



# HAMILTON

**Hamilton Re, Ltd.**

**Consolidated Financial Statements**

**For the Year Ended December 31, 2023**

# Hamilton Re, Ltd.

## Table of Contents

	<u>Page</u>
<b>Report of Independent Auditors .....</b>	<b>2</b>
<b>Financial Statements:</b>	
<b>Consolidated Balance Sheets .....</b>	<b>5</b>
<b>Consolidated Statements of Operations .....</b>	<b>6</b>
<b>Consolidated Statements of Shareholder's Equity .....</b>	<b>7</b>
<b>Consolidated Statements of Cash Flows .....</b>	<b>8</b>
<b>Notes to the Consolidated Financial Statements .....</b>	<b>9</b>



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## Report of Independent Auditors

The Shareholder  
Hamilton Re, Ltd.

### Opinion

We have audited the consolidated financial statements of Hamilton Re, Ltd. (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, shareholder's equity and cash flows for the years ended December 31, 2023, December 31, 2022 and November 30, 2021, and for the one month period ended December 31, 2021, and 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 at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023, December 31, 2022 and November 30, 2021, and for the one month period ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's 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 audits. 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 of 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 that the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

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

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

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred losses and allocated loss adjustment expenses, net of reinsurance for the years ending 2022 and prior, cumulative paid losses and allocated loss adjustment expenses, net of reinsurance for the years ending 2022 and prior, and the average annual percentage payout of incurred losses by age, net of reinsurance which are on page pages 28 through to 30 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Ernst + Young Ltd.*

Ernst & Young Ltd.  
March 7, 2024

**Hamilton Re, Ltd.**  
**Consolidated Balance Sheets**

*(\$ in thousands, except per share information)*

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Assets</b>		
Fixed maturity investments, at fair value (amortized cost 2023: \$937,172; 2022: \$633,561) ..	\$ 918,010	\$ 585,931
Short-term investments, at fair value (amortized cost 2023: \$427,437; 2022: \$263,159) .....	428,878	264,104
Investments in Two Sigma Funds, at fair value (cost 2023: \$770,192; 2022: \$731,100) .....	851,470	740,736
<b>Total investments</b> .....	<b>2,198,358</b>	<b>1,590,771</b>
Cash and cash equivalents .....	625,695	893,955
Restricted cash and cash equivalents .....	15,337	48,654
Premiums receivable .....	972,399	889,838
Paid losses recoverable .....	21,620	15,061
Deferred acquisition costs .....	126,546	108,104
Unpaid losses and loss adjustment expenses recoverable .....	279,810	291,715
Prepaid reinsurance .....	29,691	26,046
Receivables for investments sold .....	42,208	225
Receivables from related parties .....	7,660	79
Other assets .....	57,153	20,112
<b>Total assets</b> .....	<b>\$ 4,376,477</b>	<b>\$ 3,884,560</b>
<b>Liabilities, non-controlling interest, and shareholder's equity</b>		
<b>Liabilities</b>		
Reserve for losses and loss adjustment expenses .....	\$ 1,726,114	\$ 1,703,947
Unearned premiums .....	590,629	492,175
Reinsurance balances payable .....	53,664	52,351
Payables for investments purchased .....	66,551	48,095
Accounts payable and accrued expenses .....	12,970	3,654
Payables to related parties .....	8,520	4,516
<b>Total liabilities</b> .....	<b>2,458,448</b>	<b>2,304,738</b>
<b>Non-controlling interest – TS Hamilton Fund</b> .....	<b>133</b>	<b>119</b>
<b>Shareholder's equity</b>		
Common shares:		
Par value \$0.01; authorized, issued and outstanding 100,000,000 common shares .....	1,000	1,000
Additional paid-in capital .....	996,418	918,553
Retained earnings .....	920,478	660,150
<b>Total shareholder's equity</b> .....	<b>1,917,896</b>	<b>1,579,703</b>
<b>Total liabilities, non-controlling interest, and shareholder's equity</b> .....	<b>\$ 4,376,477</b>	<b>\$ 3,884,560</b>

See accompanying notes to the consolidated financial statements.

**Hamilton Re, Ltd.**  
**Consolidated Statements of Operations**

(\$ in thousands)	Years Ended December 31,		Month Ended December 31,	Year Ended November 30,
	2023	2022	2021	2021
<b>Revenues</b>				
Gross premiums written.....	\$ 1,295,308	\$ 1,171,572	\$ 79,303	\$ 1,048,996
Reinsurance premiums ceded .....	(135,476)	(127,341)	(4,197)	(109,648)
Net premiums written .....	1,159,832	1,044,231	75,106	939,348
Net change in unearned premiums .....	(94,810)	(65,516)	6,293	(132,692)
Net premiums earned .....	1,065,022	978,715	81,399	806,656
Net realized and unrealized gains (losses) on investments ....	188,980	132,362	(32,903)	362,419
Net investment income (loss) .....	(5,448)	(31,849)	(3,615)	(40,872)
Total net realized and unrealized gains (losses) in investments and net investment income (loss) .....	183,532	100,513	(36,518)	321,547
Other income (loss) .....	—	(564)	765	342
Net foreign exchange gains (losses) .....	(3,755)	8,272	508	3,702
<b>Total revenues</b> .....	<b>1,244,799</b>	<b>1,086,936</b>	<b>46,154</b>	<b>1,132,247</b>
<b>Expenses</b>				
Losses and loss adjustment expenses .....	606,625	704,216	48,522	539,524
Acquisition costs .....	237,685	248,425	22,626	216,237
General and administrative expenses .....	92,591	55,708	3,530	37,341
Interest expense .....	5,652	5,590	480	5,911
<b>Total expenses</b> .....	<b>942,553</b>	<b>1,013,939</b>	<b>75,158</b>	<b>799,013</b>
Income (loss) before income tax .....	302,246	72,997	(29,004)	333,234
Income tax expense (benefit) .....	(24,685)	2,940	1,143	10,063
<b>Net income (loss)</b> .....	<b>326,931</b>	<b>70,057</b>	<b>(30,147)</b>	<b>323,171</b>
Net income (loss) attributable to non-controlling interest .....	21,560	68,064	(3)	61,659
<b>Net income (loss) attributable to common shareholder</b> ....	<b>\$ 305,371</b>	<b>\$ 1,993</b>	<b>\$ (30,144)</b>	<b>\$ 261,512</b>

See accompanying notes to the consolidated financial statements.

**Hamilton Re, Ltd.**  
**Consolidated Statements of Shareholder's Equity**

<i>(\$ in thousands)</i>	Years Ended December 31,		Month Ended December 31,	Year Ended November 30,
	2023	2022	2021	2021
<b>Common shares</b>				
<b>Balance, beginning of period</b> .....	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Issuance of common shares .....	—	—	—	—
<b>Balance, end of period</b> .....	1,000	1,000	1,000	1,000
<b>Additional paid-in capital</b>				
<b>Balance, beginning of period</b> .....	918,553	917,573	917,573	917,000
Capital contribution .....	77,865	980	—	573
<b>Balance, end of period</b> .....	996,418	918,553	917,573	917,573
<b>Retained earnings</b>				
<b>Balance, beginning of period</b> .....	660,150	795,157	825,301	593,789
Net income (loss) .....	326,931	70,057	(30,147)	323,171
Dividends declared .....	(44,024)	(137,000)	—	(30,000)
Share compensation expense .....	(1,019)	—	—	—
Net income attributable to non-controlling interest .....	(21,560)	(68,064)	3	(61,659)
<b>Balance, end of period</b> .....	920,478	660,150	795,157	825,301
<b>Total shareholder's equity</b> .....	\$ 1,917,896	\$ 1,579,703	\$ 1,713,730	\$ 1,743,874

See accompanying notes to the consolidated financial statements.



**Hamilton Re, Ltd.**  
**Consolidated Statements of Cash Flows**

(\$ in thousands)	Year Ended		Month Ended	Year Ended
	December 31,		December 31,	November 30,
	2023	2022	2021	2021
<b>Operating activities</b>				
Net income (loss)	\$ 326,931	\$ 70,057	\$ (30,147)	\$ 323,171
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	—	961	105	2,005
Interest accretion	237	1,586	332	3,494
Net realized (gains) losses on investments	(88,168)	(256,823)	(14,327)	(276,299)
Net unrealized (gains) losses on investments	(100,812)	124,461	47,230	(86,120)
Share compensation expense	(1,019)	—	—	—
Other items	(399)	5,689	(46)	1,508
Change in:				
Premiums receivable	(82,561)	(255,075)	(29,466)	(159,253)
Paid losses recoverable	(6,559)	9,981	(2,433)	(11,000)
Deferred acquisition costs	(18,442)	(2,035)	1,291	(35,611)
Unpaid losses and loss adjustment expenses recoverable	11,905	(59,165)	11,571	75,536
Prepaid reinsurance	(3,645)	(462)	4,986	11,743
Receivables from related parties	(7,581)	7,139	(2)	7,766
Other assets	(37,041)	(16,552)	(627)	338
Reserve for losses and loss adjustment expenses	22,167	400,272	19,363	169,210
Unearned premiums	98,454	65,978	(11,279)	120,949
Reinsurance balances payable	1,313	(7,063)	2,736	(93,051)
Accounts payable and accrued expenses	9,316	(8,546)	459	(5,155)
Payables to related parties	4,004	(32)	(28,851)	33,115
<b>Net cash provided by (used in) operating activities</b>	<b>128,100</b>	<b>80,371</b>	<b>(29,105)</b>	<b>82,346</b>
<b>Investing activities</b>				
Proceeds from redemptions from Two Sigma Funds	2,591,705	2,592,289	184,480	2,113,989
Contributions to Two Sigma Funds	(2,554,888)	(2,464,902)	(137,453)	(1,870,057)
Purchases of fixed maturity investments	(743,966)	(232,885)	(59,475)	(561,669)
Proceeds from sales, redemptions and maturity of fixed maturity investments	427,316	212,086	51,370	347,418
Purchases of short-term investments	(1,483,635)	(1,537,843)	(360,184)	(2,028,858)
Proceeds from sale of short-term investments	1,344,624	1,838,387	413,054	2,163,920
Receivables for investments sold	(41,983)	(225)	56,158	22,240
Payables for investments purchased	18,456	13,180	(110,525)	10,739
Purchases of fixed assets and development of intangible assets	—	—	(24)	(486)
Other	—	574	—	—
<b>Net cash provided by (used in) investing activities</b>	<b>(442,371)</b>	<b>420,661</b>	<b>37,401</b>	<b>197,236</b>
<b>Financing activities</b>				
Contribution of additional paid-in capital	77,865	980	—	573
Withdrawal of non-controlling interest	(21,546)	(68,069)	(23)	(61,629)
Dividends paid	(44,024)	(137,000)	—	(30,000)
<b>Net cash provided by (used in) financing activities</b>	<b>12,295</b>	<b>(204,089)</b>	<b>(23)</b>	<b>(91,056)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>399</b>	<b>(5,689)</b>	<b>46</b>	<b>(1,508)</b>
Net increase (decrease) in cash and cash equivalents	(301,577)	291,254	8,319	187,018
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	942,609	651,355	643,036	456,018
<b>Cash and cash equivalents and restricted cash and cash equivalents, end of year</b>	<b>\$ 641,032</b>	<b>\$ 942,609</b>	<b>\$ 651,355</b>	<b>\$ 643,036</b>
Net income taxes paid	\$ 2,596	\$ 10,047	\$ —	\$ 9,783
Interest paid	\$ 6,647	\$ 6,813	\$ 382	\$ 5,451

See accompanying notes to the consolidated financial statements.

# Hamilton Re, Ltd.

## Notes to the Consolidated Financial Statements

### 1. Organization

Hamilton Re, Ltd. ("Hamilton Re") was incorporated in Bermuda on June 8, 2012, and is a wholly-owned subsidiary of Hamilton Insurance Group, Ltd. ("Hamilton Group"), a Bermuda domiciled holding company.

Hamilton Re is licensed as a Class 4 insurer in Bermuda and writes property, casualty, and specialty insurance and reinsurance on a global basis.

Hamilton Re US is a tax partnership that was formed pursuant to an arrangement between Hamilton Re and its Bermuda-incorporated affiliate, Hamilton ILS Holdings Limited. The tax partnership is treated as a U.S. corporation for U.S. tax purposes and is registered with the U.S. Internal Revenue Service, such that capital and profits allocated to Hamilton Re US are subject to applicable U.S. taxation.

Hamilton Insurance Services (Bermuda), Ltd. ("HBS") is licensed as an agent in Bermuda and provides services to Hamilton Re and its related parties.

Two Sigma Hamilton Fund, LLC ("TS Hamilton Fund"), is a Delaware limited liability company. In 2013, Hamilton Re entered into a limited liability company agreement with TS Hamilton Fund and Two Sigma Principals, LLC (the "Managing Member") as the managing member of TS Hamilton Fund. Effective July 1, 2023, Hamilton Re has committed to an investment in TS Hamilton Fund in an amount up to the lesser of (i) \$1.8 billion or (ii) 60% of Hamilton Group's net tangible assets (previously equal to a minimum of 95% of the consolidated net tangible assets of Hamilton Group). TS Hamilton Fund has engaged Two Sigma Investments, LP ("Two Sigma"), a related party Delaware limited partnership, to serve as its investment manager. Two Sigma is a United States Securities and Exchange Commission registered investment adviser specializing in quantitative analysis (see Note 3, *Investments*, for further details).

#### *Unconsolidated Related Parties*

Ada Re, Ltd. ("Ada Re") is a special purpose insurer funded by third party investors and formed to provide fully collateralized reinsurance and retrocession to both Hamilton Group and third-party cedants.

Turing Re Ltd. ("Turing Re"), a Bermuda special purpose insurer funded by investors, provides collateralized reinsurance capacity for Hamilton Re's property treaty business.

Easton Re is an industry loss index-triggered catastrophe bond that provides the Company's operating platforms with multi-year risk transfer capacity to protect against named storm risk in the United States and earthquake risk in the United States and Canada. See Note 7, *Reinsurance*, for further details.

### 2. Summary of Significant Accounting Policies

#### a. Basis of Presentation

These audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These financial statements include the accounts of Hamilton Re, HBS, and TS Hamilton Fund (collectively, the "Company"). All significant intercompany transactions and balances have been eliminated on consolidation. Certain comparative information has been reclassified to conform to the current year presentation.

#### b. Use of Estimates

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 from those estimates. The major estimates recorded in the Company's financial statements include, but are not limited to, premiums written, intangible assets, provisions for estimated future credit losses, the reserve for losses and loss adjustment expenses and the fair value of investments.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**c. Change in Year End**

On January 17, 2022, the Company changed its fiscal year from November 30 to December 31. The current year consolidated financial statements and accompanying footnotes cover the calendar year ended December 31, 2023. As a result, our comparative prior periods consist of the twelve month period from January 1, 2022 to December 31, 2022, the one-month transition period ended December 31, 2021, and the twelve month period from December 1, 2020 to November 30, 2021. The transition period has been separately disclosed in the Company's consolidated statements of operations, statements of shareholder's equity, statements of cash flows and throughout the footnotes.

**d. Fair Value Measurements**

Details on assets and liabilities that have been included under the requirements of authoritative guidance on fair value measurements to illustrate the basis for determining the fair values of these items held by the Company are included in Note 4, Fair Value and each respective section of this significant accounting policies note.

Where 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 consolidated statements of operations. See Note 2k, *Investments*, for further detail.

**e. Premiums and Acquisition Costs**

Premiums written and ceded on a losses occurring basis are earned pro-rata over the terms of the related contracts and policies. For contracts written on a risks-attaching basis, premiums written and ceded are earned over the terms of the underlying contracts and policies. Premiums written and ceded include estimates based on information received from insureds, brokers and ceding companies, and any subsequent differences arising on such estimates are recorded in the periods in which they are determined. The portion of the premiums written and ceded applicable to the unexpired terms of the underlying contracts and policies are recorded as unearned premiums and prepaid reinsurance premiums, respectively. Amounts are computed by pro-rata methods based on statistical data or reports received from insureds, brokers or 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 expenses are costs that vary with and are directly related to the successful acquisition of new or renewal business, and consist principally of commissions, brokerage and premium tax expenses. These costs are deferred and amortized over the periods in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated losses and loss adjustment expenses, based on historical and current experience, and anticipated net investment income related to the premiums are considered in determining the recoverability of deferred acquisition costs.

**f. Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of fixed maturity and short-term investments, cash and cash equivalents, premiums receivable and reinsurance balances recoverable. Cash and cash equivalents are held with financial institutions of high credit quality, and fixed maturity and short-term investments primarily consist of U.S. government, U.S. government agencies, and high credit quality issuers of corporate and debt securities. The Company limits the amount of credit exposure with any one financial institution or issuer and believe that no significant concentration of credit risk exists with respect to cash and investments.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**g. Reinsurance**

In the normal course of business, the Company seeks to reduce the potential amount of loss arising from claims events by reinsuring certain levels of risk with other reinsurers. Ceded reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Prepaid reinsurance represents the portion of premiums ceded to reinsurers applicable to the unexpired coverage terms of the reinsurance contracts in place. Amounts recoverable from reinsurers are estimated based on the terms and conditions of the reinsurance contracts, in a manner consistent with the underlying liabilities insured or reinsured by the Company. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the periods in which they are determined. Amounts recoverable from reinsurers are recorded net of an allowance for expected credit losses. See Note 7, *Reinsurance*, for further details.

**h. Credit Loss Provisions**

The Company routinely evaluates its premiums receivable and paid and unpaid losses recoverable for potential specific credit or collection issues that might indicate an impairment. Premiums receivable and paid and unpaid losses recoverable are presented net of the resulting credit provisions, with the corresponding debits offset against gross premiums written or losses and loss adjustment expenses, as applicable, in the consolidated statement of operations.

The method for calculating the best estimate of losses depends on the size, nature, and risk characteristics of the related underwriting receivable. Such an estimate requires consideration of historical loss experience, current economic conditions, and judgments about the probable effects of relevant observable data, including historical information, counterparty financial strength ratings and the extent of collateralization. The underlying assumptions, estimates and assessments are updated periodically to reflect the Company's view of current conditions. Changes in estimates may significantly affect the allowance and provision for losses. It is possible that the Company's actual credit loss experience will differ materially from current estimates. Adjustments, if any, are recorded in earnings in the periods in which they become known. See Note 7, *Reinsurance*, for further details.

**i. Reserve for Losses and Loss Adjustment Expenses**

The reserve for losses and loss adjustment expenses includes reserves for unpaid reported losses and for losses incurred but not reported ("IBNR"). The reserve for unpaid reported losses and loss adjustment expenses is established by management based on reports from insureds, brokers and ceding companies and represents the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company. The reserve for IBNR losses and loss adjustment expenses is established by management based on estimates of ultimate losses and loss adjustment expenses.

Inherent in the estimates of ultimate losses and loss adjustment expenses are expected trends in claim severity and frequency, the expected duration of the respective claims development period, inadequacies in the data provided by industry participants, the potential for further reporting lags, significant uncertainty as it relates to legal issues under the relevant terms of insurance and reinsurance contracts and other factors, which may vary significantly as claims are settled. Accordingly, ultimate losses and loss adjustment expenses may differ materially from the amounts recorded 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 recorded in earnings in the periods in which they become known. See Note 8, *Reserve for Losses and Loss Adjustment Expenses*, for further details.

**j. Cash and Cash Equivalents and Restricted Cash and Cash Equivalents**

Cash and cash equivalents include money market funds and highly liquid short-term deposits and securities with maturities of 90 days or less at the time of purchase. Bank deposits are not considered to be fair value measurements and as such are not subject to the authoritative guidance on fair value measurement disclosures. Money market funds are classified as Level 1 as these instruments are considered actively traded; however, certificates of deposit are classified as Level 2.

Restricted cash and cash equivalents typically relates to funds held in trust supporting a portion of the Lloyd's capital requirements and other underwriting obligations. See Note 3, *Investments*, for further details.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**k. Investments**

*Investments - Trading*

The Company elects the fair value option for its fixed maturity investments, short-term investments and certain other invested assets (excluding those that are accounted for using specialized investment company accounting as noted below). All changes in the fair value of investments are recorded within net realized and unrealized gains (losses) on investments in the consolidated statements of operations. See Note 4, *Fair Value*, for further details.

All investment transactions are recorded on a trade-date basis and are valued using pricing data received from third parties. Realized gains or losses on sales of investments are determined on a weighted average basis. Investment income is recognized when earned and includes interest and dividend income, recorded as of the ex-dividend date, together with the amortization of premium and discount on fixed maturities and short-term investments computed using the effective yield method. Net investment income includes related investment expenses.

*Short-Term Investments*

Short-term investments comprise securities with a maturity greater than three months but less than one year from the date of purchase.

*Investments in Two Sigma Funds*

TS Hamilton Fund invests in Two Sigma Funds ("Two Sigma Funds"), which are stated at their estimated fair values, which generally represent the Company's proportionate interest in the members' equity of the Two Sigma Funds as reported by the respective funds based on the net asset value ("NAV") provided by the fund administrator. The Company accounts for its investment in Two Sigma Funds under the variable interest model at NAV as a practical expedient for fair value in the consolidated balance sheets. Increases or decreases in such fair values are recorded within net realized and unrealized gains (losses) on investments in the consolidated statements of operations. Realized gains or losses upon any withdrawals of investments in the Two Sigma Funds are calculated using the weighted average method. The assets and liabilities of the Two Sigma Funds are recorded at fair value, or at amounts approximating fair value. The Company records contributions and withdrawals related to its investments in the Two Sigma Funds on the transaction date.

The specialized investment company accounting, as described above, is retained in the Company's audited consolidated financial statements upon consolidation of TS Hamilton Fund.

**l. Foreign Exchange**

The Company's functional currency is the U.S. Dollar. Monetary assets and liabilities denominated in foreign currencies are revalued into the functional currency using the exchange rates in effect at the balance sheet date with the resulting foreign exchange gains and losses included in earnings. Revenues and expenses denominated in foreign currencies are revalued at the exchange rates in effect on the transaction date.

**m. Stock-Based Compensation**

Hamilton Group issues restricted stock units, performance stock units and warrants and may issue other equity-based awards to its employees. The Black-Scholes pricing model is used to determine the fair value of warrants. When using the Black-Scholes model, the volatility assumption is derived from the historical volatility of the share prices of a selection of publicly traded insurance companies of a similar business nature to the Company. No allowance is made for any potential illiquidity associated with the private nature of the Company's shares at the time of grant. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected lives of the awards are estimated at their maximum term.

## **Hamilton Re, Ltd.**

### **Notes to the Consolidated Financial Statements**

Compensation cost is measured at the grant date fair value and expensed over the period for which the employee is required to provide services in exchange for the award. For awards subject to graded vesting, the awards are separated into vesting tranches, which are amortized over their respective vesting periods. The fair value of awards with performance conditions is remeasured at each reporting period with any changes in the expected outcome of the performance conditions recorded in compensation expense by a cumulative catch-up adjustment to apply the revised estimate. Forfeitures are recognized as they occur.

#### **n. Variable Interest Entities**

The Company accounts for variable interest entities ("VIE") in accordance with GAAP guidance, which requires the consolidation of all VIEs by the primary beneficiary: the investor that has the power to direct the activities of the VIE and will absorb a majority of the VIE's expected losses or residual returns. The Company determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders; (ii) the VIE's capital structure; (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE; (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE; and (vi) related party relationships. The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events. The Company also reassesses its determination of whether the Company is the primary beneficiary of a VIE upon changes in facts and circumstances that could potentially alter the Company's assessment.

#### **o. Non-Controlling Interest**

The share classes related to the redeemable non-controlling interest portion of TS Hamilton Fund are not considered liabilities in accordance with GAAP and have redemption features that are not solely within the control of TS Hamilton Fund. Therefore, the redeemable non-controlling interest in TS Hamilton Fund is presented in the mezzanine section on the Company's consolidated balance sheets. The net income or loss attributable to non-controlling interest is presented separately in the Company's consolidated statements of operations. See Note 5, *Variable Interest Entities*, for further details.

#### **p. Income Taxes**

On December 27, 2023, the Bermuda Government announced a 15% corporate income tax that will generally become effective for Bermuda domiciled entities on or after January 1, 2025. The legislation defers the effective date until January 1, 2030 so long as the consolidated group operates in six or fewer jurisdictions, has less than €50 million in tangible assets, and none of its Bermuda entities are subject to an Income Inclusion Rule in any other jurisdiction. The act is Bermuda's response to the OECD Pillar 2 worldwide minimum tax that would otherwise require a top-tax be paid by Hamilton Group on Bermuda sourced income to non-Bermuda jurisdictions such that a 15% minimum effective tax rate is achieved for Hamilton Groups Bermuda entities. Hamilton Group, inclusive of Hamilton Re, expects to be exempt from the worldwide minimum tax until January 1, 2030, pursuant to an exemption similar to that available in Bermuda.

The Bermuda legislation also allows for an economic transition adjustment that will reduce future years' taxable income. Under U.S. GAAP, this economic transition adjustment was required to be recognized in 2023 and led to the recording of a deferred tax asset as of December 31, 2023. Accordingly, the fourth quarter and year ended December 31, 2023 included a net deferred tax benefit of \$35.1 million related to the economic transition adjustment.

The Company records deferred income taxes that reflect the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the fiscal period that includes the enactment date. A valuation allowance against deferred tax assets is recorded if it is not more likely than not that all, or some portion, of the benefits related to deferred tax assets will be realized. The valuation allowance assessment considers tax planning strategies, where applicable.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**q. Recent Accounting Pronouncements**

*Recently Adopted Accounting Pronouncements*

In June 2016, the FASB issued ASU 2016-13 *Measurement of Credit Losses on Financial Instruments* (as subsequently clarified in various Updates), which requires the application of an incurred loss impairment methodology that reflects expected credit losses and requires consideration of a broad range of reasonable and supportable information to record credit loss estimates. The Company adopted this guidance in the first quarter of 2022, and because it did not have a material impact on the Company's results of operations, financial position, or cash flows, the Company did not record a cumulative effective adjustment to opening retained earnings as of January 1, 2022.

*Recently Issued Accounting Pronouncements*

In December 2023, the FASB issued ASU 2023-09 *Income Taxes* which enhances the quantitative annual disclosures related to tax rate reconciliations and income taxes paid and requires additional qualitative discussion of applicable tax jurisdictions and the nature of certain reconciling items. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. This guidance will not have a material impact on the Company's results of operations, financial position, or cash flows.

**3. Investments**

*Fixed Maturity and Short-Term Investments - Trading*

The Company's fixed maturity and short-term investments at December 31, 2023 and December 31, 2022 are as follows:

	<b>2023</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<i>(\$ in thousands)</i>				
<b>Fixed maturities:</b>				
U.S. government treasuries .....	\$ 468,707	\$ 2,843	\$ (10,710)	\$ 460,840
Corporate .....	335,263	4,859	(5,072)	335,050
Residential mortgage-backed securities - Agency .....	116,171	179	(9,506)	106,844
Residential mortgage-backed securities - Non-agency .....	4,304	—	(665)	3,639
Commercial mortgage-backed securities - Non-agency .....	11,473	—	(1,050)	10,423
Other asset-backed securities .....	1,254	—	(40)	1,214
Total fixed maturities .....	937,172	7,881	(27,043)	918,010
<b>Short term investments</b> .....	<b>427,437</b>	<b>1,441</b>	<b>—</b>	<b>428,878</b>
Total .....	<u>\$ 1,364,609</u>	<u>\$ 9,322</u>	<u>\$ (27,043)</u>	<u>\$ 1,346,888</u>

**2022**

(\$ in thousands)

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>Fixed maturities:</b>				
U.S. government treasuries .....	\$ 324,770	\$ 20	\$ (21,342)	\$ 303,448
Corporate .....	207,419	34	(13,187)	194,266
Residential mortgage-backed securities - Agency .....	83,705	—	(11,140)	72,565
Residential mortgage-backed securities - Non-agency .....	4,816	—	(758)	4,058
Commercial mortgage-backed securities - Non-agency .....	10,283	—	(1,064)	9,219
Other asset-backed securities .....	2,568	—	(193)	2,375
Total fixed maturities .....	633,561	54	(47,684)	585,931
Short term investments .....	263,159	945	—	264,104
Total .....	<u>\$ 896,720</u>	<u>\$ 999</u>	<u>\$ (47,684)</u>	<u>\$ 850,035</u>

*Contractual Maturities Summary*

The following table presents contractual maturities of fixed maturity securities at December 31, 2023. 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**

(\$ in thousands)

	<b>Amortized Cost</b>	<b>Fair Value</b>
Due less than one year .....	\$ 59,451	\$ 58,409
Due after one through five years .....	615,609	609,352
Due after five through ten years .....	126,922	126,681
Due after ten years .....	1,988	1,448
Mortgage backed .....	131,948	120,906
Asset-backed .....	1,254	1,214
Total .....	<u>\$ 937,172</u>	<u>\$ 918,010</u>

*Investments in Two Sigma Funds*

The Company's investments in Two Sigma Funds at December 31, 2023 and December 31, 2022 are as follows:

	<b>2023</b>			<b>2022</b>		
	<b>Cost</b>	<b>Unrealized Gains (Losses)</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Unrealized Gains (Losses)</b>	<b>Fair Value</b>
(\$ in thousands)						
Two Sigma Futures Portfolio, LLC (FTV) .....	\$ 433,912	\$ (38,106)	\$ 395,806	\$ 438,625	\$ (95,213)	\$ 343,412
Two Sigma Spectrum Portfolio, LLC (STV) .....	193,299	88,228	281,527	171,135	57,982	229,117
Two Sigma Equity Spectrum Portfolio, LLC (ESTV) .....	142,981	31,156	174,137	121,340	46,867	168,207
Total .....	<u>\$ 770,192</u>	<u>\$ 81,278</u>	<u>\$ 851,470</u>	<u>\$ 731,100</u>	<u>\$ 9,636</u>	<u>\$ 740,736</u>



The Company, through its investments in FTV, STV and ESTV, seeks to achieve absolute dollar-denominated returns on a substantial capital base, primarily by combining multiple hedged and leveraged systematic investment strategies with proprietary risk management and execution techniques. These systematic strategies include, but are not limited to, technical and statistically-based, fundamental-based, event-based, market condition-based and spread-based strategies as well as contributor-based and/or sentiment-based strategies and blended strategies. FTV primarily utilizes systematic strategies to gain broad macro exposure to FX, fixed income, equity and credit indices and commodities, predominantly by trading futures, spots, forwards, options, swaps, cash bonds and exchange traded products. STV primarily utilizes systematic strategies to trade U.S.-listed equity securities and related instruments and derivatives. ESTV primarily utilizes systematic strategies to trade non-U.S.-listed equity securities and related instruments and derivatives. At December 31, 2023, the Company owns a 21.1%, 16.2% and 8.8% interest in each of the FTV, STV and ESTV funds respectively.

The following table summarizes certain investments of FTV, STV and ESTV where TS Hamilton Fund's proportionate share of the fair value of the investment represents more than 5% of TS Hamilton Fund's members' equity at December 31, 2023:

<i>(\$ in thousands)</i>	<b>Principal/ Shares<sup>(1)</sup></b>	<b>Fair Value<sup>(1)</sup></b>	<b>% of Members' Equity</b>
State Street Treasury Obligations Money Market Fund	\$ 145,005	\$ 145,005	8.4 %
U.S. Treasury Securities, 0.0000% - 4.7500%, due 1/9/2024 - 11/15/2053	910,278	903,301	52.1 %
U.S. Treasury Securities, 4.3750% - 4.7500%, due 12/15/2026 - 11/15/2053	(43,211)	(45,640)	(2.6)%

(1) Values represent TS Hamilton Fund's proportionate share of the aggregate of FTV, STV and ESTV total holdings.

Two Sigma and the Managing Member are related parties to the Company as described further in *Note 1, Organization*. Effective July 1, 2023, a revised investment management agreement with Two Sigma requires TS Hamilton Fund to incur a management fee of 2.5% of the non-managing members' equity in the net asset value of the TS Hamilton Fund per annum (previously 3%). The management fee for the years ended December 31, 2023 and 2022, the month ended December 31, 2021 and the year ended November 30, 2021 was \$45.2 million, \$53.1 million, \$4.3 million and \$48.7 million, respectively.

Under the terms of the revised limited liability company agreement between Hamilton Re and the Managing Member, the Managing Member remains entitled to an incentive allocation equal to 30% of TS Hamilton Fund's net profits, subject to high watermark provisions, and adjusted for withdrawals and any incentive allocation to the Managing Member. In the event there is a net loss during a quarter and a net profit during any subsequent quarter, the Managing Member is entitled to a modified incentive allocation whereby the regular incentive allocation will be reduced by 50% until subsequent cumulative net profits are credited in an amount equal to 200% of the previously allocated net losses. The Managing Member is also entitled to receive a revised additional incentive allocation as of the end of each fiscal year (or on any date Hamilton Re withdraws all or a portion of its capital), in an amount equal to 25% of the Excess Profits (previously 20%). "Excess Profits" for any given fiscal year (or other such accounting period) means the net profits over 10% for such fiscal year (previously 15%), net of management fees and expenses and gross of incentive allocations, but only after recouping previously unrecouped net losses. To the extent Hamilton Re contributes capital other than at the beginning of a fiscal year or withdraws capital other than at the end of a fiscal year, the additional incentive allocation hurdle with respect to such capital is prorated. The aggregate incentive allocation (inclusive of the additional incentive allocation) for the years ended December 31, 2023 and 2022, the month ended December 31, 2021 and the year ended November 30, 2021 was \$21.5 million, \$68.0 million, \$Nil and \$61.6 million, respectively.

Hamilton Re has a commitment with TS Hamilton Fund to maintain an amount up to the lesser of (i) \$1.8 billion or (ii) 60% of Hamilton Insurance Group's net tangible assets in TS Hamilton Fund, such lesser amount, the "Minimum Commitment Amount", for a three-year period (the "Initial Term") and for rolling three-year periods thereafter (each such three-year period the "Commitment Period"), subject to certain circumstances and the liquidity options described below, with the Commitment Period ending on June 30, 2026. The Commitment Period consists of a three-year rolling term that automatically renews on an annual basis unless Hamilton Re or the Managing Member provide advance notice of non-renewal.

The TS Hamilton Fund generally has two liquidity options, subject to Hamilton Re's minimum investment commitment, which are as follows:

- Monthly liquidity - Subject to certain conditions, Hamilton Re may request a whole or partial withdrawal of its capital account, no later than fifteen days prior to the end of a calendar month, effective as of the last day of such calendar month.

- Daily liquidity - Subject to certain limited circumstances, including the need to meet obligations pursuant to Hamilton Re's underwriting operations, Hamilton Re may request a withdrawal of all or a portion of its capital account upon at least one business day's written notice of such withdrawal request date to the Managing Member.

At its discretion, the Managing Member may permit or require Hamilton Re to withdraw all or any portion of its respective capital account at other times, or waive or reduce certain notice periods, or allow a notice to be revoked. The Managing Member may withdraw all or any portion of its capital account at any time.

*Total Net Realized and Unrealized Gains (Losses) on Investments and Net Investment Income (Loss)*

The components of total net realized and unrealized gains (losses) on investments and net investment income (loss) are as follows:

(\$ in thousands)	Years Ended		Month Ended	Year Ended
	December 31,		December 31,	November 30,
	2023	2022	2021	2021
Net realized and unrealized gains (losses) on investments:				
Net realized gains (losses) on investments .....	\$ 88,168	\$ 256,823	\$ 14,327	\$ 276,299
Change in net unrealized gains (losses) on investments .....	100,812	(124,461)	(47,230)	86,120
Net realized and unrealized gains (losses) on investments ..	188,980	132,362	(32,903)	362,419
Net investment income (loss):				
Fixed maturities .....	21,495	11,769	664	6,886
Short-term investments .....	40	(33)	5	479
TS Hamilton Fund .....	16,084	10,395	199	2,124
Cash and cash equivalents .....	3,777	807	(24)	(150)
Interest and other .....	41,396	22,938	844	9,339
Management fees .....	(46,047)	(53,794)	(4,376)	(49,335)
Other expenses .....	(797)	(993)	(83)	(876)
Net investment income (loss) .....	(5,448)	(31,849)	(3,615)	(40,872)
Total net realized and unrealized gains (losses) on investments and net investment income (loss) .....	\$ 183,532	\$ 100,513	\$ (36,518)	\$ 321,547

*Net Realized Gains (Losses) on Investments*

The components of net realized gains (losses) on investments are as follows:

(\$ in thousands)	Years Ended		Month Ended	Year Ended
	December 31,		December 31,	November 30,
	2023	2022	2021	2021
Fixed maturities and short-term investments .....	\$ (12,762)	\$ (9,807)	\$ (5,681)	\$ 3,311
TS Hamilton Fund .....	100,930	266,630	20,008	272,988
Net realized gains (losses) on investments .....	\$ 88,168	\$ 256,823	\$ 14,327	\$ 276,299

*Net Unrealized Gains (Losses) on Investments*

The components of net unrealized gains (losses) on investments are as follows:

	Years Ended		Month Ended	Year Ended
	December 31,		December 31,	November 30,
(\$ in thousands)	2023	2022	2021	2021
Fixed maturities and short-term investments .....	\$ 28,466	\$ (46,409)	\$ 4,341	\$ (15,007)
TS Hamilton Fund .....	72,346	(78,052)	(51,571)	101,127
Net unrealized gains (losses) on investments .....	<u>\$ 100,812</u>	<u>\$ (124,461)</u>	<u>\$ (47,230)</u>	<u>\$ 86,120</u>

*Pledged Assets*

At December 31, 2023 and 2022, pledged investments at fair value were comprised of \$232.2 million and \$274.0 million, respectively, securing a portion of the capital requirements for business written at Lloyd's. In addition, certain investments were pledged as security for letter of credit facilities as described further in Note 9, *Credit Facilities*.

At December 31, 2023 and 2022, restricted cash and cash equivalents balances were comprised of \$7.2 million and \$2.1 million, respectively, securing a portion of the capital requirements for business written at Lloyd's, and \$6.6 million and \$46.6 million, respectively, securing other underwriting obligations. In addition, cash was pledged as security for letter of credit facilities as described further in Note 9, *Credit Facilities*.

Total cash and cash equivalents and restricted cash and cash equivalents of \$641.0 million presented in the statement of cash flows was comprised of cash and cash equivalents of \$625.7 and restricted cash and cash equivalents of \$15.3 on the balance sheet at December 31, 2023. Total cash and cash equivalents and restricted cash and cash equivalents of \$942.6 presented in the statement of cash flows was comprised of cash and cash equivalents of \$894.0 and restricted cash and cash equivalents of \$48.7 on the balance sheet at December 31, 2022.

#### 4. Fair Value

##### *Financial Instruments Subject to Fair Value Measurements*

Accounting guidance over fair value measurements requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the "exit price"). Instruments that the Company owns are marked to bid prices.

##### *Basis of Fair Value Measurements*

Fair value measurement accounting guidance also establishes 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The three levels of the fair value hierarchy are:

- **Level 1** - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- **Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and
- **Level 3** - Inputs that are both significant to the fair value measurement and unobservable.

##### *Assets Recorded at Fair Value - Fixed Maturity and Short-term Investments*

The following section describes the valuation methodologies used to determine the fair value of the Company's fixed maturity and short-term investments by asset class:

- *U.S. government treasuries*: fair value based on observable market inputs such as quoted prices, reported trades, quoted prices for similar issuances and benchmark yields;
- *U.S. states, territories and municipalities*: fair value based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;
- *Non-U.S. sovereign governments and supranationals*: fair value based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads, and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source;
- *Corporate*: fair value based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;
- *Asset-backed and mortgage-backed securities*: fair value based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads; and

- *Short-term investments*: fair value based on observable market inputs such as quoted prices, reported trades, quoted prices for similar issuances and benchmark yields.

The following table presents the financial instruments measured on a recurring basis at fair value at December 31, 2023 and December 31, 2022:

(\$ in thousands)	2023			
	Level 1	Level 2	Level 3	Total
Fixed maturities:				
U.S. government treasuries .....	\$—	\$460,840	\$—	\$460,840
Corporate .....	—	335,050	—	335,050
Residential mortgage-backed securities - Agency .....	—	106,844	—	106,844
Residential mortgage-backed securities - Non-agency .....	—	3,639	—	3,639
Commercial mortgage-backed securities - Non-agency .....	—	10,423	—	10,423
Other asset-backed securities .....	—	1,214	—	1,214
Total fixed maturities .....	—	918,010	—	918,010
Short-term investments .....	—	428,878	—	428,878
Total .....	\$ —	\$ 1,346,888	\$ —	\$ 1,346,888

(\$ in thousands)	2022			
	Level 1	Level 2	Level 3	Total
Fixed maturities:				
U.S. government treasuries .....	\$—	\$303,448	\$—	\$303,448
Corporate .....	—	194,266	—	194,266
Residential mortgage-backed securities - Agency .....	—	72,565	—	72,565
Residential mortgage-backed securities - Non-agency .....	—	4,058	—	4,058
Commercial mortgage-backed securities - Non-agency .....	—	9,219	—	9,219
Other asset-backed securities .....	—	2,375	—	2,375
Total fixed maturities .....	—	585,931	—	585,931
Short-term investments .....	—	264,104	—	264,104
Total .....	\$ —	\$ 850,035	\$ —	\$ 850,035

The carrying values of cash and cash equivalents, restricted cash and cash equivalents, receivables for investments sold, certain other assets, payables for investments purchased, and certain other liabilities approximate their fair values.

## 5. Variable Interest Entities

### TS Hamilton Fund

TS Hamilton Fund meets the definition of a VIE principally because the Managing Member does not hold substantive equity at risk in the entity but controls all of the decision making authority over it. Therefore, the Company assessed its ownership in the VIE to determine if it is the primary beneficiary. The Managing Member is a related party to the Company and collectively they hold all of the variable interest. The Company performed an assessment of all relevant facts and circumstances and determined that it is the entity within the related party group for whom substantially all of the activities of the VIE are conducted. As a result, the Company concluded that it is the primary beneficiary of TS Hamilton Fund.

Activity in the non-controlling interest of TS Hamilton Fund was as follows:

(\$ in thousands)	Years Ended December 31,		Month Ended December 31,	Year Ended November 30,
	2023	2022	2021	2021
Balance - beginning of period	\$ 119	\$ 124	\$ 150	\$ 119
Withdrawals	(21,546)	(68,069)	(23)	(61,629)
Equity in earnings	14	14	(3)	31
Incentive allocation	21,546	68,050	—	61,629
Balance - end of period	<u>\$ 133</u>	<u>\$ 119</u>	<u>\$ 124</u>	<u>\$ 150</u>

The following table represents the total assets and total liabilities of TS Hamilton Fund at December 31, 2023 and December 31, 2022. Creditors or beneficial interest holders of TS Hamilton Fund have no recourse to the general credit of the Company, as the Company's obligation is limited to the amount of its committed investment.

(\$ in thousands)	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 479,255	\$ 800,239
Short-term investments	428,878	264,104
Investments in Two Sigma Funds, at fair value	851,470	740,736
Receivables for investments sold	41,087	—
Interest and dividends receivable	966	2,076
<b>Total assets</b>	<u>1,801,656</u>	<u>1,807,155</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	191	291
Withdrawal payable	6,480	145,738
Payable for investments purchased	62,440	48,095
<b>Total liabilities</b>	<u>69,111</u>	<u>194,124</u>
<b>Total net assets managed by TS Hamilton Fund</b>	<u>\$ 1,732,545</u>	<u>\$ 1,613,031</u>

The withdrawal payable of \$6.5 million and \$145.7 million at December 31, 2023 and 2022, respectively, includes a redemption of \$Nil and \$145.7 million, respectively, due to Hamilton Re. The net balance is reported on the Company's consolidated balance sheets in "Payables to related parties".

## 6. Change in Fiscal Year End Comparative Reporting

The Company changed its fiscal year end as discussed in Note 2, *Summary of Significant Accounting Policies*. The following condensed consolidated statements of operations, condensed consolidated statements of cash flows and consolidated statements of shareholder's equity present the resulting one month transition period ended December 31, 2021 and the comparative results for the one month ended December 31, 2020.

The Condensed Consolidated Statements of Operations for the one month period ended December 31, 2021 and 2020 are as follows:

(\$ in thousands)	One Month Ended December 31,	
	2021	2020 (unaudited)
<b>Revenues</b>		
Net premiums earned .....	\$ 81,399	\$ 48,218
Net investment income (loss), net of income attributable to non-controlling interest .....	(36,515)	70,811
Other income (loss) .....	1,273	(1,913)
<b>Total revenues</b> .....	46,157	117,116
<b>Expenses</b>		
Losses and loss adjustment expenses .....	48,522	24,496
Acquisition costs .....	22,626	12,737
General and administrative expenses .....	3,530	3,122
Other expenses .....	480	467
<b>Total expenses</b> .....	75,158	40,822
Income (loss) before income tax .....	(29,001)	76,294
Income tax expense .....	1,143	980
<b>Net income (loss) attributable to common shareholders</b> .....	\$ (30,144)	\$ 75,314

The Condensed Consolidated Statements of Cash Flows for the one month period ended December 31, 2021 and 2020 are as follows:

(\$ in thousands)	One Month Ended December 31,	
	2021	2020 (unaudited)
<b>Net cash provided by (used in) operating activities</b> .....	\$ (29,105)	\$ 1,501
<b>Net cash provided by (used in) investing activities</b> .....	37,401	6,134
<b>Net cash provided by (used in) financing activities</b> .....	(23)	285
<b>Effect of exchange rate changes on cash and cash equivalents</b> .....	46	1,408
Net increase (decrease) in cash and cash equivalents .....	8,319	9,328
Cash and cash equivalents and restricted cash and cash equivalents, beginning of period .....	643,036	456,018
<b>Cash and cash equivalents and restricted cash and cash equivalents, end of period</b> .....	\$ 651,355	\$ 465,346

The Consolidated Statements of Shareholder's Equity for the one month period ended December 31, 2021 and 2020 are as follows:

	<b>One Month Ended December 31,</b>	
	<b>2021</b>	<b>2020 (unaudited)</b>
<i>(\$ in thousands)</i>		
<b>Common shares</b>		
<b>Balance, beginning and end of period</b> .....	\$ 1,000	\$ 1,000
<b>Additional paid-in capital</b>		
<b>Balance, beginning of period</b> .....	917,573	917,000
Capital contribution .....	—	285
<b>Balance, end of period</b> .....	917,573	917,285
<b>Retained earnings</b>		
<b>Balance, beginning of period</b> .....	825,301	593,789
Net income (loss) .....	(30,147)	90,509
Net income attributable to non-controlling interest .....	3	(15,195)
<b>Balance, end of period</b> .....	795,157	669,103
<b>Total shareholder's equity</b> .....	<u>\$ 1,713,730</u>	<u>\$ 1,587,388</u>



## 7. Reinsurance

The Company purchases reinsurance and other protection to manage its risk portfolio and to reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain loss and loss adjustment expenses, generally in excess of various retentions or on a proportional basis. Amounts recoverable under reinsurance contracts are recorded as assets. The Company remains liable to the extent that any reinsurance company fails to meet its obligations.

The following tables set forth the effect of reinsurance and retrocessional activity on premiums written and earned and on losses and loss adjustment expenses incurred:

	Premiums written			
	Years Ended		Month Ended	Year Ended
	December 31,		December 31,	November 30,
	2023	2022	2021	2021
<i>(\$ in thousands)</i>				
Assumed.....	\$ 1,174,603	\$ 1,071,637	\$ 69,532	\$ 961,491
Direct.....	120,705	99,935	9,771	87,505
Ceded.....	(135,476)	(127,341)	(4,197)	(109,648)
Net.....	\$ 1,159,832	\$ 1,044,231	\$ 75,106	\$ 939,348

	Premiums earned			
	Years Ended		Month Ended	Year Ended
	December 31,		December 31,	November 30,
	2023	2022	2021	2021
<i>(\$ in thousands)</i>				
Assumed.....	\$ 1,086,339	\$ 1,011,784	\$ 83,573	\$ 839,738
Direct.....	110,515	93,810	7,008	88,182
Ceded.....	(131,832)	(126,879)	(9,182)	(121,264)
Net.....	\$ 1,065,022	\$ 978,715	\$ 81,399	\$ 806,656

	Losses and loss adjustment expenses			
	Years Ended		Month Ended	Year Ended
	December 31,		December 31,	November 30,
	2023	2022	2021	2021
<i>(\$ in thousands)</i>				
Gross losses and loss adjustment expenses.....	\$ 655,292	\$ 807,020	\$ 51,743	\$ 556,037
Losses and loss adjustment expenses ceded.....	(48,667)	(102,804)	(3,221)	(16,513)
Net.....	\$ 606,625	\$ 704,216	\$ 48,522	\$ 539,524

### *Allowance for Expected Credit Losses*

Premiums receivable, paid losses recoverable, and unpaid losses and loss adjustment expenses recoverable comprise the Company's most significant credit exposures not carried at fair value. The Company has not historically experienced significant credit losses. In determining an allowance for these assets, the Company considers historical information in combination with counterparty financial strength ratings and the extent to which balances are collateralized. The Company assesses the risk of future default by evaluating current market conditions for the likelihood of default and calculates its provision for current expected credit losses under the probability of default and loss given default methodology.

## Premiums Receivable

Premiums receivable are estimated based on policy terms and reports received from the underlying counterparties, supplemented by management's judgment. Due to the nature of the (re)insurance business, the Company routinely receives reports and premiums subsequent to the inception of the coverage period. At December 31, 2023, the Company's premiums receivable balance, net of credit provisions of \$1.2 million was \$972.4 million. At December 31, 2022, the Company's premiums receivable balance, net of credit provisions of \$0.6 million, was \$889.8 million.

## Reinsurance Balances Recoverable

Reinsurance balances recoverable is comprised of amounts due from reinsurers based on the claim liabilities associated with the reinsured policy. The Company accrues amounts due from reinsurers based on estimated ultimate contract losses.

At December 31, 2023, the Company's paid and unpaid reinsurance recoverable balances net of credit provisions were \$21.6 million and \$279.8 million, respectively, with a total corresponding provision for current expected credit losses of \$0.2 million. At December 31, 2022, the Company's paid and unpaid reinsurance recoverable balances net of credit provisions were \$15.1 million and \$291.7 million, respectively, with a total corresponding provision for current expected credit losses of \$0.3 million.

At December 31, 2023 and 2022, the distribution of the Company's paid losses recoverable and unpaid losses and loss adjustment expenses recoverable as categorized by major rating agencies were as follows:

<b>Classification</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Collateralized	8.2 %	9.7 %
A- or better	90.3 %	89.2 %
Below A-	1.5 %	1.1 %
Total	100.0 %	100.0 %

At December 31, 2023, and 2022, the three largest balances by reinsurer accounted for 28.3%, 5.1%, 4.4% and 26.0%, 6.4% and 4.2%, respectively, of paid and unpaid losses recoverable and loss adjustment expenses recoverable.

## *Catastrophe Bond Reinsurance*

In December 2020, Hamilton Group sponsored an industry loss index-triggered catastrophe bond through the issuance of Series 2020-1 Class A Principal-at-Risk Variable Rate Notes by Singapore-domiciled Easton Re Pte, Ltd. ("Easton Re"), which provided the Company's operating platforms with multi-year risk transfer capacity of \$150 million to protect against named storm and earthquake risk in the United States. The risk period for Easton Re was from January 1, 2021 to December 31, 2023. The Company recorded reinsurance premiums ceded of \$6.2 million, \$5.1 million, \$Nil, and \$4.4 million the years ended December 31, 2023 and 2022, the month ended December 31, 2021, and the year ended November 30, 2021, respectively.

In December 2023, Hamilton Group sponsored a new industry loss index-triggered catastrophe bond through the issuance of Series 2024-1 Class A Principal-at-Risk Variable Rate Notes by Bermuda-domiciled Easton Re Ltd. (also "Easton Re"), which provide the Company's operating platforms with multi-year risk transfer capacity of \$200 million to protect against named storm risk in the United States and earthquake risk in the United States and Canada. The risk period for Easton Re is from January 1, 2024 to December 31, 2026. See Note 1, *Organization* for further details.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**8. Reserve for Losses and Loss Adjustment Expenses**

The following table presents a reconciliation of unpaid losses and loss adjustment expenses ("LAE") for the years ended December 31, 2023 and 2022, the month ended December 31, 2021, and the year ended November 31, 2021:

(\$ in thousands)	Years Ended December 31,		Month Ended December 31,	Year Ended November 30,
	2023	2022	2021	2021
Gross unpaid losses and loss expenses, beginning of year .....	\$ 1,703,947	\$ 1,303,674	\$ 1,284,311	\$ 1,115,101
Reinsurance recoverable on unpaid losses .....	(291,715)	(232,550)	(244,122)	(319,658)
Net unpaid losses and loss expenses, beginning of year .....	1,412,232	1,071,124	1,040,189	795,443
Net losses and loss expenses incurred in respect of losses occurring in: .....				
Current year .....	616,734	721,131	48,522	526,062
Prior years .....	(10,109)	(16,915)	—	13,462
Total incurred .....	606,625	704,216	48,522	539,524
Net losses and loss expenses paid in respect of losses occurring in: .....				
Current year .....	60,877	58,562	2,262	50,685
Prior years .....	521,639	295,026	15,372	233,343
Total paid .....	582,516	353,588	17,634	284,028
Foreign currency revaluation and other .....	9,963	(9,520)	47	(10,750)
Net unpaid losses and loss expenses, end of year .....	1,446,304	1,412,232	1,071,124	1,040,189
Reinsurance recoverable on unpaid losses .....	279,810	291,715	232,550	244,122
Gross unpaid losses and loss expenses, end of year .....	\$ 1,726,114	\$ 1,703,947	\$ 1,303,674	\$ 1,284,311

Net favorable prior year development of \$10.1 million for the year ended December 31, 2023 was comprised of \$5.6 million of unfavorable prior year development on catastrophe losses and \$15.7 million of favorable prior year development on attritional losses. See below for further details:

- Net favorable development of \$17 million on specialty contracts, driven by lower loss estimates across various classes; partially offset by
- Net unfavorable development of \$6.9 million on property contracts, primarily driven by higher than expected claims related to Winterstorm Elliot and development on certain attritional claims, including claims arising from exited classes of business.

Net favorable prior year development of \$16.9 million for the year ended December 31, 2022 was comprised of \$17.8 million of favorable prior year development on catastrophe losses and \$0.9 million of unfavorable prior year development due to attritional losses. See below for further details:

- Net favorable development of \$35.4 million on specialty contracts, driven by reductions in loss estimates across multiple classes;
- Net favorable development of \$0.1 million on property contracts; offset by
- Net unfavorable development of \$18.6 million on casualty lines of business, primarily related to discontinued business.

There was no prior year development for the month ended December 31, 2021.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

Net unfavorable prior year development of \$13.5 million for the year ended November 30, 2021 was comprised of \$16.5 million of unfavorable prior year development on catastrophe losses, partially offset by \$3.0 million of favorable prior year development on attritional losses. See below for further details:

- Net unfavorable development of \$19.5 million on property contracts, driven by increases in loss estimates for Covid-19 business interruption losses and Hurricanes Laura, Sally and Zeta;
- Net unfavorable development of \$26.6 million on casualty contracts, driven by increased loss estimates; offset by
- Net favorable development of \$32.6 million on specialty contracts, driven by lower than expected loss experience.

The Company amortized acquisition costs of \$237.7 million, \$248.4 million, \$22.6 million, and \$216.2 million in the years ended December 31, 2023 and 2022, the month ended December 31, 2021, and the year ended November 30, 2021, respectively.

*Ukraine Conflict*

The estimate of net reserves for losses and loss adjustment expenses related to the ongoing Ukraine conflict is subject to significant uncertainty. As at December 31, 2023 and December 31, 2022, recorded reserves relating to the Ukraine conflict totaled \$62.9 million and \$75.1 million, respectively.

*Covid-19*

Our Covid-19 losses also remain subject to significant uncertainty. Actual ultimate losses for these events may differ materially from the Company's current estimates. As at December 31, 2023 and December 31, 2022, recorded reserves relating to Covid-19 totaled \$13.2 million and \$37.5 million, respectively.

While the Company believes, based on current facts and circumstances, that its estimates of net reserves for losses and loss adjustment expenses are adequate for losses and loss adjustment expenses that have been incurred at December 31, 2022, the Company will continue to monitor its assumptions as new information becomes available and will adjust its estimate of net reserves for losses and loss adjustment expenses as appropriate. Actual ultimate losses for these events may differ materially from the Company's current estimates.

*Reserving*

The Company's reserve for losses and loss adjustment expenses consists of case reserves and IBNR reserves. Case reserves are reserves for reported losses and loss adjustment expenses that have not yet been settled. IBNR are reserves for incurred but not reported losses and loss adjustment expenses, and include reserves for reported losses in excess of case reserves.

**Case Reserves**

For reinsurance business, the Company typically receives loss notifications from its cedants in the form of loss bordereaux or individual loss notifications. These notifications generally include varying amounts of information about the nature and quantum of the loss, including paid amounts and estimates of outstanding loss. The Company records the estimates of outstanding loss from its cedants as case reserves. Typically there is a timing lag between the cedant establishing a reserve and notifying the loss to the Company. In addition, different cedants have different claims handling practices which result in case reserve estimates that vary in the level of embedded prudence.

For insurance business, the Company records a case reserve for the estimated amount of settlement. This amount is based on the judgment of the Company's claims team and takes into account the class of business, nature of the claim and if appropriate, the advice of specialist legal counsel and external loss adjusters, and includes the estimated expenses of settling the claim such as legal and other fees. The Company may sometimes use third party claims administrators to handle claims and set case reserves, within defined authority levels and service level agreements. In syndicated markets such as Lloyd's, the Company's case reserve will be based in part on information provided by the lead insurer, where the Company is not an agreement party. Any adjustments to case reserves are accounted for as changes in estimates and recorded in the period in which such changes are identified.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**IBNR Reserves**

The Company establishes IBNR reserves for large events based on a number of different factors, including discussions with brokers and cedants, proprietary loss modelling and pricing software, estimates of market loss and market share, experience from historical large events and other information that can guide the estimates of loss reserves. The Company's actuaries may use other approaches in addition to those described, and supplement these methods with judgement where they deem appropriate, depending upon the characteristics of the class of business and available data. These estimates are reviewed periodically as new information emerges.

IBNR reserves for attritional losses are established using actuarial loss reserving techniques. These techniques include the loss development factor method, Bornheutter Ferguson method, the Initial Expected Loss Ratio method, and other techniques. These techniques rely on estimates of paid and reported loss development patterns and estimates of the loss ratio at the inception of the contract. The Company's actuaries review the estimates of IBNR reserves on a quarterly basis and adjust the estimates as new information becomes available. Any such adjustments are accounted for as changes in estimates and recorded in the periods in which they become known.

To establish IBNR reserves for attritional losses, contracts are grouped into cohorts, or reserving classes, that have similar coverage, inception period and loss reporting characteristics. The paid and reported losses for these reserving classes are tracked over time against expectations and against the actuarial loss reserving indications and IBNR reserve selected for each cohort.

**Claims Development and Frequency**

For incurred and paid accident year claims denominated in foreign currency, 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 following tables.

In determining the cumulative number of reported claims, the Company measures claim counts on its insurance business by individual claimant where information is available. The claim counts include all claims reported where the Company has identified a potential liability for the claim even if there is no existing reserve. Reinsurance business is typically written under either proportional (quota share arrangements) or non-proportional arrangements (excess of loss or other facultative covers).

The Company typically does not have direct access to claim frequency information underlying its assumed quota share arrangements, given the nature of that business. In addition, multiple claims are often aggregated by the ceding company before being reported to the Company. The Company generally does not use claim frequency information in the determination of loss reserves or for other internal purposes relating to proportional business. In addition, the nature, size, terms and conditions of contracts entered into by the Company may change from one accident year to the next and the quantum of contractual or policy limits, and accordingly, the potential amount of losses and loss adjustment expenses associated with a reported claim can range from nominal to significant, and therefore the Company does not believe providing claims frequency information is practicable as it relates to its proportional business.

The Company has developed claims frequency information associated with its non-proportional reinsurance contracts. In determining claims frequency for its excess-of-loss reinsurance contracts, claims counts include all claims reported by each insured where a reserve for losses and loss adjustment expenses has been recorded. The Company has assumed that claims below the loss layer of a contract are excluded; if an insured's claim impacts multiple layers of a contract, the Company considers each impact to be a separate claim, and for an insured loss impacting more than one operating subsidiary, each impact is considered a separate claim.

*Claims Development*

The information provided herein about incurred and paid accident year claims development, net of reinsurance, for the periods ended prior to December 31, 2023 and the annual percentage payouts of incurred claims by age, net of reinsurance, is presented as supplementary information. The following tables show the paid and incurred loss development by broad classification based on groupings of contracts that are similar in coverage and duration:

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**Property**

(\$ in thousands, except claim count)

Incurred losses and allocated loss adjustment expenses, net of reinsurance												
For the years ended											As of December 31, 2023	
Accident Year	November 30,					December 31,					IBNR <sup>(1)</sup>	Number of Reported Claims
	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023		
2014	\$ 19,416	\$ 20,563	\$ 19,374	\$ 17,894	\$ 17,723	\$ 17,727	\$ 17,662	\$ 17,424	\$ 17,440	\$ 17,437	\$ —	49
2015		29,519	17,011	12,665	12,195	7,828	6,494	6,468	6,439	5,668	—	43
2016			61,893	43,941	42,348	40,844	39,720	41,791	41,083	40,622	93	1,010
2017				129,624	130,447	127,102	112,442	110,456	114,376	114,570	663	1,436
2018					87,146	102,666	97,756	97,417	92,603	89,195	772	1,353
2019						35,925	61,340	71,993	72,749	70,933	295	1,561
2020							204,846	219,686	224,667	222,959	6,667	2,481
2021								215,637	233,543	225,593	10,387	1,734
2022									252,960	273,243	52,496	1,260
2023										143,012	62,520	560
									Total	\$ 1,203,232	\$ 133,893	11,487

(1) Total of incurred but not reported liabilities plus expected development on reported claims.

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance												
For the years ended												
Accident Year	November 30,					December 31,						
	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023		
2014	\$ 8,047	\$ 14,310	\$ 15,920	\$ 16,592	\$ 17,005	\$ 17,240	\$ 17,313	\$ 17,377	\$ 17,404	\$ 17,419		
2015		1,776	4,664	5,164	5,298	5,417	5,608	5,630	5,646	5,647		
2016			12,969	28,167	33,048	36,686	38,169	39,153	39,401	39,865		
2017				31,470	112,826	96,963	113,085	101,783	106,201	109,116		
2018					13,622	80,584	98,664	82,586	81,315	84,423		
2019						5,516	40,348	45,854	58,318	70,141		
2020							29,699	109,576	156,855	206,377		
2021								30,218	118,093	198,010		
2022									43,869	162,436		
2023											31,647	
									Total	\$ 925,081		
											Liabilities for Claims and Claim adjustment expenses, net of reinsurance	\$ 278,151

**Average annual percentage payout of incurred losses by age, net of reinsurance <sup>(1)</sup>**

Years	1 (unaudited)	2 (unaudited)	3 (unaudited)	4 (unaudited)	5 (unaudited)	6 (unaudited)	7 (unaudited)	8 (unaudited)	9 (unaudited)
	17 %	47 %	18 %	12 %	— %	3 %	2 %	1 %	— %

(1) Unaudited supplementary information is a weighted average derived from the incurred losses and allocated loss adjustment expenses, net of reinsurance triangle and cumulative paid losses and allocated loss adjustment expenses, net of reinsurance triangle.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**Casualty**

(\$ in thousands, except claim count)

Incurred losses and allocated loss adjustment expenses, net of reinsurance												As of December 31, 2023	Cumulative Number of Reported Claims
For the years ended													
November 30,						December 31,							
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	IBNR <sup>(1)</sup>		
2014	\$ 13,350	\$ 13,408	\$ 18,549	\$ 12,871	\$ 18,254	\$ 19,966	\$ 16,478	\$ 16,552	\$ 16,631	\$ 24,475	\$ 1,569	7	
2015		19,729	18,378	31,722	30,525	38,780	39,509	50,742	49,692	41,835	9,062	35	
2016			44,878	50,382	54,733	55,139	57,355	56,827	60,801	55,437	7,129	39	
2017				85,609	100,606	107,317	110,618	118,237	130,691	142,354	12,956	110	
2018					102,053	120,011	127,212	125,260	135,150	136,976	23,867	572	
2019						92,628	102,445	107,567	106,342	109,724	32,654	2,663	
2020							93,715	95,004	97,870	99,509	36,371	3,567	
2021								126,704	137,887	136,949	82,336	3,377	
2022									226,366	223,958	183,799	3,343	
2023										268,124	234,601	2,995	
									Total	\$ 1,239,341	\$ 624,344	\$ 16,708	

(1) Total of incurred but not reported liabilities plus expected development on reported claims.

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance											
For the years ended											
November 30,						December 31,					
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	
2014	\$ 776	\$ 2,026	\$ 3,330	\$ 4,687	\$ 6,223	\$ 10,512	\$ 12,847	\$ 13,336	\$ 13,846	\$ 23,812	
2015	—	708	2,111	3,569	11,246	16,953	18,828	25,671	34,198	30,726	
2016	—	—	1,541	5,169	12,740	20,504	27,103	35,482	39,381	41,115	
2017	—	—	—	3,792	10,978	23,300	52,185	72,352	94,924	109,179	
2018	—	—	—	—	3,808	23,089	52,244	68,892	73,442	90,436	
2019	—	—	—	—	—	3,986	11,506	24,934	42,501	61,878	
2020	—	—	—	—	—	—	6,949	18,353	26,234	46,683	
2021	—	—	—	—	—	—	—	2,319	12,096	29,524	
2022	—	—	—	—	—	—	—	—	3,111	14,496	
2023	—	—	—	—	—	—	—	—	—	6,434	
									Total	\$ 454,283	
										Liabilities for Claims and Claim adjustment expenses, net of reinsurance	\$ 785,058

Average annual percentage payout of incurred losses by age, net of reinsurance <sup>(1)</sup>

Years	1 (unaudited)	2 (unaudited)	3 (unaudited)	4 (unaudited)	5 (unaudited)	6 (unaudited)	7 (unaudited)	8 (unaudited)	9 (unaudited)
	3 %	7 %	12 %	16 %	11 %	13 %	10 %	9 %	(4)%

(1) Unaudited supplementary information

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**Specialty**

(\$ in thousands, except claim count)

Incurred losses and allocated loss adjustment expenses, net of reinsurance													Cumulative Number of Reported Claims
For the years ended												As of December 31, 2023	
November 30,						December 31,							
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	IBNR <sup>(1)</sup>		
2014	\$ 11,857	\$ 12,478	\$ 10,293	\$ 8,377	\$ 9,123	\$ 8,865	\$ 8,730	\$ 8,612	\$ 8,540	\$ 8,594	\$ —	19	
2015		27,712	26,756	19,451	19,403	17,626	16,928	15,494	15,774	15,396	64	104	
2016			40,055	38,496	33,021	27,135	23,882	19,616	18,547	18,511	493	824	
2017				74,446	57,327	49,036	41,070	41,012	43,948	46,620	731	1,374	
2018					83,048	76,157	70,928	70,473	64,830	70,886	300	1,675	
2019						103,601	98,954	89,410	88,697	86,115	975	2,829	
2020							122,425	113,382	106,922	107,979	2,904	2,975	
2021								132,955	126,797	117,719	22,201	2,970	
2022									236,835	224,337	133,939	2,535	
2023										196,076	146,692	1,309	
									Total	\$ 892,233	\$ 308,299	16,614	

(1) Total of incurred but not reported liabilities plus expected development on reported claims.

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance											
For the years ended											
November 30,						December 31,					
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	
2014	\$ 2,218	\$ 7,196	\$ 6,767	\$ 6,362	\$ 7,454	\$ 7,503	\$ 7,519	\$ 8,208	\$ 8,313	\$ 8,418	8,418
2015		3,330	8,650	13,182	13,204	14,302	14,510	14,545	14,834	14,899	14,899
2016			3,124	10,267	8,632	13,138	15,701	16,290	15,426	15,426	16,029
2017				4,038	16,937	26,853	32,739	33,668	40,031	40,031	45,185
2018					9,147	32,233	49,174	51,725	55,182	55,182	67,315
2019						11,697	43,295	59,224	68,091	68,091	86,274
2020							15,029	51,104	84,336	84,336	106,762
2021								9,801	44,605	44,605	80,058
2022									11,582	11,582	64,654
2023											22,793
									Total	\$ 512,387	\$ 512,387
										Liabilities for Claims and Claim adjustment expenses, net of reinsurance	\$ 379,846

Average annual percentage payout of incurred losses by age, met of reinsurance <sup>(1)</sup>

Years	1 (unaudited)	2 (unaudited)	3 (unaudited)	4 (unaudited)	5 (unaudited)	6 (unaudited)	7 (unaudited)	8 (unaudited)	9 (unaudited)
	10 %	30 %	24 %	12 %	11 %	12 %	5 %	4 %	1 %

(1) Unaudited supplementary information



**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**Reconciliation**

<i>(\$ in thousands)</i>	<b>December 31, 2023</b>
<b>Net outstanding liabilities</b>	
Property .....	\$ 278,151
Casualty .....	785,058
Specialty .....	379,846
<b>Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance</b> .....	<b>1,443,055</b>
<b>Reinsurance recoverable on unpaid claims</b>	
Property .....	45,153
Casualty .....	169,600
Specialty .....	65,057
<b>Total reinsurance recoverable on unpaid claims</b> .....	<b>279,810</b>
Other insurance lines .....	(4,800)
Unallocated loss adjustment expenses .....	8,049
	<b>3,249</b>
<b>Total gross liability for unpaid losses and loss adjustment expenses</b> .....	<b>\$ 1,726,114</b>

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**9. Credit Facilities**

The Company has several available letter of credit facilities and a revolving loan facility provided by commercial banks. The letter of credit facilities are utilized to provide collateral to reinsureds of Hamilton Re and its affiliates to the extent required under reinsurance agreements and to support capital requirements of the Company's affiliated Lloyd's operations.

On December 5, 2018 and December 27, 2018, Hamilton Re Ltd entered into a Master Agreement for Issuance of Payment Instruments and a Facility Letter for Issuance of Payment Instruments respectively, with CitiBank Europe Plc ("CitiBank Europe"), under which CitiBank Europe agreed to provide an uncommitted secured letter of credit facility for the issuance of standby letters of credit or similar instruments in multiple currencies. On August 8, 2023, letter of credit capacity under this facility was increased to \$200 million. At all times during which it is a party to the facility, Hamilton Re is obligated to pledge to CitiBank Europe cash and/or securities with a value that equals or exceeds the aggregate face amount of its then-outstanding letters of credit. The Master Agreement contains events of default customary for facilities of this type. In the facility letter, Hamilton Re makes representations and warranties that are customary for facilities of this type and agrees that it will comply with certain informational and other undertakings.

On June 23, 2022, Hamilton Group and Hamilton Re amended and restated their unsecured credit agreement with a syndication of lenders (the "Unsecured Facility"). Under the Unsecured Facility, the lenders have agreed to provide up to an aggregate of \$415 million of letter of credit capacity for Hamilton Re, up to \$150 million of which may be utilized for revolving loans to be issued to Hamilton Group. At December 31, 2023, there were no loan amounts outstanding under this facility. Letters of credit issued under the facility bear interest at a rate of 150 basis points, while revolving loans, if issued, are subject to a fee of SOFR plus a margin of 185 basis points. To the extent such loans are issued, the available letter of credit capacity shall decrease proportionally, such that the aggregate credit exposure for the lenders under the credit agreement is \$415 million. Amounts unutilized under the facility are subject to a fee of 22.5 basis points. Capacity is provided by Wells Fargo, National Association, Truist Bank, BMO Harris Bank N.A., Commerzbank AG, New York Branch, HSBC Bank USA, N. A., and Barclays Bank PLC. Unless renewed or otherwise terminated in accordance with its terms, the Unsecured Facility is scheduled to terminate on June 23, 2025.

On August 11, 2023, Hamilton Re and an affiliate amended their committed letter of credit facility agreement with Bank of Montreal ("BMO"), with Hamilton Group as guarantor, under which BMO agreed to make available a secured letter of credit facility of \$50 million for a term that will expire on August 13, 2024. The facility bears a fee of 40 basis points for letters of credit issued and 15 basis points on any unutilized portion of the facility.

On October 26, 2023, Hamilton Re amended its letter of credit facility agreement with UBS AG ("UBS") under which UBS and certain of its affiliates agreed to make available to Hamilton Re a secured letter of credit facility of \$100 million for a term that will expire on October 26, 2024. The facility bears a fee of 140 basis points on the total available capacity.

In addition, on October 27, 2023, Hamilton Re amended the unsecured letter of credit facility agreement that it utilizes to provide Funds at Lloyd's ("FAL") ("FAL LOC Facility") to support the FAL requirements of Syndicate 4000. Capacity is provided by Barclays Bank PLC, ING Bank N.V., London Branch, and Bank of Montreal, London Branch. The FAL LOC Facility was increased to \$230 million for an additional one year term that expires on October 27, 2024. The facility bears a fee of 162.5 basis points on the borrowed amount.

The Company's obligations under its credit facilities require Hamilton Re, Hamilton Group, and its affiliates to comply with various financial and reporting covenants. All applicable entities were in compliance with all such covenants at December 31, 2023.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

Certain of the Company's credit facilities are secured by pledged interests in the TS Hamilton Fund, the Company's fixed income security portfolio, or cash. The Company's credit facilities at December 31, 2023, and associated securities pledged, were as follows:

<i>(\$ in thousands)</i>	<u>2023</u>
Available letter of credit and revolving loan facilities - commitments .....	\$ 986,473
Available letter of credit and revolving loan facilities - in use .....	686,155
Security pledged under letter of credit and revolving loan facilities:	
Pledged interests in TS Hamilton Fund .....	\$ 241,711
Pledged interests in fixed income portfolio .....	224,441
Cash .....	1,624

The Company has recognized interest expense related to the above credit facilities of \$5.7 million, \$5.6 million, \$0.5 million, and \$5.9 million, for the years ended December 31, 2023 and 2022, the month ended December 31, 2021 and the year ended November 30, 2021, respectively.

### 10. Stock Incentive Plans

Hamilton Group has an equity incentive plan under which employees, directors, and consultants of Hamilton Group may be granted restricted stock units, performance stock awards, restricted stock awards, warrants, options, stock appreciation rights, and stock bonus awards. The Company was recharged by Hamilton Group for amounts related to the equity incentive plan in the amounts of \$3.4 million, \$4.0 million, \$0.3 million and, \$2.6 million for the years ended December 31, 2023 and 2022, the month ended December 31, 2021 and the year ended November 30, 2021, respectively.

#### *Value Appreciation Pool Restricted Stock Units*

Hamilton Group has a long-term incentive compensation plan, the Value Appreciation Pool ("VAP") that rewards employees at a minimum of 1.15x the estimated fair market value to GAAP shareholders' equity on a trigger event ("the Underpin") or 10% of any increase in the multiple of the Company's estimated fair market value to GAAP shareholders' equity between the December 1, 2020 VAP inception date, and either an interim trigger event or the ultimate plan maturity on December 31, 2025.

As a private company, the VAP was initially measured at intrinsic value and no compensation cost was recorded over the period December 1, 2020 to March 31, 2023. On May 15, 2023, Hamilton Group became a public business entity and the VAP was remeasured at fair value based on the Underpin. The fair value of the compensation cost was estimated at each reporting date and expensed over the period for which the employee was required to provide services in exchange for the award, with any changes recorded in compensation expense by a cumulative catch-up adjustment. The Company was recharged \$6.2m related to the VAP.

A total of \$10.2 million was recharged to the Company related to equity and long-term incentive compensation and is included within general & administrative expenses on the consolidated statement of operations.

### 11. Income Taxes

The Company was not subject to income tax in Bermuda in 2023 and prior. On December 27, 2023 Bermuda enacted a 15% corporate income tax that will generally become effective on January 1, 2025. The legislation defers the effective date until 2030 for Bermuda companies that meet certain requirements. The Company expects to meet the requirements to remain exempt until 2030. The legislation includes a provision referred to as the economic transition adjustment, which is intended to provide a fair and equitable transition into the tax regime with respect to which the Company has recorded a deferred tax asset in the fourth quarter of 2023 of \$35.1 million which it expects to utilize to reduce future taxes paid. The Company expects to incur increased taxes in 2030.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

Hamilton Re and Hamilton ILS have entered into an arrangement pursuant to which certain U.S. insured risks are written on the books of Hamilton Re and the parties have filed an election with the IRS to treat the arrangement, Hamilton Re US, as a separate U.S. corporation for U.S. federal income taxation that is subject to U.S. taxation.

Net income (loss) before taxes by tax jurisdiction for the years ended December 31, 2023 and 2022, the month ended December 31, 2021, and the year ended November 30, 2021 are as follows:

<i>(\$ in thousands)</i>	<b>Years Ended December 31,</b>		<b>Month Ended December 31,</b>	<b>Year Ended November 30,</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
<b>Jurisdiction:</b>				
Bermuda .....	\$ 298,760	\$ 94,310	\$ (29,530)	\$ 335,261
United States .....	3,486	(21,313)	526	(2,027)
Income (loss) before income tax .....	<u>\$ 302,246</u>	<u>\$ 72,997</u>	<u>\$ (29,004)</u>	<u>\$ 333,234</u>

Income tax expense (benefit) consists of the following components:

<i>(\$ in thousands)</i>	<b>Years Ended December 31,</b>		<b>Month Ended December 31,</b>	<b>Year Ended November 30,</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
Current - Bermuda .....	\$ 10,377	\$ 2,625	\$ 1,033	\$ 10,489
Current - United States .....	—	—	—	—
Total current tax .....	<u>10,377</u>	<u>2,625</u>	<u>1,033</u>	<u>10,489</u>
Deferred - Bermuda .....	(35,062)	—	—	—
Deferred - United States .....	—	315	110	(426)
Total deferred tax .....	<u>(35,062)</u>	<u>315</u>	<u>110</u>	<u>(426)</u>
Total income tax expense (benefit) .....	<u>\$ (24,685)</u>	<u>\$ 2,940</u>	<u>\$ 1,143</u>	<u>\$ 10,063</u>

The following table presents a reconciliation of taxes calculated using the 0% Bermudian statutory rate (the tax rate at which the majority of Hamilton Group's worldwide operations are taxed) to the income tax expense (benefit) on pre-tax income (loss):

<i>(\$ in thousands)</i>	<b>Years Ended December 31,</b>		<b>Month Ended December 31,</b>	<b>Year Ended November 30,</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
Expected tax provision at Bermuda statutory tax rate of 0% .....	\$ —	\$ —	\$ —	\$ —
<b>Permanent differences:</b>				
Taxes on earnings subject to rate other than Bermuda .....	732	(4,476)	—	(426)
Change in valuation allowance .....	(705)	4,791	110	—
Other permanent adjustments .....	(27)	—	—	—
Withholding taxes .....	10,377	2,625	1,033	10,489
Bermuda economic transition adjustment .....	(35,062)	—	—	—
Total income tax expense (benefit) .....	<u>\$ (24,685)</u>	<u>\$ 2,940</u>	<u>\$ 1,143</u>	<u>\$ 10,063</u>

Withholding taxes on investment income from TS Hamilton Fund represent substantially all of the cash taxes paid by Hamilton Re in the amount of \$10.4 million, \$2.6 million, \$1.0 million, and \$10.5 million for the years ended December 31, 2023 and 2022, the month ended December, 31, 2021, and the year ended November 30, 2021, respectively.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes. The following table presents the Company's deferred tax assets and liabilities for the years ended December 31, 2023 and 2022:

<i>(\$ in thousands)</i>	<b>2023</b>	<b>2022</b>
<b>Deferred tax assets:</b>		
U.S. net operating loss carryforwards .....	\$ 3,965	\$ 3,630
Intangibles .....	28,500	0
Unearned premium reserve .....	2,689	1,794
Loss reserves and loss adjustment expenses .....	7,548	642
Unrealized gains/losses .....	40	1,163
Other .....	361	40
<b>Total deferred tax assets</b>	<b>43,103</b>	<b>7,269</b>
<b>Deferred tax liabilities:</b>		
Deferred acquisition costs .....	(3,648)	(2,478)
Other .....	(307)	—
<b>Total deferred tax liabilities</b>	<b>(3,955)</b>	<b>(2,478)</b>
<b>Net deferred tax asset (liability) before valuation allowance</b>	<b>39,148</b>	<b>4,791</b>
Valuation allowance .....	(4,086)	(4,791)
<b>Net deferred tax asset (liability)</b>	<b>\$ 35,062</b>	<b>\$ —</b>

The Company records a valuation allowance against deferred tax assets if it becomes more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in income tax expense (benefit) in the period of change. When evaluating the Company's ability to realize the benefit of its deferred tax assets and liabilities, the Company considers the relevant impact of all available positive and negative evidence, including historical operating results and forecasts of future taxable income. A significant piece of objectively verifiable negative evidence considered in the Company's evaluation is current period pre-tax loss. Based on all available evidence, management has concluded that a valuation allowance of \$4.1 million should be recorded as of December 31, 2023. Future realization of the Company's deferred tax asset will ultimately depend on the existence of objectively verifiable positive evidence including sufficient taxable income of the appropriate character (ordinary income versus capital gains) within the applicable carry-forward periods provided under the tax law.

Hamilton Re US had the following net operating loss carry-forwards, inclusive of cumulative currency translation adjustments, as of December 31, 2023:

<i>(\$ in thousands)</i>	<b>Losses carried forward</b>		<b>Tax effect</b>	<b>Expiration</b>
<b>Tax jurisdiction</b>				
United States .....	\$ 18,881	\$ 3,965	2040-2043	

Recognition of the benefit of a given tax position is based upon whether a company determines that it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. At December 31, 2023, the Company believes that it has no uncertain tax positions that, if challenged on technical merits, would cause a material effect on the Company's audited consolidated financial statements.

The Company classifies all interest and penalties on unrecognized tax benefits as part of income tax expense (benefit). During the years ended December 31, 2023 and 2022, the month ended December 31, 2021, and the year ended November 30, 2021, the Company did not recognize any net interest income or expense on unrecognized tax benefits. There was no accrued interest as of December 31, 2023. Hamilton Re is no longer subject to tax examinations by U.S. federal before 2020.

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**12. Commitments and Contingencies**

*Concentrations of Credit Risks*

Credit risk arises out of the failure of a counterparty to perform according to the terms of the contract. Instruments which potentially subject the Company to concentration of credit risk consist primarily of fixed maturity and short-term investments, cash and cash equivalents, premiums receivable and reinsurance balances recoverable. The Company limits the amount of credit exposure to any one financial institution and, except for the securities of the U.S. Government and U.S. Government related entities, none of the Company's fixed maturity and short-term investments exceeded 10% of shareholder's equity at December 31, 2023. The Company evaluates the financial condition of its reinsurers, whom primarily consist of highly rated reinsurers and may require collateralization of those recoverable balances. See Note 2h, *Credit Loss Provisions* and Note 7, *Reinsurance*, for further details.

*Lloyd's Capital Requirements*

Lloyd's bases the capital funding requirements of Hamilton Group's corporate member, Hamilton Corporate Member Limited ("HCML"), on their latest approved Economic Capital Assessments which are determined by reference to their business plans, internal capital models, and actual performance, among other factors, as well as any other relevant corporate member obligations or receivables. Capital is in the form of Funds at Lloyd's ("FAL"), which is generally available to settle the obligations of the corporate members.

Syndicate 4000 is solely supported by HCML for the 2020 underwriting years of account ("YOA") and all years thereafter. For the 2020 underwriting YOA onwards, Hamilton Group's Lloyd's operations consist of a managing agent, Hamilton Managing Agency Limited, which manages the affairs of Syndicate 4000 on behalf of HCML.

At December 31, 2023, the total available capital in support of the capital requirements for Syndicate 4000, provided by Hamilton Re is comprised of the following FAL:

<i>(\$ in thousands)</i>	<b>2023</b>
Unsecured LOC capacity .....	\$ 230,000
Fixed income securities .....	232,211
Cash .....	7,153
Total .....	<u>\$ 469,364</u>

Notwithstanding the above, the corporate member and Hamilton Managing Agency Limited have received approval from Lloyd's for the FAL provided by the Company (and other forms of FAL otherwise made available to the corporate members in support of their capital obligations) to be made interavailable, subject to any requirements or restrictions from Lloyd's from time to time.

*Indemnifications*

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

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

**13. Related Party Transactions**

Receivables from related parties as at December 31, 2023 and December 31, 2022 were \$7.7 million and \$0.1 million, respectively. These amounts represent balances due from affiliates that are unsecured, non-interest bearing and due on demand.

Payables to related parties as at December 31, 2023 and December 31, 2022 were comprised of \$8.5 million and \$4.5 million, respectively. These amounts represent balances due to affiliates that are unsecured, non-interest bearing and due on demand and include withdrawals payable representing withdrawals made by the Managing Member of TS Hamilton Fund at December 31, 2023 and December 31, 2022 of \$6.5 million and an amount less than \$0.1 million.

Hamilton Re provides reinsurance to related parties. The following table summarizes the impact of related party transactions for the years ended December 31, 2023 and 2022, the month ended December 31, 2021 and the year ended November 30, 2021:

	Years Ended December 31,		Month Ended December 31,	Year Ended November 30,
	2023	2022	2021	2021
<i>(\$ in thousands)</i>				
Gross premiums written	\$ 449,793	\$ 458,140	\$ 44,784	\$ 494,737
Net premiums earned	449,997	458,048	45,140	421,246
Losses and loss adjustment expenses	(254,159)	(281,367)	(25,761)	(251,823)
Acquisition costs	(113,099)	(141,777)	(15,492)	(139,686)
Net foreign exchange gains	—	4,510	—	—
General and administrative expenses	(28,987)	(8,724)	—	—
Net income on related party transactions	<u>\$ 53,752</u>	<u>\$ 30,690</u>	<u>\$ 3,887</u>	<u>\$ 29,737</u>

Included in the Company's balance sheet as at December 31, 2023 and December 31, 2022 are the following balances arising from related party transactions:

	December 31, 2023	December 31, 2022
<i>(\$ in thousands)</i>		
Premiums receivable	\$ 653,052	\$ 620,771
Deferred acquisition costs	54,634	60,760
Reserve for losses and loss adjustment expenses	413,499	430,082
Unearned premiums	227,036	227,241

*Turing Re*

In 2017, Hamilton Re established Turing Re, a special purpose insurer, to provide collateralized reinsurance capacity for Hamilton Re's property treaty business. The following tables summarize the transactions and balances with Turing Re:

	Years Ended December 31,		Month Ended December 31,	Year Ended November 30,
	2023	2022	2021	2021
<i>(\$ in thousands)</i>				
Reinsurance premiums ceded	\$ 70	\$ (208)	\$ (79)	\$ (556)
Net premiums earned	70	(208)	(79)	(2,095)
Losses and loss adjustment expenses	(575)	(888)	16	(7,935)
Acquisition costs	72	(30)	13	664
Net income (loss) on related party reinsurance	<u>\$ (433)</u>	<u>\$ (1,126)</u>	<u>\$ (50)</u>	<u>\$ (9,366)</u>

**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

<i>(\$ in thousands)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Paid losses recoverable .....	\$ 371	\$ 818
Unpaid losses and loss adjustment expenses recoverable .....	1,528	8,709
Reinsurance balances payable .....	367	1,085

*Ada Capital Management Limited*

In 2020, Hamilton Group established Ada Capital Management Limited (“ACML”). ACML is an insurance agent incorporated and regulated in Bermuda authorized to underwrite on behalf of Ada Re, as more fully described in Note 1, Organization. The following tables summarize the transactions and balances with Ada Re:

<i>(\$ in thousands)</i>	<b>Years Ended December 31,</b>		<b>Month Ended December 31,</b>	<b>Year Ended November 30,</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
Reinsurance premiums ceded .....	\$ (17,078)	\$ (9,245)	\$ 1	\$ (13,553)
Net premiums earned .....	(19,298)	(7,026)	(1,124)	(12,428)
Other income (loss) .....	8,549	201	(37)	350
Losses and loss adjustment expenses .....	6,722	4,088	841	9,015
Acquisition costs .....	4,644	1,194	206	2,144
Net income (loss) on related party reinsurance .....	<u>\$ 617</u>	<u>\$ (1,543)</u>	<u>\$ (114)</u>	<u>\$ (919)</u>

<i>(\$ in thousands)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Paid losses recoverable .....	\$ 2,626	\$ 2,186
Deferred acquisition costs .....	—	(413)
Unpaid losses and loss adjustment expenses recoverable .....	10,652	8,710
Prepaid reinsurance .....	—	2,219
Other assets .....	8,530	257
Reinsurance balances payable .....	3,771	6,573

#### **14. Statutory Requirements**

The statutory net income (loss) for the Company for the years ended December 31, 2023 and 2022 and the year ended November 30, 2021, was \$270.3 million, \$2.0 million and \$261.5 million, respectively.

At December 31, 2023 the primary difference between statutory financial statements and statements prepared in accordance with GAAP is that statutory financial statements do not reflect prepaid expenses or the net income (loss) attributable to non-controlling interest.

The Company is subject to the requirements of the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Insurance Act"). As a Class 4 (re)insurer, Hamilton Re must maintain capital at the greater of its minimum solvency margin ("MSM") and its enhanced capital requirement ("ECR"), which are established by reference to the Bermuda Solvency Capital Requirement ("BSCR") model. The Insurance Act also requires the Company to maintain certain measures of solvency and liquidity.



**Hamilton Re, Ltd.**  
**Notes to the Consolidated Financial Statements**

Independent of the Insurance Act, the BMA has also established a target capital level ("TCL") for Class 4 (re)insurers, equal to 120% of their ECR. The TCL serves as an early warning tool for the BMA and failure to maintain statutory capital at least equal to the TCL will likely result in increased regulatory oversight. The Company's actual capital and surplus levels exceed the TCL at December 31, 2023.

The Company's BSCR for the year ended December 31, 2023 must be filed with the BMA by April 30, 2024. As a result, the required statutory capital and surplus disclosed as of December 31, 2023 is based on the MSM. At December 31, 2023, the actual statutory capital and surplus of Hamilton Re was \$1.9 billion and the MSM was \$579.9 million.

The Company received approval from the BMA to treat its investment in TS Hamilton Fund as a "Relevant Asset" for the purpose of computing its "Liquidity Ratio" (under which relevant assets must be maintained at not less than 75% of relevant liabilities) in respect of 2024 and 2023. The Company is in compliance with the Liquidity Ratio at December 31, 2023.

Under the Insurance Act, the Company is restricted as to the payment of dividends and/or distributions for amounts greater than 25% of the prior year's statutory capital and surplus. In addition, before reducing its total statutory capital by 15% or more (as set out in its previous year's statutory financial statements), as a Class 4 Bermuda insurance subsidiary, the Company must apply to the BMA for permission to do so. For the year ended December 31, 2023, Hamilton Re had capacity to pay dividends of \$394.9 million without prior approval under Bermuda law, of which \$44.0 million of dividends were paid during the year. It is estimated that Hamilton Re will have capacity to pay dividends of \$470.7 million in 2024.