,446,111
Distributions to shareholders	(172,900,802)	(99,709,726)
Balance at end of year	148,054,882	233,552,739
<b>Retained earnings (accumulated deficit)</b>		
Balance at beginning of year	(30,249,295)	(4,747,413)
Net income (loss) and comprehensive income (loss)	34,063,948	(22,682,293)
Dividends declared and paid	(1,197,793)	(2,819,589)
Balance at end of year	2,616,860	(30,249,295)
<b>Total shareholders' equity</b>	<b>150,791,771</b>	<b>203,423,465</b>

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

# Newport Re Ltd.

## Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(expressed in U.S. dollars)

	2023	2022
	\$	\$
<b>Cash flows from operating activities</b>		
Net income (loss)	34,063,948	(22,682,293)
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:		
Changes in:		
Premiums receivable	36,659,624	(4,343,148)
Deferred acquisition costs	1,595,629	128,210
Unearned premium ceded	-	760,048
Due from related parties	49,039	(1,465,185)
Accrued interest	(138,236)	(1,762,968)
Other assets	(207,462)	(42,211)
Reserve for losses and loss adjustment expenses	(101,382,555)	82,395,571
Unearned premiums	(11,999,903)	2,661,318
Reinsurance balances payable	(3,814,157)	1,790,210
Accounts payable and accrued expenses	(1,104,538)	1,404,574
<b>Net cash (used) provided by operating activities</b>	<b>(46,278,611)</b>	<b>58,844,126</b>
<b>Cash flows from financing activities</b>		
Issuance of share capital	8	7
Contributions from shareholders	87,402,945	118,446,111
Distributions to shareholders	(172,900,802)	(99,709,726)
Dividends paid	(1,197,793)	(2,819,589)
<b>Net cash (used) provided by financing activities</b>	<b>(86,695,642)</b>	<b>15,916,803</b>
<b>Net (decrease) increase in Cash and cash equivalents and Restricted cash and cash equivalents</b>	<b>(132,974,253)</b>	<b>74,760,929</b>
<b>Cash and cash equivalents and Restricted cash and cash equivalents, beginning of year</b>	<b>338,617,858</b>	<b>263,856,929</b>
<b>Cash and cash equivalents and Restricted cash and cash equivalents, end of year</b>	<b>205,643,605</b>	<b>338,617,858</b>
<b>Reconciliation to Balance Sheets:</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	5,272,049	5,328,570
Restricted cash and cash equivalents	200,371,556	333,289,288
<b>Cash and cash equivalents and Restricted cash and cash equivalents, end of year</b>	<b>205,643,605</b>	<b>338,617,858</b>

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

# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

#### **1. Description of business**

Newport Re Ltd. (the "Company") is an exempted Company, incorporated under the laws of Bermuda on March 14, 2019. The Company was registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 (the "SAC Act") effective May 3, 2019, and was registered as a Class 3B insurer under the Insurance Act 1978 (Bermuda), amendments thereto and related regulations (the "Insurance Act"), on May 27, 2019. During the year ended December 31, 2023, the Company operated five (2022 – five) segregated accounts (individually, "Segregated Account", and collectively, "Segregated Accounts"). The Segregated Accounts are fully funded and losses incurred in each Segregated Account are limited to the assets available within that Segregated Account.

The Company was established as part of an insurance-linked securities ("ILS") platform that is being managed by the Pacific Investment Management Company LLC (the "Investment Manager").

The Company's sole voting share is held by Conyers Trust Company (Bermuda) Limited as Trustee of the Newport Re Purpose Trust, which is a Bermuda purpose trust. The Company's non-voting common shares are held by the portfolios of PIMCO ILS Series SPC (the "Fund"), a Cayman Islands segregated portfolio company, as well as other PIMCO Alternative Funds who own non-voting common shares of one Segregated Account.

The Company primarily transacts in property catastrophe collateralized reinsurance and private market ILS business. In addition, the Company assumes the majority of its portfolio risk in its Segregated Accounts through Allianz Risk Transfer AG (Bermuda Branch) ("ART" or "Fronting Carrier"), which is an affiliate of the Investment Manager, under variable quota share retrocession agreements. The Company began writing reinsurance business as of January 1, 2020.

In February 2023, the Investment Manager decided to discontinue the ILS platform for which the Company was established. As a result, the Company has entered into an orderly wind down of its operations.

#### **2. Significant accounting policies**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and are denominated in U.S. dollars.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. The Company's principal estimates relate to the reserve for losses and loss adjustment expenses, and estimates of written and earned premiums.

##### **(a) Premiums**

Premiums written are recorded at the inception of the policy and are based on contractual terms, or are estimated based on information provided by brokers and ceding companies, supplemented by the Company's own estimates of premiums written for which information from brokers and ceding companies have not been received. The determination of premium estimates requires a review of the Company's experience with ceding companies, familiarity with each market, an understanding of the characteristics of each line of business and management's assessment of the impact of various other factors. Premium estimates are updated as new information is received from ceding companies and brokers, and differences between such estimates and actual amounts are recorded in the period in which the estimates are changed or the actual amounts are determined.



# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

Premiums written are earned based on the modelled expected loss over the terms of the underlying policies. Unearned premiums represent the portion of premiums written that relate to the modelled expected loss of the unexpired terms of the underlying policies in force.

Premium adjustments are recorded in the periods in which they become known. Reinstatement premiums are recorded at the time a loss event occurs and coverage limits for the remaining life of impacted contracts are reinstated under predefined contract terms. The accrual of reinstatement premiums are based on an estimate of losses and loss adjustment expenses.

Premiums receivable represent amounts currently due and amounts not yet due on underlying policies. Premiums for underlying policies generally become due over the period of coverage based on the policy terms. Changes in the estimates of premiums written will result in an adjustment to premiums receivable in the period they are determined.

#### **(b) Reinsurance**

In the normal course of business, the Company may seek to reduce the potential amount of losses arising from claims events by purchasing reinsurance protection. Purchased reinsurance does not relieve the Company of its primary obligation to policyholders. Ceded premiums are recognised when the coverage period incepts and are expensed over the contract period based on the modelled expected recovery over the terms of the underlying policies. Unearned premiums ceded represent the portion of premiums ceded applicable to the unexpired term of the underlying policies in force.

#### **(c) Acquisition costs**

Commissions and other costs incurred on the acquisition of new and renewal of existing business are deferred and amortized over the terms of the respective policies in proportion to the related premiums earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. A premium deficiency exists if the sum of a contract's expected losses and loss adjustment expense and deferred acquisition cost exceeds related unearned premiums and, if appropriate, expected future premium and anticipated investment income. In this event, deferred acquisition costs are immediately expensed to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs, then a liability is accrued for the excess deficiency. No premium deficiency was recorded for the years ended December 31, 2023 and 2022.

#### **(d) Reserve for losses and loss adjustment expenses**

Losses and loss adjustment expenses paid are recorded as reported. The reserve for losses and loss adjustment expenses includes unpaid known losses ("case reserves") and loss adjustment expenses, and estimates for losses incurred but not reported ("IBNR"). The reserve for unpaid known losses and loss adjustment expenses is based on unpaid claims and reports from ceding companies and brokers, and represents the estimated cost of events or conditions that have been reported to, or specifically identified by the Company. Such reserves are supplemented by an estimate of reserves for losses (and associated expenses) incurred for which reports or claims have not been received, or for claims where insufficient information has been received to determine the estimated ultimate settlement cost, and these estimates are based on the recommendations of an independent actuarial specialist. These estimates are reviewed regularly and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability is subject to inherent uncertainty and may be materially in excess of, or less than, the amounts provided, and any adjustments will be reflected in the periods in which they become known.

The Company from time to time may seek to enter into commutations enabling the Company to eliminate exposure to potential further losses. Such commutations legally extinguishes the associated liabilities in full, reducing the potential for future adverse loss development and future claims handling costs.

# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

Commutations are executed directly between the Fronting Carrier and the underlying (re)insureds and any gain or loss on commutation are recognized upon the execution of a commutation between the Fronting Carrier and the (re)insured within loss and loss adjustment expenses in the Statements of Income (Loss) and Comprehensive Income (Loss).

**(e) Retroactive Reinsurance**

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered by the underlying policies reinsured. For retroactive reinsurance policies assumed, assets acquired and liabilities assumed are recognized at inception, and the respective underwriting income generated is amortized into income over the remaining unexpired period while movement in losses are charged to income immediately. In instances when the Company enters into reinsurance contracts which cover losses both on a prospective basis and on a retroactive basis, the Company bifurcates the prospective and retrospective elements of these reinsurance contracts and accounts for each element separately where practical.

**(f) Cash and cash equivalents**

Cash and cash equivalents include cash held in banks.

Restricted cash and cash equivalents consist of cash held in trust accounts securing obligations under reinsurance contracts between the Company and its Fronting Carrier, and/or directly with ceding companies, as well as, cash held in an escrow account in support of the Company's regulatory capital requirements.

**(g) Interest income and general and administrative expenses**

Interest income and general and administrative expenses are recognized on an accrual basis.

**(h) Foreign exchange**

The Company's functional currency is the U.S. dollar. Transactions denominated in foreign currencies are measured at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities, such as premiums receivable and the reserve for loss and loss adjustment expenses, denominated in foreign currencies are remeasured at the exchange rate in effect at the balance sheet date, which may result in exchange gains and losses that are recognized in the Statement of Income (Loss) and Comprehensive Income (Loss). Accounts that are classified as non-monetary assets and liabilities, such as, deferred acquisition costs and unearned premiums, are translated at exchange rates in effect at the time of the underlying transaction.

**(i) Segregated accounts**

The Company has assets and liabilities held within its General Account, which include the Company's operational balances and regulatory capital, and its Segregated Accounts and their respective balances. Similarly, the results of operations of the General Account and Segregated Accounts have been aggregated and included in the Statements of Income (Loss) and Comprehensive Income (Loss).

**(j) Recent accounting pronouncements**

During the year ended December 31, 2023, there were no recently adopted accounting standards that had a material impact on the Company's financial statements.

# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

#### ***Recently Issued Accounting Standards Adopted***

In March 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. ASU 2022-02, “*Financial Instruments—Credit Losses (Topic 326)*”. This update is as a result of a post implementation review performed on the issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, addressing “troubled debt restructuring by creditors” and “vintage disclosures”. This update is effective for non-public entities for fiscal years beginning after December 15, 2022. The Company evaluated and considered the provisions of this ASU update and has concluded that there is no material impact on the financial statements for the current financial year.

#### ***Recently issued accounting standards not yet adopted***

##### *Improvement to Income Tax Disclosures (“ASU 2023-09”)*

In December 2023, the FASB issued Accounting Standards Update No. ASU 2023-09, “*Improvement to Income Tax Disclosures*”, related to improvements to income tax disclosures. ASU 2023-09 will require disclosure of disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. ASU 2023-09 applies to all entities subject to income taxes. For non-public business entities, the requirements will be effective for annual periods beginning after December 15, 2025. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively and early adoption is permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company’s financial statements.

### **3. Concentration of credit risk**

As at December 31, 2023 and 2022, the Company’s cash and cash equivalents and restricted cash and cash equivalents were held within two international financial institutions in the United States.

The Company underwrites a significant amount of its reinsurance business through its Fronting Carrier. There is credit risk associated with payments of reinsurance premiums to the Company by the Fronting Carrier in relation to its underlying ceding companies not being able to fulfil their contractual obligations. Refer to Note 12 for information relating to the balances due from the Fronting Carrier as at December 31, 2023 and 2022.

### **4. Restricted cash and cash equivalents**

As at December 31, 2023, the Company had restricted cash and cash equivalents held in trust accounts of \$199,371,556 (2022 - \$332,289,288), as security for reinsurance agreements, and \$1,000,000 (2022 - \$1,000,000) held in escrow in support of the Company’s regulatory capital requirements.

### **5. Investment income**

Net investment income on cash and cash equivalents and restricted cash and cash equivalents was derived from interest income in the amount of \$16,390,400 for the year ended December 31, 2023 (2022 - \$5,536,059).

# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

(expressed in U.S. dollars)

#### 6. Reserve for losses and loss adjustment expenses

The following table summarizes the reserve for losses and loss adjustment expenses as at December 31, 2023 and 2022:

	2023	2022
	\$	\$
Case reserves	7,392,646	10,362,470
IBNR	66,875,249	165,528,915
Loss adjustment expenses	290,935	50,000
Balance at end of year	74,558,830	175,941,385

The following table provides a reconciliation of the beginning and ending reserve for losses and loss adjustment expenses for the years ended December 31, 2023 and 2022:

	2023	2022
	\$	\$
Balance at beginning of year	175,941,385	93,545,814
Net incurred losses and loss adjustment expenses:		
Current year	24,594,529	150,123,940
Prior years	1,942,262	2,502,307
Net paid claims and loss adjustment expenses:		
Current year	(6,862,148)	(42,948,063)
Prior years	(121,641,087)	(27,018,644)
Foreign exchange and other	583,889	(263,969)
Balance at end of year	74,558,830	175,941,385

Management continues to closely monitor the Company's potential exposure to COVID-19 claims, in particular, because there are exposures associated with COVID-19 where management have determined that certain policies do not provide full coverage and for which reserves are carried at lesser amounts than the losses reported by the counterparties.

The ultimate costs of claims are always uncertain, and a heightened level of uncertainty around the estimates of the ultimate cost of COVID-19 related claims will persist for an unknown period and significantly different outcomes to those assumed in assessing the ultimate cost of claims are possible.

#### 7. Short Duration Contracts

The loss development tables disclosed below set forth the historic incurred and paid losses development by accident year, as well as, IBNR balances and other supplementary information.

Management has determined that the appropriate level of disaggregation for the incurred and paid losses development information best falls into a single category: property catastrophe reinsurance.

All of the Company's business is assumed from other insurance and reinsurance companies, for which the Company does not have access to the underlying claim counts. Further, this business includes both quota share

# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

(expressed in U.S. dollars)

and excess of loss treaty reinsurance, through which only a portion of each reported claim results in losses to the Company. As such, the Company has excluded claim count information from the loss development tables below.

On January 1, 2020, the Company executed a retroactive reinsurance contract covering loss events relating to the 2019 policy year. Losses incurred pertaining to the 2019 policy year have been included in the loss development tables below. In addition, the Company has not presented accident year information for 10 years because it was incorporated during 2019, and only started writing reinsurance business from January 1, 2020 onwards.

The following tables show an analysis of incurred losses and loss adjustment expenses and cumulative paid losses and loss adjustment expenses, as at December 31, 2023, 2022, 2021, 2020 and 2019:

<b>Net incurred losses and loss adjustment expenses development table</b>						
For the year ended December 31,						
Accident Year	2019 (unaudited) \$	2020 (unaudited) \$	2021 (unaudited) \$	2022 (unaudited) \$	2023 \$	December 31, 2023 Total IBNR \$
2019	-	1,171,039	2,191,507	1,206,599	1,203,263	133,483
2020	-	37,942,225	49,756,662	53,039,164	52,550,036	14,396,082
2021	-	-	98,257,487	97,963,442	95,439,704	14,468,402
2022	-	-	-	150,482,795	155,851,081	20,490,609
2023	-	-	-	-	24,594,529	17,386,673
					<u>329,638,613</u>	

<b>Cumulative paid losses and loss adjustment expenses, net of reinsurance</b>					
For the year ended December 31,					
	2019 (unaudited) \$	2020 (unaudited) \$	2021 (unaudited) \$	2022 (unaudited) \$	2023 \$
2019	-	600,320	1,014,000	1,030,090	1,069,517
2020	-	3,545,534	26,453,650	33,118,652	37,474,440
2021	-	-	29,192,192	49,653,810	76,847,148
2022	-	-	-	42,948,063	132,826,530
2023	-	-	-	-	6,862,148
					<u>255,079,783</u>

Total reserve for losses and loss adjustment expenses	<u>74,558,830</u>
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The loss development tables disclosed above include the net incurred effect of commutations in the year in which the commutations were contractually agreed and the related settlements in the year in which settlements were made. Prior years data has not been recast to remove commuted claims, as this practice would eliminate any historical favorable or adverse development the Company may have experienced on the commuted reserve for losses and loss adjustment expenses.

The following is unaudited supplementary information about weighted average annual percentage cumulative payouts of incurred claims by age as at December 31, 2023:

Year 1	Year 2	Year 3	Year 4	Year 5
25%	69%	75%	72%	89%

# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

#### 8. Reinsurance

On occasion, the Company seeks to mitigate risk through the purchase of industry loss warranty contracts from various reinsurance companies. Reinsurance recoverable is recorded as assets, predicated on the reinsurers' ability to meet their obligations under the industry loss warranty contracts.

The effects of direct, assumed and ceded reinsurance on the Company's premiums written, premiums earned and losses and loss adjustment expenses with reinsurers for the years ended December 31, 2023 and 2022 were as follows:

	2023 \$	2022 \$
<b>Premiums written</b>		
Assumed	43,713,140	156,331,980
<b>Premiums earned</b>		
Assumed	55,713,043	153,670,661
Ceded	-	(760,047)
Net earned premiums	55,713,043	152,910,614
<b>Losses and loss adjustment expenses</b>		
Assumed	26,536,791	152,750,313

#### 9. Share capital and contributed surplus

##### *Authorized share capital*

The authorized share capital of the Company is \$620,000, divided into 620,000 ordinary shares, par value \$1 each.

##### *Issued share capital*

The following table shows the share classes as at December 31:

	2023 \$	2022 \$
Balance at beginning of year	120,021	120,014
<i>Issued and fully paid share capital – par value \$1</i>		
Non-voting common shares issued	8	7
Balance at end of year	120,029	120,021

##### *Contributed surplus*

During the year ended December 31, 2023, the Company recorded \$87,402,945 (2022 - \$118,446,111) in contributed surplus in relation to contributions from shareholders for the purposes of funding the Segregated Accounts and operational expenses.

##### *Distributions*

# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

During the year ended December 31, 2023, the Company made distributions out of its contributed surplus totaling \$172,900,802 (2022 - \$99,709,726) to its shareholders, of which \$38,811,633 (2022 - \$16,180,328) was distributed to PIMCO ILS Series SPC on behalf of PIMCO ILS Fund SP I, \$89,247,042 (2022 - \$71,635,491) was distributed to PIMCO ILS Series SPC on behalf of PIMCO ILS Fund SP II, \$33,348,264 (2022 - \$9,723,237) was distributed to PIMCO Tactical Opportunities Master Fund Ltd and \$11,493,863 (2022 - \$2,170,670) was distributed to PIMCO Global Credit Opportunity Master Fund Ltd.

#### *Dividends*

During the year ended December 31, 2023, the Company declared and paid dividends of \$1,197,793 (2022 - \$2,819,589).

### **10. Taxation**

The Company is incorporated under the laws of Bermuda. In December 2023, the Bermuda Corporate Income Tax Act 2023 (the "Act") became law. The Act introduces a corporate income tax of 15%, which will apply to Bermuda businesses that are part of multinational enterprise groups with annual revenue of €750M or more. The tax is effective beginning in 2025. The Company is not expected to be in scope for this tax.

### **11. Commitments and contingencies**

On February 12, 2020, amended on May 29, 2020, the Company entered into an irrevocable secured commitment with a Fund shareholder ("Unfunded Commitment"). In addition, effective October 9, 2020, the Company entered into a Catastrophe Bond Collateral Arrangement with the Fund and Fronting Carrier under which certain eligible catastrophe bonds are permitted to be pledged as collateral in lieu of cash in support of the Company's reinsurance obligations to its Fronting Carrier.

The Company writes reinsurance business through its Segregated Accounts on a collateralized and leveraged basis. Both the collateralized and leveraged business is primarily supported with cash and cash equivalents. The liabilities assumed through the reinsurance contracts are generally collateralized with cash and cash equivalents, and by other types of collateral including industry loss warranties, the payouts of which are assigned by the Fund, eligible catastrophe bonds pledged by the Fund, and other securities in relation to the Unfunded Commitment pledged by the Fund.

The Company ceased using the Catastrophe Bond Collateral Arrangement during March 2023.

### **12. Related party transactions**

The Company has entered into an arrangement with the Fund in which the Fund will advance to the Company its share of operational expenses incurred by the Company that exceed 0.5% per annum of the net asset value of the Fund ("Newport Re Expense Cap"). For the year ended December 31, 2023, General and administrative expenses were reduced by the Newport Re Expense Cap in the amount of \$2,730,665 (2022 - \$1,895,405). As at December 31, 2023, the balance due from the Fund was \$1,824,651 (2022 - \$1,646,814). As at December 31, 2023, the balance due from the Investment Manager was \$39,683 (2022 - \$266,559).

In the event that the Company's operational expenses are less than the Newport Re Expense Cap in any future period the Company will reimburse the Fund such that the total operational expenses for the period equal the Newport Re Expenses Cap. The total amount subject to be reimbursed by the Company is limited to the operational expenses previously advanced by the Fund over a maximum of five years from when the arrangement inception.

# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

The following significant transactions with the Company's Fronting Carrier are classified as related party transactions:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Transactions with related parties during the year</b>		
Net earned premiums	55,713,043	152,910,614
Losses and loss adjustment expenses	26,536,791	152,750,313
Other underwriting expenses	10,371,136	25,382,506
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Balances with related parties outstanding at end of year</b>		
Premiums receivable	20,771,320	57,430,944
Deferred acquisition costs	4,664	1,600,293
Reserve for losses and loss adjustment expenses	74,558,830	175,941,385
Unearned premiums	96,215	12,096,118
Reinsurance balances payable	1,834,794	5,648,951

### 13. Other underwriting expenses

During the year ended December 31, 2023, the Company amortized acquisition costs in the amount of \$7,368,855 (2022 - \$20,741,171).

### 14. Statutory financial information and dividend and distribution restrictions

The Company is registered under The Insurance Act, which imposes certain solvency and liquidity standards, and auditing and reporting requirements, and grants the Bermuda Monetary Authority ("BMA") powers to supervise, investigate, require information and the production of documents, and intervene in the affairs of insurance companies.

Class 3B insurers are required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR") where applicable. The ECR is equal to the higher of the MSM or the Bermuda Solvency Capital requirement ("BSCR") which is a standardized statutory risk-based capital model used to measure the risk associated with the Company's assets, liabilities and premiums. The ECR is calculated based on the economic balance sheet ("EBS") framework in which assets and liabilities are mainly assessed and included on the EBS at fair value. The BSCR model also requires insurers to estimate insurance technical provisions, which consist of best estimate reserves and a risk margin. The Company's BSCR as at December 31, 2023, will not be filed with the BMA until April 2024. As a result, the required statutory capital and surplus as at December 31, 2023, reflects the Company's estimated ECR.



# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

Statutory capital and surplus as at December 31, 2023 and 2022 and statutory net income (loss) for the years ended December 31, 2023 and 2022 were as follows:

#### December 31, 2023

<u>Statutory Capital and Surplus</u>		<u>Statutory Net Income</u>
<u>Estimated Required</u>	<u>Actual</u>	<u>Actual</u>
<u>2023</u>	<u>2023</u>	<u>2023</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
32,903,310	168,452,177	34,063,347

#### December 31, 2022

<u>Statutory Capital and Surplus</u>		<u>Statutory Net Loss</u>
<u>Required</u>	<u>Actual</u>	<u>Actual</u>
<u>2022</u>	<u>2022</u>	<u>2022</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
109,429,575	243,125,061	(22,682,292)

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business.

Unfunded Commitment in the amount of \$17,915,415 was recorded as Other Fixed Capital on the Statutory Statement of Capital and Surplus and as Tier 3 Ancillary Capital in its EBS as at December 31, 2023. Unfunded Commitment and Catastrophe Bond Collateral in the amount of \$39,812,332 was recorded as Other Fixed Capital on the Statutory Statement of Capital and Surplus and as Tier 3 Ancillary Capital in its EBS as at December 31, 2022.

#### ***Dividend and distribution restrictions***

The Company may declare dividends or distributions from capital subject to it continuing to meet its minimum solvency and liquidity requirements. In addition, the Company is prohibited from declaring and paying in any fiscal year dividends of more than 25% of prior year statutory capital and surplus unless it files with the BMA an affidavit signed by at least two directors and the Principal Representative, attesting that, in their opinion, the dividend would not cause the Company to fail to meet its solvency requirements.

In addition, before reducing its total statutory capital by 15% or more (as set out in its previous year's statutory financial statements), the Company must make an application to the BMA for permission to do so. Such an application consists of an affidavit signed by at least two directors and the Principal Representative, stating that, in their opinion, the proposed reduction in capital will not cause the Company to fail to meet its solvency requirements.

As at December 31, 2023 and 2022, the Company met all requirements that it is subject to under The Insurance Act.

# Newport Re Ltd.

## Notes to Financial Statements

### For the years ended December 31, 2023 and 2022

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(expressed in U.S. dollars)

#### 15. Segregated Accounts

As discussed in Note 1 and Note 2, these financial statements include the five (2022 - five) Segregated Accounts that were operated by the Company during the year ended December 31, 2023. Set out below are the net assets and net income (loss) and comprehensive income (loss) of the Segregated Accounts as of and for the years ended December 31, 2023 and 2022:

<b>December 31, 2023</b>	<b>Segregated Account Fund IA 2023 \$</b>	<b>Segregated Account Fund IB 2023 \$</b>	<b>Segregated Account Fund IIA 2023 \$</b>	<b>Segregated Account Fund IIB 2023 \$</b>	<b>Segregated Account Fund III 2023 \$</b>	<b>Total 2023 \$</b>
Net income and comprehensive income	1,270	5,829,975	240,957	27,559,881	2,096,561	35,728,644
Net assets	5,509	22,924,277	10,754,057	108,304,588	3,510,391	145,498,822
<b>December 31, 2022</b>	<b>Segregated Account Fund IA 2022 \$</b>	<b>Segregated Account Fund IB 2022 \$</b>	<b>Segregated Account Fund IIA 2022 \$</b>	<b>Segregated Account Fund IIB 2022 \$</b>	<b>Segregated Account Fund III 2022 \$</b>	<b>Total 2022 \$</b>
Net income (loss) and comprehensive income (loss)	97,557	2,493,171	1,066,284	(3,957,176)	(20,153,118)	(20,453,282)
Net assets	4,242	37,201,709	9,131,313	106,749,582	46,225,957	199,312,803

#### 16. Subsequent events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2023, through March 22, 2024, the date the financial statements were available to be issued.

During January and February 2024, the Company made distributions totaling \$88,944,495. During January and March 2024, the Company received cash contributions into Contributed Surplus totaling \$17,915,415, which released the commensurate and full remaining Unfunded Commitment balance of \$17,915,415, recorded as Other Fixed Capital on the Statutory Statement of Capital and Surplus at December 31, 2023.

There are no other subsequent events requiring recognition or disclosure.