PREMIA

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Premia Reinsurance Ltd.

Consolidated Financial Statements
and Report of Independent Auditors

For the Years Ended December 31, 2023 and 2022

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Premia Reinsurance Ltd.

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Financial Statements

Deloitte.

Deloitte Ltd.
Corner House
20 Parliament Street
P.O. Box HM 1556
Hamilton HM FX
Bermuda

Tel: + 1 (441) 292 1500
Fax: + 1 (441) 292 0961
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Premia Reinsurance Ltd.

Opinion

We have audited the consolidated financial statements of Premia Reinsurance Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Company changed the manner in which it presents assumed retroactive reinsurance contracts in the statements of income and comprehensive income in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year after the date that the financial statements are 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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 disclosure of short-duration contracts included in Note 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United Stated of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 30, 2024

Premia Reinsurance Ltd.

Consolidated Balance Sheets

As at December 31, 2023 and December 31, 2022

(Expressed in thousands of U.S. dollars, except share data)

		2023	2022
Assets			
Short-term investments, available-for-sale, at fair value (amortized cost: 2023 - $6,256, 2022 - $14,242; net of allowance: 2023 - $nil)		$ 6,275	$ 14,499
Fixed maturities, available-for-sale, at fair value (amortized cost: 2023 - $1,041,725, 2022 - $1,148,251; net of allowance: 2023 - $3,304)		978,652	1,054,923
Other investments, at fair value		257,586	213,464
Equities, at fair value		2,500	2,808
Total investments	Note 4	1,245,013	1,285,694
Cash and cash equivalents		20,401	4,060
Restricted cash and cash equivalents		54,790	40,359
Premiums receivable		74,500	127,000
Funds held by ceding companies		965,074	785,287
Reinsurance recoverable on paid and unpaid losses	Note 7	371,220	312,814
Deferred charge asset	Note 6	35,057	36,297
Other assets		66,322	49,077
Receivable from parent		288,592	256,840
Total Assets		**$ 3,120,969**	**$ 2,897,428**
Liabilities			
Reserve for losses and loss adjustment expenses	Note 6	$ 1,092,798	$ 982,757
Deposit liability	Note 6	768,574	801,133
Unearned premiums		3,016	8,319
Insurance and reinsurance balances payable		37,250	49,500
Ceded funds held		332,702	268,227
Deferred gain liability	Note 6	27,174	10,612
Other liabilities		44,202	24,029
Total Liabilities		**2,305,716**	**2,144,577**
Shareholders' Equity			
Common shares ($1 par; shares issued and outstanding: 1,000,000)		1,000	1,000
Additional paid-in capital		681,865	681,865
Accumulated other comprehensive loss		(59,749)	(93,071)
Retained earnings		192,137	163,057
Total Shareholders' Equity		**815,253**	**752,851**
Total Liabilities and Shareholders' Equity		**$ 3,120,969**	**$ 2,897,428**

Premia Reinsurance Ltd.

Consolidated Statements of Operations and Comprehensive Income (Loss)

For the Years Ended December 31, 2023 and 2022

(Expressed in thousands of U.S. dollars)

		2023	(As Adjusted) 2022
Revenues			
Gross premiums written		$ 7,080	$ 3,429
Net premiums written		7,080	3,429
Change in unearned premiums		5,420	10,721
Net premiums earned		12,500	14,150
Net investment income	Note 4	87,572	58,582
Net realized (losses) gains on investments	Note 4	(1,085)	2,427
Net unrealized gains (losses) on equities and other investments	Note 4	8,584	(18,522)
Other income		12,407	21,808
Total revenues		**119,978**	**78,445**
Expenses			
Net loss and loss adjustment expenses	Note 6	(34,665)	(9,771)
Acquisition expenses		(4,983)	—
Operating expenses		(11,785)	(15,056)
Interest expense		(33,576)	(34,854)
Net foreign exchange loss		(842)	(1,119)
Total expenses		**(85,851)**	**(60,800)**
Net income		**$ 34,127**	**$ 17,645**
Other Comprehensive Income (Loss)			
Available for sale investments:			
Unrealized gains (losses) arising during the year		$ 27,109	$ (114,811)
Reclassification adjustment for change in allowance for credit losses recognized in net income		(1,975)	—
Reclassification adjustment for net realized losses included in net income		8,188	4,340
Unrealized gains (losses) arising during the year, net of reclassification adjustment		33,322	(110,471)
Total other comprehensive income (loss)		**33,322**	**(110,471)**
Comprehensive income (loss)		**$ 67,449**	**$ (92,826)**

Premia Reinsurance Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2023 and 2022

(Expressed in thousands of U.S. dollars)

	2023	2022
Common Shares		
Balance at beginning of year	$ 1,000	$ 1,000
Balance at end of year	1,000	1,000
Additional Paid-in Capital		
Balance at beginning of year	681,865	681,865
Balance at end of year	681,865	681,865
Accumulated Other Comprehensive Loss		
Balance at beginning of year	(93,071)	17,400
Unrealized gains (losses) on available-for-sale securities	33,322	(110,471)
Balance at end of year	(59,749)	(93,071)
Retained Earnings		
Balance at beginning of year	163,057	145,412
Cumulative effect of change in accounting principle	(5,047)	—
Net income	34,127	17,645
Balance at end of year	192,137	163,057
Total Shareholders' Equity	**$ 815,253**	**$ 752,851**

Premia Reinsurance Ltd.
Consolidated Statements of Cash Flows
As at December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

		2023		2022
Cash Flows from Operating Activities:				
Net income	$	34,127	$	17,645
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Net realized losses (gains) on investments		3,590		(9,711)
Net unrealized (gains) losses on equities and other investments		(6,426)		7,354
Movement in allowance for expected credit losses		(1,425)		3,776
Depreciation, amortization and accretion		5,386		4,674
Changes in assets and liabilities:				
Premiums receivable		75,922		—
Funds held by ceding companies		50,858		2,496
Reinsurance recoverable on paid and unpaid losses		9,908		(1,511)
Other assets		7,159		(32,605)
Reserve for losses and loss adjustment expenses		(123,467)		2,763
Deposit liability		(32,559)		31,957
Unearned premiums		(5,304)		(10,721)
Insurance and reinsurance balances payable		(26,853)		(306)
Ceded funds held		1,289		9,468
Other liabilities		41,102		(17,489)
Due from related parties		(31,187)		(28,655)
Net cash provided by (used in) Operating Activities		2,120		(20,865)
Cash Flows from Investing Activities:				
Purchase of available-for-sale investments		(242,452)		(476,324)
Proceeds from sale or redemption of available-for-sale investments		271,128		418,596
Purchase of property and equipment		(24)		—
Net cash provided by (used in) Investing Activities		28,652		(57,728)
Net increase (decrease) in cash, cash equivalents and restricted cash		30,772		(78,593)
Cash, cash equivalents and restricted cash at beginning of year		44,419		123,012
Cash, cash equivalents and restricted cash at end of year	$	**75,191**	$	**44,419**
Reconciliation to Consolidated Balance Sheet				
Unrestricted cash and cash equivalents		20,401		4,060
Restricted cash and cash equivalents		54,790		40,359
Cash, cash equivalents and restricted cash	**$**	**75,191**	**$**	**44,419**
Supplemental Cash Flow Information:				
Interest paid	$	1,959	$	2,211

1. Organization

Premia Reinsurance Ltd. ("Premia Re" or the "Company") was incorporated in Bermuda on October 31, 2016 as a Bermuda exempted company, and obtained a license from the Bermuda Monetary Authority ("BMA") to operate as a Class 4 insurer and reinsurer under the Insurance Act 1978 (the "Act") on January 1, 2017. The ultimate parent company of Premia Re is Premia Holdings Ltd. ("Premia Holdings"), which was incorporated in Bermuda on October 6, 2016, and capitalized on January 6, 2017.

Premia Re was capitalized with $500.0 million and $4.0 million on January 9, 2017 and February 3, 2017, respectively, by Premia Holdings.

2. Significant accounting policies

(a) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The term "ASC" used in these notes refers to Accounting Standards Codification issued by the United States Financial Accounting Standards Board (the "FASB").

The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Certain prior year amounts have been reclassified or adjusted for consistency with the current year presentation. These reclassifications and adjustments had no effect on the reported results of operations.

(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 year. While management believes the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, actual results could differ from those estimates.

The principal estimates recorded in the Company's consolidated financial statements relate to the development and determination of the following:

- valuation of loss and loss adjustment expense reserves;
- determination of whether reinsurance contracts transfer insurance risk;
- recoverability of reinsurance balances receivable;
- fair value measurements of investments;
- impairment charges, including credit allowances on securities classified as available-for-sale ("AFS"); and
- valuation of deferred charge assets and deferred gain liabilities.

2. Significant accounting policies, continued

(c) Retroactive reinsurance contracts

Retroactive reinsurance contracts provide indemnification for losses and loss adjustment expenses ("L&LAE") as a result of past insurable events covered by the underlying policies reinsured.

In 2023, the Company changed its accounting policy for retroactive reinsurance contracts such that at the inception of these contracts, no revenues or expenses are recorded on its consolidated statements of operations. Instead, the assets acquired and the loss reserve liabilities assumed from cedents at the inception of these contracts are now recorded on the Company's consolidated balance sheet. Any subsequent remeasurement of the carrying value of the assumed loss reserve liabilities will however continue to be recorded through net L&LAE on the Company's consolidated statements of operations.

This accounting policy change has been applied retrospectively to all the applicable prior period comparative financial statement information presented. The change however did not have any impact on the Company's net income, comprehensive income (loss), retained earnings or any other components of shareholders' equity as well as net assets.

The impact of this accounting policy change on the affected financial statement line items on the comparative consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2022 is summarized on the table below:

	As Previously Presented	Presentation Adjustments	As Currently Presented
	US$"000"	US$"000"	US$"000"
Gross premiums written	777,929	(774,500)	3,429
Ceded premiums	(387,250)	387,250	—
Net premiums written	**390,679**	**(387,250)**	**3,429**
Net loss and loss adjustment expenses	(397,021)	387,250	(9,771)
Net loss	**(6,342)**	**—**	**(6,342)**

Deferred charge assets and Deferred gain liabilities

A deferred charge asset or deferred gain liability (“DCA” or "DGL") is recorded by the Company when the consideration received on these retroactive reinsurance contracts is less than, or greater than, the best estimate of the loss reserves assumed, respectively, such that no underwriting gain or loss is recorded at the inception of these retroactive reinsurance contracts. In addition, for retrocessions of loss reserves assumed through retroactive reinsurance contracts where the retroceded liabilities exceed the consideration paid or payable to the retrocessionaire, the excess is recorded as a DGL and amortized over the estimated period during which the losses paid on the assumed retroceded liabilities are recovered from the retrocessionaire. However, where the consideration paid or payable to the retrocessionaire exceeds the retroceded liabilities, the excess is not deferred but is instead recognized within net L&LAE at the inception of the retrocession arrangement.

2. Significant accounting policies, continued

The periodic amortization of the recorded DCA or DGL is recognized within net L&LAE in the Company's consolidated statements of operations.

Changes to the estimated timing or amount of loss payments produce changes in the periodic amortization of the DCA or DGL, with changes in such estimates being applied retrospectively and included within net income in the period in which the changes are made. In addition, when liabilities for unpaid L&LAE are extinguished through commutations, they are removed from the estimates for the unpaid loss reserves, which typically results in the acceleration of the amortization of the recorded DCA or DGL.

The total carrying value of the DCA is also assessed at each reporting period for impairment and if the asset is determined to be impaired, then it is written down to its recoverable value in the period in which the determination is made, with that write down reflected in net income as a component of net L&LAE.

(d) Premiums

Prospective reinsurance contracts

Premiums for prospective reinsurance are earned over the life of the reinsurance contract. At the inception of the contract, the Company records premiums written on prospective business in full with an unearned premium reserve, equal to an actuarial analysis of the reserve balance, as of the same date.

To the extent that the amount of written premium is estimable, the Company estimates the ultimate premiums for the entire contract period and records this estimate at the inception of the contract. For contracts where the full written premium is not estimable at inception, the Company records written premium for the portion of the contract period for which the amount is estimable. These estimates are based primarily on information in the underlying contracts as well as information provided by insureds and/or brokers. Changes in premium estimates are expected and may result in adjustments in any reporting period. These estimates change over time as additional information regarding the underlying business written is obtained. Any subsequent adjustments arising on such premium estimates are recorded in the period in which they are determined.

Unearned premium reserve

Unearned premium reserves represent the unexpired portion of premiums recognized on the Company's prospective reinsurance contracts. The unearned premium reserve is amortized over the remaining contract period in proportion to the amount of insurance protection provided.

Premiums receivable

For retrospectively rated contracts as well as those contracts whose written premium amounts are recorded based on premium estimates at inception, changes to accrued premiums arising from changes to these estimates are reflected as changes in premium balances receivable where appropriate. Premiums receivable are reported net of an allowance for expected credit losses as appropriate. This allowance is determined based on the Company's ongoing review of amounts outstanding, historical loss data, including delinquencies and write-offs, current and forecasted economic conditions and other relevant

2. Significant accounting policies, continued

factors. The credit risk on the Company's premiums receivable balances is substantially reduced where it has the ability to cancel the underlying policy if the policyholder does not pay the related premium.

(e) Reinsurance premiums ceded

Retrocessional coverage is used to limit the Company's exposure to the risk of loss arising from certain assumed reinsurance contracts. The Company remains obligated to the extent that any retrocessionaire fails to meet its obligations to it. Ceded unearned premiums relating to prospective reinsurance contracts, if any, consist of the unexpired portion of reinsurance premiums ceded.

(f) Deposit accounting

An assumed reinsurance contract that is deemed not to have transferred insurance risk is accounted for using the deposit method of accounting. Insurance risk is made up of both significant insurance risk and significant loss. Significant insurance risk exists when both the amount and timing of the reinsurance payments depend on and directly vary with the amount and timing of claims settled under the reinsured contracts, and significant loss exists wherein it remains reasonably possible that the reinsurer may realize a significant loss from the assumed reinsurance transaction.

The contract accounted for under deposit accounting by the Company only transfers significant timing risk, therefore an accretion rate, based on actuarial estimates, has been established and applied at the inception of the contract to increase the deposit liability to the estimated amount payable to the ceding entity over the contract term.

The amount of the deposit liability is adjusted at subsequent reporting periods by calculating the effective yield on the deposit liability to reflect actual payments to date and expected future payments, with a corresponding credit or charge to interest income or expense.

Where a ceding company on a quota share reinsurance contract retains the related assets on a funds held basis, this is presented separately on the consolidated balance sheet. Interest and investment income produced by those assets are presented as part of net investment income on the Company's consolidated statements of operations.

(g) Acquisition costs

Acquisition costs, consisting principally of commission, brokerage and federal excise tax, incurred at the time a contract or policy is issued and which directly relate to the successful effort of acquiring such new reinsurance contracts, are deferred and amortized over the period during which the related premium is earned.

2. Significant accounting policies, continued

(h) Loss and loss adjustment expenses

The Company establishes reserves for outstanding L&LAE for what it estimates will be the future amount to be paid in settlement of its ultimate liabilities for claims arising under reinsurance contracts that have occurred at or before the balance sheet date. The estimation of ultimate L&LAE liabilities is a significant judgment made by management and is inherently subject to uncertainties.

The Company's L&LAE reserves include case reserves and reserves for losses incurred but not reported ("IBNR reserves"). Case reserves are established for losses that have been reported, but not yet paid. Reserves are established by management in large part based on actuarially determined estimates of ultimate L&LAE.

Inherent in the estimate of ultimate L&LAE are expected trends in claim severity and frequency and other factors that may vary significantly as claims are settled. The Company does not anticipate future changes in laws or regulations when setting its reserves. Accordingly, ultimate L&LAE paid may differ materially from the reserves recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes available, the reserves may be adjusted as necessary.

Such adjustments, if any, are recorded in the consolidated statements of operations in the period in which they become known unless it relates to a contract in which a DCA or DGL has been established, in which case such change will require the DCA or DGL to be reset which will impact the amortization of the DCA or DGL over time. To the extent it becomes apparent that insufficient or excess DCA or DGL has been amortized to date, an adjustment will be recorded during the year in question to true-up the amortization expense on an inception-to-date basis, with such an adjustment being reflected in net income as a component of net L&LAE.

(i) Commutations

As the Company actively runs off its assumed retroactive reinsurance contracts, it seeks to mitigate its exposures through early settlement of its obligations to policyholders or ceding companies by entering into commutations. In addition, where appropriate the Company will negotiate commutations with its reinsurers by securing lump sum settlements from the reinsurers in complete satisfaction of their liability to the Company for any losses ceded to them.

These negotiated commutation agreements eliminate the risk of adverse claim experience as they provide for full and final settlement of all current and future policy obligations as well as ceded balances recoverable from the Company's reinsurers, with respect to the transactions to which they relate. Gains and losses on commutations are recorded as either a decrease or increase in incurred net L&LAE in the consolidated statements of operations.

(j) Cash and cash equivalents

Cash equivalents includes money market funds and all highly liquid instruments purchased with an original maturity of three months or less.

2. Significant accounting policies, continued

Restricted cash and cash equivalents are separately reported on the consolidated balance sheets and consist of cash and cash equivalents held in trust accounts securing obligations to the Company's cedants under certain reinsurance contracts as well as funds in transit within certain investment accounts.

(k) Investments and net investment income

Short-term and fixed maturity investments

Short-term investments comprise securities with maturities greater than three months up to one year from their date of purchase while fixed maturity investments are comprised of securities with maturities greater than one year from their date of purchase.

The Company's short-term and fixed maturity investments are classified as AFS and are carried at their estimated fair value with the changes in fair value recorded as an unrealized gain or loss component of accumulated other comprehensive income (loss) (or "AOCI") in shareholders’ equity.

Realized gains and losses on sales of investments classified as AFS are recognized in the consolidated statements of operations.

Investment income is recognized when earned and includes interest and dividend income net of investment management and custody fees, third party investment accounting fees and sponsor oversight fees. The costs of the Company's fixed maturity investments are adjusted for the amortization of premiums and accretion of discounts, which are determined using the constant yield method and included in net investment income.

The fair value of the Company’s fixed maturity investments is based on quoted market prices, or when such prices are not available, the fair values are determined with reference to broker bid indications or industry recognized pricing vendors. Investment transactions are recorded on a trade date basis with balances pending settlement included in the balances receivable/payable for securities sold/purchased in the consolidated balance sheet.

Allowance for Credit Losses

Each reporting period the Company identifies any credit losses on its investments classified as AFS.

With effect from January 1, 2023, credit losses on the Company's AFS securities are recognized through an allowance account which is deducted from the amortized cost basis of the security, with the net carrying value of the security presented on the consolidated balance sheet at the amount expected to be collected.

To calculate the amount of the credit loss, the present value of the expected future cash flows is compared to the amortized cost basis of the AFS security, with the amount of the credit loss recognized being limited to the excess of the amortized cost basis over the fair value of the AFS security, effectively creating a *“fair value floor”*. See *"New Accounting Standards Adopted in 2023"* below, for the discussion of the Company's adoption of the credit losses standard.

2. Significant accounting policies, continued

Some of the factors that the Company considers when assessing whether an allowance for credit losses is required on its debt securities include: (1) the extent to which the fair value has been less than the amortized cost; (2) the financial condition, near-term and long-term prospects of the issuer, including the relevant industry conditions and trends, and implications of rating agency actions and offering prices; (3) the likelihood of the recoverability of principal and interest; and (4) whether it is more likely than not that the Company will be required to sell the security prior to an anticipated recovery in value.

For AFS securities that the Company does not intend to sell or for which it is more likely than not that the Company will not be required to sell before an anticipated recovery in value, the Company separates the credit loss component of any unrealized losses from the amount related to all other factors and reports the credit loss component in net realized investment gains (losses) in its consolidated statements of operations. The unrealized losses related to non-credit factors is reported in other comprehensive income (loss). The allowance for credit losses account is adjusted for any additional credit losses, write-offs and subsequent recoveries and is reflected in net income (loss).

For AFS securities where the Company records a credit loss, a determination is made as to the cause of the credit loss and whether the Company expects a recovery in the fair value of the security. For the AFS securities where the Company expects a recovery in fair value, the investment is amortized to par.

For AFS securities that the Company intends to sell or for which it is more likely than not that the Company will be required to sell before an anticipated recovery in fair value, the full amount of the unrealized loss is included in net realized investment gains (losses). The new cost basis of the investment is the previous amortized cost basis less the credit loss recognized in net realized investment gains (losses). The new cost basis is not adjusted for any subsequent recoveries in fair value.

Other-Than-Temporary Impairments ("OTTI")

As discussed above and below, with effect from January 1, 2023, the Company adopted the new credit losses standard which replaced the OTTI model that was previously applicable to its AFS securities.

The new approach now requires the recognition of impairment charges relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security’s amortized cost basis and its fair value. A description of the historical OTTI process which was in place prior to the adoption of the new credit losses standard and which applied to the Company's comparative financial statements is provided below.

The Company performed a quarterly review of its fixed maturity investments to determine whether declines in fair value below the amortized cost basis were considered other-than-temporary in accordance with applicable accounting guidance regarding the recognition and presentation of OTTI. This process included reviewing each fixed maturity investment whose fair value was below amortized cost and: (1) determining if the Company had the intent to sell the fixed maturity investment; (2) determining if it was more likely than not that the Company would be required to sell the fixed maturity investment before its anticipated recovery; and (3) assessing whether a credit loss existed, that is, whether it was anticipated if the present value of the cash flows expected to be collected from the fixed maturity investment would be less than the amortized cost basis of the investment.

2. Significant accounting policies, continued

The discount rate used to calculate the estimated present value of the cash flows expected to be collected was the effective interest rate implicit for the security at the date of purchase.

In assessing whether it was more likely than not that the Company would be required to sell a fixed maturity investment before the anticipated recovery of its fair value, various factors were considered including the Company's future cash flow requirements, decisions to reposition the investment portfolio, legal and regulatory requirements, the level of cash, cash equivalents, short-term investments and fixed maturity investments classified as AFS that were in an unrealized gain position, and other relevant factors.

In evaluating credit losses on fixed maturity investments, a variety of factors were considered in the assessment including: (1) the time period during which there had been a significant decline in the fair value below amortized cost; (2) the extent of the decline below amortized cost and par; (3) the potential for the fair value of the investment to recover; (4) an analysis of the financial condition of the issuer; (5) the rating of the issuer; and (6) failure of the issuer of the investment to make scheduled interest or principal payments.

If it was concluded that an investment was other-than-temporarily impaired, then the difference between the fair value and the amortized cost of the investment was recognized as an OTTI charge in net income, resulting in a new cost basis for the security. Any remaining decline in fair value represented the non-credit portion of the OTTI impairment, which was recognized in other comprehensive income (loss). Accordingly, only the credit loss component of the OTTI amount would have an impact on net income.

Other investments, at fair value

The Company's other investments include investments in limited partnerships and a variety of funds. which are all carried at their estimated fair values, with the changes in fair value recognized as an unrealized gain or loss in net income. The estimated fair values typically represent their most recently reported net asset value ("NAV") as advised by the fund manager or administrator. The NAV is based on the fund manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents. Most of the Company's fund investments publish their NAVs on a quarterly basis.

Equity investments, at fair value

The Company's equity investments represent privately held preferred shares, which are all carried at their estimated fair values, with the changes in fair value recognized as an unrealized gain or loss in net income.

(m) Variable interest entities

The Company has investments in certain limited partnership funds which are deemed to be variable interest entities ("VIEs") and which are included in other investments at the reported NAV. Determining whether to consolidate a VIE may require judgment in assessing (i) whether an entity is a VIE, and (ii) if the Company is the entity's primary beneficiary and thus required to consolidate the entity. To determine if the Company is the primary beneficiary of a VIE, management evaluates whether the Company has (i) the power to direct the activities that most significantly impact the VIE's economic performance, and (ii)

2. Significant accounting policies, continued

the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Management's evaluation includes identification of the activities that most significantly impact the VIE's economic performance and an assessment of the Company's ability to direct those activities based on governance provisions, contractual arrangements to provide or receive certain services, funding commitments and other applicable agreements and circumstances. Management's assessment of whether the Company is the primary beneficiary of its VIEs requires significant assumptions and judgment.

(n) Property and equipment

Property and equipment, which consist of leasehold improvements, office furniture, computer software and computer equipment, are stated at cost less accumulated depreciation.

Depreciation is computed using a straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Net property and equipment are included in other assets on the consolidated balance sheets.

(o) Foreign currency revaluation

The functional currency of the Company and its subsidiaries is the US dollar. Transactions in currencies other than the Company's functional currency are revalued into its functional currency, and the resulting foreign exchange gains and losses are reflected in Net foreign exchange gain (loss) in the consolidated statements of operations.

Assets and liabilities denominated in currencies other than the U.S. dollar are translated at period end exchange rates while revenues and expenses denominated in other currencies are translated at the average exchange rates prevailing during the period they are earned or incurred, respectively.

New Accounting Standards Adopted in 2023

Accounting Standards Update ("ASU") 2016-13 and ASU 2019-04 – Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13 which is codified in ASC 326 - *Financial Instruments - Credit Losses*, amending the guidance on the impairment of financial instruments and significantly changing how entities measure credit losses for most financial assets and certain other financial instruments including reinsurance balances recoverable on paid and unpaid losses that are not measured at fair value through net income. The ASU replaced the *"incurred loss"* approach that was previously applied to determine credit losses with an *"expected loss"* model for financial instruments measured at amortized cost. Under the *"expected loss"* model, the estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. The expected credit losses and subsequent adjustments to such losses are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected.

2. Significant accounting policies, continued

New Accounting Standards Adopted in 2023 (Continued)

ASU 2016-13 also amends the OTTI model that was previously applicable to AFS securities, with the new approach now requiring the recognition of impairments relating to credit losses through an allowance account and limiting the amount of credit losses to the difference between a security's amortized costs basis and its fair value. This revised approach records the full effect of reversals of any credit losses in current period net income, compared to the previous guidance where this reversal was amortized over the lifetime of the security. Under this revised approach, the length of time a security has been in an unrealized loss position will no longer be considered in determining whether to record a credit loss.

In addition, the historical and implied volatility of the fair value of a security and recoveries or declines in fair value after the balance sheet date will no longer be considered when making a determination of whether a credit loss exists.

The Company adopted ASU 2016-13 and all the related amendments on January 1, 2013 using the modified retrospective approach for its financial assets carried at amortized cost, and prospectively for its AFS securities as required by the guidance, resulting in an overall reduction of $5.047 million in the opening retained earnings.

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU 2022-03 - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

In June 2022, the FASB issued ASU 2022-03 which (1) clarifies the guidance in ASC 820 on the fair value measurement of an equity security that is subject to a contractual sale restriction, and (2) requires specific disclosures related to such an equity security. Specifically, ASU 2022-03 clarifies that a *"contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security"* and is not included in the equity security's unit of account. Accordingly, an entity should not consider the contractual sale restriction when measuring the equity security's fair value (i.e., the entity should not apply a discount related to the contractual sale restriction, as stated in ASC 820-10-35-36B as amended by the ASU). In addition, the ASU prohibits an entity from recognizing a contractual sale restriction as a separate unit of account.

The amendments in ASU 2022-03 are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years, and should be applied prospectively with any adjustments from the adoption of the amendments being recognized in net income and disclosed on the date of adoption. The adoption of ASU 2022-03 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

3. Significant transactions and new business

During the years ended December 31, 2023 and December 31, 2022, the Company completed the following significant transactions which do not meet the classification of business acquisition or divestiture transactions:

Significant Transactions and New Business Completed in 2023:

Adverse Development Cover with Woodward Straits Insurance Company

On April 6, 2023, Premia Re as the Retrocessionaire, and Woodward Straits Insurance Company ("Woodward Straits"), as the Retrocedant, completed an Adverse Development Cover ("ADC") Excess of Loss Reinsurance agreement ("ADC Agreement") which had an effective date of March 31, 2023, through which Premia Re assumed 100% of Woodward Straits' carried net loss reserves with respect to business originally assumed from an affiliated entity, with loss occurrence dates from January 1, 1995 through to December 31, 2022 for occurrence policies or claims reported for claims made policies during the same period.

Pursuant to the terms of the ADC Agreement, Premia Re provided two layers of cover to Woodward Straits as follows - (1) a First Layer Limit for $500.0 million in excess of Woodward Straits' Retention of $571.325 million, and (2) a Second Layer Limit of $200.0 million in excess of $1.129 billion (which includes a loss corridor of $57.30 million covered by Woodward Straits). Premia Re's Aggregate Limit for both layers of cover provided to Woodward Straits under the terms of the ADC Agreement is $700.0 million.

Premia Re recorded take-on net loss reserves of $495.231 million, in exchange for a consideration of $523.422 million, net of all taxes but gross of brokerage fees amounting to $5.234 million. The difference between the net consideration received on the transaction and the net loss reserves assumed on the effective date of the transaction was recorded as a deferred gain liability by Premia Re. Woodward Straits retained $500.0 million of the consideration due to Premia Re in a Funds Withheld account with interest initially being credited on the balance at a fixed annual rate of 4.76%. The residual consideration of $23.422 million was paid to Premia Re in cash subsequent to March 31, 2023.

GuideOne Commutation

On March 22, 2023, GuideOne Mutual Insurance Company ("GuideOne") communicated its intent to commute the LPT reinsurance agreement dated September 30, 2017 that it had entered into with Premia Re, with the commutation taking effect on September 18, 2023. Pursuant to the terms of the LPT reinsurance agreement, the commutation settlement amount was agreed at $49.484 million, comprised of asset transfers in the form of debt securities with a fair value of $38.483 million and cash balances of $11.001 million.

Through to December 31, 2023, debt securities with a fair value of $21.955 million as well as the cash balance of $11.001 million had been transferred by Premia Re to GuideOne, with the residual debt securities with a fair value of $16.527 million as of December 31, 2023 being reclassified from fixed maturity investments on the Company's consolidated balance sheet to other assets, with a corresponding commutation payable balance being recorded on the consolidated balance sheet, being the balance of asset transfers due to GuideOne.

3. Significant transactions and new business, continued

Significant Transactions and New Business Completed in 2022:

Loss Portfolio Transfer Reinsurance Agreement with CoAction

On December 31, 2022, Premia Re closed its Loss Portfolio Transfer ("LPT") reinsurance agreement with New York Marine and General Insurance Company ("New York Marine"), Southwest Marine and General Insurance Company ("Southwest Marine") and Gotham Insurance Company ("Gotham"), all subsidiaries of Coaction Specialty Insurance Group, Inc. ("CoAction") and collectively, the "CoAction Companies". Through this LPT reinsurance agreement, Premia Re assumed net loss reserves of $795.499 million, in exchange for a consideration of up to $774.50 million, which were both rolled forward for net paid losses of $200.355 million from the effective date of the LPT reinsurance agreement on April 1, 2022 through to the closing date on December 31, 2022.

The initial consideration payable to Premia Re by the CoAction Companies on the closing of the LPT reinsurance agreement amounted to $700.0 million, of which $675.50 million was retained by the CoAction Companies in a Funds Withheld account with the balance initially being credited with interest at a fixed annual rate of 4.35%. The residual consideration of $24.50 million was paid to Premia Re by the CoAction Companies in cash. Pursuant to the terms of the LPT reinsurance agreement with CoAction, Premia Re recognized an additional consideration of $74.50 million on the transaction which is subject to true-up based on the development of the net loss reserves assumed from CoAction.

Cash flow Statement Treatment of the ADC and LPT Transactions with Woodward Straits and CoAction

Given the funds withheld nature of the ADC and LPT reinsurance transactions between the Company and Woodward Straits and CoAction as described in detail above, the impact of these transactions on the Company's assets and liabilities has been stripped out when preparing the Company's Consolidated Statement of Cash flows for the years ended December 31, 2023 and 2022, since changes in those balances don't have a direct impact on the Company's cash flows.

4. Investments

The Company holds:

i) AFS portfolios of short-term and fixed maturity investments, carried at fair value;
ii) other investments carried at fair value; and
iii) equity investments carried at fair value.

Investment Categories

The following tables summarize the Company's total investments as at December 31, 2023 and 2022. Agency mortgage-backed include commercial and residential mortgage-backed securities issued by U.S. government-sponsored enterprises and U.S. government agencies.

	2023				
			Gross unrealized losses		
(in thousands of U.S. dollars)	Amortized cost	Gross unrealized gains	Non-credit related losses	Allowance for credit losses[1]	Fair value
Fixed maturity and short-term investments					
Corporate	$ 431,099	$ 766	$ (27,361)	$ (182)	$ 404,322
Non-agency mortgage-backed	260,439	5,583	(21,347)	(2,288)	242,387
U.S. government and agency	41,404	107	(1,559)	—	39,952
Non-U.S. governments	3,965	7	(660)	—	3,312
Municipals	13,248	7	(1,383)	—	11,872
Agency mortgage-backed	21,132	154	(3,120)	—	18,166
Asset backed	122,438	665	(8,474)	(226)	114,403
Term loans	154,256	1,830	(4,965)	(608)	150,513
Total fixed maturity and short-term investments	1,047,981	9,119	(68,869)	(3,304)	984,927
Other investments	232,291	30,773	(5,478) –	—	257,586
Equity investments	2,056	736	(292) –	—	2,500
Total investments	$ 1,282,328	$ 40,628	$ (74,639)	$ (3,304)	$ 1,245,013

[1] The Company adopted ASU 2016-13 and the related amendments on January 1, 2023. Refer to Note 2 - *Significant accounting policies* for further detail.

4. Investments, continued

	2022			
(in thousands of U.S. dollars)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed maturity and short-term investments				
Corporate	$ 451,349	$ 58	$ (42,950)	$ 408,457
Non-agency mortgage-backed	275,481	4,128	(22,427)	257,182
U.S. government and agency	30,373	7	(2,140)	28,240
Non-U.S. governments	3,980	4	(718)	3,266
Municipals	14,027	—	(1,952)	12,075
Agency mortgage-backed	23,348	139	(3,716)	19,771
Asset backed	165,831	534	(13,168)	153,197
Term loans	198,104	1,108	(11,978)	187,234
Total fixed maturity and short-term investments	1,162,493	5,978	(99,049)	1,069,422
Other investments	194,880	23,457	(4,873)	213,464
Equity investments	2,079	1,050	(321)	2,808
Total investments	$ 1,359,452	$ 30,485	$ (104,243)	$ 1,285,694

Fixed Maturity and Short-term Investments

The fair values of the underlying asset categories comprising fixed maturity and short-term investments classified as AFS were as follows as of December 31, 2023 and 2022:

	2023		
(in thousands of U.S. dollars)	Short-term investments	Fixed maturities	Total fixed maturity and short-term investments
Corporate	$ —	$ 404,322	$ 404,322
Non-agency mortgage-backed	—	242,387	242,387
U.S. government and agency	2,443	37,509	39,952
Non-U.S. governments	—	3,312	3,312
Municipals	—	11,872	11,872
Agency mortgage-backed	—	18,166	18,166
Asset backed	—	114,403	114,403
Term loans	3,832	146,681	150,513
Total fixed maturity and short-term investments	$ 6,275	$ 978,652	$ 984,927

4. Investments, continued

	2022		
(in thousands of U.S. dollars)	Short-term investments	Fixed maturities	Total fixed maturity and short-term investments
Corporate	$ 687	$ 407,770	$ 408,457
Non-agency mortgage-backed	—	257,182	257,182
U.S. government and agency	49	28,191	28,240
Non-U.S. governments	—	3,266	3,266
Municipals	—	12,075	12,075
Agency mortgage-backed	—	19,771	19,771
Asset backed	—	153,197	153,197
Term loans	13,763	173,471	187,234
Total fixed maturity and short-term investments	$ 14,499	$ 1,054,923	$ 1,069,422

Other Investments

The following is a summary description of the Company's other investments:

Sector classification	Underlying objective of fund
Private credit investment funds	Investments are in a broad range of credit strategies including exposure to investment grade securities, high yield and other credit opportunities.
Real assets and intellectual property funds	Investments primarily related to intellectual property, natural resources and infrastructure.
Residential real estate funds	Investments are primarily focused on residential real estate assets and may take the form of liquidation claims, re-performing loans, receivables, repayment plans and other cash flowing assets.
Commercial real estate funds	Investments are primarily focused on global commercial real estate assets.
Financial funds	Investments are primarily focused on financial service companies covering a broad spectrum of sectors.
Credit funds	Investments are in a broad spectrum of sectors focusing on mispriced, stressed, and distressed credit opportunities.
Traditional private equity funds	Employs traditional private equity investment strategies across a broad spectrum of sectors.

4. Investments, continued

The following table summarizes the Company's other investments carried at fair value as of December 31, 2023 and 2022. The valuation of other investments is described in Note 5 - *Fair value measurements*.

(in thousands of U.S. dollars)	2023	2022
Private credit investment funds	$ 55,876	$ 54,267
Real assets and intellectual property funds	35,978	29,336
Residential real estate funds	20,210	20,531
Commercial real estate funds	41,163	31,093
Financial funds	17,309	18,575
Credit funds	55,586	40,211
Traditional private equity funds	31,464	19,451
Total other investments	$ 257,586	$ 213,464

Equity Investments

As of December 31, 2023, the Company's equity investments carried at fair value, which represent privately held preferred shares, amounted to $2.50 million (2022: $2.808 million).

Gross Unrealized Losses on Fixed Maturity and Short-term Investments

The following tables summarize gross unrealized investment losses on fixed maturity and short-term investments classified as AFS by the length of time that the securities have continuously been in an unrealized loss position. Unrealized holding gains have specifically been omitted from the tables below.

	2023					
	Less than 12 months		12 months or longer		Total	
(in thousands of U.S. dollars)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Corporate	$ 42,805	$ (302)	$ 312,512	$ (27,059)	$ 355,317	$ (27,361)
Non-agency mortgage-backed	50,617	(3,792)	127,295	(17,555)	177,912	(21,347)
U.S. government and agency	9,128	(66)	17,059	(1,493)	26,187	(1,559)
Non-U.S. governments	—	—	2,806	(660)	2,806	(660)
Municipals	—	—	8,852	(1,383)	8,852	(1,383)
Agency mortgage-backed	25	(4)	16,201	(3,116)	16,226	(3,120)
Asset backed	9,937	(340)	87,101	(8,134)	97,038	(8,474)
Term loans	21,363	(2,045)	27,737	(2,920)	49,100	(4,965)
Total fixed maturity and short-term investments	$ 133,875	$ (6,549)	$ 599,563	$ (62,320)	$ 733,438	$ (68,869)

4. Investments, continued

	2022					
	Less than 12 months		12 months or longer		Total	
(in thousands of U.S. dollars)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Corporate	$ 347,097	$ (31,256)	$ 52,335	$ (11,694)	$ 399,432	$ (42,950)
Non-agency mortgage-backed	172,074	(13,618)	48,691	(8,809)	220,765	(22,427)
U.S. government and agency	13,389	(929)	11,983	(1,211)	25,372	(2,140)
Non-U.S. governments	2,255	(394)	508	(324)	2,763	(718)
Municipals	11,850	(1,877)	225	(75)	12,075	(1,952)
Agency mortgage-backed	12,423	(2,265)	6,099	(1,451)	18,522	(3,716)
Asset backed	112,392	(7,041)	31,047	(6,127)	143,439	(13,168)
Term loans	80,256	(7,787)	15,662	(4,191)	95,918	(11,978)
Total fixed maturity and short-term investments	$ 751,736	$ (65,167)	$ 166,550	$ (33,882)	$ 918,286	$ (99,049)

As of December 31, 2023 there were 1,951 (2022: 4,366) securities in an unrealized loss position, of which 1,557 (2022: 568) had been in a continuous unrealized loss position for one year or longer.

For the fixed maturity and short-term investments in an unrealized loss position as of December 31, 2023 whose fair values have declined below their amortized cost basis, these declines are primarily attributable to increased interest rates and widening credit spreads subsequent to their purchase. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for the anticipated recovery of their fair values.

4. Investments, continued

Allowance for Credit Losses on Fixed Maturity and Short-term Investments

The Company adopted ASU 2016-13 and the related amendments on January 1, 2023 prospectively, and recognized an allowance for credit losses of $5.047 million on its AFS securities on initial adoption of the guidance.

To determine the credit losses on its AFS securities, the Company uses a discounted cash flow approach through a third-party proprietary tool. A curve is used to produce a term structure of probability of default ("PD") and a loss given default ("LGD") for all future periods. All future period cash flows (interest and principal) for each instrument are adjusted by the PD and the LGD, and where available, prepayments. The effective interest rate is then used to discount these cash flows back to their present value. If the sum of the present value cash flows is less than the amortized cost, then the difference is deemed to be the allowance for credit loss on the security.

The methodology and inputs used to determine the credit loss by security type are as follows:

- *Corporate and government securities*: Expected cash flows are derived that are specific to each security. The PD is based on a quantitative model that converts agency ratings to term structures that vary by country, industry and the state of the credit cycle. This is used along with macroeconomic forecasts to produce scenario conditioned PDs. The LGD is based on default studies provided by a third party which the Company uses along with macroeconomic forecasts to produce scenario conditioned LGDs. The Company uses an explicit reversion and a two-year forecast period, which is considered to be a reasonable duration during which economic forecasts could continue to be reliable.

- *Municipal securities*: Expected cash flows are derived that are specific to each security. The PD model produces a scenario conditioned PD output over the lifetime of the municipal security. These PDs are based on key macroeconomic and instrument specific risk factors. The LGD is derived based on a model which uses assumptions specific to the municipal securities. There is no explicit reversion, and the forecasts are deemed reasonable and supportable over the life of the portfolio.

- *Asset-backed and non-agency mortgage-backed securitie*s: Expected cash flows are derived that are specific to each security. The PD and LGD for each security is based on a quantitative model that generates scenario conditioned PD and LGD term structures based on the underlying collateral type, waterfall and other trustee information. This model also considers prepayments. For these security types, there is no explicit reversion and the forecasts are deemed reasonable and supportable over the life of the portfolio.

The Company reports the investment income accrued on its AFS securities within other assets and therefore separately from the underlying fixed income securities. Due to the short-term period during which accrued investment income remains unpaid, which is typically six months or less since the coupon on the Company's AFS securities is paid semi-annually or more frequently, the Company elected not to establish an allowance for credit losses on accrued investment income balances. Accrued investment income is written off through net realized gains (losses) at the time the issuer of the debt security defaults or is expected to default on payments.

Uncollectible AFS securities are written off when the Company determines that no additional payments of principal or interest will be received.

4. Investments, continued

The following table provides a reconciliation of the beginning and ending allowance for credit losses on the Company's fixed maturity and short-term investments classified as AFS for the year ended December 31, 2023:

	2023				
(in thousands of U.S. Dollars)	Non-agency mortgage-backed	Term loans	Asset backed	Corporate	Total
Allowance for credit losses, beginning of year	$ —	$ —	$ —	$ —	$ —
Cumulative effect of change in accounting principle	(4,719)	(227)	(101)	—	(5,047)
Allowances for credit losses on securities for which credit losses were not previously recorded	(919)	—	(449)	(213)	(1,581)
(Increase) decrease to the allowance for credit losses on securities that previously had an allowance recorded	3,070	(418)	324	31	3,007
Reductions for securities sold during the year	280	37	—	—	317
Allowance for credit losses, end of year	$ (2,288)	$ (608)	$ (226)	$ (182)	$ (3,304)

During the year ended December 31, 2023, the Company did not have any write-offs charged against the allowance for credit losses or any recoveries of amounts previously written-off.

OTTI on Fixed Maturity and Short-term Investments

For the year ended December 31, 2022, the Company recognized $3.776 million of OTTI losses on AFS securities. A description of the Company's OTTI process is included in Note 2 - *Significant accounting policies.*

As discussed in detail in Note 2 - *Significant accounting policies*, the Company adopted ASU 2016-13 and the related amendments on January 1, 2023 with this new guidance replacing the OTTI model that was previously applicable to the Company's AFS securities. The new approach now requires the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security’s amortized cost basis and its fair value.

4. Investments, continued

Credit Ratings on Fixed Maturity and Short-term Investments

The following table sets forth certain information regarding the investment ratings of the Company's fixed maturity and short-term investments classified as AFS as of December 31, 2023 and 2022.

	2023		2022	
(in thousands of U.S. dollars)	Fair value	%	Fair value	%
AAA	$ 51,137	5.2 %	$ 93,426	8.8 %
AA	112,325	11.4 %	57,368	5.4 %
A	319,885	32.5 %	347,603	32.5 %
BBB	168,978	17.2 %	192,185	18.0 %
BB	11,797	1.2 %	21,839	2.0 %
B	50,910	5.2 %	60,163	5.6 %
CCC or lower	138,650	14.0 %	154,269	14.4 %
Not rated	131,245	13.3 %	142,569	13.3 %
Total fixed maturity and short-term investments	$ 984,927	100 %	$ 1,069,422	100 %

Mortgage loans represent $74.754 million (2022: $89.674 million) of the Company's not rated nationally recognized statistical rating organization ("NRSRO") classification, since they do not receive NRSRO ratings. The Company assesses the credit quality of the Company's mortgage loan portfolio against the National Association of Insurance Commissioners' ("NAIC") commercial mortgage designation methodology.

As it relates to all other fixed maturity securities, for reinsurance trust compliance and BMA capital purposes, the Company primarily utilizes the NAIC Securities Valuations Office's ("SVO") loan-backed and structured securities ("LBaSS") methodology to assess and assign credit quality. The NRSRO ratings methodology is focused on the likelihood of recovery of all contractual payments, including principal at par, regardless of an investor's carrying value. In effect, the NRSRO rating assumes that the holder is the original purchaser at par. In contrast, the SVO's LBaSS methodology is focused on determining the risk associated with the recovery of the amortized cost of each security. Because the NAIC's methodology explicitly considers amortized cost and the likelihood of recovery of such amount, the Company has taken the view that the NAIC's methodology is the most appropriate way to assess its fixed maturity portfolio for purposes of evaluating credit quality since a portion of the Company's holdings were initially purchased at and are carried at significant discounts to par.

The SVO has developed a ratings process and provides instructions on modeled LBaSS. For modeled LBaSS, the process is specific to the non-agency residential mortgage-backed security ("RMBS") and commercial mortgage-backed security ("CMBS") asset classes. In order to establish ratings at the individual security level, the SVO obtains loan-level analysis of each RMBS and CMBS using a selected vendor's proprietary financial model. The SVO ensures that the vendor has extensive internal quality-control processes in place and the SVO conducts its own quality-control checks of the selected vendor's valuation process.

4. Investments, continued

The SVO has retained the services of Blackrock, Inc. ("Blackrock") to model non-agency RMBS and CMBS owned by U.S. insurers for all years presented herein. Blackrock provides five prices ("breakpoints"), based on each U.S. insurer's statutory book value price, to utilize in determining the NAIC designation for each modeled LBaSS.

Utilizing the above methodology, the Company's credit quality is as follows:

(in thousands of U.S. dollars)	2023		2022	
	Fair value	%	Fair value	%
NAIC 1	$ 643,574	65.3 %	$ 629,429	58.9 %
NAIC 2	175,980	17.9 %	207,749	19.4 %
NAIC 3	62,203	6.3 %	103,278	9.7 %
NAIC 4	47,908	4.9 %	55,223	5.2 %
NAIC 5	30,919	3.1 %	40,101	3.7 %
NAIC 6	24,343	2.5 %	33,642	3.1 %
Total fixed maturity and short-term investments	$ 984,927	100 %	$ 1,069,422	100 %

Contractual Maturities on Fixed Maturity and Short-term Investments

The amortized cost and fair value of fixed maturity and short-term investments classified as AFS as of December 31, 2023 and 2022 are shown below by contractual maturity.

(in thousands of U.S. dollars)	2023		2022	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 145,012	$ 143,631	$ 71,275	$ 69,124
Due after one year through five years	226,358	218,594	290,399	274,511
Due after five years through ten years	179,094	166,043	234,823	210,208
Due after 10 years	93,508	81,703	101,336	85,429
Agency mortgage-backed	21,132	18,166	23,348	19,771
Asset backed	122,438	114,403	165,831	153,197
Non-agency mortgage-backed	260,439	242,387	275,481	257,182
Total fixed maturity and short-term investments	$ 1,047,981	$ 984,927	$ 1,162,493	$ 1,069,422

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, and the lenders may have the right to put the securities back to the borrower.

4. Investments, continued

Net Investment Income

Major categories of net investment income for the years ended December 31, 2023 and 2022 are summarized as follows:

(in thousands of U.S. dollars)	2023	2022
Fixed maturities, short-term investments and cash and cash equivalents	$ 67,962	$ 54,375
Equities and other investments	13,049	12,295
Funds held - directly managed	3,051	2,222
Funds held - fixed crediting rate	24,091	10,732
Gross investment income	108,153	79,624
Investment expenses	(20,581)	(21,042)
Net investment income	$ 87,572	$ 58,582

Net Realized and Unrealized Gains (Losses)

Components of net realized and unrealized gains (losses) for the years ended December 31, 2023 and 2022 were as follows

(in thousands of U.S. dollars)	2023	2022
Net realized gains (losses):		
Gross realized gains on fixed maturity, short-term investments and cash and cash equivalents	$ 3,315	$ 4,463
Gross realized losses on fixed maturity, short-term investments and cash and cash equivalents	(11,552)	(9,304)
Gross realized gains (losses) on funds held - directly managed	1,080	(3,508)
Decrease in allowance for expected credit losses on fixed maturity investments	1,426	—
Gross realized gains on equities and other investments	4,646	10,776
Total net realized (losses) gains	(1,085)	2,427
Net unrealized gains (losses):		
Unrealized gains (losses) on funds held - directly managed	2,159	(11,168)
Unrealized gains (losses) on equities and other investments	6,425	(7,354)
Total net unrealized gains (losses)	8,584	(18,522)
Total net realized and unrealized gains (losses)	$ 7,499	$ (16,095)

4. Investments, continued

The following table presents realized and unrealized investment gains (losses) on the Company's total investments for the years ended December 31, 2023 and 2022.

(in thousands of U.S. dollars)	2023	2022
Realized gains on fixed maturity, short-term investments and cash and cash equivalents		
Cash and cash equivalents	$ 77	$ —
Corporate	6	2,253
Non-agency mortgage-backed	1,408	1,188
Municipals	—	428
Agency mortgage-backed	22	16
Asset backed	34	16
Term loans	1,768	562
Total realized gains on fixed maturity, short-term investments and cash and cash equivalents	$ 3,315	$ 4,463
Realized losses on fixed maturity, short-term investments and cash and cash equivalents		
Cash and cash equivalents	$ (1)	$ —
Corporate	(1,208)	(1,289)
Non-agency mortgage-backed	(3,389)	(2,809)
U.S. government and agency	(68)	(102)
Municipals	(147)	(8)
Agency mortgage-backed	(56)	(62)
Asset backed	(796)	(212)
Term loans	(5,887)	(1,046)
OTTI charge recognized in net income	—	(3,776)
Total realized losses on fixed maturity, short-term investments and cash and cash equivalents	$ (11,552)	$ (9,304)
Decrease in allowance for expected credit losses on fixed maturity investments	1,426	—
Realized gains (losses) on funds held - directly managed	1,080	(3,508)
Realized gains on equities and other investments	4,646	10,776
Total net realized (losses) gains	$ (1,085)	$ 2,427
Total net unrealized gains (losses) on funds held (directly managed), equities and other investments	$ 8,584	$ (18,522)

5. Fair value measurements

Fair value is defined as the price that the Company would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses pricing services to obtain the fair value measurements for the majority of its investment securities. Based on management's understanding of the valuation methodologies used, these pricing services only produce an estimate of fair value if there is observable market information that would allow them to make a fair market value estimate. The Company does not adjust prices obtained from pricing services.

The Company's pricing services determine fair value in accordance with current accounting guidance, which defines fair value and establishes a three level fair value hierarchy based upon the transparency of inputs used in the valuation of an asset or liability.

Assets and liabilities recorded at fair value in the Company's consolidated balance sheets are categorized within the fair value hierarchy based upon the level of judgement associated with the inputs used to measure their fair value. An asset or liability's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

The hierarchy is broken down into three levels as follows:

a. Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, the valuation of these instruments does not entail a significant degree of judgement.
b. Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
c. Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unadjusted third party or investment manager pricing sources or management's assumptions and internal valuation models may be used to determine the fair values.

As of December 31, 2023 and 2022, the Company's financial instruments have been measured at fair value and classified as either Level 1, 2, and 3 within the fair value hierarchy. Other investments are measured at fair value using NAV as a practical expedient and have therefore not been classified within the fair value hierarchy summarized below.

5. Fair value measurements, continued

(in thousands of U.S. dollars)	2023 Level 1	2023 Level 2	2023 Level 3	2023 NAV	2023 Fair value
Fixed maturity and short-term investments					
Corporate	$ —	$ 404,322	$ —	$ —	$ 404,322
Non-agency mortgage-backed	—	242,387	—	—	242,387
U.S. government and agency	39,952	—	—	—	39,952
Non-U.S. governments	—	3,312	—	—	3,312
Municipals	—	11,872	—	—	11,872
Agency mortgage-backed	—	18,166	—	—	18,166
Asset backed	—	114,403	—	—	114,403
Term loans	—	—	150,513	—	150,513
Total fixed maturity and short-term investments	39,952	794,462	150,513	—	984,927
Other investments	—	—	—	257,586	257,586
Equity investments	—	—	2,500	—	2,500
Total investments	$ 39,952	$ 794,462	$ 153,013	$ 257,586	$ 1,245,013

(in thousands of U.S. dollars)	2022 Level 1	2022 Level 2	2022 Level 3	2022 NAV	2022 Fair value
Fixed maturity and short-term investments					
Corporate	$ —	$ 408,457	$ —	$ —	$ 408,457
Non-agency mortgage-backed	—	257,182	—	—	257,182
U.S. government and agency	28,240	—	—	—	28,240
Non-U.S. governments	—	3,266	—	—	3,266
Municipals	—	12,075	—	—	12,075
Agency mortgage-backed	—	19,771	—	—	19,771
Asset backed	—	153,197	—	—	153,197
Term loans	—	—	187,234	—	187,234
Total fixed maturity and short-term investments	28,240	853,948	187,234	—	1,069,422
Other investments	—	—	—	213,464	213,464
Equity investments	—	—	2,808	—	2,808
Total investments	$ 28,240	$ 853,948	$ 190,042	$ 213,464	$ 1,285,694

5. Fair value measurements, continued

During the years ended December 31, 2023 and 2022, the Company did not transfer any securities into level 3 and vice versa. The Company purchased $58.290 million of level 3 securities during the year ended December 31, 2023 (2022: $102.921 million). All level 3 purchases during 2023 were term loans.

The following is a summary description of the Company's other investments that are measured at fair value using NAV as a practical expedient.

		2023	
(in thousands of U.S. dollars)	Redemption period remaining until liquidation of underlying assets	Fair value	Unfunded capital commitments
Private credit investment funds	Quarterly	$ 55,876	$ —
Real assets and intellectual property funds	0 to 11 years	35,978	24,747
Residential real estate funds	1 to 7 years	20,210	960
Commercial real estate funds	4 to 7 years	41,163	17,163
Financial funds	2 to 9 years	17,309	7,483
Credit funds	3 to 7 years	55,586	16,063
Traditional private equity funds	5 to 12 years	31,464	26,756
Total other investments		$ 257,586	$ 93,172

		2022	
(in thousands of U.S. dollars)	Redemption period remaining until liquidation of underlying assets	Fair value	Unfunded capital commitments
Private credit investment funds	Quarterly	$ 54,267	$ —
Real assets and intellectual property funds	0 to 11 years	29,336	19,872
Residential real estate funds	2 to 7 years	20,531	2,546
Commercial real estate funds	5 to 8 years	31,093	23,926
Financial funds	3 to 7 years	18,575	1,541
Credit funds	3 to 8 years	40,211	15,421
Traditional private equity funds	6 to 9 years	19,451	3,601
Total other investments		$ 213,464	$ 66,907

For private credit investment funds, the Company's investment in the fund can be redeemed subject to notifying the fund of the Company's intention to redeem prior to the next redemption date. The notice period for the Company's private credit investment funds is 65 days. At December 31, 2023 there were no private credit investment funds where a full or partial redemption notice has been submitted to the manager (2022: nil).

5. Fair value measurements, continued

With the exception of private credit investment funds, the Company's remaining other investments (“lock up funds”) contain characteristics similar to traditional private equity funds, such as investment periods, harvest periods, capital draws on committed capital and extension periods. The Company’s lock up funds typically release valuation statements on a one quarter reporting lag. Therefore, the Company estimates the fair value of these funds by beginning with the most recent fund valuations and adjusting for any cash activity during the current quarter such as capital draws on committed capital, redemptions, and distributions. Furthermore, return estimates are often not distributed for these funds and as such, the Company generally has a one quarter reporting lag in its fair value measurements of these funds.

For all lock up funds, the manager may only draw capital and invest/reinvest for the duration of the investment period, after which, any proceeds from the liquidation or maturity of existing investments must be remitted to the investors (the “harvest” period). Investment periods for the Company’s existing lock up funds vary from approximately six months to five years. For all lock up funds, the harvest period represents the period after the expiration of the investment period, that is the potential length of time until liquidation of the investment in the fund, and which is subject to discretionary extension periods. Discretionary extension periods represent a maximum of three consecutive one year periods after the expiration of the harvest period.

Other assets and liabilities

The fair value of investment purchases and sales pending settlement, funds held by ceding companies, insurance and reinsurance balances payable, notes payable, other assets and other liabilities approximate their carrying value due to the immediate or short-term maturity of these financial instruments.

6. Outstanding losses and loss adjustment expenses

The reserve for losses and loss adjustment expenses ("L&LAE" or "loss reserves"), represents our gross estimates before reinsurance for unpaid reported losses (Outstanding Loss Reserves, or "OSLR") and includes losses that have been incurred but not yet reported ("IBNR") determined using a variety of actuarial methods. We recognize an asset for the portion of the liability that we expect to recover from reinsurers. Loss adjustment expense ("LAE") reserves include allocated LAE ("ALAE") and unallocated LAE ("ULAE"). ALAE are linked to the settlement of an individual claim or loss, whereas ULAE are based on our estimates of future costs to administer the claims. IBNR includes amounts for unreported claims, development on known claims and reopened claims.

The following table presents a breakdown of the reserve for losses and LAE as of December 31, 2023 and 2022:

(in thousands of U.S. dollars)	2023	2022
OSLR	$ 399,046	$ 432,711
IBNR	690,231	544,972
ULAE	3,521	5,074
Reserve for losses and loss adjustment expenses	$ 1,092,798	$ 982,757

6. Outstanding losses and loss adjustment expenses, continued

The table below provides a reconciliation of the beginning and ending reserves for losses and LAE as of December 31, 2023 and 2022:

(in thousands of U.S. dollars)	2023	2022
Reserve for losses and loss adjustment expenses, beginning of year	$ 982,757	$ 492,589
(-) Reinsurance recoverable on unpaid losses, beginning of year	(312,814)	(16,388)
Net balance, beginning of year	669,943	476,201
Net incurred losses and loss adjustment expenses		
Current year	1,610	8,215
Prior years	32,624	215
Total net incurred losses and loss adjustment expenses	34,234	8,430
Net paid losses and loss adjustment expenses		
Current year	(5,087)	(2,872)
Prior years	(242,797)	(214,527)
Total net paid losses and loss adjustment expenses	(247,884)	(217,399)
Other changes		
Assumed business	297,138	402,711
Commutations	(35,143)	—
Net foreign exchange (gain) loss	3,290	—
Net balance, end of year	721,578	669,943
(+) Reinsurance recoverable on unpaid losses, end of year	371,220	312,814
Reserve for losses and loss adjustment expenses, end of year	$ 1,092,798	$ 982,757

For the year ended December 31, 2023, the incurred losses and LAE included $32.624 million of net adverse development (2022: $0.215 million) on prior years' loss reserves, which was comprised of $41.467 million of gross adverse development on prior years' loss reserves (2022: $1.750 million) and $8.843 million in ceded favorable development on prior years' reinsurance recoverables (2022: $1.535 million of ceded favourable development).

2023 Prior year loss reserve development

For the year ended December 31, 2023, the net adverse loss development of $32.624 million on the Company's prior years' loss reserves was primarily attributable to the following - (1) its 2021 quota share retroactive reinsurance agreements with its affiliate Premia Corporate Name (3) Limited ("PCN3"), whose liability and property exposures accounted for $17.867 million of the net adverse loss development; (2) its 2022 LPT reinsurance agreement with an external cedent whose auto liability and general liability exposures accounted for $7.037 million of net adverse loss development; (3) its 2019 LPT reinsurance agreement with an external cedent whose hospital professional liability and general liability exposures accounted for $4.766 million of net adverse loss development; (4) its 2023 ADC reinsurance agreement with an external cedent whose liability and workers' compensation exposures accounted for net adverse

6. Outstanding losses and loss adjustment expenses, continued

development of $1.688 million; and (5) asbestos, pollution and health hazard ("APH") exposures assumed from an affiliated entity, which accounted for $1.266 million of net adverse loss development.

2022 Prior year loss reserve development

For the year ended December 31, 2022, the net adverse loss development of $0.215 million on prior years' loss reserves was primarily attributable to the Company's pre-2018 retroactive reinsurance contracts which accounted for $4.580 million of net adverse loss development, together with its APH exposures, which accounted for $1.759 million of net adverse loss development. This was partially offset by net favorable development of $6.183 million attributable to the Company's liability and property lines of business arising from its 2021 quota share retroactive reinsurance agreement with PCN3.

For the year ended December 31, 2023, the current year net incurred losses and LAE of $1.610 million (2022: $8.215 million), were primarily attributable to losses related to net earned premiums assumed from its affiliate PCN3.

Deposit liability

During 2019, Premia Re agreed to amend and restate an existing retroactive reinsurance agreement. Management assessed that the amended agreement should be accounted for as a deposit liability and was recognized on the consolidated balance sheet as such. As at December 31, 2023 the deposit liability recognized on the consolidated balance sheet related to this retroactive reinsurance agreement was $768.574 million (2022: $801.133 million).

DCA and DGL balances

The following tables present a reconciliation of the DCA and DGL balances for the years ended December 31, 2023 and 2022:

Deferred charge asset

(in thousands of U.S. dollars)	2023	2022
Deferred charge asset, beginning of year	$ 36,297	$ 20,851
Deferred charge asset recognized during the year	14,073	20,999
Amortization of deferred charge asset	(15,313)	(5,553)
Deferred charge asset, end of year	$ 35,057	$ 36,297

6. Outstanding losses and loss adjustment expenses, continued

Deferred gain liability

(in thousands of U.S. dollars)	2023	2022
Deferred gain liability, beginning of year	$ 10,612	$ 177
Deferred gain liability recognized during the year	29,994	10,500
Deferred gain liability de-recognized during the year	(2,814)	—
Amortization of deferred gain liability	(10,618)	(65)
Deferred gain liability, end of year	$ 27,174	$ 10,612

Reserving methodologies

The process of establishing loss and LAE reserves for property and casualty claims can be complex and is subject to considerable uncertainty as it requires the use of informed estimates and judgments based on circumstances known as of the evaluation date. These estimates and judgments are based on numerous factors and may be revised as additional experience and other data becomes available and is reviewed, as new or improved methodologies are developed or laws or circumstances change.

The Company's loss and LAE reserves are estimates based on customary actuarial methods including the Loss Development Method and Bornhuetter-Ferguson ("B-F") Method applied to both paid and reported data as described below. The Company's analysis conforms to relevant Actuarial Standards of Practice ("ASP"), including ASP 43 Property/Casualty Unpaid Claim Estimates.

Loss Development Method: The paid or reported loss development method relies on the assumption that, at any given state of maturity, ultimate losses can be predicted by multiplying cumulative paid or reported losses by a cumulative loss development factor ("LDF"). The validity of the results of this method depends on the stability of claim reporting and settlement rates, as well as the consistency of case reserve levels.

Case reserves do not have to be adequately stated for the reported method to be effective; they only need to have a consistent level of adequacy at all stages of maturity. Historical "age-to-age" LDFs were calculated to measure the relative development of an accident year from one maturity-point to the next. We then select appropriate age-to-age LDFs based on these historical factors, supplemented with industry benchmarks where necessary. We used the selected factors to project the ultimate losses.

Bornhuetter-Ferguson Method: The reported B-F loss projection method is based on reported loss data and relies on the assumption that the remaining unreported losses are a function of the total expected losses rather than a function of currently reported losses. The expected losses used in this analysis are based on initial selected ultimate loss ratios by year derived from either prior analyses or review of more mature years. The expected losses are multiplied by the unreported percentage to produce expected unreported losses. The unreported percentage is calculated as one minus the reciprocal of the selected cumulative incurred LDFs. Finally, the expected unreported losses are added to the current reported losses to produce ultimate losses. The Company also used a paid B-F methodology which applies the same procedures using paid loss data to estimate ultimate losses.

6. Outstanding losses and loss adjustment expenses, continued

APH claims are most often associated with occurrences spanning more than one exposure period and/or having more than one theory for applying insurance coverage. The fact that APH claims span multiple years renders customary actuarial methods based on paid and reported losses grouped by accident year or underwriting year ineffective. The company uses several methods to estimate APH liabilities, including:

Exposure Based Model: The Company maintains a database of historical claims paid information and current notified reserves together with policy information including lines and limits underwritten. This information is used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Aggregate Loss Development: Loss development patterns are derived from industry APH ultimate loss estimates and inception-to-date losses for all accident years on a combined basis. The resulting patterns are applied to the Company's inception-to-date losses to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Survival Ratios: Survival ratios express the number of years before a reserve will be exhausted if payments persist at the average rate from recent years (typically a three-year period). Benchmark survival ratios derived from industry estimated ultimate losses and recent payments are used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Unpaid-to-Case: The ratio expresses the total reserve, including IBNR, to currently reported case reserves. In combination with inception-to-date payments, this information is used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Market Share: Industry estimated ultimate losses and the Company's estimated market share are used to estimate a range of possible ultimate claims amounts, together with a liability best estimate. The Company uses a weighted average of the results from the methods described above as the basis for its liability best estimate.

Management believes that the assumptions used represent an appropriate basis for estimating the outstanding loss and loss adjustment expenses as at December 31, 2023 and 2022; however, these assumptions are subject to change and the Company regularly reviews its loss reserves estimates and reserving methodologies taking into account all currently known information and updated assumptions related to unknown information.

6. Outstanding losses and loss adjustment expenses, continued

Incurred and paid development tables by accident year

The information presented within the loss development tables below which includes net incurred loss and loss adjustment expenses ("L&LAE, net") and net losses incurred but not reported ("IBNR, net"), by accident year for the Company's retroactive reinsurance contracts and acquired businesses, is prepared on the following basis:

- In addition to the accident year split specifically required by the applicable U.S. GAAP guidance, the information presented is first disaggregated by acquisition year and then by line of business within the loss development tables;
- Where the acquired or assumed portfolios within a specific acquisition year have similar characteristics such as the projected duration of the assumed claims, type of coverage; geographic exposure etc., these are aggregated together and presented within the same loss development table with no further disaggregation;
- Following the change in the classification of the retroactive reinsurance agreement entered into with AmTrust Financial Services Inc., ("AmTrust") in 2017, to a deposit liability contract in 2019 in addition to the commutation of the 2017 LPT reinsurance agreement with GuideOne effective September 18, 2023 as discussed in Note 3 - *Significant Transactions and New Business* above, no loss development tables are presented for 2018 & Prior acquisition years;
- For retroactive reinsurance contracts incepting in 2019 through 2023, these have been further disaggregated into lines of business with material net loss reserve balances as at December 31, 2023 which were primarily the following - Workers' Compensation; Liability; Property and Auto (only in 2022 and 2023);
- For retroactive reinsurance contracts incepting in 2022 and 2023 with residual exposures that individually were not material but cumulatively had material net loss reserve balances as at December 31, 2023 and were deemed to largely have similar characteristics, were all aggregated together into *"Other lines"* within the loss development tables presented below;
- The Company's APH exposures which were acquired in 2020 have been excluded from the loss development tables presented below since the related accident years are all older than 10 years and therefore their disclosure is not required based on the applicable U.S. GAAP guidance;
- Retroactive reinsurance contracts completed by the Company are presented prospectively within the loss development tables shown below. Since the loss reserves are effectively re-underwritten on the date they are acquired or assumed, management believes that the historical loss development of these acquired businesses or assumed retroactive reinsurance portfolios prior to being acquired or assumed by the Company is not relevant to how they are managed by the Company subsequent to their acquisition or assumption. In addition, the information required to prepare the loss development on these acquired businesses or assumed retroactive reinsurance portfolios on a retrospective basis is not always available to the Company and even where its available, the claims data is often not reliable;
- Two retroactive reinsurance agreements completed by the Company in 2019 were commuted effective January 1, 2021 impacting the *"2019 - Liability"* loss development table. The original business underlying these commuted contracts was then subsequently accepted into the 2021 YoA of Premia Holdings' Syndicate 1884 ("Syndicate 1884"), through two Reinsurance-to-Close ("RITC") transactions, with quota share cessions of the liabilities assumed by Syndicate 1884 being concurrently reinsured by the Company. As a result, the claims information for these ceded exposures is now included within the Company's *2021 - Liability* and *2021 - Property* loss development tables;

6. Outstanding losses and loss adjustment expenses, continued

- The negative net IBNR balances reflected within the *"2021 - Property"* and *"2021 - Liability"* loss development tables shown below are attributable to the fact that the Company has already settled the assumed losses on a gross basis, but is yet to collect the related reinsurance recoverable balances and is therefore carrying significant reinsurance recoverable assets on these assumed portfolios;
- No paid loss triangles are included within the loss development tables presented below for retroactive reinsurance ADC contracts for which the reported paid losses From Ground Up have not penetrated through to the layers covered by the Company;
- Movements in the ULAE provision are excluded from the loss development tables presented below and are instead shown as reconciling items within the overall reconciliation of the net loss reserves per the loss development tables shown below, to the total loss reserves presented on the Company's consolidated balance sheet;
- The loss development tables shown below for all accident years are presented using the year-end exchange rates as of December 31, 2023. Therefore, all accident years prior to the current year have been restated and presented using the current year-end exchange rates; and
- The information related to the net incurred L&LAE and net paid L&LAE for the years ended December 31, 2014, through 2022 is presented as supplementary information and is therefore unaudited.

Use of Underwriting Year Data to Prepare Accident Year Loss Development Tables

The Company’s loss reserve analysis is based in part on underwriting year data. The preparation of accident year development tables requires an allocation of underwriting year data to the corresponding accident years. For instance, a contract written in one particular underwriting year may have exposure to losses from two or more accident years. These allocations are done using accident year loss payment and reporting patterns, along with premium earnings patterns. These patterns are derived from the Company's historical loss data.

The Company believes that its allocations are reasonable; however, to the extent that the Company’s allocation procedure for incurred L&LAE differs from actual historical development, the actual loss development may differ materially from the loss development presented below.

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2019 - Liability ("2019 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2019 L&LAE, net	2020 L&LAE, net	2021 L&LAE, net	2022 L&LAE, net	2023 L&LAE, net	2023 IBNR, net
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2014	$ 14,475	$ 14,674	$ 14,722	$ 14,636	$ 14,521	$ 14,490	$ —
2015	22,708	23,046	23,057	23,010	23,363	23,336	—
2016	50,079	49,733	50,703	48,246	47,837	47,826	—
2017	116,167	129,249	130,455	129,989	130,851	136,518	265
2018	187,338	211,821	213,406	212,657	212,533	211,192	362
2019	85,592	98,833	102,756	102,756	102,756	102,756	—
2020	—	—	25,220	25,220	25,220	25,220	—
2021	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—
Total						$ 561,338	$ 627

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2019	2020	2021	2022	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2014	$ 2,031	$ 5,210	$ 15,027	$ 15,031	$ 15,031
2015	3,109	8,265	23,096	24,034	24,034
2016	6,251	18,854	47,501	48,517	48,684
2017	22,002	50,816	122,654	124,579	129,354
2018	32,504	77,811	200,507	201,078	202,698
2019	15,833	38,545	102,756	102,756	102,756
2020	—	5,594	25,220	25,220	25,220
2021	—	—	—	—	—
2022	—	—	—	—	—
2023	—	—	—	—	—
Total					$ 547,777

Net reserves for losses and loss adjustment expenses from 2014 to 2023	13,561
Net reserves for losses and loss adjustment expenses prior to 2014	204
Net reserves for losses and loss adjustment expenses, end of year	$ 13,765

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2021 - Liability ("2021 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2021 L&LAE, net	2022 L&LAE, net	2023 L&LAE, net	2023 IBNR, net
	(unaudited)	(unaudited)	(unaudited)		
2014	$ 20,365	$ 21,442	$ 18,102	$ 18,103	$ 617
2015	28,077	29,908	24,738	24,739	2,167
2016	57,904	53,228	44,597	44,590	4,296
2017	81,191	78,105	64,971	63,516	6,153
2018	40,075	39,573	73,808	67,603	5,124
2019	9,666	9,476	35,383	31,208	2,119
2020	2,734	2,701	8,890	7,937	591
2021	4,867	4,763	4,172	3,876	234
2022	—	—	21,104	20,925	94
2023	—	—	—	1,523	(1,966)
Total				$ 284,020	$ 19,429

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2021	2022	2023
	(unaudited)	(unaudited)	
2014	$ 5,153	$ 7,569	$ 12,110
2015	7,124	11,776	16,434
2016	18,690	24,995	30,227
2017	20,623	30,765	41,093
2018	9,006	25,802	41,362
2019	2,238	11,153	19,064
2020	605	2,805	4,767
2021	1,184	1,960	2,673
2022	—	1,792	2,144
2023	—	—	2,213
Total			$ 172,087
Net reserves for losses and loss adjustment expenses from 2014 to 2023			111,933
Net reserves for losses and loss adjustment expenses prior to 2014			5,650
Net reserves for losses and loss adjustment expenses, end of year			$ 117,583

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2021 - Property ("2021 - Property")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2021 L&LAE, net	2022 L&LAE, net	2023 L&LAE, net	2023 IBNR, net
	(unaudited)	(unaudited)	(unaudited)		
2014	$ 3,806	$ 4,103	$ 799	$ 976	$ 44
2015	6,424	6,738	1,159	1,607	(840)
2016	14,523	14,394	5,150	6,083	242
2017	32,070	41,389	25,956	29,314	(3,386)
2018	79,789	88,691	93,530	106,333	8,488
2019	45,505	48,682	55,423	64,088	6,726
2020	10,682	11,529	12,975	15,005	1,501
2021	6,809	7,391	6,111	6,784	420
2022	—	—	1,265	1,643	276
2023	—	—	—	120	825
Total				$ 231,953	$ 14,296

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2021	2022	2023
	(unaudited)	(unaudited)	
2014	$ 799	$ 799	$ 1,653
2015	910	910	3,053
2016	3,769	3,771	5,845
2017	12,888	13,024	19,095
2018	49,133	67,046	82,292
2019	29,472	41,375	49,956
2020	6,866	9,589	11,635
2021	4,035	4,887	5,594
2022	—	680	1,060
2023	—	—	1,815
Total			$ 181,998
Net reserves for losses and loss adjustment expenses from 2014 to 2023			49,955
Net reserves for losses and loss adjustment expenses prior to 2014			457
Net reserves for losses and loss adjustment expenses, end of year			$ 50,412

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2022 - Liability ("2022 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

		2022	2023	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)		
2014	$ 10,515	$ 9,800	$ 11,527	$ 1,867
2015	14,440	14,495	14,578	2,302
2016	22,802	22,744	22,679	3,363
2017	33,080	31,753	34,945	5,919
2018	48,478	45,658	45,247	8,931
2019	64,599	59,846	57,701	13,487
2020	47,841	47,161	45,524	12,872
2021	23,649	28,304	29,844	10,988
2022	—	—	—	—
2023	—	—	—	—
Total			$ 262,045	$ 59,729

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2022	2023
	(unaudited)	
2014	$ 1,867	$ 7,009
2015	5,955	9,904
2016	8,925	15,333
2017	8,883	20,656
2018	10,151	25,298
2019	10,267	28,084
2020	4,054	18,334
2021	1,301	7,737
2022	—	—
2023	—	—
Total		$ 132,355

Net reserves for losses and loss adjustment expenses from 2014 to 2023	129,690
Net reserves for losses and loss adjustment expenses prior to 2014	4,375
Net reserves for losses and loss adjustment expenses, end of year	$ 134,065

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2022 - Auto ("2022 - Auto")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2022 L&LAE, net	2023 L&LAE, net	2023 IBNR, net
	(unaudited)	(unaudited)		
2014	$ 1,518	$ 2,495	$ 1,649	$ 72
2015	4,177	3,696	2,550	170
2016	3,806	4,625	4,019	257
2017	4,622	7,307	6,372	99
2018	9,081	13,207	14,607	137
2019	19,810	17,233	20,621	623
2020	18,816	17,823	17,227	869
2021	15,869	16,078	18,588	2,337
2022	—	—	—	—
2023	—	—	—	—
Total			$ 85,633	4,564

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2022	2023
	(unaudited)	
2014	$ 1,277	$ 1,437
2015	916	2,200
2016	1,921	3,272
2017	4,585	5,774
2018	8,419	13,035
2019	5,690	17,530
2020	3,034	12,430
2021	—	9,165
2022	—	—
2023	—	—
Total		$ 64,843
Net reserves for losses and loss adjustment expenses from 2014 to 2023		20,790
Net reserves for losses and loss adjustment expenses prior to 2014		156
Net reserves for losses and loss adjustment expenses, end of year		$ 20,946

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2022 - Workers' Comp ("2022 - Workers' Comp")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2022 L&LAE, net	2023 L&LAE, net	2023 IBNR, net
	(unaudited)	(unaudited)		
2014	$ 541	$ 518	$ 395	$ 97
2015	752	773	676	147
2016	1,527	1,658	1,560	249
2017	1,930	1,958	1,856	293
2018	2,409	2,521	2,402	448
2019	3,012	3,136	3,597	518
2020	2,985	2,288	2,428	633
2021	489	485	467	115
2022	—	—	—	—
2023	—	—	—	—
Total			$ 13,381	$ 2,500

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2022	2023
	(unaudited)	
2014	$ 83	$ 108
2015	171	210
2016	437	828
2017	567	902
2018	800	1,264
2019	1,048	2,013
2020	104	664
2021	—	174
2022	—	—
2023	—	—
Total		$ 6,163
Net reserves for losses and loss adjustment expenses from 2014 to 2023		7,218
Net reserves for losses and loss adjustment expenses prior to 2014		196
Net reserves for losses and loss adjustment expenses, end of year		$ 7,414

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2022 - Other Lines ("2022 - Other Lines")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2022 L&LAE, net	2023 L&LAE, net	2023 IBNR, net
	(unaudited)	(unaudited)		
2014	$ 564	$ 499	$ 401	$ 68
2015	667	633	1,147	109
2016	1,945	1,960	3,442	113
2017	2,674	2,574	2,224	269
2018	9,671	10,897	10,989	550
2019	4,076	3,803	7,525	301
2020	4,285	4,031	3,013	739
2021	32	39	109	54
2022	—	—	—	—
2023	—	—	—	—
Total			$ 28,850	$ 2,203

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2022	2023
	(unaudited)	
2014	$ 15	$ 58
2015	156	877
2016	827	2,873
2017	745	1,374
2018	7,881	8,710
2019	734	6,392
2020	882	1,484
2021	8	14
2022	—	—
2023	—	—
Total		$ 21,782
Net reserves for losses and loss adjustment expenses from 2014 to 2023		7,068
Net reserves for losses and loss adjustment expenses prior to 2014		438
Net reserves for losses and loss adjustment expenses, end of year		$ 7,506

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2023 - Liability ("2023 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

		2023	
Accident year	Acquired Reserves, net	L&LAE, net	IBNR, net
	(unaudited)		
2014	$ 1,627	$ 1,636	$ 1,636
2015	1,678	1,687	1,687
2016	2,502	2,516	2,516
2017	4,062	4,085	4,085
2018	5,204	5,234	5,234
2019	7,667	7,711	7,711
2020	12,123	12,192	12,192
2021	19,026	19,134	19,134
2022	31,662	31,842	31,842
2023	—	—	—
Total		$ 86,037	$ 86,037
Net reserves for losses and loss adjustment expenses prior to 2014		12,204	
Net reserves for losses and loss adjustment expenses, end of year		$ 98,241	

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2023 - Auto ("2023 - Auto")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

		2023	
Accident year	Acquired Reserves, net	L&LAE, net	IBNR, net
	(unaudited)		
2014	$ 164	$ 165	$ 165
2015	180	181	181
2016	261	263	263
2017	504	507	507
2018	820	825	825
2019	732	736	736
2020	1,621	1,631	1,631
2021	5,371	5,401	5,401
2022	10,162	10,220	10,220
2023	—	—	—
Total		$ 19,929	$ 19,929
Net reserves for losses and loss adjustment expenses prior to 2014		329	
Net reserves for losses and loss adjustment expenses, end of year		$ 20,258	

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2023 - Workers' Compensation ("2023 - Workers' Compensation")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2023 L&LAE, net	2023 IBNR, net
	(unaudited)		
2014	$ 7,204	$ 7,244	$ 7,244
2015	6,499	6,536	6,536
2016	8,894	8,945	8,945
2017	9,379	9,432	9,432
2018	10,323	10,382	10,382
2019	13,045	13,119	13,119
2020	12,541	12,612	12,612
2021	13,850	13,928	13,928
2022	17,340	17,438	17,438
2023	—	—	—
Total		$ 99,636	$ 99,636
Net reserves for losses and loss adjustment expenses prior to 2014		72,856	
Net reserves for losses and loss adjustment expenses, end of year		$ 172,492	

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2023 - Other Lines ("2023 - Other Lines")

Losses and loss adjustment expenses incurred, net

(in thousands of U.S. dollars) Accident year	Acquired Reserves, net	2023 L&LAE, net	2023 IBNR, net
	(unaudited)		
2014	$ —	$ —	$ —
2015	108	109	109
2016	27	27	27
2017	16	16	16
2018	49	49	49
2019	289	291	291
2020	507	510	510
2021	1,376	1,384	1,384
2022	3,614	3,635	3,635
2023	—	—	—
Total		$ 6,021	$ 6,021
Net reserves for losses and loss adjustment expenses prior to 2014		1,815	
Net reserves for losses and loss adjustment expenses, end of year		$ 7,836	

6. Outstanding losses and loss adjustment expenses, continued

Reconciliation of loss development information to the reserve for losses and loss adjustment expenses

The reconciliation of the net incurred and paid loss development tables to the reserves for losses and loss adjustment expenses in the consolidated balance sheet as of December 31, 2023 is as follows:

(in thousands of U.S. dollars)		2023
2019 - Liability	$	13,765
2020 - APH (Accident Years older than 10 years so excluded from the loss development tables)		67,643
2021 - Liability		117,583
2021 - Property		50,412
2022 - Liability		134,065
2022 - Auto		20,946
2022 - Workers' Compensation		7,414
2022 - Other lines		7,506
2023 - Liability		98,241
2023 - Auto		20,258
2023 - Workers' Compensation		172,492
2023 - Other lines		7,836
Outstanding losses and loss expenses, net of reinsurance		718,161
Reinsurance recoverable on unpaid losses		371,220
ULAE provision		3,416
Reserve for losses and loss adjustment expenses, end of year	$	1,092,797

6. Outstanding losses and loss adjustment expenses, continued

Cumulative claims frequency

The Company's business is primarily comprised of reinsurance contracts written on a quota share or aggregate loss basis and the underlying claim count information is not provided for most contracts. Furthermore, even if claim counts were made available by the Company's cedants, the quota share cession percentage varies for each contract, resulting in the cedant claim counts not being a meaningful measure of the Company's loss exposure. As such, the Company determined that the disclosure of claim frequency information was impracticable and as a result, no claims frequency information has been disclosed.

Claims duration

The following table is presented as supplementary information and presents the Company's historical average annual percentage payout of loss and loss adjustment expenses incurred, net by age, as of December 31, 2023 and is unaudited:

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance

	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023
2019 - Liability	14.86 %	21.91 %	58.90 %	0.77 %	1.20 %
2021 - Liability	— %	— %	24.18 %	18.27 %	18.57 %
2021 - Property	— %	— %	45.55 %	14.84 %	17.73 %
2022 - Liability	— %	— %	— %	21.57 %	29.78 %
2022 - Auto	— %	— %	— %	30.26 %	45.35 %
2022 - Workers' Compensation	— %	— %	— %	23.93 %	21.68 %
2022 - Other lines	— %	— %	— %	38.18 %	36.33 %
2023 - Liability	— %	— %	— %	— %	— %
2023 - Auto	— %	— %	— %	— %	— %
2023 - Workers' Compensation	— %	— %	— %	— %	— %
2023 - Other lines	— %	— %	— %	— %	— %

The increase in the Year 3 payout percentage for the *"2019 - Liability"* line of business is driven primarily by the commutation of two retroactive reinsurance agreements effective January 1, 2021. These commutations were presented within the respective loss development tables as paid losses since the associated liabilities were legally extinguished effective January 1, 2021.

The reported paid losses From Ground Up on the retroactive reinsurance ADC contract that was completed by the Company in 2023 which is discussed in detail within Note 3 - *Significant Transactions and New Business"* above, have not penetrated through to the layers covered by the Company hence the NIL annual percentage payouts shown on the summary table above for the *"2023 - Liability"*; *"2023 - Auto"*; *"2023 - Workers' Compensation"* and *"2023 - Other lines"* exposures.

7. Reinsurance

The Company uses reinsurance and retrocessional reinsurance agreements to manage its net retention on individual risks and overall exposure to losses while providing it with the ability to offer policies with sufficient limits to meet policyholder needs. In a reinsurance transaction, an insurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. In a retrocessional reinsurance transaction, a reinsurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. The ceding of insurance does not legally discharge the Company from its primary liability for the full amount of the policies, and the Company will be required to pay the loss and bear the collection risk if the reinsurer fails to meet its obligations under the reinsurance or retrocessional agreement.

A credit risk exists with ceded reinsurance to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance or retrocessional contracts, with allowances being established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers.

As of December 31, 2023 and 2022, the Company had reinsurance recoverable balances on unpaid losses amounting to $371.220 million and $312.814 million, respectively. The Company did not have any reinsurance recoverable balances on paid losses as of December 31, 2023 and 2022.

The following table presents the reinsurance recoverable on unpaid losses for the Company's counterparties along with counterparty ratings as of December 31, 2023 and 2022.

(in thousands of U.S. dollars)	2023		
	Counterparty Credit Rating	Reinsurance recoverable on unpaid losses	Reinsurance recoverable on unpaid losses, net of payables and collateral
Arch Capital Group	A+	$ 127,757	$ —
Elevation Re (SPC)	Not Rated	243,463	2,095
Total		$ 371,220	$ 2,095

(in thousands of U.S. dollars)	2022		
	Counterparty Credit Rating	Reinsurance recoverable on unpaid losses	Reinsurance recoverable on unpaid losses, net of payables and collateral
Arch Capital Group	A+	$ 104,513	$ 302
Elevation Re (SPC)	Not Rated	208,301	705
Total		$ 312,814	$ 1,007

7. Reinsurance, continued

Allowance for Estimated Uncollectible Reinsurance Balances Recoverable on Paid and Unpaid Losses

The Company evaluates and monitors the credit risk related to it's reinsurers and retrocessionaires, and an allowance for estimated uncollectible reinsurance balances recoverable on paid and unpaid losses ("allowance for estimated uncollectible reinsurance") is established for any amounts considered potentially uncollectible.

To determine the allowance for estimated uncollectible reinsurance, the Company uses the PD and LGD methodology whereby each reinsurer is allocated an appropriate PD percentage based on the expected payout duration by portfolio. This PD percentage is then multiplied by an appropriate LGD percentage to arrive at an overall credit allowance percentage which is then applied to the reinsurance balance recoverable from each reinsurer, net of any specific bad debt provisions, collateral or other contract related offsets, to arrive at the overall allowance for estimated uncollectible reinsurance by reinsurer.

Following its adoption of ASU 2016-13 and the related amendments on January 1, 2023, the Company determined that no allowance for estimated uncollectible reinsurance was required since the reinsurance balances recoverable from its reinsurers and retrocessionaires are fully collateralized through funds withheld arrangements. Therefore, no adjustment was recorded against the Company's opening retained earnings to reflect the initial impact of the adoption of the guidance.

8. Share capital

The authorized share capital of the Company at December 31, 2023 and 2022 consisted of 1,000,000 common shares, of par value $1.00 per share.

9. Concentrations and contingencies

Concentration of credit risk

The Company’s investment portfolio is managed by external investment advisors in accordance with the Company’s investment guidelines. The Company's investment guidelines limit maximum issuer concentration at 2% of assets. U.S. government and agency securities are however excluded from this guideline. There are no significant concentrations of credit risk in excess of the Company's concentration guidelines as of December 31, 2023. As of December 31, 2023 approximately 69.7% (2022: 68.3%) of the Company’s total investments including cash and cash equivalents and restricted cash and cash equivalents are rated as either NAIC 1 or NAIC 2.

Reinsurance recoverable balances include outstanding loss and LAE recoverable. The Company is subject to credit risk with respect to reinsurance ceded as the ceding of risk does not relieve the Company from its primary obligations to its policyholders. Failure of the Company’s reinsurers to honor their obligations could result in the Company incurring credit losses, therefore the Company continuously evaluates and monitors the concentration of credit risk among its reinsurers. The Company has not recorded an allowance for credit losses against its reinsurance recoverable balances and no amounts were written off during the year.

9. Concentrations and contingencies, continued

The Company utilizes trust funds where the trust funds are set up for the benefit of the ceding companies. The fair value of these restricted assets is $1.126 billion as of December 31, 2023 (2022: $1.192 billion), of which $1.071 billion (2022: $1.155 billion) relates to investments and $54.790 million relates to cash and cash equivalents, as of December 31, 2023 (2022: $40.359 million).

Unfunded investment commitments

The Company makes contributions to and receives distributions from investment funds measured at fair value. During the year ended December 31, 2023, the Company made a net contribution of $26.877 million (2022: $8.258 million) to its investment funds. The Company is committed to make additional contributions of $93.172 million (2022: 66.906 million) to its investment funds over time.

Legal proceedings

The Company from time to time is involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation are included in the reserve for losses and LAE in the consolidated balance sheets. In addition to claims litigation, the Company may be subject to other lawsuits and regulatory actions, which may involve, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity.

Management does not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material effect on the Company's business, results of operations or financial condition. Management anticipates that, similar to the rest of the insurance and reinsurance industry, the Company will continue to be subject to litigation and arbitration proceedings in the ordinary course of business, including litigation generally related to the scope of coverage with respect to asbestos and environmental and other claims.

10. Income taxes

Premia Re and its parent company, Premia Holdings, are incorporated under the laws of Bermuda and, under current Bermuda law, they are not obligated to pay any taxes in Bermuda based upon income or capital gains. The Company has received a written undertaking from the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits, income, gain or appreciation on any capital asset, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to Premia Holdings or any of its subsidiaries until March 31, 2035.

On December 27, 2013, Bermuda enacted legislation to implement its Corporate Income Tax Act 2023 ("the Act"), which aims to closely align with the Global Anti-base Erosion rules issued by the Organization for Economic Co-operation and Development to ensure consistent and predictable tax outcomes. The Act amended the Bermuda Exempted Undertakings Tax Protection Act of 1966 which exempts Premia Re from paying taxes in Bermuda as noted above, by introducing a 15% corporate income tax on Bermuda businesses that are deemed to be part of a Multinational Enterprise Group ("MNE Group") that are within the scope of the Act, effective for tax years beginning on or after January 1, 2025.

10. Income taxes, continued

An MNE Group is deemed to be within the scope of the Act if, with respect to any fiscal year beginning on or after January 1, 2025, the MNE Group had annual revenue of €750.0 million or more in the consolidated financial statements for at least two of the four fiscal years immediately preceding such fiscal year. Based on the annual revenue reflected within both the Company's as well as Premia Holdings' consolidated financial statements, it will not be deemed to belong to an MNE Group as defined within the Act and therefore it will not fall within the scope of the Act.

11. Related party transactions

The following table presents the components of the balance receivable from the Company's parent at December 31, 2023 and 2022 respectively.

(in thousands of U.S. dollars)	2023	2022
Loans to finance business aquisitions	$ 92,819	$ 118,689
Loans to support Bermuda operations	88,213	74,183
Loan to support Lloyd's operations	22,644	22,643
Loans to support U.S. operations	37,347	28,976
Loans to support European operations	47,569	12,349
Total receivable from parent	$ 288,592	$ 256,840

During the year ended December 31, 2023, US domiciled related parties invoiced the Company a sum of $0.339 million (2022: $0.527 million) in relation to claims administration and due diligence services provided.

Transactions between Premia Re and Arch Re

Arch Re, along with certain members of senior management, collectively own approximately 25% of the total equity of the Company's ultimate parent. Premia Re has retrocession agreements with Arch Re in which varying percentages of contracts written by Premia Re are ceded to Arch Re on a pro rata basis, between 12.5% and 25%.

11. Related party transactions, continued

As at December 31, 2023 and 2022, the Company's consolidated balance sheets and statements of operations included the following amounts ceded by Premia Re to Arch Re:

(in thousands of US dollars)	2023	2022
Balance sheets		
Reinsurance recoverable on paid and unpaid losses	$ 127,757	$ 104,513
Reinsurance premiums payable (included in Insurance and reinsurance balances payable)	(11,175)	(14,850)
Ceded commutation receivable (included in Other assets)	—	1,361
Receivable from related party (included in Other assets)	6,337	4,097
Ceded accrued investment income (included in Other liabilities)	(765)	(4,920)
Payable to related party (included in Other liabilities)	(10,508)	(3,156)
Ceded funds held	(117,409)	(95,282)
Statements of operations		
Ceded net investment income (included in Net investment income)	(6,513)	(3,659)
Ceded loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	(1,043)	3,303
Ceded operating expenses (included in Operating expenses)	2,255	450

In line with the accounting policy change discussed in detail in Note 2 - *Significant Accounting Policies* above, the comparative statements of operations disclosures summarized on the table above for the year ended December 31, 2022 have been adjusted to conform to the current year presentation.

Transactions between Premia Re and Arch Underwriters

Premia Re has a service agreement with Arch Underwriters Ltd. ("AUL") specifying that AUL will provide to Premia Re services including technical support, consulting services, office space and other miscellaneous services as requested. For the year ended December 31, 2023 AUL invoiced Premia Re \$0.367 million (2022: \$0.332 million) in relation to the service agreement. Included in other liabilities is \$3.523 million (2022: \$3.156 million) payable to AUL in relation to the service agreement.

11. Related party transactions, continued

Transactions between Premia Re and Dominion

Immediately following Premia Holdings' acquisition of Dominion Insurance Company Limited ("Dominion") which closed on September 1, 2020, Premia Re entered into a retroactive reinsurance agreement with Dominion. As of December 31, 2023 and 2022 the consolidated balance sheets and statements of operations included the following amounts ceded by Dominion to Premia Re:

(in thousands of US dollars)	2023	2022
Balance sheets		
Deferred charge asset	$ 2,925	$ 3,117
Reserve for losses and loss adjustment expenses	67,644	71,356
Statements of operations		
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	$ (1,458)	$ (2,182)

Transactions between Premia Re and PCN3

The Company entered into a quota share reinsurance agreement on a funds withheld basis with PCN3 effective January 1, 2021, in which PCN3 cedes 65% of the risks attaching to the 2018 Year of Account ("YoA") of Syndicate 1884, the 2018 YoA of Syndicate 1955 and the 2018 YoA of Syndicate 1861 as reinsured into the 2021 YoA of Syndicate 1884, except for net losses arising from the Covid-19 pandemic on the 2018 YoA of Syndicate 1861's contingency class of business where the ceded percentage is 87.5%. The reinsurance premium consideration payable to the Company was equal to its relevant share of the RITC premium consideration received by Syndicate 1884.

As at December 31, 2023 and 2022, the consolidated balance sheets and statements of operations include the following amounts ceded by PCN3 to Premia Re:

11. Related party transactions, continued

(in thousands of US dollars)	2023	2022
Balance sheets:		
Deferred charge asset	$ 8,578	$ 12,180
Funds held by ceding companies	200,293	291,157
Intercompany balance receivable	22,644	22,644
Reserve for losses and loss adjustment expenses	(170,678)	(245,647)
Unearned premiums	(3,015)	(8,079)
Statements of operations:		
Gross written premiums	$ 7,080	$ 3,429
Change in unearned premiums	5,181	10,369
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	(23,079)	(7,161)

Transactions between Premia Re and Kelso & Company

Kelso & Company own approximately 70% of Premia Re's ultimate parent's total equity. The Company has investments in Kelso & Company's KIA X Fund and KIA XI Fund.

As of December 31, 2023 the fair value of the Company's investment in the KIA X Fund amounted to $20.431 million (2022: $19.475 million). During the year ended December 31, 2023 total investment income related to the Company's investment in the KIA X Fund amounted to $1.336 million (2022: $4.684 million). Total fees related to the KIA X Fund amounting to $0.622 million (2022: $1.301 million) were deducted from the Company's reported NAV and recorded as investment expenses through total investment income.

As of December 31, 2023 the fair value of the Company's investment in the KIA XI Fund amounted to $4.950 million (2022: nil). During the year ended December 31, 2023 total investment income related to the Company's investment in the KIA XI Fund amounted to $0.809 million (2022: nil). Total fees related to the KIA XI Fund amounting to $0.457 million (2022: nil) were deducted from the Company's reported NAV and recorded as investment expenses through total investment income.

Transactions between Premia Re and Somers Group

On May 23, 2022, Premia Re invested a total of $4.0 million in a 6.5% Fixed Rate Reset Subordinated Note due in 2032 ("6.5% Fixed Rate Reset Note") issued by Somers Group Holdings Ltd. ("Somers Group"), in which Arch Capital Group Ltd. ("Arch Capital") and Kelso & Company jointly own the majority of the equity interests. As of December 31, 2023, the fair value of the 6.5% Fixed Rate Reset Note amounted to $4.012 million (2022: $4.167 million). During the year ended December 31, 2023, total interest income on the 6.5% Fixed Rate Reset Note amounted to $0.260 million (2022: $0.156 million).

12. Statutory financial information and dividend restrictions

Under the Insurance Act 1978, as amended, and related regulations of Bermuda (the “Insurance Act”), Premia Re is registered as a Class 4 insurer, and is required to annually prepare and file statutory financial statements and a statutory financial return with the BMA. The Insurance Act requires Premia Re to maintain statutory economic capital and surplus at a level at least equal to its Eligible Capital Requirement ("ECR"), which is the greater of its Minimum Solvency Margin ("MSM") and the required capital calculated by reference to the BSCR model. At December 31, 2023 all such requirements were met. Premia Re is also required under its Class 4 license to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. As of December 31, 2023 Premia Re met the minimum liquidity ratio.

The Company is currently completing its 2023 statutory filings for Premia Re, which must be filed with the BMA by April 30, 2024, and at this time, the Company believes it will exceed the target level of required statutory economic capital and surplus.

The actual statutory capital and surplus, required statutory capital and surplus and statutory net income for the Company at December 31, 2023 and 2022 was as follows:

(in thousands of US dollars)	2023	2022
Actual capital and surplus	$ 779,823	$ 715,574
Required capital and surplus	243,242	232,352
Statutory net income	34,127	17,645

Premia Re may declare dividends subject to it continuing to meet its solvency and capital requirements, which includes continuing to hold statutory capital and surplus equal to or exceeding its ECR. Premia Re is prohibited from declaring or paying in any fiscal year, dividends of more than 25% of its prior year’s statutory capital and surplus unless Premia Re files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause the Company to fail to meet its relevant margins. While Premia Re's capital is in excess of its ECR, no dividends were paid for the years ended December 31, 2023 or 2022.

13. Contractual obligations and commitments

On November 12, 2019, the Company entered into a $131.0 million four-year letter of credit facility agreement ("Letter of Credit") with a syndication of lenders. On November 5, 2021, the Letter of Credit was amended to provide commitments of up to, but not exceeding, $125.0 million with further amendments made on November 1, 2022 and October 27, 2023, which decreased the commitments on the Letter of Credit up to but not exceeding $116.5 million and $75.0 million, respectively. As at December 31, 2023, an aggregate value of $75.0 million of outstanding Letters of Credit have been issued under the facility. The Letter of Credit requires that the Company maintains certain financial covenants, all of which were met at December 31, 2023.

14. Subsequent events

In preparing the consolidated financial statements, management has evaluated subsequent events through April 30, 2024, which is the date that these financial statements were issued.

Loss Portfolio Transfer with Hochrhein Internationale Rückversicherung Aktiengesellschaft

On February 5, 2024, the Company through its wholly-owned subsidiary Premia Re, closed its LPT reinsurance agreement with Hochrhein Internationale Rückversicherung Aktiengesellschaft ("HRIR"), through which Premia Re assumed 100% of the net reserves recorded by HRIR as of October 1, 2023, which is the effective date of the LPT reinsurance agreement, up to a maximum aggregate limit of €65.0 million (or $69.716 million).

The LPT reinsurance agreement is intended to be replaced by an Insurance Business Transfer ("IBT") of the insurance liabilities from HRIR to the Company's wholly-owned subsidiary Premia Europe by December 31, 2024.

Pursuant to the terms of the LPT reinsurance agreement with HRIR, the total consideration due to Premia Re under the transaction is €43.750 million (or $46.924 million) on which interest will be credited by HRIR at a fixed annual rate of 4.00% from the effective date of the LPT reinsurance agreement on October 1, 2023 through to the earlier of the closing of the IBT, the termination of the LPT reinsurance agreement or December 31, 2024. Subsequently, HRIR will credit interest on the consideration of €43.750 million (or $46.924 million) at an annual rate of 5.00% until the closing of the IBT or the termination of the LPT reinsurance agreement.