

AUDITED FINANCIAL STATEMENTS

DaVinci Reinsurance Ltd.

December 31, 2023 and 2022





April 18, 2024

Report of Independent Auditors

To the Board of Directors and Shareholder of DaVinci Reinsurance Ltd.

Opinion

We have audited the accompanying financial statements of DaVinci Reinsurance Ltd. (the “Company”), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in shareholder’s equity and 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 6 on pages 25 to 27 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.

A handwritten signature in black ink, appearing to read "Anwarul Hasan Capor", followed by the initials "A.H." to the right.

Chartered Professional Accountants

DAVINCI REINSURANCE LTD.
BALANCE SHEETS
AT DECEMBER 31, 2023 AND 2022
(in thousands of United States dollars)

	2023	2022
Assets		
Fixed maturity investments trading, at fair value - amortized cost \$4,465,965 at December 31, 2023 (2022 - \$3,806,957) (Notes 3 and 4)	\$ 4,479,052	\$ 3,710,743
Short term investments, at fair value - amortized cost \$279,257 at December 31, 2023 (2022 - \$343,225) (Notes 3 and 4)	279,414	342,853
Equity investments, at fair value (Notes 3 and 4)	282	273
Total investments	4,758,748	4,053,869
Cash and cash equivalents	76,218	74,495
Premiums receivable (Notes 5 and 7)	495,230	425,952
Prepaid reinsurance premiums (Notes 5 and 7)	18,010	11,819
Reinsurance recoverable (Notes 5, 6 and 7)	129,155	228,050
Accrued investment income	39,711	29,121
Deferred acquisition costs	21,254	14,192
Receivable for investments sold	50,834	80,720
Other assets	3,601	5,459
Total assets	\$ 5,592,761	\$ 4,923,677
 Liabilities and Shareholder's Equity		
Liabilities		
Reserve for claims and claim expenses (Notes 6 and 7)	\$ 1,544,904	\$ 1,738,363
Unearned premiums (Notes 5 and 7)	208,678	137,992
Reinsurance balances payable (Note 7)	33,468	64,112
Due to affiliates, net (Note 7)	76,554	222,600
Payable for investments purchased	53,663	90,253
Accounts payable and accrued liabilities	6,104	1,672
Other liabilities	3,074	610
Total liabilities	1,926,445	2,255,602
Shareholder's Equity		
Common shares: \$1,000 par value – 1,000 shares authorized, issued and outstanding at December 31, 2023 (2022 - 1,000) (Note 8)	1,000	1,000
Additional paid-in capital (Note 8)	2,611,194	2,359,225
Retained earnings	1,054,122	307,850
Total shareholder's equity	3,666,316	2,668,075
Total liabilities and shareholder's equity	\$ 5,592,761	\$ 4,923,677

On behalf of the Board:



Director



Director

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(in thousands of United States dollars)

	<u>2023</u>	<u>2022</u>
Revenues		
Gross premiums written (Notes 5 and 7)	\$ 1,127,745	\$ 915,064
Net premiums written (Note 5)	\$ 1,051,900	\$ 845,742
(Increase) decrease in net unearned premiums (Note 5)	(64,495)	(31,289)
Net premiums earned (Notes 5 and 7)	987,405	814,453
Net investment income (Note 3)	205,426	88,806
Net foreign exchange gains (losses)	(4,277)	2,005
Net realized and unrealized gains (losses) on investments (Note 3)	38,051	(278,189)
Total revenues	<u>1,226,605</u>	<u>627,075</u>
Expenses		
Net claims and claim expenses incurred (Notes 5, 6 and 7)	147,243	570,545
Acquisition expenses	104,477	77,086
Operational expenses (Note 7)	214,554	62,807
Corporate expenses	379	270
Total expenses	<u>466,653</u>	<u>710,708</u>
Income (loss) before taxes	759,952	(83,633)
Income tax benefit (expense) (Note 9)	(6,280)	9
Net income (loss)	<u>\$ 753,672</u>	<u>\$ (83,624)</u>

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(in thousands of United States dollars)

	<u>2023</u>	<u>2022</u>
Common shares	\$ 1,000	\$ 1,000
Additional paid-in capital		
Balance – January 1	2,359,225	1,851,575
Capital contribution, net of adjustments (Note 8)	251,969	507,650
Balance – December 31	<u>2,611,194</u>	<u>2,359,225</u>
Retained earnings		
Balance – January 1	307,850	398,874
Net income (loss)	753,672	(83,624)
Dividends declared (Note 8)	(7,400)	(7,400)
Balance – December 31	<u>1,054,122</u>	<u>307,850</u>
Total shareholder's equity	<u>\$ 3,666,316</u>	<u>\$ 2,668,075</u>

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(in thousands of United States dollars)

	2023	2022
<i>Cash flows provided by (used in) operating activities</i>		
Net income (loss)	\$ 753,672	\$ (83,624)
<i>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities</i>		
Amortization and (accretion)	(43,049)	(9,792)
Net realized and unrealized (gains) losses on investments	(40,873)	277,612
Change in:		
Premiums receivable	(69,278)	(155,839)
Prepaid reinsurance premiums	(6,191)	4,078
Reinsurance recoverable	98,895	12,665
Accrued investment income	(10,590)	(21,314)
Deferred acquisition costs	(7,062)	(3,178)
Reserve for claims and claim expenses	(193,459)	343,874
Unearned premiums	70,686	27,211
Reinsurance balances payable	(30,644)	38,674
Due to affiliates, net	(146,046)	(963)
Other, net	2,809	(8,409)
<i>Net cash provided by (used in) operating activities</i>	378,870	420,995
<i>Cash flows provided by (used in) investing activities</i>		
Proceeds from sales and maturities of fixed maturity investments trading	6,546,451	6,855,390
Purchases of fixed maturity investments trading	(7,256,084)	(8,429,340)
Proceeds from sales and maturities of short term investments	12,913,845	6,315,304
Purchases of short term investments	(12,831,561)	(5,887,719)
<i>Net cash provided by (used in) investing activities</i>	(627,349)	(1,146,365)
<i>Cash flows provided by (used in) financing activities</i>		
Contribution of capital	250,000	250,000
Return of capital, net of adjustments	7,602	11,043
Dividends paid	(7,400)	(7,400)
<i>Net cash provided by (used in) financing activities</i>	250,202	253,643
<i>Net increase (decrease) in cash and cash equivalents</i>	1,723	(471,727)
<i>Cash and cash equivalents, beginning of year</i>	74,495	546,222
<i>Cash and cash equivalents, end of year</i>	\$ 76,218	\$ 74,495

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(amounts in tables expressed in thousands of United States dollars)

NOTE 1. ORGANIZATION

DaVinci Reinsurance Ltd. (the “Company”) was incorporated under the laws of Bermuda in October 2001 and principally provides property catastrophe reinsurance coverages to customers. The Company is also permitted to write certain casualty and specialty reinsurance contracts. The Company is a wholly-owned subsidiary of DaVinciRe Holdings Ltd. (“DaVinci”), a Bermuda company. DaVinci is a minority-owned, and controlled subsidiary of Renaissance Other Investments Holdings Ltd. (“ROIHL”), a Bermuda company, which is a wholly-owned subsidiary of RenaissanceRe Holdings Ltd. (“RenaissanceRe”), also a Bermuda company. The financial statements of the Company include the financial position and results of operations of its branches based in the Republic of Singapore (the “Singapore Branch”) and Switzerland (the “Switzerland Branch”).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared on the basis of accounting principles generally accepted in the United States (“GAAP”). Certain comparative information has been reclassified to conform to the current presentation.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed 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. The major estimates reflected in the Company’s financial statements include, but are not limited to, the reserve for claims and claim expenses; reinsurance recoverable and premiums receivable, including provisions for reinsurance recoverable and premiums receivable to reflect expected credit losses; estimates of written and earned premiums; and fair value, including the fair value of investments, financial instruments and derivatives.

Premiums and Related Expenses

Premiums are recognized as income, net of any applicable retrocessional coverage purchased, over the terms of the related contracts and policies. Premiums written are based on contract and policy terms and include estimates based on information received from both insureds and ceding companies. Subsequent revisions to premium estimates are recorded in the period in which they are determined. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of contracts and policies in force. Amounts are computed by pro rata methods based on statistical data or reports received from ceding companies. Reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon paid losses and case reserves. Reinstatement premiums are earned when written.

Acquisition costs are incurred when a contract or policy is issued and only the costs directly related to the successful acquisition of new and renewal contracts or policies are deferred and amortized over the same period in which the related premiums are earned. Acquisition costs consist principally of commissions, brokerage and premium tax expenses and are shown net of commissions earned on ceded reinsurance. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated claims and claim expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

DAVINCI REINSURANCE LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(amounts in tables expressed in thousands of United States dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Claims and Claim Expenses

The reserve for claims and claim expenses includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported ("IBNR"). The reserve is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled. In addition, the Company does not have the benefit of a significant amount of its own historical experience with its casualty and specialty reinsurance lines of business. Accordingly, the reserving for incurred losses in these lines of business could be subject to greater variability.

Ultimate losses may vary materially from the amounts provided in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the statements of operations in the period in which they become known and are accounted for as changes in estimates.

Reinsurance

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the period in which they are determined. Reinsurance recoverable on dual trigger reinsurance contracts require the Company to estimate its ultimate losses applicable to these contracts as well as estimate the ultimate amount of insured industry losses that will be reported by the applicable statistical reporting agency, as per the contract terms. Amounts recoverable from reinsurers are recorded net of a provision for current expected credit losses to reflect expected credit losses.

Certain assumed and ceded reinsurance contracts that do not meet all of the criteria to be accounted for as reinsurance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic *Financial Services - Insurance* have been accounted for at fair value under the fair value option in accordance with FASB ASC Topic *Financial Instruments*.

Investments

Fixed Maturity Investments

Investments in fixed maturities are classified as trading and are reported at fair value. Investment transactions are recorded on the trade date with balances pending settlement reflected in the balance sheet as a receivable for investments sold or a payable for investments purchased. Net investment income includes interest income together with amortization of market premiums and discounts and is net of investment management and custody fees. The amortization of premium and accretion of discount for fixed maturity securities is computed using the effective yield method. For mortgage-backed securities and other holdings for which there is prepayment risk, prepayment assumptions are evaluated quarterly and revised as necessary. Any adjustments required due to the change in effective yield and maturities are recognized on a prospective basis through yield adjustments. Fair values of fixed maturity investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications and/or internal pricing valuation techniques. The net unrealized appreciation or depreciation on fixed maturity investments trading is included in net realized and unrealized gains (losses) on investments in the statements of operations. Realized gains or losses on the sale of fixed maturity investments are determined on the basis of the first in first out cost method.

DAVINCI REINSURANCE LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(amounts in tables expressed in thousands of United States dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Short Term Investments

Short term investments, which are managed as part of the Company's investment portfolio and have a maturity of one year or less when purchased, are carried at fair value. The net unrealized appreciation or depreciation on short term investments is included in net realized and unrealized gains (losses) on investments in the statements of operations.

Equity Investments

Equity investments are accounted for at fair value in accordance with FASB ASC Topic *Financial Instruments*. Fair values are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. Dividend income is included in net investment income and net realized and unrealized appreciation or depreciation on equity investments is included in net realized and unrealized gains (losses) on investments in the statements of operations.

Cash and Cash Equivalents

Cash equivalents include money market instruments with a maturity of ninety days or less when purchased.

Derivatives

From time to time, the Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for trading and to assume risk. The Company accounts for its derivatives in accordance with FASB ASC Topic *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company's balance sheet as either assets or liabilities, depending on their rights or obligations, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting. The fair value of the Company's derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models.

Fair Value Option

The Company has elected to account for certain of its assets and liabilities at fair value in accordance with FASB ASC Topic *Fair Value Measurements and Disclosures*. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its statements of operations.

Foreign Exchange

The Company's functional currency is the United States ("U.S.") dollar. Revenues and expenses denominated in foreign currencies are revalued at the exchange rate on the date on which the underlying revenue or expense transaction occurred. Monetary assets and liabilities denominated in foreign currencies are revalued at exchange rates in effect at the balance sheet date, which may result in the recognition of exchange gains or losses which are included in the determination of net income (loss).

DAVINCI REINSURANCE LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(amounts in tables expressed in thousands of United States dollars)

NOTE 3. INVESTMENTS

Fixed Maturity Investments Trading

The following table summarizes the fair value of fixed maturity investments trading:

At December 31,	2023	2022
U.S. treasuries	\$ 2,558,833	\$ 1,954,281
Corporate (1)	1,121,856	1,118,640
Residential mortgage-backed	340,988	278,343
Agencies	165,353	117,653
Commercial mortgage-backed	100,117	92,612
Non-U.S. government	72,066	74,637
Asset-backed	119,839	74,577
Total fixed maturity investments trading	<u>\$ 4,479,052</u>	<u>\$ 3,710,743</u>

(1) Corporate fixed maturity investments include non-U.S. government-backed corporate fixed maturity investments.

Contractual maturities of fixed maturity investments trading are described in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	\$ 152,338	\$ 151,509	\$ 95,638	\$ 93,457
Due after one through five years	3,191,984	3,216,262	2,593,269	2,551,910
Due after five through ten years	458,158	466,770	557,486	540,270
Due after ten years	80,294	83,567	80,203	79,574
Mortgage-backed	463,130	441,105	403,787	370,955
Asset-backed	120,061	119,839	76,574	74,577
Total	<u>\$ 4,465,965</u>	<u>\$ 4,479,052</u>	<u>\$ 3,806,957</u>	<u>\$ 3,710,743</u>

DAVINCI REINSURANCE LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(amounts in tables expressed in thousands of United States dollars)

NOTE 3. INVESTMENTS, cont'd.

Equity Investments

The following table summarizes the fair value of equity investments:

At December 31,	2023	2022
Financials	\$ 177	\$ 201
Consumer	105	72
Total	<u>\$ 282</u>	<u>\$ 273</u>

Pledged Investments

At December 31, 2023, \$396.0 million (2022 - \$471.5 million) of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of, various counterparties, including with respect to RenaissanceRe's letter of credit facilities. Of this amount, \$386.8 million (2022 - \$453.3 million) is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities and primarily relates to the Company's multi-beneficiary reinsurance trust and multi-beneficiary reduced collateral reinsurance trust. See "Note 10. Statutory Requirements" for additional information regarding the Company's multi-beneficiary reinsurance trust and multi-beneficiary reduced collateral reinsurance trust and "Note 12. Commitments and Contingencies" for additional information regarding the letter of credit facilities.

Reverse Repurchase Agreements

At December 31, 2023, the Company had \$22.2 million (2022 - \$0.1 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company's balance sheets. The required collateral for these loans typically includes high-quality, readily marketable instruments. Upon maturity, the Company receives principal and interest income.

Net Investment Income

The components of net investment income are as follows:

Year ended December 31,	2023	2022
Fixed maturity investments trading	\$ 182,758	\$ 85,319
Short term investments	25,680	7,043
Cash and cash equivalents	1,342	592
	<u>209,780</u>	<u>92,954</u>
Investment expenses	(4,354)	(4,148)
Net investment income	<u>\$ 205,426</u>	<u>\$ 88,806</u>

DAVINCI REINSURANCE LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(amounts in tables expressed in thousands of United States dollars)

NOTE 3. INVESTMENTS, cont'd.

Net Realized and Unrealized Gains (Losses) on Investments

Net realized and unrealized gains (losses) on investments are as follows:

Year ended December 31,	2023	2022
Net realized gains (losses) on fixed maturity investments trading	\$ (68,919)	\$ (191,820)
Net unrealized gains (losses) on fixed maturity investments trading	109,830	(85,641)
Net realized and unrealized gains (losses) on investment-related derivatives (1)	(2,822)	(577)
Net unrealized gains (losses) on equity investments	(38)	(151)
Net realized and unrealized gains (losses) on investments	<u>\$ 38,051</u>	<u>\$ (278,189)</u>

(1) See "Note 11. Derivative Instruments" for additional information

DAVINCI REINSURANCE LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(amounts in tables expressed in thousands of United States dollars)

NOTE 4. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's financial statements. Fair value is defined under accounting guidance currently applicable to the Company as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains or losses arising from changes in fair value in its statements of operations.

FASB ASC Topic *Fair Value Measurements and Disclosures* prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

- Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access at the measurement date. The fair value is determined by multiplying the quoted price by the quantity held by the Company;
- Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices; and
- Level 3 inputs are based all or in part on significant unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

In order to determine if a market is active or inactive for a security, the Company considers a number of factors, including, but not limited to, the spread between what a seller is asking for a security and what a buyer is bidding for the same security, the volume of trading activity for the security in question, the price of the security compared to its par value (for fixed maturity investments), and other factors that may be indicative of market activity.

There have been no material changes in the Company's valuation techniques, nor have there been any transfers between Level 1 and Level 2, or transfers into or out of Level 3, respectively, during the period represented by these financial statements.

DAVINCI REINSURANCE LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(amounts in tables expressed in thousands of United States dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis and also represents the carrying amount on the Company's balance sheets:

<u>At December 31, 2023</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed maturity investments trading				
U.S. treasuries	\$ 2,558,833	\$ 2,558,833	\$ —	\$ —
Corporate (1)	1,121,856	—	1,121,856	—
Residential mortgage-backed	340,988	—	340,988	—
Agencies	165,353	—	165,353	—
Commercial mortgage-backed	100,117	—	100,117	—
Non-U.S. government	72,066	—	72,066	—
Asset-backed	119,839	—	119,839	—
Total fixed maturity investments trading	<u>4,479,052</u>	<u>2,558,833</u>	<u>1,920,219</u>	<u>—</u>
Short term investments	279,414	33,357	246,057	—
Equity investments	282	282	—	—
Other assets and (liabilities)				
Derivative assets (2)	3,193	433	2,760	—
Derivative liabilities (2)	(556)	(19)	(537)	—
Total other assets and (liabilities)	<u>2,637</u>	<u>414</u>	<u>2,223</u>	<u>—</u>
	<u>\$ 4,761,385</u>	<u>\$ 2,592,886</u>	<u>\$ 2,168,499</u>	<u>\$ —</u>

(1) Corporate fixed maturity investments include non-U.S. government-backed corporate fixed maturity investments.

(2) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

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NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

<u>At December 31, 2022</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed maturity investments trading				
U.S. treasuries	\$ 1,954,281	\$ 1,954,281	\$ —	\$ —
Corporate (1)	1,118,640	—	1,118,640	—
Residential mortgage-backed	278,343	—	278,343	—
Agencies	117,653	—	117,653	—
Commercial mortgage-backed	92,612	—	92,612	—
Non-U.S. government	74,637	—	74,637	—
Asset-backed	74,577	—	74,577	—
Total fixed maturity investments trading	<u>3,710,743</u>	<u>1,954,281</u>	<u>1,756,462</u>	<u>—</u>
Short term investments	342,853	—	342,853	—
Equity investments	273	273	—	—
Other assets and (liabilities)				
Derivative assets (2)	5,022	301	4,721	—
Derivative liabilities (2)	(610)	(480)	(130)	—
Total other assets and (liabilities)	<u>4,412</u>	<u>(179)</u>	<u>4,591</u>	<u>—</u>
	<u>\$ 4,058,281</u>	<u>\$ 1,954,375</u>	<u>\$ 2,103,906</u>	<u>\$ —</u>

(1) Corporate fixed maturity investments include non-U.S. government-backed corporate fixed maturity investments.

(2) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

Level 1 and Level 2 Assets and Liabilities Measured at Fair Value

Fixed Maturity Investments

Fixed maturity investments included in Level 1 consist of the Company's investments in U.S. treasuries. Fixed maturity investments included in Level 2 are corporate (including non-U.S. government-backed corporate), agencies, non-U.S. government, residential mortgage-backed, commercial mortgage-backed and asset-backed fixed maturity investments.

The Company's fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing; however, models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third-party data. Securities which are priced by an index provider are generally included in the index.

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NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active and non-distressed markets.

The Company considers these broker quotations to be Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

U.S. Treasuries

Level 1 - At December 31, 2023, the Company's U.S. treasuries fixed maturity investments had a weighted average yield to maturity of 4.2% and a weighted average credit quality of AA (2022 - 4.4% and AA, respectively). When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker-dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

Corporate

Level 2 - At December 31, 2023, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and non-U.S. government-backed corporations and had a weighted average yield to maturity of 5.9% and a weighted average credit quality of BBB (2022 - 6.1% and BBB, respectively). The Company's corporate fixed maturity investments, other than non-U.S. government-backed corporations, are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker-dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Non-U.S. government-backed corporate fixed maturity investments are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high quality credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

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NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Residential Mortgage-backed

Level 2 - At December 31, 2023, the Company's residential mortgage-backed fixed maturity investments had a weighted average yield to maturity of 4.8%, a weighted average credit quality of AA and a weighted average life of 7.7 years (2022 - 4.7%, AA and 9.0 years, respectively). Residential mortgage-backed securities include both agency and non-agency mortgage-backed securities. The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to-be-announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with active market quotes.

Non-agency mortgage-based securities are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Agencies

Level 2 - At December 31, 2023, the Company's agency fixed maturity investments had a weighted average yield to maturity of 4.6% and a weighted average credit quality of AA (2022 - 4.6% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker-dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

Commercial Mortgage-backed

Level 2 - At December 31, 2023, the Company's commercial mortgage-backed fixed maturity investments had a weighted average yield to maturity of 7.3%, a weighted average credit quality of AAA and a weighted average life of 2.5 years (2022 - 6.7%, AAA and 3.1 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

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NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Non-U.S. Government

Level 2 - At December 31, 2023, the Company's non-U.S. government fixed maturity investments had a weighted average yield to maturity of 5.0% and a weighted average credit quality of AA (2022 - 4.9% and AA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Asset-backed

Level 2 - At December 31, 2023, the Company's asset-backed fixed maturity investments had a weighted average yield to maturity of 5.8%, a weighted average credit quality of AAA and a weighted average life of 2.6 years (2022 - 5.3%, AAA and 6.8 years, respectively). The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of collateralized loan obligations and debt securitized by student loan and auto loan receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 1 - At December 31, 2023, the Company's short term investments in U.S. treasuries were primarily priced by pricing services and had a weighted average yield to maturity of 4.9% and a weighted average credit quality of AA. At December 31, 2022, the Company did not hold any short term investments in U.S. treasuries. When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker-dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

Level 2 - At December 31, 2023, the Company's other short term investments had a weighted average yield to maturity of 5.3% and a weighted average credit quality of AAA (2022 - 4.3% and AAA, respectively). Amortized cost approximates fair value for the majority of the remainder of the Company's short term investments portfolio and, in certain cases, fair value is determined in a manner similar to the Company's fixed maturity investments noted above.

Equity Investments

Level 1 - The fair value of the Company's portfolio of equity investments, classified as trading is primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each security.

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NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Other Assets and Liabilities

Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded futures and options contracts which are considered Level 1, and foreign currency contracts and certain credit derivatives, determined using standard industry valuation models and considered Level 2, with inputs to the valuation model based on observable market inputs. For credit derivatives, these inputs include credit spreads, credit ratings of the underlying referenced security, the risk-free rate and the contract term. For foreign currency contracts, these inputs include foreign currency spot rates and interest rate curves.

Level 3 Liabilities Measured at Fair Value

At December 31, 2023 and 2022, the Company did not hold any assets or liabilities measured at fair value on a recurring basis using Level 3 inputs.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The Company's (re)insurance contracts are excluded from the fair value of financial instruments accounting guidance, unless the Company elects the fair value option, and therefore, are not included in the amounts discussed herein. The carrying values of cash and cash equivalents, accrued investment income, receivables for investments sold, certain other assets, payables for investments purchased, certain other liabilities, and other financial instruments not included herein approximated their fair values.

NOTE 5. REINSURANCE

The Company purchases reinsurance and other protection to manage its risk portfolio and reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts also provide for payments of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to the respective reinsurance contracts. The Company remains liable to the extent that any reinsurer fails to meet its obligations.

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NOTE 5. REINSURANCE, cont'd.

The following table sets forth the effect of reinsurance and retrocessional activity on net premiums written and earned and on net claims and claim expenses incurred:

<u>Year ended December 31,</u>	<u>2023</u>	<u>2022</u>
<u>Premiums written</u>		
Assumed	\$ 1,127,745	\$ 915,064
Ceded	(75,845)	(69,322)
Net premiums written	<u>\$ 1,051,900</u>	<u>\$ 845,742</u>
<u>Premiums earned</u>		
Assumed	\$ 1,057,059	\$ 887,853
Ceded	(69,654)	(73,400)
Net premiums earned	<u>\$ 987,405</u>	<u>\$ 814,453</u>
<u>Claims and claim expenses</u>		
Gross claims and claim expenses incurred	\$ 93,124	\$ 650,992
Claims and claim expenses recovered	54,119	(80,447)
Net claims and claim expenses incurred	<u>\$ 147,243</u>	<u>\$ 570,545</u>

In assessing an allowance for reinsurance assets, which includes premiums receivable and reinsurance recoverable, the Company considers historical information, financial strength of reinsurers, collateralization amounts, and counterparty credit ratings to determine the appropriateness of the allowance. In assessing future default for reinsurance assets, the Company evaluates the provision for current expected credit losses under the probability of default and loss given default method. The Company utilizes its internal capital and risk models, which use counterparty ratings from major rating agencies, and assesses the current market conditions for the likelihood of default. The Company updates its internal capital and risk models for counterparty credit ratings and current market conditions on a periodic basis. Historically, the Company has not experienced material credit losses from reinsurance assets.

Premiums receivable reflect premiums written based on contract and policy terms and include estimates based on information received from both insureds and ceding companies, supplemented by the Company's own judgement, including the Company's estimates of premiums that are written but not reported. Due to the nature of reinsurance, ceding companies routinely report and remit premiums to the Company subsequent to the contract coverage period, although the time lag involved in the process of reporting and collecting premiums is typically shorter than the lag in reporting losses.

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NOTE 5. REINSURANCE, cont'd.

At December 31, 2023, the Company's premiums receivable balance was \$495.2 million (2022 - \$426.0 million). Of the Company's premiums receivable balance as of December 31, 2023, the majority are receivable from highly rated counterparties. The provision for current expected credit losses on the Company's premiums receivable was \$0.6 million at December 31, 2023 (2022 - \$0.9 million). The following table provides a roll forward of the provision for current expected credit losses of the Company's premiums receivable:

<u>Year ended December 31,</u>	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 918	\$ 576
Provision for (release of) allowance	(309)	342
Ending balance	<u>\$ 609</u>	<u>\$ 918</u>

Reinsurance recoverable reflects amounts due from reinsurers based on the claim liabilities associated with the reinsurance policy. The Company accrues amounts that are due from reinsurers based on estimated ultimate losses applicable to the contracts.

At December 31, 2023, the Company's reinsurance recoverable balance was \$129.2 million (2022 - \$228.1 million). Of the Company's reinsurance recoverable balance at December 31, 2023, 50.6% is fully collateralized by the Company's reinsurers, 47.7% is recoverable from reinsurers rated A- or higher by major rating agencies and 1.7% is recoverable from reinsurers rated lower than A- by major rating agencies (2022 - 49.6%, 46.9% and 3.5%, respectively). The reinsurers with the three largest balances accounted for 11.9%, 7.9% and 7.8%, respectively, of the Company's reinsurance recoverable balance at December 31, 2023 (2022 - 11.5%, 10.1% and 9.1%, respectively). The provision for current expected credit losses was \$0.4 million at December 31, 2023 (2022 - \$0.8 million). The three largest company-specific components of the provision for current expected credit losses represented 62.6%, 9.0% and 5.4%, respectively, of the Company's total provision for current expected credit losses at December 31, 2023 (2022 - 46.3%, 7.4% and 7.3%, respectively).

The following table provides a roll forward of the provision for current expected credit losses of the Company's reinsurance recoverable:

<u>Year ended December 31,</u>	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 780	\$ 612
Provision for (release of) allowance	(366)	168
Ending balance	<u>\$ 414</u>	<u>\$ 780</u>

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NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES

The Company believes the most significant accounting judgment made by management is its estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts the Company sells. The Company's reserve for claims and claim expenses are a combination of case reserves, additional case reserves ("ACR") and incurred but not reported losses and incurred but not enough reported losses (collectively referred to as "IBNR"). Case reserves are losses reported to the Company by insureds and ceding companies, but which have not yet been paid. If deemed necessary and in certain situations, the Company establishes ACR which represents the Company's estimate for claims related to specific contracts which the Company believes may not be adequately estimated by the client as of that date or within the IBNR. The Company establishes IBNR using actuarial techniques and expert judgement to represent the anticipated cost of claims which have not been reported to the Company yet, or where the Company anticipates increased reporting.

The following table summarizes the Company's reserve for claims and claim expenses allocated between case reserves, additional case reserves and IBNR:

	<u>Case Reserves</u>	<u>Additional Case Reserves</u>	<u>IBNR</u>	<u>Total</u>
At December 31, 2023	\$ 300,567	\$ 492,261	\$ 752,076	\$ 1,544,904
At December 31, 2022	\$ 286,084	\$ 517,724	\$ 934,555	\$ 1,738,363

Activity in the liability for unpaid claims and claim expenses is summarized as follows:

<u>Year ended December 31,</u>	<u>2023</u>	<u>2022</u>
Reserve for claims and claim expenses, net of reinsurance recoverable, as of beginning of period	\$ 1,510,313	\$ 1,153,774
Net incurred related to:		
Current year	261,861	697,746
Prior years	(114,618)	(127,201)
Total net incurred	<u>147,243</u>	<u>570,545</u>
Net paid related to:		
Current year	24,834	(24,667)
Prior years	226,372	223,245
Total net paid	<u>251,206</u>	<u>198,578</u>
Foreign exchange (1)	<u>9,399</u>	<u>(15,428)</u>
Reserve for claims and claim expenses, net of reinsurance recoverable, as of end of period	1,415,749	1,510,313
Reinsurance recoverable as of end of period	129,155	228,050
Reserve for claims and claim expenses as of end of period	<u>\$ 1,544,904</u>	<u>\$ 1,738,363</u>

(1) Reflects the impact of the foreign exchange revaluation of the reserve for claims and claim expenses, net of reinsurance recoverable, denominated in non-U.S. dollars as at the balance sheet date.

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NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The Company's reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for its ultimate settlement and administration costs for claims and claim expenses. The Company does not calculate a range of estimates and does not discount any of its reserves for claims and claim expenses. The Company uses this point estimate, along with paid claims and case reserves, to record its best estimate of additional case reserves and IBNR in its financial statements. Under GAAP, the Company is not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.

Reserving involves other uncertainties, such as the dependence on information from ceding companies, the time lag inherent in reporting information from the primary insurer to the Company or to the Company's ceding companies, and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of broker notifications of loss and/or discussions with ceding companies or their brokers. This information may be received on a monthly, quarterly or transactional basis and normally includes paid claims and estimates of case reserves. The Company sometimes also receives an estimate or provision for IBNR. This information is updated and adjusted periodically during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

The Company's estimates of large losses are based on factors including currently available information derived from claims information from certain customers and brokers, industry assessments of losses, proprietary models, and the terms and conditions of the Company's contracts. The uncertainty of the Company's estimates for large losses is also impacted by the preliminary nature of the information available, the magnitude and relative infrequency of the events, the expected duration of the respective claims development period, inadequacies in the data provided to the relevant date by industry participants and the potential for further reporting lags or insufficiencies; and in certain large losses, significant uncertainty as to the form of the claims and legal issues, under the relevant terms of insurance and reinsurance contracts. In addition, a significant portion of the net claims and claim expenses associated with certain large losses can be concentrated with a few large clients and therefore the loss estimates for these large losses may vary significantly based on the claims experience of those clients. The contingent nature of business interruption and other exposures will also impact losses in a meaningful way, which may give rise to significant complexity in respect of claims handling, claims adjustment and other coverage issues, over time. Given the magnitude of certain events, there can be meaningful uncertainty regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying the Company's loss estimates. Loss reserve estimation in respect of the Company's retrocessional contracts poses further challenges compared to directly assumed reinsurance. In addition, the Company's actual net losses from these events may increase if the Company's reinsurers or other obligors fail to meet their obligations.

The Company reevaluates its actuarial reserving assumptions on a periodic basis. Typically, the quarterly review procedures include reviewing paid and reported claims in the most recent reporting period, reviewing the development of paid and reported claims from prior periods, and reviewing the Company's overall experience by underwriting year and in the aggregate. The Company monitors its expected ultimate claims and claim expense ratios and expected claims reporting assumptions on a quarterly basis and compares them to its actual experience. These actuarial assumptions are generally reviewed annually, based on input from actuaries, underwriters, claims personnel and finance professionals, although adjustments may be made more frequently if needed. Assumption changes are made to adjust for changes in the terms of coverage the Company provides, changes in industry results for similar business, as well as its actual experience to the extent the Company has enough data to rely on its own experience. If the Company determines that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified.

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NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Because of the inherent uncertainties discussed above, the Company has developed a reserving philosophy that attempts to incorporate prudent assumptions and estimates, and the Company has generally experienced favorable development on prior accident years net claims and claim expenses in the last several years. However, there is no assurance that this favorable development on prior accident years net claims and claim expenses will occur in future periods.

Incurred and Paid Claims Development and Reserving Methodology

The Company writes property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from a single occurrence of a covered peril exceeds the attachment point specified in the contract, up to an amount per loss specified in the contract. The Company also writes aggregate reinsurance contracts. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from multiple events within set conditions exceeds the attachment point specified in the contract, up to an amount specified in the contract. Generally, the Company's most significant exposure is to losses from hurricanes, earthquakes and other windstorms, although the Company is also exposed to claims arising from other man-made and natural catastrophes, such as tsunamis, winter storms, freezes, floods, fires, tornadoes, explosions and acts of terrorism. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under the Company's catastrophe contracts when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas.

Coverage can also vary from "all property" perils to limited coverage on selected perils, such as "earthquake only" coverage. The Company also enters into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. This coverage is generally in the form of excess of loss retrocessional contracts and may cover all perils and exposures on a worldwide basis or be limited in scope to selected geographic areas, perils and/or exposures. The exposures the Company assumes from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company also offers dual trigger reinsurance contracts which require the Company to pay claims based on claims incurred by insurers and reinsurers in addition to the estimate of insured industry losses as reported by referenced statistical reporting agencies.

The Company's predominant exposure under such coverage is to catastrophe. However, other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. The exposures assumed from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company offers these products principally through excess of loss coverage. The Company also writes certain casualty and specialty reinsurance contracts.

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NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Claims and claim expenses are generally characterized by losses of low frequency and high severity. Initial reporting of paid and incurred claims in general, tends to be relatively prompt, particularly for less complex losses. The Company considers this business “short-tail” as compared to the reporting of claims for “long-tail” products, which tends to be slower. However, the timing of claims payment and reporting also varies depending on various factors, including: whether the claims arise under reinsurance of primary insurance companies or reinsurance of other reinsurance companies; the nature of the events (e.g., hurricanes, earthquakes or terrorism); the geographic area involved; post-event inflation which may cause the cost to repair damaged property to increase significantly from current estimates, or for property claims to remain open for a longer period of time, due to limitations on the supply of building materials, labor and other resources; complex policy coverage and other legal issues; and the quality of each client’s claims management and reserving practices. Management’s judgments regarding these factors are reflected in the Company’s reserve for claims and claim expenses.

Reserving for most of the Company’s Property business, in particular catastrophe exposure, generally does not involve the use of traditional actuarial techniques. Rather, claims and claim expense reserves are estimated by management by completing an in-depth analysis of the individual contracts which may potentially be impacted by the loss. The in-depth analysis generally involves: 1) estimating the size of insured industry losses; 2) reviewing reinsurance contract portfolios to identify contracts which are exposed; 3) reviewing information reported or otherwise provided by customers and brokers; 4) discussing the loss with customers and brokers; and 5) estimating the ultimate expected cost to settle all claims and administrative costs arising from the loss on a contract-by-contract basis and in aggregate for the event. Once a loss has occurred, during the then current reporting period, the Company records its best estimate of the ultimate expected cost to settle all claims arising from the loss. The Company’s estimate of claims and claim expense reserves is then determined by deducting cumulative paid losses from its estimate of the ultimate expected loss. The Company’s estimate of IBNR is determined by deducting cumulative paid losses, case reserves and additional case reserves from its estimate of the ultimate expected loss. Once the Company receives a valid notice of loss or payment request under a catastrophe reinsurance contract, it is generally able to process and pay such claims promptly.

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NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Because losses from which claims arise under policies written are typically prominent, public events such as hurricanes and earthquakes, the Company is often able to use independent reports as part of its loss reserve estimation process. The Company also reviews catastrophe bulletins published by various statistical reporting agencies to assist in determining the size of the industry loss, although these reports may not be available for some time after an event. For smaller events including localized severe weather events such as windstorms, hail, ice, snow, flooding, freezing and tornadoes, which are not necessarily prominent, public occurrences, the Company initially places greater reliance on catastrophe bulletins published by statistical reporting agencies to assist in determining what events occurred during the reporting period than the Company does for large events. This includes reviewing catastrophe bulletins published by Property Claim Services for U.S. catastrophes. The Company sets its initial estimates of reserves for claims and claim expenses for these smaller events based on a combination of its historical market share for these types of losses and the estimate of the total insured industry property losses as reported by statistical reporting agencies, although management may make significant adjustments based on the Company's current exposure to the geographic region involved as well as the size of the loss and the peril involved. In some instances, the Company also considers standard actuarial techniques for smaller events. This approach supplements the Company's approach for estimating losses for larger catastrophes, which as discussed above, includes discussions with brokers and ceding companies and reviewing individual contracts impacted by the event. For these small events, where the Company is not using standard actuarial techniques to set the reserves, in the first quarter of the year after the event has passed its first year anniversary of when the events occurred, the Company will typically estimate IBNR for these events by using the reported Bornhuetter-Ferguson actuarial method, a standard actuarial technique. The loss development factors for the reported Bornhuetter-Ferguson actuarial method are selected based on a review of the Company's historical experience. The reported loss development factors are typically reviewed annually.

In general, reserves for the Company's more recent large losses are subject to greater uncertainty and, therefore, greater potential variability, and are likely to experience material changes from one period to the next. This is due to the uncertainty as to the size of the industry losses, uncertainty as to which contracts have been exposed, uncertainty due to complex legal and coverage issues that can arise out of large or complex losses, and uncertainty as to the magnitude of claims incurred by the Company's customers. As the Company's claims age, more information becomes available and the Company believes its estimates become more certain.

For its Casualty and Specialty classes of business, the Company calculates multiple point estimates for claims and claim expense reserves using a variety of actuarial reserving techniques. The Company does not believe that these multiple point estimates are, or should be considered, a range. Rather, the Company considers each class of business and determines the most appropriate point estimate for each underwriting year based on the characteristics of the particular class including: (1) loss development patterns derived from historical data; (2) the credibility of the selected loss development pattern; (3) the stability of the loss development patterns; (4) how developed the underwriting year is; and (5) the observed loss development of other underwriting years for the same class. The Company also considers other relevant factors, including: (1) historical ultimate loss ratios; (2) the presence of individual large losses; and (3) known occurrences that have not yet resulted in reported losses. The Company makes determinations of the most appropriate point estimate of loss for each class based on an evaluation of relevant information and does not ascribe any particular portion of the estimate to a particular factor or consideration. In addition, the Company believes that a review of individual contract information improves the loss estimates for some classes of business.

When developing claims and claims expense reserves for its Casualty and Specialty classes of business, the Company considers several actuarial techniques such as the expected loss ratio method, the Bornhuetter-Ferguson actuarial method and the paid and reported chain ladder actuarial method.

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NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The information provided herein about incurred and paid accident year claims development for the years ended prior to December 31, 2023 is presented as supplementary information. For incurred and paid accident year claims denominated in currencies other than U.S. dollars, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

The following table details the Company's incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2023, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

Incurred claims and claim expenses, net of reinsurance											
For the year ended December 31,											At December 31, 2023
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2014	\$ 28,259	\$ 19,588	\$ 16,230	\$ 15,090	\$ 14,476	\$ 14,221	\$ 13,892	\$ 14,054	\$ 13,877	\$ 13,877	\$ —
2015	—	51,816	38,791	33,328	29,838	28,126	27,528	27,189	26,988	26,973	150
2016	—	—	61,644	56,564	49,909	41,185	38,078	34,827	34,175	32,437	655
2017	—	—	—	497,743	427,984	375,001	365,537	352,020	345,261	330,710	29,756
2018	—	—	—	—	289,141	317,784	288,519	269,684	263,008	239,787	23,697
2019	—	—	—	—	—	202,855	178,601	137,079	101,599	83,300	16,846
2020	—	—	—	—	—	—	424,998	395,161	368,953	409,552	157,844
2021	—	—	—	—	—	—	—	773,274	716,928	670,994	193,366
2022	—	—	—	—	—	—	—	—	696,708	651,854	471,314
2023	—	—	—	—	—	—	—	—	—	261,748	216,170
Total										<u>\$ 2,721,232</u>	<u>\$ 1,109,798</u>
Cumulative paid claims and claim expenses, net of reinsurance											
For the year ended December 31,											
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2014	\$ 10,184	\$ 12,596	\$ 13,342	\$ 13,597	\$ 13,783	\$ 13,854	\$ 13,862	\$ 13,877	\$ 13,877	\$ 13,877	\$ 13,877
2015	—	19,037	26,251	27,533	26,530	26,671	26,685	26,756	26,756	26,756	26,756
2016	—	—	10,710	26,375	29,771	30,560	31,058	31,259	31,240	31,672	31,672
2017	—	—	—	121,358	203,683	229,930	255,608	271,211	282,345	288,777	288,777
2018	—	—	—	—	125,922	122,382	144,486	203,224	210,624	209,603	209,603
2019	—	—	—	—	—	8,113	34,057	47,008	52,715	58,183	58,183
2020	—	—	—	—	—	—	45,735	141,933	178,037	216,233	216,233
2021	—	—	—	—	—	—	—	142,347	298,975	356,797	356,797
2022	—	—	—	—	—	—	—	—	(24,998)	88,748	88,748
2023	—	—	—	—	—	—	—	—	—	24,805	24,805
Total										<u>\$ 1,315,451</u>	
											Outstanding liabilities from accident year 2013 and prior, net of reinsurance
											<u>9,968</u>
											Liability for claims and claim expenses, net of reinsurance
											<u>\$ 1,415,749</u>

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NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Prior Year Development of the Reserve for Net Claims and Claim Expenses

The Company's estimates of claims and claim expense reserves are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of the Company's reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer's estimate at a point in time of its ultimate liability, and because there are numerous factors that affect reserves and claims payments that cannot be determined with certainty in advance, the Company's ultimate payments will vary, perhaps materially, from its estimates of reserves. If the Company determines in a subsequent period that adjustments to its previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. On a net basis, the Company's cumulative favorable or unfavorable development is generally reduced by offsetting changes in its reinsurance recoverable, as well as changes to loss related premiums such as reinstatement premiums.

The following table details the Company's prior year net development of its net unpaid claims and claim expenses:

Year ended December 31,	2023	2022
Net (favorable) adverse development of prior accident years net claims and claim expenses	\$ (114,618)	\$ (127,201)

Changes to prior year estimated net claims and claim expenses increased the Company's net income by \$114.6 million during 2023 (2022 - decreased the Company's net loss by \$127.2 million).

During 2023, net favorable development of prior accident year net claims and claim expenses of \$114.6 million primarily included:

- \$50.2 million of net favorable development associated with the "2022 Weather-Related Large Losses", which principally includes Hurricane Ian, Storm Eunice, and Winter Storm Elliott during the fourth quarter of 2022;
- \$25.1 million of net favorable development associated with the "2021 Weather-Related Large Losses", which principally includes the European Floods, Hurricane Ida, the hail storm in Europe in late June 2021, and losses associated with aggregate loss contracts; and
- \$24.8 million of net favorable development associated with the "2018 Large Loss Events", which principally includes Typhoons Jebi, the wildfires in California during the third and fourth quarters of 2018 and Hurricane Michael.

During 2022, net favorable development of prior accident year net claims and claim expenses of \$127.2 million primarily included:

- \$53.7 million of net favorable development associated with the 2021 Weather-Related Large Loss Events;
- \$33.0 million of net favorable development associated with the "2019 Large Loss Events", which principally includes Hurricane Dorian and Typhoons Faxai and Hagibis, and losses associated with aggregate loss contracts; and
- \$24.4 million of net favorable development associated with the "2020 Weather-Related Large Loss Events", which principally includes Hurricane Laura, Sally, Delta and Zeta, Tropical Storms Isaias and Eta, the California, Oregon and Washington wildfires, Typhoon Maysak, the August 2020 Derecho and losses associated with aggregate loss contracts.

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NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Reserve for Claims and Claim Expenses

The reconciliation of the net incurred and paid claims development tables to the reserve for claims and claim expenses in the balance sheet is as follows:

At December 31, 2023	
Net reserve for claims and claim expenses	\$ 1,415,749
Reinsurance recoverable	129,155
Reserve for claims and claim expenses	<u>\$ 1,544,904</u>

Historical Claims Duration

The following is unaudited supplementary information about average historical claims duration:

At December 31, 2023	Average annual percentage payout of incurred claims by age, net of reinsurance (number of years)									
	1	2	3	4	5	6	7	8	9	10
	17.8 %	21.5 %	9.5 %	12.5 %	4.5 %	1.8 %	1.6 %	0.6 %	— %	— %

Claims Frequency

The Company's business is broadly considered to be reinsurance, where multiple claims are often aggregated, perhaps multiple times through retrocessional reinsurance, before ultimately being ceded to the Company. The nature, size, terms and conditions of contracts entered into by the Company, changes from one accident year to the next, as do the quantum of contractual or policy limits, and accordingly the potential amount of claims and claim expenses associated with a reported claim, can range from nominal, to significant. These factors can impact the amount and timing of the claims and claim expenses to be recorded and accordingly, developing claim frequency information is highly subjective and is not prepared or utilized for internal purposes. As a result, the Company has determined that it is impracticable to provide this information.

NOTE 7. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS

Amounts due to and from affiliates are non-interest bearing and payable on demand, or in accordance with the contractual terms of reinsurance-related transactions.

Reinsurance-Related Transactions

The Company has entered into reinsurance agreements with Renaissance Reinsurance Ltd., a wholly-owned subsidiary of RenaissanceRe to assume a portion of its property catastrophe and casualty and specialty business. During 2023, net written premiums assumed under these agreements were \$13.0 million (2022 - \$5.6 million), net earned premiums were \$10.9 million (2022 - \$19.6 million), net claims and claim expenses incurred were \$9.5 million (2022 - \$27.0 million) and net earned expenses incurred were \$0.8 million (2022 - \$1.2 million). At December 31, 2023, outstanding reserves for claims and claim expenses under these agreements were \$47.2 million (2022 - \$38.5 million) and net premiums receivable were \$12.9 million (2022 - \$5.4 million).

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NOTE 7. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

The Company has entered into reinsurance agreements with RenaissanceRe Europe AG and RenaissanceRe Europe AG, UK Branch, a branch of RenaissanceRe Europe AG, which is a wholly-owned subsidiary of RenaissanceRe. During 2023, net written premium assumed under these agreements were \$85.1 million (2022 - \$70.3 million), net earned premiums were \$84.1 million (2022 - \$65.0 million), net claims and claims expenses incurred were \$28.7 million (2022 - \$82.3 million) and net earned expenses incurred were \$8.0 million (2022 - \$5.3 million). At December 31, 2023, outstanding reserves for claims and claim expenses under these agreements were \$97.5 million and net premiums receivable were \$96.3 million (2022 - \$83.5 million and \$55.4 million, respectively).

The Company has entered into reinsurance agreements with RenaissanceRe Specialty U.S. Ltd., a wholly-owned subsidiary of RenaissanceRe. During 2023, net written premium assumed under these agreements were \$4.8 million (2022 - \$20.5 million), net earned premiums were \$5.4 million (2022 - \$20.0 million) and net claims and claims expenses recovered were \$8.2 million (2022 - incurred \$37.9 million). At December 31, 2023, outstanding reserves for claims and claim expenses under these agreements were \$29.7 million and net premiums receivable were \$12.4 million (2022 - \$37.9 million and \$7.6 million, respectively).

On November 1, 2023, RenaissanceRe completed its acquisition (the "Validus Acquisition") of Validus Holdings, Ltd. ("Validus Holdings"), Validus Specialty, LLC ("Validus Specialty") and the renewal rights, records and customer relationships of the assumed treaty reinsurance business of Talbot Underwriting Limited from subsidiaries of American International Group, Inc., Validus Holdings, Validus Specialty, and their respective subsidiaries collectively are referred to herein as "Validus." As a result, the impact of the Company's reinsurance agreements with Validus Reinsurance Ltd. from the acquisition date, November 1, 2023, through December 31, 2023 are considered related party transactions. During the period from November 1, 2023 through December 31, 2023, net earned premiums under these agreements were \$2.0 million and net claims and claim expenses recovered were \$1.1 million. At December 31, 2023, losses recoverable under these agreements were \$10.1 million and reinsurance balances receivable were \$3.5 million.

Subsidiaries of the Company's ultimate parent have entered into equity investments in the Tower Hill Companies, which are accounted for under the equity method of accounting. As a result, the Tower Hill Companies are considered related parties to the Company. The Company has entered into reinsurance agreements with certain subsidiaries and affiliates of Tower Hill and has also entered into reinsurance agreements with respect to business produced by the Tower Hill Companies. During 2023, the Company recorded \$32.2 million (2022 - \$11.7 million) of gross premiums written from the Tower Hill Companies and its subsidiaries and affiliates. Gross premiums earned totaled \$22.2 million (2022 - \$11.5 million) and expenses incurred were \$2.2 million (2022 - \$1.1 million) for 2023. During 2023, the Company assumed net claims and claim expenses of \$3.8 million (2022 - \$15.6 million) and, as of December 31, 2023, had a net reserve for claims and claim expenses of \$7.3 million (2022 - \$15.1 million). The Company had a net related outstanding receivable balance of \$14.6 million as of December 31, 2023 (2022 - \$3.7 million).

Other Items

Under the terms of a management agreement, Renaissance Underwriting Managers, Ltd. ("RUM"), a wholly-owned subsidiary of RenaissanceRe, has contracted to provide all of the Company's management, underwriting, investment management and administrative functions, for which it is paid a fee that is a percentage of premium and a profit commission. Included in operational expenses are expenses of \$212.4 million (2022 - \$60.9 million), discussed in more detail below, and amounts due to affiliates at December 31, 2023 includes a payable of \$76.6 million (2022 - receivable of \$21.6 million) related to these services.

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NOTE 7. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

Amounts due to affiliates are non interest bearing and payable in accordance with the terms of the management agreement. As per the management agreement, \$32.0 million (2022 - \$Nil) of the amounts due to affiliates represent deferred profit commission which is not currently due but will be applied against future underwriting year deficits, should they occur, subject to a maximum dollar amount. In addition to the fees discussed above, the Company is required to reimburse RUM for other directly identifiable costs. For the years ended December 31, 2023 and 2022, no such directly identifiable costs were allocated to the Company.

See "Note 8. Shareholder's Equity" for additional information related to transactions with current and former shareholders.

Broker Concentration

During 2023, the Company received 83.9% (2022 - 77.3%) of its gross premiums written from three reinsurance brokers. Subsidiaries and affiliates of Aon plc, Marsh & McLennan Companies, Inc, and Arthur J. Gallagher accounted for approximately 52.9%, 26.1% and 4.9%, respectively, of the Company's gross premiums written in 2023 (2022 - Aon plc, Marsh & McLennan Companies, Inc, and Tiger Risk Partners accounted for approximately 47.2%, 26.0% and 4.1%, respectively).

NOTE 8. SHAREHOLDER'S EQUITY

The aggregate authorized capital of the Company is 1,000 common shares of \$1,000 par value each. All authorized shares are Class AA and are issued and outstanding as of December 31, 2023.

	Number of Shares					Par Value 2023
	Authorized Sublimit	Outstanding 2022	Issued	Redeemed	Outstanding 2023	
Class AA	1,000	1,000	—	—	1,000	\$ 1,000
		1,000	—	—	1,000	\$ 1,000

	Number of Shares					Par Value 2022
	Authorized Sublimit	Outstanding 2021	Issued	Redeemed	Outstanding 2022	
Class AA	1,000	1,000	—	—	1,000	1,000
		1,000	—	—	1,000	\$ 1,000

2023

Effective January 1, 2023, DaVinci contributed \$250.0 million to the Company.

During 2023, the Company declared and paid aggregate cash dividends of \$7.4 million to DaVinci and also received \$7.6 million associated with purchase price true-up in connection with shareholder transactions in prior years.

2022

Effective January 1, 2022, DaVinci contributed \$500.0 million to the Company. During 2022, the Company declared and paid aggregate cash dividends of \$7.4 million to DaVinci and also received \$11.0 million associated with purchase price true-up in connection with shareholder transactions in prior years.

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NOTE 8. SHAREHOLDER'S EQUITY, cont'd.

Refer to "Note 13. Subsequent Events" for additional capital activity subsequent to December 31, 2023.

NOTE 9. TAXATION

Under current Bermuda law, the Company is not subject to any income or capital gains taxes in Bermuda. On December 27, 2023, the Corporate Income Tax Act 2023 (the "Act") was signed into law and will apply a 15% corporate income tax to certain Bermuda businesses which are considered Bermuda Constituent Entities as defined in section 9 of the Act beginning in fiscal years that start on or after January 1, 2025. The Company does not currently meet the definition of Bermuda Constituent Entity, and is not expected to be a Bermuda Constituent Entity at any time in the foreseeable future. As such the Company is not expected to be subject to any income or capital gains taxes in Bermuda.

The Singapore Branch and Switzerland Branch are subject to the tax laws of Singapore and Switzerland, respectively. The taxation balances related to the Singapore Branch and Switzerland Branch are not material to the Company.

NOTE 10. STATUTORY REQUIREMENTS

Bermuda Statutory Requirements

The Company is subject to insurance laws and regulations in Bermuda. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the Bermuda Monetary Authority ("BMA"). The Company is required to prepare statutory financial statements.

Under the Insurance Act 1978 and related regulations (the "Insurance Act"), the Company is registered as a Class 4 insurer. Class 4 insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio or if the declaration or payment of such dividend would cause the insurer to fail to meet the required minimum solvency margin or minimum liquidity ratio. Where an insurer fails to meet its Relevant Margins on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the prior approval of the BMA. Further, Class 4 insurers are prohibited to declare or pay dividends over certain thresholds without the BMA's approval. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to the solvency requirements under the Companies Act 1981, amendments thereto of Bermuda which apply to all Bermuda companies.

The Insurance Act requires that the Company's statutory assets exceed its statutory liabilities by an amount equal to or greater than the prescribed minimum solvency margin ("MSM"). The MSM is the greater of (i) \$100.0 million, (ii) 50% of net premiums written (with a credit for reinsurance ceded not exceeding 25% of gross premiums), (iii) 15% of net aggregate loss and loss expense provisions and other insurance reserves, or (iv) 25% of the insurer's Enhanced Capital Requirement ("ECR"). The ECR is calculated by reference to the Bermuda Solvency Capital Requirement ("BSCR") model.

In addition, the Company is required to maintain available statutory economic capital and surplus at a level to meet its ECR. The BMA has also established a target capital level equal to 120% of the applicable ECR, which is not a required level of capital, but serves as an early warning tool to the BMA. The Company is currently completing its 2023 BSCR, which must be filed with the BMA on or before April 30, 2024, and at this time, the Company believes it will exceed the target capital level. The Company's 2022 BSCR was filed with the BMA on April 28, 2023 with a BSCR ratio of 234%.

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NOTE 10. STATUTORY REQUIREMENTS, cont'd.

The statutory capital and surplus and required minimum statutory capital and surplus of the Company are detailed below:

<u>At December 31,</u>	<u>2023</u>	<u>2022</u>
Statutory capital and surplus (1)	\$ 3,665,863	\$ 2,667,638
Required minimum statutory capital and surplus (1)	525,950	422,871

(1) Statutory capital and surplus is based on the relevant insurer's statutory financial statements and required statutory capital and surplus is based on the minimum solvency margin.

Singapore Branch

The Singapore Branch is licensed to carry on insurance business as a general reinsurer under the regulation of the Monetary Authority of Singapore, which is its primary regulator, pursuant to Singapore's Insurance Act. Additionally, the Singapore Branch is regulated by the Accounting and Corporate Regulatory Authority as a foreign company pursuant to Singapore's Companies Act. The activities and regulatory requirements of the Singapore Branch are not considered to be material to the Company.

Switzerland Branch

The Switzerland Branch is considered a branch office of a foreign reinsurer, and is not regulated by the Swiss Financial Market Supervisory Authority. The activities of the Switzerland Branch are not considered to be material to the Company.

Multi-Beneficiary Reinsurance Trust

The Company is approved as a Trusteed Reinsurer and established a multi-beneficiary reinsurance trust to collateralize its (re)insurance liabilities. The multi-beneficiary reinsurance trust is subject to rules and regulations, including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2023 with respect to the multi-beneficiary reinsurance trust totaled \$174.4 million (2022 - \$255.6 million), compared to the minimum amount required under U.S. state regulations of \$114.2 million (2022 - \$200.1 million).

Multi-Beneficiary Reduced Collateral Reinsurance Trust

The Company is approved as a "certified reinsurer" eligible for collateral reduction in certain states, and is authorized to provide reduced collateral equal to 50% of its net outstanding insurance liabilities to insurers domiciled in those states. The Company has established a multi-beneficiary reduced collateral reinsurance trust to collateralize its (re)insurance liabilities associated with cedants domiciled in those states. Because the multi-beneficiary reduced collateral reinsurance trust was established in New York, it is subject to the rules and regulations of the state of New York including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2023 with respect to the multi-beneficiary reduced collateral reinsurance trust totaled \$215.6 million (2022 - \$211.0 million), compared to the minimum amount required under U.S. state regulations of \$125.2 million (2022 - \$174.7 million).

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NOTE 11. DERIVATIVE INSTRUMENTS

From time to time, the Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and to assume risk. The Company's derivative instruments can be exchange traded or over-the-counter, with over-the-counter derivatives generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event a party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

The Company is not aware of the existence of any credit-risk related contingent features that it believes would be triggered in its derivative instruments that are in a net liability position at December 31, 2023.

The tables below show the gross and net amounts of recognized derivative assets and liabilities at fair value, including the location on the balance sheets of the Company's principal derivative instruments:

Derivative Assets						
At December 31, 2023	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	\$ 433	—	\$ 433	Other assets	\$ —	\$ 433
Foreign currency forward contracts (1)	2,760	—	2,760	Other assets	—	2,760
Total	\$ 3,193	\$ —	\$ 3,193		\$ —	\$ 3,193
Derivative Liabilities						
At December 31, 2023	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	\$ 19	—	\$ 19	Other liabilities	\$ —	\$ 19
Foreign currency forward contracts (1)	537	—	537	Other liabilities	—	537
Total	\$ 556	\$ —	\$ 556		\$ —	\$ 556

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

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NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

Derivative Assets						
At December 31, 2022	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	\$ 301	—	\$ 301	Other assets	\$ —	\$ 301
Foreign currency forward contracts (1)	4,721	—	4,721	Other assets	—	4,721
Total	\$ 5,022	\$ —	\$ 5,022		\$ —	\$ 5,022
Derivative Liabilities						
At December 31, 2022	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	\$ 480	—	\$ 480	Other liabilities	\$ 480	\$ —
Foreign currency forward contracts (1)	130	—	130	Other liabilities	—	130
Total	\$ 610	\$ —	\$ 610		\$ 480	\$ 130

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

The location and amount of the gain (loss) recognized in the Company's statements of operations related to the Company's principal derivative instruments are shown in the following table:

Year ended December 31,	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
		2023	2022
Interest rate futures (1)	Net realized and unrealized gains (losses) on investments	\$ (2,822)	\$ (577)
Foreign currency forward contracts (2)	Net foreign exchange gains (losses)	1,094	(5,345)
Total		\$ (1,728)	\$ (5,922)

(1) Fixed income related derivatives included in net realized and unrealized gains (losses) on investment-related derivatives. See "Note 3. Investments" for additional information.

(2) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

Interest Rate Futures

The Company uses interest rate futures within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which may result in increasing or decreasing its exposure to this risk. The fair value of interest rate futures is determined using exchange traded prices. At December 31, 2023, the Company had \$384.4 million of notional long positions and \$202.2 million of notional short positions of primarily U.S. treasury and Eurozone futures contracts (2022 - \$1.1 billion and \$385.7 million, respectively, of U.S. treasury future contracts).

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NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

Foreign Currency Derivatives

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's financial statements. The impact of changes in exchange rates on the Company's assets and liabilities denominated in currencies other than the U.S. dollar, excluding non-monetary assets and liabilities, are recognized currently in the Company's statements of operations.

Underwriting and Non-Investments Operations Related Foreign Currency Contracts

The Company's foreign currency policy with regard to its underwriting operations is generally to enter into foreign currency forward and option contracts for notional values that approximate the foreign currency liabilities, including claims and claim expense reserves and reinsurance balances payable net of any cash, investments and receivables held in the respective foreign currency. The Company's use of foreign currency forward and option contracts is intended to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with its underwriting operations. The Company may determine not to match a portion of its projected underwriting related assets or liabilities with underlying foreign currency exposure with investments in the same currencies, which would increase its exposure to foreign currency fluctuations and potentially increase the impact and volatility of foreign exchange gains and losses on its results of operations. The fair value of the Company's underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. At December 31, 2023, the Company had outstanding underwriting related foreign currency contracts of \$134.9 million in notional long positions and \$44.0 million in notional short positions, denominated in U.S. dollars (2022 - \$156.3 million and \$6.2 million, respectively).

NOTE 12. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Instruments which potentially subject the Company to concentration of credit risk consist principally of investments, cash, premiums receivable and reinsurance balances. The Company limits the amount of credit exposure to any one financial institution and except for U.S. treasuries, none of the Company's fixed-maturity and short-term investments exceeded 10% of shareholder's equity at December 31, 2023. See "Note 5. Reinsurance" and "Note 6. Reserve for Claims and Claim Expenses" for additional information with respect to reinsurance recoverables.

Letters of Credit and Other Commitments

Uncommitted, Secured Standby Letter of Credit Facility with Wells Fargo

RenaissanceRe, the Company's ultimate parent, maintains a standby letter of credit facility with Wells Fargo Bank, National Association ("Wells Fargo") which, as of December 31, 2023, provides for a secured, uncommitted facility under which letters of credit may be issued from time to time for the respective accounts of RenaissanceRe's operating subsidiaries and joint ventures, including the Company. Pursuant to the agreement, the applicants may request secured letter of credit issuances up to an aggregate amount of \$200.0 million.

The agreement contains representations, warranties and covenants that are customary for facilities of this type. Under the agreement, each applicant is required to pledge eligible collateral having a value sufficient to cover all of its obligations under the agreement with respect to secured letters of credit issued for its account. In the case of an event of default under the agreement, Wells Fargo may exercise certain remedies, including conversion of collateral of a defaulting applicant into cash.

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(amounts in tables expressed in thousands of United States dollars)

NOTE 12. COMMITMENTS AND CONTINGENCIES, cont'd.

At December 31, 2023, RenaissanceRe had \$175.0 million of secured letters of credit outstanding and \$Nil of unsecured letters of credit outstanding under this agreement, of which \$1.2 million and \$Nil, respectively, relates to the Company.

Secured Letter of Credit Facility with Citibank Europe

RenaissanceRe, the Company's ultimate parent, maintains a facility letter with Citibank Europe plc ("Citibank Europe"), pursuant to which Citibank Europe has established a letter of credit facility under which Citibank Europe provides a commitment to issue letters of credit for the accounts of RenaissanceRe's operating subsidiaries and joint ventures, including the Company. During 2023, the aggregate committed amount of the facility was increased from \$180.0 million to \$320.0 million, with a right, subject to satisfying certain conditions, to increase the size of the facility to \$350.0 million.

The letter of credit facility is scheduled to expire on December 31, 2025. At all times during which it is a party to the facility, each participant is obligated to pledge to Citibank Europe securities with a value that equals or exceeds the aggregate face amount of its then-outstanding letters of credit. In the case of an event of default under the facility with respect to a participant, Citibank Europe may exercise certain remedies, including terminating its commitment to such participant and taking certain actions with respect to the collateral pledged by such participant (including the sale thereof). In the facility letter, each participant makes representations and warranties that are customary for facilities of this type and agrees that it will comply with certain informational and other undertakings.

At December 31, 2023, RenaissanceRe had \$280.1 million aggregate face amount of letters of credit outstanding and \$39.9 million remained unused and available to the participants under this facility, of which \$1.9 million of the aggregate face amount of letters of credit outstanding relates to the Company.

Indemnifications and Warranties

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on past experience, management currently believes that the likelihood of such an event is remote.

Legal Proceedings

The Company is subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct insurance policies, as applicable. In the Company's industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, employment claims, regulatory actions or other disputes. The Company may also directly or indirectly be subject to its claims litigation involving disputed interpretations of policy coverages. These lawsuits, involving or arising out of claims on policies issued by the Company are typical to the insurance industry in general and in the normal course of business, are considered in its claims and claim expense reserves. In addition, the Company may from time to time engage in litigation or arbitration related to its claims for payment in respect of ceded reinsurance, including disputes that challenge the Company's ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance related claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate. The Company believes that no individual litigation or arbitration to which the Company is presently a party is likely to have a material adverse effect on its financial condition, business or operations.

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NOTE 13. SUBSEQUENT EVENTS

Effective January 1, 2024, the Company approved a dividend of \$250.0 million to DaVinci. The distribution was settled in cash during February 2024.

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2023, through April 18, 2024, the date the financial statements were available to be issued.