AUDITED FINANCIAL STATEMENTS

Validus Reinsurance, Ltd. and Subsidiaries

As of December 31, 2023 and for the period from November 2, 2023 to December 31, 2023 (Successor Company) and as of December 31, 2022 and for the period from January 1, 2023 to November 1, 2023 and for the year ended December 31, 2022 (Predecessor Company)

RenaissanceRe

May 20, 2024

Report of Independent Auditors

To the Board of Directors and Shareholder of Validus Reinsurance, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Validus Reinsurance, Ltd. and its subsidiaries (Successor Company) (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023 and the related consolidated statements of operations, changes in shareholder's equity and cash flows for the period from November 2, 2023 to December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and the results of its operations and its cash flows for the period from November 2, 2023 to December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

Required supplemental information

Accounting principles generally accepted in the United States of America require that the required supplemental information pertaining to *Short-Duration Contracts* disclosures be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted the required supplemental information pertaining to average annual percentage payout of incurred claims by age for accident years 2014 to 2023 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic consolidated financial statements. Such missing information, although not a part of the basic consolidated financial statements, is required by Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic consolidated financial statements is not affected by this missing information.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

May 20, 2024

Report of Independent Auditors

To the Board of Directors and Shareholder of Validus Reinsurance, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Validus Reinsurance, Ltd. and its subsidiaries (Predecessor Company) (the "Company"), which comprise the consolidated balance sheet as of December 31, 2022 and the related consolidated statements of operations, changes in shareholder's equity and cash flows for the period from January 1, 2023 to November 1, 2023, and for the year ended December 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and the results of its operations and its cash flows for the period from January 1, 2023 to November 1, 2023, and for the year ended December 31, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

VALIDUS REINSURANCE, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands of United States Dollars)

	Successor Company	Predecessor Company
	December 31,	
	2023	2022
Assets		
Fixed maturity investments trading, at fair value - amortized cost $2,352,905 as of December 31, 2023 (2022 - $2,500,801) (Note 6 and Note 7)	$ 2,412,340	$ 2,299,681
Short term investments, at fair value - amortized cost $214,285 as of December 31, 2023 (2022 - $52,267) (Note 6 and Note 7)	214,559	52,267
Total investments	2,626,899	2,351,948
Cash and cash equivalents	169,491	131,042
Investment in other ventures, under equity method	549	1,605
Premiums receivable (Note 8 and Note 11)	1,026,145	812,603
Prepaid reinsurance premiums (Note 8 and Note 11)	40,203	78,984
Reinsurance recoverable (Note 8, Note 9 and Note 11)	1,128,466	1,760,782
Deferred tax asset (Note 12)	44,071	348
Goodwill and other intangibles (Note 4)	310,649	—
Due from affiliates, net (Note 11)	21,305	811,299
Accrued investment income	17,244	10,262
Deferred acquisition costs and value of business acquired (Note 4 and Note 11)	244,322	115,069
Receivable for investments sold	77,965	494
Other assets	370,244	962,314
Discontinued Operations Assets - Held and used (Note 5)	—	3,720,941
Total assets	$ 6,077,553	$ 10,757,691
Liabilities and Shareholder's Equity		
Liabilities		
Reserve for claims and claim expenses (Note 9 and Note 11)	$ 2,393,459	$ 3,180,079
Unearned premiums (Note 11)	725,080	532,501
Reinsurance balances payable (Note 11)	196,593	94,655
Due to affiliates, net (Note 11)	73,810	456,150
Payable for investments purchased	80,787	—
Accounts payable and accrued liabilities	7,973	2,702
Discontinued Operations Liabilities - Held and used (Note 5)	—	3,184,133
Total liabilities	3,477,702	7,450,220
Shareholder's Equity		
Common shares: $1.00 par value – 1,000,000 shares authorized; 1,000,000 shares issued and outstanding as of December 31, 2023 and 2022 (Note 10)	1,000	1,000
Additional paid-in capital (Note 10)	2,276,647	2,960,992
Accumulated other comprehensive income	—	173
Retained earnings	322,204	345,306
Total shareholder's equity	2,599,851	3,307,471
Total liabilities and shareholder's equity	$ 6,077,553	$ 10,757,691

On behalf of the Board:

James Fraser - Director

See accompanying notes to the consolidated financial statements

VALIDUS REINSURANCE, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands of United States Dollars)

	Successor Company	Predecessor Company	
	Period from November 2, to December 31, 2023	Period from, January 1, to November 1, 2023	Year ended December 31, 2022
Revenues			
Gross premiums written (Note 8 and Note 11)	$ 95,994	$ 1,512,524	$ 1,366,496
Net premiums written (Note 8 and Note 11)	92,714	1,133,438	896,834
Decrease (increase) in net unearned premiums	90,341	(220,363)	(64,474)
Net premiums earned (Note 8 and Note 11)	183,055	913,075	832,360
Net investment income (Note 6)	27,190	114,198	86,237
Net foreign exchange gains (losses)	15,537	(33,533)	25,208
Other income (Note 11)	9	2,669	2,180
Net realized and unrealized gains (losses) on investments (Note 6)	68,192	(25,633)	(202,200)
Total revenues	293,983	970,776	743,785
Expenses			
Net claims and claim expenses incurred (Note 8, Note 9 and Note 11)	46,347	381,522	495,051
Acquisition expenses (Note 4 and Note 11)	61,428	174,514	188,474
Operational expenses (Note 11)	818	77,062	81,038
Corporate expenses	439	404	437
Interest expense	—	3,351	4,213
Total expenses	109,032	636,853	769,213
Income (loss) from continuing operations before taxes and income from operating affiliates	184,951	333,923	(25,428)
Income tax benefit (expense) (Note 12)	43,633	(216)	111
Income from operating affiliates	—	35	48
Income (loss) from continuing operations	228,584	333,742	(25,269)
Income (loss) from discontinued operations before tax (Note 5)	84,054	129,546	(70,720)
Income tax benefit (expense) from discontinued operations (Note 5)	9,566	(56,645)	5,949
Net income (loss) and comprehensive income (loss)	**$ 322,204**	**$ 406,643**	**$ (90,040)**

See accompanying notes to the consolidated financial statements

VALIDUS REINSURANCE, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(in thousands of United States Dollars)

Predecessor Company	Common shares	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholder's equity
Balance, January 1, 2022	$ 1,000	$ 2,961,434	$ 173	$ 585,346	$ 3,547,953
Distributions to parent company relating to settlement of share-based compensation arrangements (Note 10)	—	(442)	—	—	(442)
Dividends declared	—	—	—	(150,000)	(150,000)
Net (loss) income	—	—	—	(90,040)	(90,040)
Balance, December 31, 2022	$ 1,000	$ 2,960,992	$ 173	$ 345,306	$ 3,307,471
Distributions to parent company relating to settlement of share-based compensation arrangements (Note 10)	$ —	$ (1,522)	$ —	$ —	$ (1,522)
Contributions from parent company relating to in specie intercompany settlements (Note 10)	$ —	$ 20,000	$ —	$ —	$ 20,000
Return of capital	$ —	$ (1,050,559)	$ —	$ —	$ (1,050,559)
Dividends declared	$ —	$ —	$ —	$ (575,510)	$ (575,510)
Net income (loss)	$ —	$ —	$ —	$ 406,643	$ 406,643
Balance, November 1, 2023	$ 1,000	$ 1,928,911	$ 173	$ 176,439	$ 2,106,523

Successor Company	Common shares	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholder's equity
Balance, November 2, 2023	$ 1,000	$ 2,945,966	$ —	$ —	$ 2,946,966
Deemed capital distribution on disposal of discontinued operations (Note 5)	$ —	$ (669,319)	$ —	$ —	$ (669,319)
Net income (loss)	$ —	$ —	$ —	$ 322,204	$ 322,204
Balance December 31, 2023	$ 1,000	$ 2,276,647	$ —	$ 322,204	$ 2,599,851

See accompanying notes to the consolidated financial statements

VALIDUS REINSURANCE, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of United States Dollars)

	Successor Company	Predecessor Company	
	Period from November 2, to December 31, 2023	Period from, January 1, to November 1, 2023	Year ended December 31, 2022
Income (loss)	$ 322,204	$ 406,643	$ (90,040)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Amortization of intangible assets	140,836	—	—
Net unrealized losses included in net investment income	(2,583)	—	—
Net realized and unrealized (gains) losses on investments	(122,757)	46,795	376,606
Share compensation expenses	—	1,375	1,187
Decrease in net asset value of structured notes	—	(54)	(54)
Income from investments in other ventures, under equity method	(9)	(1,376)	(792)
Foreign exchange losses (gains) included in net income	(14,544)	25,326	(25,626)
Accretion and amortization of investments	(17,302)	(15,358)	18,894
Change in:			
Premiums receivable	58,212	(554,616)	(363,039)
Prepaid reinsurance premiums	69,694	(43,092)	16,729
Reinsurance recoverable	(33,615)	494,477	236,824
Deferred acquisition costs	(89,039)	(188,073)	(100,616)
Reserve for claims and claim expenses	21,031	(86,908)	279,518
Unearned premiums	(180,287)	759,264	277,298
Reinsurance balances payable	1,088	233,423	(159,580)
Transaction expenses	—	1,310	—
Other, net	14,124	(16,679)	(39,216)
Net cash provided by operating activities	167,053	1,062,457	428,093
Cash flows provided by (used in) investing activities			
Proceeds from sales and maturities of fixed maturity investments trading	840,490	1,085,259	692,564
Purchases of fixed maturity investments trading	(2,098,039)	(652,801)	(1,243,695)
Net sales (purchases) of short term investments	1,211,482	(971,445)	259,300
Net sales (purchases) of investments in other ventures, under equity method	—	1,944	2,708
Net cash used in investing activities	(46,067)	(537,043)	(289,123)
Cash flows provided (used in) financing activities			
Cash of discontinued operations distributed for no consideration	(215,903)	—	—
Dividends paid	—	(562,510)	(100,000)
Net cash used in financing activities	(215,903)	(562,510)	(100,000)
Effect of exchange rate changes on foreign currency cash	6,054	(5,597)	(11,548)
Net (decrease) increase in cash and cash equivalents	(88,863)	(42,693)	27,422
Cash and cash equivalents, beginning of period	258,354	307,673	280,251
Cash and cash equivalents, end of period	$ 169,491	$ 264,980	$ 307,673
Supplemental information			
Taxes paid during the year	$ 55	$ 453	$ 132

See accompanying notes to the consolidated financial statements

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Validus Reinsurance, Ltd. (the "Company" or "ValidusRe") was incorporated under the laws of Bermuda on October 19, 2005. The Company is 100% owned by Validus Holdings, Ltd. (the "parent company" or "Validus Holdings"), which was also incorporated under the laws of Bermuda on October 19, 2005. On July 18, 2018, American International Group, Inc. ("AIG") acquired the parent company including ValidusRe. On November 1, 2023, the Company was acquired by RenaissanceRe Holdings Ltd. ("RenaissanceRe") from AIG. Accordingly, the Company's current ultimate parent Company is RenaissanceRe which is a company registered with the United States Securities and Exchange Commission and is incorporated in Bermuda.

ValidusRe is registered as a Class 4 insurer under The Insurance Act 1978 of Bermuda, amendments thereto and the Insurance Account Rules 2016 (the "Legislation"). The Company primarily offers treaty reinsurance coverage on a global basis in the Property, Specialty, and Casualty lines markets.

Basis of Presentation

These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP") and include the accounts of ValidusRe and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated from these statements.

Pushdown Accounting

On November 1, 2023, RenaissanceRe completed the acquisition of Validus Holdings (the "Transaction") and under Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*, ("ASC 805"), pushdown accounting treatment ("Pushdown") has been elected which reflects the fair market value of assets, previously unrecognized intangible assets, goodwill, the fair market value of liabilities, and the adoption of RenaissanceRe accounting policies at the time of the close of the Transaction. Refer to Note 4 for incremental details on the application of Pushdown accounting.

Reorganization

On December 31, 2023, Validus Holdings (UK) Ltd. ("VHUK"), a wholly-owned subsidiary of ValidusRe and the intermediate parent entity of Validus Reinsurance (Switzerland) Ltd., ("Validus Re Swiss") was distributed to an affiliated RenaissanceRe entity as part of a series of restructuring transactions following the Transaction. For the comparative period presented, the assets and liabilities of VHUK are classified as "held and used" on the Consolidated Balance Sheet under ASC *205-20 "Discontinued Operations"*. Consequently, the results of VHUK for the periods presented are disclosed in the discontinued operations section in the Consolidated Statements of Operations. Refer to Note 5 for incremental details on the disposal of VHUK and the associated presentation herein.

Certain comparative information has been reclassified to conform to the current presentation basis.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES SUCCESSOR

The following accounting policies are those which have been applied subsequent to the application of Pushdown accounting and are referred to as successor accounting policies ("Successor"); disclosures are delineated as such herein.

Use of Estimates in Financial Statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses; reinsurance recoverable and premiums receivable, including provisions for reinsurance recoverable and premiums receivables to reflect expected credit losses; estimates of written and earned premiums; and fair value, including the fair value of investments, financial instruments and derivatives.

Premiums and Related Expenses

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

Due to the nature of reinsurance, ceding companies routinely report and remit premiums to us subsequent to the contract coverage period. Consequently, premiums written and receivable include amounts reported by the ceding companies, supplemented by our estimates of premiums that are written but not reported.

The estimation of written premiums may be affected by early cancellation, election of contract provisions for cut-off and return of unearned premiums or other contract disruptions. The time lag involved in the process of reporting premiums is shorter than the lag in reporting losses. In addition to estimating premiums written, we estimate the earned portion of premiums written which is subject to judgment and uncertainty. Any adjustments to written and earned premiums, and the related losses and acquisition expenses, are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES SUCCESSOR, cont'd

Lines of business that are similar in both the nature of their business and estimation process may be grouped for purposes of estimating premiums. Premiums are estimated based on ceding company estimates and our own judgment after considering factors such as: (1) the ceding company's historical premium versus projected premium, (2) the ceding company's history of providing accurate estimates, (3) anticipated changes in the marketplace and the ceding company's competitive position therein, (4) reported premiums to date and (5) the anticipated impact of proposed underwriting changes. Estimates of premiums written and earned are based on the selected ultimate premium estimate, the terms and conditions of the reinsurance contracts and the remaining exposure from the underlying policies. We evaluate the appropriateness of these estimates in light of the actual premium reported by the ceding companies, information obtained during audits and other information received from ceding companies.

We estimate our provision for current expected credit losses by applying specific percentages against each premiums receivable based on the counterparty's credit ratings. The percentages applied are based on information received from both insureds and ceding companies and are then adjusted by us based on industry knowledge and our judgment and estimates. We then evaluate the overall adequacy of the provision for current expected credit losses based on other qualitative and judgmental factors.

Acquisition costs are incurred when a contract or policy is issued and only the costs directly related to the successful acquisition of new and renewal contract or policies are deferred and amortized over the same period in which the related premiums are earned. Acquisition costs consist principally of commissions, brokerage and premium tax expenses and are shown net of commissions earned on ceded reinsurance. Certain of our assumed contracts contain profit sharing provisions or adjustable commissions that are estimated based on the expected loss and loss adjustment expense on those contracts. Acquisition costs include accruals for such estimates of commissions. Certain of our ceded contracts contain profit sharing provisions which accrue to the benefit of the company. Acquisition costs are shown net of such commissions and profit commissions earned on ceded reinsurance. In addition, certain of our ceded contracts contain override and management fees which are recorded as an offset against operating expenses. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated claims and claim expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

Claims and Claim Expenses

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES SUCCESSOR, cont'd

Reinsurance

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

Investments

Fixed Maturity Investments

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

Short Term Investments

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES SUCCESSOR, cont'd.

Variable Interest Entities

The Company accounts for variable interest entities ("VIEs") in accordance with ASC Topic 810, *Consolidation*, which requires the consolidation of all VIEs by the primary beneficiary, that being the investor that has the power to direct the activities of the VIE and that will absorb a portion of the VIE's expected losses or residual returns that could potentially be significant to the VIE. When the Company determines it has a variable interest in a VIE, it determines whether it is the primary beneficiary of that VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders; (ii) the VIE's capital structure; (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE; (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE; and (vi) related party relationships. The Company reassesses its determination of whether the Company is the primary beneficiary of a VIE upon changes in facts and circumstances that could potentially alter the Company's assessment.

Cash and Cash Equivalents

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

Derivatives

From time to time, the Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for trading and to assume risk. The Company accounts for its derivatives in accordance with ASC Topic 815, *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company's consolidated balance sheet as either assets or liabilities, depending on their rights or obligations, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting. The fair value of the Company's derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models.

Fair Value Option

The Company has elected to account for certain of its assets and liabilities at fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations.

Foreign Exchange

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES SUCCESSOR, cont'd.

Taxation

Income taxes have been provided for in accordance with the provisions of ASC Topic 740, *Income Taxes.* Deferred tax assets and liabilities result from temporary differences between the amounts recorded in the consolidated financial statements and the tax basis of the Company's assets and liabilities. Such temporary differences are primarily due to GAAP versus tax basis accounting differences related to insurance adjustments, intangible assets, investments, accrued expenses, along with net operating loss carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance against net deferred tax assets is recorded if it is more likely than not that all, or some portion, of the benefits related to net deferred tax assets will not be realized.

Uncertain tax positions are also accounted for in accordance with ASC Topic 740, *Income Taxes.* Uncertain tax positions must meet a more-likely-than-not recognition threshold to be recognized.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures ("ASU 2023-09"). Among other things, ASU 2023-09 address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2025. The Company is currently evaluating the impact of this guidance.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES PREDECESSOR

The following accounting policies are those which have been applied prior to the application of Pushdown accounting and are referred to as predecessor accounting policies ("Predecessor"); disclosures are delineated as such herein.

Use of Estimates in Financial Statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses; reinsurance recoverable, premium written on a line slip or proportional basis; and valuation of invested assets and other financial instruments.

Premiums and Related Expenses

Reinsurance contracts can be written on risks attaching or losses occurring basis. Under risks attaching reinsurance contracts, all claims from cedants' underlying policies incepting and attaching during the reinsurance contract period are covered, even if they occur after the expiration date of the reinsurance contract and before the expiration date of the attaching policy. In contrast, losses occurring reinsurance contracts cover all claims occurring during the coverage period of the reinsurance contract, regardless of the inception dates of the underlying policies. Any claims occurring after the expiration of the losses occurring contract are not covered.

Reinsurance premiums written are recorded at the inception of the policy. Premiums are estimated based on information received from brokers, ceding companies and reinsureds, and any subsequent differences arising on such estimates are recorded in the periods in which they are determined.

Premiums written are earned on a pro-rated basis over the term of the related policy or contract. For losses occurring reinsurance contracts, the earnings period is generally the same as the term of the related contract or policy. For reinsurance contracts written on risks attaching basis, the earnings period is based on the terms of the underlying contracts and policies and is generally 24 months. The portion of the premiums written applicable to the unexpired terms of the underlying contracts and policies in force is recorded as unearned premiums.

Reinstatement premiums are recorded and earned at the time a loss event occurs and coverage limits for the remaining life of the contract are reinstated under predefined contract terms. The accrual of reinstatement premiums is based on our estimate of net claims and claim expenses, which reflects management's judgment.

Acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal business, and consist principally of commissions and brokerage expenses. These costs are deferred and amortized over the period in which the related premiums are earned. Acquisition costs are shown net of commissions earned on reinsurance ceded. However, if the sum of a contract's expected net claims and claim expenses and deferred acquisition costs exceeds related unearned premiums, a premium deficiency is determined to exist. In this event, deferred acquisition costs are immediately expensed to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs then a liability is accrued for the excess deficiency. There were no premium deficiency adjustments recognized during the periods presented herein.

Acquisition costs also include profit commissions, which are recognized on a basis consistent with our estimate of net claims and claim expenses.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES PREDECESSOR cont'd

Claims and Claim Expenses

The reserve for claims and claim expenses includes reserves for unpaid reported losses ("case reserves") and for losses incurred but not reported ("IBNR"). Case reserves are established by management based on reports from brokers, ceding companies and insureds and represents the unpaid portion of the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by, the Company. IBNR reserves are established by management based on actuarially determined estimates of ultimate net claims and claim expenses. Inherent in the estimate of ultimate net claims and claim expenses are expected trends in claim severity and frequency and other factors, which may vary significantly as claims are settled.

The period of time from the occurrence of a loss to the reporting of a loss to the Company and to the settlement of the Company's liability may be several months or years. During this period, additional facts and trends may be revealed. Accordingly, net claims and claim expenses ultimately paid may differ materially from the amounts recorded in the Consolidated Financial Statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. These adjustments can result in an increase or decrease in ultimate losses, and at other times result in a reallocation between IBNR and specific case reserves. Adjustments to ultimate loss estimates, if any, are recorded in earnings in the period in which they become known. Prior period development arises from changes to these estimates recognized in the current year that relate to net claims and claim expenses that were incurred in previous calendar years.

Although there is normally a lag in receiving reinsurance data from cedants, the Company currently has adequate procedures in place regarding the timeliness related to the processing of assumed reinsurance information and there is no significant backlog. The Company actively manages its relationships with brokers and clients and considers existing disputes with counterparties to be in the normal course of business.

Reinsurance

The Company enters into retrocession agreements in order to provide greater diversification of business and to mitigate its accumulation of loss, reduce its liability on individual risks, enable it to underwrite policies with higher limits and increase its aggregate capacity. Premiums ceded are recognized over the period of exposure to risk, with the unearned portion being deferred in the Consolidated Balance Sheets as Prepaid reinsurance premiums.

Reinsurance recoverable on unpaid losses represent amounts that will be collectible from reinsurers once the losses are paid. Reinsurance recoverable on paid losses represents amounts currently due from reinsurers. The recognition of reinsurance recoverable requires two key judgments: Firstly, the determination of gross assumed IBNR, and secondly the amount of gross IBNR that can be ceded to retrocessionaires based on the reinsurance agreements in place. The ceded IBNR is developed as part of the Company's loss reserving process and consequently its estimation is subject to risks and uncertainties similar to the estimation of gross IBNR.

Retroactive reinsurance agreements are reinsurance agreements under which the reinsurer agrees to reimburse the Company for liabilities incurred as a result of past insurable events. For these agreements, the excess of the amounts collectible under the agreement over the premium paid is recognized as a deferred gain and is amortized into income over the settlement period of the ceded reserves. The amount of the deferred gain is adjusted each period based on loss payments and updated estimates. If the premium paid exceeds the ultimate losses collectible under the agreement, the net loss is recognized immediately in the Consolidated Statement of Operations.

Investments

Fixed Maturity Investments

The Company classifies its fixed maturity as trading in accordance with ASC Topic 825, *Financial Instruments*. As such, all fixed maturity investments are carried at fair value. Investments in fixed maturity securities are recorded on a trade-date basis with balances pending settlement reflected as a receivable for investments sold or a payable for investments purchased.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES PREDECESSOR cont'd

Net investment income includes interest and dividend income along with amortization of premium or accretion of discount. Interest on fixed maturity securities is recorded in Net investment income when earned. Realized gains and losses on the sale of investments are determined on the basis of amortized cost.

For investments in certain structured securities, prepayment assumptions are evaluated and revised as necessary. Any adjustments required due to the resultant change in effective yields and maturities are recognized under the retrospective interest method. Prepayment fees or call premiums that are only payable to the Company when a security is called prior to its maturity are earned when received and reflected in Net investment income.

Short-Term Investments

The Company classifies its short-term investments as trading in accordance with ASC Topic 825, *Financial Instruments*. As such, all short-term investments are carried at fair value. Short-term investments primarily comprise investments with a remaining maturity of less than one year at time of purchase and money market funds held at the Company's investment managers.

Net investment income includes interest and dividend income along with amortization of premium or accretion of discount. Interest on short-term investment securities is recorded in Net investment income when earned. Realized gains and losses on the sale of investments are determined on the basis of amortized cost.

Cash and Cash Equivalents

The Company considers time deposits and money market funds with an original maturity of one month or less as equivalent to cash.

Variable Interest Entities

The Company determines whether it has relationships with entities defined as VIEs in accordance with ASC Topic 810, *Consolidation*. A VIE is consolidated by the variable interest holder that is determined to be the primary beneficiary.

An entity in which the Company holds a variable interest is a VIE if any of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) as a group, the holders of equity investment at risk lack either the direct or indirect ability through voting rights or similar rights to make decisions about an entity's activities that most significantly impact the entity's economic performance or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights.

The primary beneficiary is defined as the variable interest holder that is determined to have both (a) the power to direct the activities of a VIE that most significantly impact the economic performance of the VIE and (b) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. At inception of the VIE, as well as following an event that requires reassessment, the Company determines whether it is the primary beneficiary based on the facts and circumstances surrounding each entity.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES PREDECESSOR cont'd

Derivative Instruments

The Company enters into various derivative instruments in the form of foreign exchange contracts. Foreign exchange derivatives (principally foreign exchange forwards) are used to economically mitigate risk associated with exchange rate fluctuations on non-U.S. dollar foreign currency transactions and foreign currency denominated investments. The Company's derivative financial instruments are recorded on a trade-date basis and carried at fair value in the Consolidated Balance Sheets. The effect on earnings from recognizing the fair values of these derivative financial instruments depends on their intended use, their hedge designation, and their effectiveness in offsetting changes in the fair values of the exposures they are hedging.

Changes in the fair values of derivative instruments that are not designated as hedges are reported currently in earnings.

Fair Value Option

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820, *Fair Value Measurement and Disclosure*, provides a framework for measuring fair value by creating a hierarchy of fair value measurements that distinguishes market data between observable independent market inputs and unobservable market assumptions by the reporting entity. The guidance further expands disclosures about such fair value measurements. The guidance applies broadly to most existing accounting pronouncements that require or permit fair value measurements (including both financial and non-financial assets and liabilities) but does not require any new fair value measurements. The Company has adopted all authoritative guidance in effect as of the balance sheet date regarding certain market conditions that allow for fair value measurements that incorporate unobservable inputs where active market transaction-based measurements are unavailable.

Foreign Exchange

The U.S. dollar is the functional currency of the Company and its subsidiaries. For these companies, monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rates in effect at the balance sheet date and revenues and expenses denominated in foreign currencies are translated at the prevailing exchange rate on the transaction date with the resulting foreign exchange gains and losses included in earnings. Non-monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate in effect at the time of the underlying transaction.

Employee Stock Plans

AIG accounts for their stock plans in accordance with the ASC Topic 718, *Compensation – Stock Compensation*. Accordingly, AIG recognizes the compensation expense for stock option grants, restricted share grants and performance share grants based on the fair value of the award on the date of grant over the requisite service period, and allocates the expense to its subsidiaries, including the Company, based on the country of residence of employees. Under the AIG stock plan, the expense allocated to each subsidiary, including the Company, is settled in cash, payable to AIG upon the date of vest. The difference in share price between the fair value determined on the grant date and the cash settlement date is recognized in additional paid-in capital as a contribution or distribution to parent company.

For the awards granted under the AIG stock plan, no forfeiture rate is applied, and the compensation expense for forfeited awards is reversed on occurrence.

Taxation

Deferred tax assets and liabilities are recorded in accordance with ASC Topic 740, *Income Taxes.* Consistent with ASC 740, the Company records deferred income taxes which reflect operating losses and tax credits carried forward and the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES PREDECESSOR cont'd

The Company has operating subsidiaries and branch offices in various other jurisdictions around the world that are subject to relevant taxes in those jurisdictions. The Company recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained upon examination by tax authorities based upon the technical merits of the position. Based on the more-likely-than-not recognition threshold, the Company must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. The Company classifies all interest and penalties related to uncertain tax positions in income tax expenses.

NOTE 4. BUSINESS COMBINATION

As referenced in, Note 1, the Company has applied Pushdown accounting in accordance with the guidance in ASC 805 which includes the initial recognition of the fair market value of assets, previously unrecognized intangible assets, goodwill and fair market value of liabilities at the time of the close of the Transaction.

In connection with the Transaction, RenaissanceRe paid AIG aggregate consideration of $2.985 billion, consisting of the following: (i) cash consideration of $2.735 billion; and (ii) 1,322,541 common shares, which were valued at approximately $250.0 million based on a value of $189.03 per share at signing, pursuant to the Stock Purchase Agreement. The value of the acquisition consideration was $3.020 billion as of the closing date; $2.371 billion of which was allocated to the acquisition of ValidusRe. The parties determined that no post-closing adjustment was required to the value of the acquisition consideration as of the closing date.

In connection with the closing of the Transaction, RenaissanceRe entered into a reserve development cover whereby the ValidusRe risk-bearing entities agreed to cede to AIG substantially all of their adverse or favorable development on stated reserves at the time of the closing, subject to certain terms and conditions. Under the reserve development agreement AIG assumes substantially all of any adverse or favourable development on the stated reserves, on a whole-account basis. To the extent the combined performance of acquired reserves for claims and claim expenses is worse than expected on an aggregate basis, the Company is indemnified under the terms of the reserve development agreement and would expect to collect substantially all of the adverse development under the reserve development agreement. To the extent the combined performance of acquired reserves for claims and claim expenses is better than expected on an aggregate basis, the Company would expect to pay substantially all of the favourable development to AIG under the reserve development agreement.

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 4. BUSINESS COMBINATION cont'd

The purchase price was allocated to the acquired assets and liabilities of the Company based on estimated fair values on November 1, 2023, the date the Transaction closed. The table below shows the the purchase price allocation for the continuing operations presented herein:

Assets:		
Cash and cash equivalents	$	141,964
Investments trading		1,598,458
Short term investments		943,744
Investments in other ventures, under equity method		540
Reinsurance premiums receivable		1,105,094
Prepaid reinsurance premiums		105,364
Losses recoverable		1,185,520
Accrued investment income		9,958
Deferred acquisition costs and value of business acquired		286,214
Other assets		381,066
Identifiable intangible assets		307,453
Total assets		**6,065,375**
Liabilities:		
Reserve for claims and claim expenses		2,597,330
Reserve for unearned premiums		880,582
Reinsurance balances payable		219,374
Accounts payable and accrued liabilities		4,320
Total liabilities		**3,701,606**
Total identifiable net assets acquired		**2,363,769**
Total purchase price		2,371,268
Goodwill	**$**	**7,499**

The goodwill represents the excess of the purchase price over the fair value of the underlying assets acquired and liabilities assumed and reflects the anticipated synergies of combined operations and developed workforce.

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 4. BUSINESS COMBINATION cont'd

The primary acquisition accounting adjustments arising from Pushdown accounting related to the following as of November 2, 2023:

- Deferred acquisition costs and value of business acquired ("VOBA") - to reflect the elimination of ValidusRe's net deferred acquisition costs, and the establishment of VOBA, which represents the present value of the expected underwriting profit within the unearned premiums liability, net of reinsurance, less costs to service the related policies and a risk premium. The fair value of VOBA was determined after taking into consideration certain key assumptions, including the estimated cost of capital, investment yield, loss ratio and related expenses. The adjustment for VOBA will be amortized to acquisition expenses over approximately two years, as the contracts for business in-force as of the acquisition date expire;
- Net reserve for claims and claim expenses - to reflect a decrease related to the present value of the net unpaid claims and claim expenses based on the estimated payout pattern, partially offset by an increase in net claims and claim expenses related to the estimated market based risk margin. The risk margin represents the estimated cost of capital required by a market participant to assume the net claims and claim expenses. The fair value of net reserve for claims and claim expenses was determined using certain key assumptions, including the estimated cost of capital and investment yield. This will be amortized using the projected discount and risk margin patterns of the net claims and claims expenses as of the acquisition date;
- Identifiable indefinite lived and finite lived intangible assets - to establish the fair value of identifiable intangible assets related to the acquisition of ValidusRe described in detail below;
- Deferred tax liability - to reflect the net deferred tax liability on the intangible assets and the other fair value adjustments; and
- Written and earned premiums - to adopt RenaissanceRe's gross written and ceded written premium recognition and earning policies.
- Cash and cash equivalents - to adopt RenaissanceRe's cash and cash equivalents measurement and classification policies.

Identifiable indefinite lived and finite lived intangible assets consisted of the following and are included in goodwill and other intangible assets on the Company's consolidated balance sheet:

	Amount	Economic Useful Life
Agent relationships - top four	$ 145,434	15 years
Agent relationships - other	6,712	5 years
Renewal rights	148,646	15 years
Insurance licenses	6,661	Indefinite
Gross identifiable intangible assets related to the acquisition of ValidusRe, at November 1, 2023	307,453	
Accumulated amortization (from November 1, 2023 through December 31, 2023), net of foreign exchange	4,303	
Net identifiable intangible assets related to the acquisition of ValidusRe as of December 31, 2023	303,150	
Goodwill recognized upon application of Pushdown	7,499	Indefinite
Total goodwill and other intangibles	**$ 310,649**	

Amortization from the acquisition date, November 1, 2023, through December 31, 2023 was included in the Company's consolidated statements of operations for the period from November 2, to December 31, 2023 within Acquisition expenses.

NOTE 4. BUSINESS COMBINATION cont'd

An explanation of the identifiable indefinite and finite intangible assets is as follows:

- Agent relationships – top four – the value of ValidusRe's relationships with their top four brokers (Marsh & McLennan Companies, Inc., Aon Benfield Group Ltd., Willis Towers Watson Plc and Arthur J. Gallagher & Co.) after taking into consideration certain key assumptions, including the estimated cost of capital, investment yield, loss ratio, related expenses, effective tax rates and capital charges. These will be amortized based on an economic benefit pattern over its useful life as of the acquisition date, the majority of which is expected to be within the first 10 years;
- Renewal rights – the value of policy renewal rights was determined after taking into consideration certain key assumptions, including the estimated cost of capital, investment yield, loss ratio, related expenses, effective tax rates and capital charges that would impact the expected cash flows from these renewals over the expected life of these policies. These will be amortized based on an economic benefit pattern over its useful life as of the acquisition date, the majority of which is expected to be within the first 10 years; and
- Insurance licenses – the value of acquired insurance licenses.

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 5. DISCONTINUED OPERATIONS

As described in Note 1, as part of the Transaction on December 31, 2023, RenaissanceRe's affected certain restructuring of ValidusRe to align the operating structure of the Company to that of RenaissanceRe. As part of these restructurings the Company distributed its interests in voting common shares of VHUK valued at the November 1, 2023 carrying value in exchange for no consideration to an affiliated entity. In accordance with ASC Topic 360 the distribution was treated as a capital transaction and represents the net book value of the distributed discontinued operations less its contribution to net income (loss) for the period from November 2, to December 31, 2023. VHUK qualifies as a "component" under ASC Topic 205-20, *Presentation of Financial Statements – Discontinued Operations*, and its disposal will have a major impact on the Company's future operations and financial results. Therefore, it qualifies for discontinued operations presentation and disclosure.

Assets transferred consist primarily of Fixed maturity investments, Short term investments, Cash and cash equivalents, Premiums receivable, Reinsurance recoverable, Deferred tax asset, Other assets. Liabilities transferred consist primarily of Reserves for claims and claims expenses, Unearned premiums, and Reinsurance balances payable. As this the disposal is by means other than a sale, the aforementioned assets and liabilities remain classified as "held and used" rather than "held for sale" in accordance with ASC Topic 360-10-40, *Property, Plant, and Equipment – Derecognition*.

Subsequent to the transfer of VHUK, the Company does not expect to have material intercompany transactions continue into the foreseeable future.

The following is a summary of the VHUK Predecessor Company net assets as of December 31, 2022:

Assets	
Fixed maturity investments trading, at fair value	$ 1,938,197
Short term investments, at fair value	96,002
Total investments	*2,034,199*
Cash and cash equivalents	176,631
Investment in other ventures	3,141
Premiums receivable	934,869
Prepaid reinsurance premiums	9,570
Reinsurance recoverable	151,022
Deferred tax asset	71,482
Due from affiliates, net	21,012
Accrued investment income	10,382
Deferred acquisition costs	293,308
Receivable for investments sold	2,931
Other assets	12,394
Discontinued Operations Assets - Held and used	**3,720,941**
Liabilities	
Reserve for claims and claim expenses	1,799,942
Unearned premiums	986,494
Reinsurance balances payable	10,420
Due to affiliates, net	34,515
Payable for investments purchased	56
Accounts payable and accrued liabilities	352,706
Discontinued Operations Liabilities - Held and used	**3,184,133**
Discontinued Operations Net Assets - Held and used	**$ 536,808**

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 5. DISCONTINUED OPERATIONS, cont'd.

The following is a summary of the VHUK discontinued operations contribution to the Consolidated Statements of Operations:

	Successor Company	Predecessor Company	
	Period from November 2, to December 31, 2023	Period from, January 1, to November 1, 2023	Year ended December 31, 2022
Revenues			
Gross premiums written	$ 313,237	$ 2,046,099	$ 1,721,880
Net premiums written	308,553	1,920,417	1,631,697
Decrease (increase) in net unearned premiums	20,252	(495,810)	(229,552)
Net premiums earned	328,805	1,424,607	1,402,145
Net investment income	17,870	81,643	59,912
Net foreign exchange gains	57	8,252	467
Other income	424	20,394	24,905
Net realized and unrealized gains (losses) on investments	53,736	(21,162)	(174,407)
Total revenues	400,892	1,513,734	1,313,022
Expenses			
Net claims and claim expenses incurred	207,463	926,179	921,937
Acquisition expenses	106,279	390,763	395,363
Operational expenses	2,693	51,949	49,945
Corporate expenses	403	971	750
Interest expense	—	16,730	19,450
Total expenses	316,838	1,386,592	1,387,445
Income from operating affiliates		2,404	3,703
Income (loss) from discontinued operations before taxes	84,054	129,546	(70,720)
Income tax benefit (expense)	9,566	(56,645)	5,949
Income (loss) from discontinued operations	**$ 93,620**	**$ 72,901**	**$ (64,771)**

The following is a summary of the VHUK discontinued operations contribution to the Net cash provided by operating activities and Net cash used in investing activities:

	Successor Company	Predecessor Company	
	Period from November 2, to December 31, 2023	Period from, January 1, to November 1, 2023	Year ended December 31, 2022
Net cash provided by operating activities from discontinued operations	139,639	564,371	427,140
Net cash used in investing activities from discontinued operations	(44,024)	(338,726)	(312,989)

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 6. INVESTMENTS

Fixed Maturity Investments Trading

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

As of December 31,	Successor Company 2023	Predecessor Company 2022
U.S. treasuries	$ 796,141	$ 485,939
Corporate (1)	896,032	530,521
Municipal	—	80,913
Non-U.S. government	69,337	148,159
Residential mortgage-backed	341,653	542,040
Commercial mortgage-backed	132,712	310,763
Asset-backed	176,465	201,346
Total fixed maturity investments trading	$ 2,412,340	$ 2,299,681

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

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

	Successor Company	
As of December 31, 2023	Amortized Cost	Fair Value
Due in less than one year	$ 15,804	$ 15,881
Due after one through five years	1,234,618	1,253,051
Due after five through ten years	478,422	487,404
Due after ten years	4,615	5,174
Mortgage-backed	445,302	474,365
Asset-backed	174,144	176,465
Total	$ 2,352,905	$ 2,412,340

	Predecessor Company	
As of December 31, 2022	Amortized Cost	Fair Value
Due in less than one year	$ 354,191	$ 344,945
Due after one through five years	881,756	831,315
Due after five through ten years	70,710	58,573
Due after ten years	13,865	10,699
Mortgage-backed	958,126	852,803
Asset-backed	222,153	201,346
Total	$ 2,500,801	$ 2,299,681

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 6. INVESTMENTS, cont'd.

Pledged Investments

As of December 31, 2023, $1.4 billion (2022 - $1.4 billion) of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to the Company's letter of credit facilities. Of this amount, $574.4 million (2022 - $687.3 million) is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities and primarily relates to the Company's multi-beneficiary reinsurance trust ("MBRT").

Net Investment Income

The components of net investment income are as follows:

	Successor Company	Predecessor Company	Predecessor Company
	Period from November 2, to December 31, 2023	Period from January 1, to November 1, 2023	December 31, 2022
Fixed maturity investments	$ 18,045	$ 62,843	$ 45,811
Short term investments	5,470	8,791	645
Cash and cash equivalents	4,267	5,397	1,134
Loan receivables	—	38,998	42,256
	27,782	116,029	89,846
Investment expenses	(592)	(1,831)	(3,609)
Net investment income	$ 27,190	$ 114,198	$ 86,237

Net Realized and Unrealized Gains (Losses) on Investments

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

	Successor Company	Predecessor Company	Predecessor Company
	Period from November 2, to December 31, 2023	Period from January 1, to November 1, 2023	December 31, 2022
Gross realized gains on fixed maturity investments trading	$ 9,006	$ —	$ 2,990
Gross realized losses on fixed maturity investments trading	(284)	(35,201)	(9,134)
Net realized gains (losses) on fixed maturity investments trading	8,722	(35,201)	(6,144)
Net unrealized gains (losses) on fixed maturity investments trading	59,470	9,568	(196,056)
Net realized and unrealized gains (losses) on investments	$ 68,192	$ (25,633)	$ (202,200)

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 6. INVESTMENTS, cont'd.

Net Sales (Purchases) of Investments

The table below shows the Company's cash flows in respect of gross and net purchases and sales of short term investments:

	Successor Company	**Predecessor Company**	**Predecessor Company**
Short term investments	**Period from November 2, to December 31, 2023**	**Period from January 1, to November 1, 2023**	**Year ended December 31, 2022**
Gross Purchases	$(1,599,952)	$(2,851,001)	$(1,924,276)
Gross Sales	$ 2,811,434	$ 1,889,666	$ 2,183,576
Net	$ 1,211,482	$ (961,335)	$ 259,300

NOTE 7. FAIR VALUE MEASUREMENTS

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

ASC Topic 820, *Fair Value Measurements and Disclosures* prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

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

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

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

There have been no material changes in the Company's valuation techniques during the period represented by these consolidated financial statements.

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 7. FAIR VALUE MEASUREMENTS, cont'd.

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

	Successor Company			
As of December 31, 2023	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 796,141	$ 796,141	$ —	$ —
Corporate [1]	896,032	—	896,032	—
Non-U.S. government	69,337	—	69,337	—
Residential mortgage-backed	341,653	—	341,653	—
Commercial mortgage-backed	132,712		132,712	—
Asset-backed	176,465		176,465	—
Total fixed maturity investments	2,412,340	796,141	1,616,199	—
Short term investments	214,559	26,360	188,199	—
	$ 2,626,899	$ 822,501	$ 1,804,398	$ —

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

	Predecessor Company			
As of December 31, 2022	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 485,939	$ —	$ 485,939	$ —
Corporate [1]	530,521	—	530,521	—
Municipal	80,913	—	80,913	—
Non-U.S. government	148,159	—	148,159	—
Residential mortgage-backed	542,040	—	520,929	21,111
Commercial mortgage-backed	310,763	—	310,763	—
Asset-backed	201,346	—	199,901	1,445
Total fixed maturity investments	2,299,681	—	2,277,125	22,556
Short term investments	52,267	52,267	—	—
Other assets and (liabilities)				
Derivative assets [2]	17,405	—	17,405	—
Derivative liabilities [2]	(5,312)	—	(5,312)	—
Total other assets and (liabilities)	12,093	—	12,093	—
	$ 2,364,041	$ 52,267	$ 2,289,218	$ 22,556

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

(2) Refer to "Note 14. Derivative Instruments" for additional information related to the fair value, by type of contract, of derivatives entered into by the Company.

NOTE 7. FAIR VALUE MEASUREMENTS, cont'd.

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

Fixed Maturity Investments

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

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

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

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

U.S. treasuries

Level 1 - As of December 31, 2023, the Company's U.S. treasuries fixed maturity investments had a weighted average yield to maturity of 4.0% and a weighted average credit quality of AA, (2022 - 4.6% and AAA, respectively). When pricing these securities, the vendor services utilize daily data from many real time market sources, including active broker-dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

Corporate

Level 2 - As of December 31, 2023, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and non-U.S. government-backed corporations and had a weighted average yield to maturity of 5.0% and a weighted average credit quality of A (2022 - 5.2% and A, respectively).

NOTE 7. FAIR VALUE MEASUREMENTS, cont'd.

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

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

Municipal

Level 2 - As of December 31, 2022, the Company's municipal fixed maturity investments principally consisted U.S. domiciled states, municipalities and political subdivisions and had a weighted average yield to maturity of 5.0% and a weighted average credit quality of AA. The Company's municipal fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information regarding the security from third-party sources such as trustees, paying agents or issuers. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread over widely accepted market benchmarks.

Non-U.S. government

Level 2 - As of December 31, 2023, the Company's non-U.S. government fixed maturity investments had a weighted average yield to maturity of 4.3% and a weighted average credit quality of AA (2022 - 4.6% and AAA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

NOTE 7. FAIR VALUE MEASUREMENTS, cont’d.

Residential mortgage-backed

Level 2 - As of December 31, 2023, the Company’s residential mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average yield of maturity of 4.7%, a weighted average credit quality of AA and a weighted average life of 8.1 years (2022 - 5.7%, AAA and 7.6 years, respectively). Residential mortgage-backed securities include both agency and non-agency mortgage-backed securities. The Company’s agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with active market quotes.

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

Commercial mortgage-backed

Level 2 - As of December 31, 2023, the Company’s commercial mortgage-backed fixed maturity investments had a weighted average yield to maturity of 10.3%, a weighted average credit quality of AAA and a weighted average life of 1.7 years (2022 - 12.1%, AAA and 2.0 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bid and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

Asset-backed

Level 2 - As of December 31, 2023, the Company’s asset-backed fixed maturity investments had a weighted average yield to maturity of 7.1%, a weighted average credit quality of AA and a weighted average life of 3.0 years (2022 - 6.9%, AAA and 3.8 years, respectively). The underlying collateral for the Company’s asset-backed fixed maturity investments primarily consists of collateralized loan obligations and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 2 - As of December 31, 2023, the Company’s short term investment had a weighted average yield to maturity of 5.2% and a weighted average credit quality of AAA (2022 - 0.0% and AA, respectively). Amortized cost approximates fair value for the majority of the Company’s short term investments portfolio and, in certain cases, fair value is determined in a manner similar to the Company’s fixed maturity investments noted above.

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 7. FAIR VALUE MEASUREMENTS, cont'd.

Other Assets and Liabilities

Derivatives

Level 2 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value includes foreign exchange currency contracts, which are determined using standard industry valuation models and considered Level 2, as the inputs to the valuation model are based on observable market inputs. For foreign currency contracts, these inputs include spot rates and interest rate curves.

Level 3 Assets and Liabilities Measured at Fair Value

Fixed Maturity Investments

As of December 31, 2022, fixed maturity investments included in Level 3 are residential mortgage-backed and asset-backed. The general valuation techniques used by the Company to value fixed maturity investments are consistent with the techniques described above. The techniques generally used to determine the fair value of the Company's fixed maturity investments included in Level 3 are detailed below by asset class.

Residential mortgage-backed

Level 3 - As of December 31, 2022, the Company's residential mortgage-backed fixed maturity investments included non-agency residential mortgage-backed securities with a weighted average yield of maturity of 5.2%, a weighted average credit quality of A and a weighted average life of 5.3 years. Where significant inputs used to price securities are not available, or where the security credit rating is below AAA, significant unobservable inputs are used to price these securities, which include collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators, when applicable.

Asset-backed

Level 3 - As of December 31, 2022, the Company's asset-backed fixed maturity investments had a weighted average yield to maturity of 6.1%, a weighted average credit quality of AA and a weighted average life of 6.0 years. Where significant inputs used to price securities are not available, or where the security meets specific criteria, significant unobservable inputs are used to price these securities, which include yield curves, when applicable.

Quantitative information about Level 3 investments

Below is a summary of quantitative information regarding the significant unobservable inputs (Level 3) used in determining the fair value of investments measured at fair value on a recurring basis:

	Successor Company					
As of December 31,	**Fair Value (Level 3)**	**Valuation Technique**	**Unobservable Inputs**	**Low**	**High**	**Weighted Average or Actual**
Residential mortgage-backed securities	$ 21,111	Discounted cash flow	Constant prepayment rate	n/a	n/a	8.6 %
			Loss severity	n/a	n/a	15.2 %
			Constant default rate	n/a	n/a	1.4 %
			Yield	n/a	n/a	6.1 %

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 7. FAIR VALUE MEASUREMENTS, cont'd.

Changes in Level 3 investments

Below is a reconciliation of the beginning and ending balances, for the periods shown, of investments measured at fair value on a recurring basis using Level 3 inputs. Interest and dividend income are included in net investment income and are excluded from the reconciliation.

Successor Company	Residential mortgage-backed securities	Asset-backed securities	Total
Balance - November 2, 2023	$ 11,775	$ —	$ 11,775
Transfers out of Level 3 investments	(11,775)	—	(11,775)
Balance - December 31, 2023	$ —	$ —	$ —

Predecessor Company	Residential mortgage-backed securities	Asset-backed securities	Total
Balance - January 1, 2023	$ 21,111	$ 1,445	$ 22,556
Transfers out of Level 3 investments	—	(1,472)	(1,472)
Sales	(7,082)	—	(7,082)
Settlements	(2,033)	—	(2,033)
Realized gains (losses), net	(2,434)	—	(2,434)
Change in net unrealized gains (losses)	2,213	27	2,240
Balance - November 1, 2023	$ 11,775	$ —	$ 11,775

Predecessor Company	Residential mortgage-backed securities	Asset backed securities	Total
Balance - January 1, 2022	$ 35,970	$ 18,133	$ 54,103
Transfer into Level 3 investments	—	7,529	7,529
Transfers out of Level 3 investments	—	(8,962)	(8,962)
Sales	(4,724)	—	(4,724)
Settlements	(5,917)	(15,000)	(20,917)
Realized gains (losses), net	(398)	—	(398)
Change in net unrealized gains (losses)	(3,820)	(255)	(4,075)
Balance - December 31, 2022	$ 21,111	$ 1,445	$ 22,556

Transfers of Level 3 investments

During the period from November 2, to December 31, 2023, transfers out of Level 3 investments included investments in residential mortgage-backed securities. These transfers were primarily the result of using pricing information that reflects the fair value of those securities based on observable inputs.

NOTE 7. FAIR VALUE MEASUREMENTS, cont'd.

During the period from January 1, to November 1, 2023, transfers out of Level 3 investments included investments in asset-backed securities. These transfers were primarily the result of using pricing information that reflects the fair value of those securities based on observable inputs.

During the year ended December 31, 2022, transfers into Level 3 investments included investments in asset-backed securities. These transfers were primarily the result of limited market pricing information and decreases in investment credit rating relating to collateralized debt obligations that required management to determine fair value for these securities based on unobservable inputs.

During the year ended December 31, 2022, transfers out of Level 3 investments included investments in asset-backed securities. These transfers were primarily the result of using pricing information that reflects the fair value of those securities based on observable inputs.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The carrying values of cash and cash equivalents, accrued investment income, receivables for investments sold, certain other assets, payables for investments purchased, certain other liabilities, and other financial instruments not included herein approximated their fair values.

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 8. REINSURANCE

The Company purchases reinsurance and other protection to manage its risk portfolio and reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions or on a proportional basis. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts provide for payments of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to the respective reinsurance contracts. See Note 11 for information related to intercompany reinsurance agreements in place. The Company remains liable to the extent that any reinsurer fails to meet its obligations.

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

	Successor Company	Predecessor Company	
	Period from November 2, to December 31, 2023	Period from January 1, to November 1, 2023	December 31, 2022
Premiums written			
Assumed	$ 95,994	$ 1,512,524	$ 1,366,496
Ceded	(3,280)	(379,086)	(469,662)
Net premiums written	$ 92,714	$ 1,133,438	$ 896,834
Premiums earned			
Assumed	$ 251,497	$ 1,263,284	$ 1,319,262
Ceded	(68,442)	(350,209)	(486,902)
Net premiums earned	$ 183,055	$ 913,075	$ 832,360
Claims and claim expenses			
Gross claims and claim expenses incurred	$ 21,416	$ 203,089	$ 381,049
Claims and claim expenses recovered	24,931	178,433	114,002
Net claims and claim expenses incurred	$ 46,347	$ 381,522	$ 495,051

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

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

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 8. REINSURANCE, cont'd

As of December 31, 2023, the Company's premiums receivable balance was $1.0 billion (2022 - $0.8 billion). Of the Company's premiums receivable balance as of December 31, 2023, the majority are receivable from highly rated counterparties. The provision for current expected credit losses on the Company's premiums receivable was $0.4 million at December 31, 2023 (2022 - $nil). The following table provides a roll forward of the provision for current expected credit losses of the Company's premiums receivable:

	Successor Company	Predecessor Company
	Period from November 2, to December 31, 2023	Period from January 1, to November 1, 2023
Beginning balance	$ (1,308)	$ —
Recovery of (provision for) allowance	867	(1,696)
Ending balance	$ (441)	$ (1,696)

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

As of December 31, 2023, the Company's reinsurance recoverable balance was $1.1 billion (2022 - $1.8 billion). Of the Company's reinsurance recoverable balance as of December 31, 2023, 88.9% is fully collateralized by the Company's reinsurers, 10.5% is recoverable from reinsurers rated A- or higher by major rating agencies and 0.6% is recoverable from reinsurers rated lower than A- by major rating agencies (2022 - 84.3%, 13.9% and 1.8%, respectively). The reinsurers with the three largest balances accounted for 73.0%, 9.2% and 6.2%, respectively, of the Company's reinsurance recoverables balance as of December 31, 2023 (2022 - 62.0%, 6.1% and 5.9%, respectively).

The provision for current estimated credit losses on the Company's reinsurance recoverables was $4.0 million as of December 31, 2023. The three largest company-specific components of the provision for current expected credit losses represented 32.0%, 31.7% and 16.7%, respectively, of the Company's total provision for current expected credit losses as of December 31, 2023 (2022 - $nil). The following table provides a roll forward of the provision for current expected credit losses of the Company's reinsurance recoverable:

	Successor Company	Predecessor Company
	Period from November 2, to December 31, 2023	Period from January 1, to November 1, 2023
Beginning balance	$ (4,171)	$ —
Recovery of (provision for) allowance	216	(4,754)
Ending balance	$ (3,955)	$ (4,754)

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES

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

The following table summarizes the Company's reserve for claims and claim expenses by main class of business, allocated between case reserves and IBNR:

	Successor Company		
As of December 31, 2023	**Case Reserves**	**IBNR**	**Total**
Property	$ 520,460	$ 1,051,513	$ 1,571,973
Casualty and Specialty	238,307	583,179	821,486
Total	$ 758,767	$ 1,634,692	$ 2,393,459
	Predecessor Company		
As of December 31, 2022			
Property	$ 243,586	$ 580,484	$ 824,070
Casualty and Specialty	719,426	1,636,583	2,356,009
Total	$ 963,012	$ 2,217,067	$ 3,180,079

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

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

	Successor Company	Predecessor Company	
	Period from November 2, to December 31, 2023	Period from January 1, to November 1, 2023	December 31, 2022
Reserve for claims and claim expenses, net of reinsurance recoverable, as of beginning of period	$ 1,411,810	$ 1,419,297	$ 1,309,883
Net incurred related to:			
Current year	48,731	418,882	527,008
Prior years	(2,384)	(37,360)	(31,957)
Total net incurred	46,347	381,522	495,051
Net paid related to:			
Current year	(85,069)	(18,368)	(57,850)
Prior years	(109,954)	(250,015)	(293,356)
Total net paid	(195,023)	(268,383)	(351,206)
Foreign exchange (1)	1,858	(15,182)	(34,430)
Reserve for claims and claim expenses, net of reinsurance recoverable, as of end of period	1,264,992	1,517,254	1,419,298
Reinsurance recoverable as of end of period	1,128,466	1,262,838	1,760,781
Reserve for claims and claim expenses as of end of period	$ 2,393,458	$ 2,780,092	$ 3,180,079

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

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

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

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

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

Given the magnitude of certain events, there can be meaningful uncertainty regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying the Company's loss estimates. Loss reserve estimation in respect of the Company's retrocessional contracts poses further challenges compared to directly assumed reinsurance. In addition, the Company's actual net losses from these events may increase if the Company's reinsurers or other obligors fail to meet their obligations.

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

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

The Company establishes a provision for unallocated loss adjustment expenses ("ULAE") when the related reserve for claims and claim expenses is established. ULAE are expenses that cannot be associated with a specific claim but are related to claims paid or in the process of settlement, such as internal costs of the claims function, and are included in the reserve for claims and claim expenses. The determination of the ULAE provision is subject to judgment.

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Property Main Class of Business

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

Coverage can also vary from "all property" perils to limited coverage on selected perils, such as "earthquake only" coverage. The Company also enters into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. This coverage is generally in the form of excess of loss retrocessional contracts and may cover all perils and exposures on a worldwide basis or be limited in scope to selected geographic areas, perils and/or exposures. The exposures the Company assumes from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound.

Also included in the Property main class of business is property per risk, property (re)insurance, and regional U.S. multi-line reinsurance. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. The Company offers these products principally through proportional reinsurance coverage. In a proportional reinsurance arrangement (also referred to as quota share reinsurance or pro rata reinsurance), the reinsurer shares a proportional part of the original premiums and losses of the reinsured.

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

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

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

Because losses from which claims arise under policies written within the Property main class of business are typically prominent, public events such as hurricanes and earthquakes, the Company is often able to use independent reports as part of its loss reserve estimation process. The Company also reviews catastrophe bulletins published by various statistical reporting agencies to assist in determining the size of the industry loss, although these reports may not be available for some time after an event.

For smaller events including localized severe weather events such as windstorms, hail, ice, snow, flooding, freezing and tornadoes, which are not necessarily prominent, public occurrences, the Company initially places greater reliance on catastrophe bulletins published by statistical reporting agencies to assist in determining what events occurred during the reporting period than the Company does for large events. This includes reviewing catastrophe bulletins published by Property Claim Services for U.S. catastrophes. The Company sets its initial estimates of reserves for claims and claim expenses for these smaller events based on a combination of its historical market share for these types of losses and the estimate of the total insured industry property losses as reported by statistical reporting agencies, although management may make significant adjustments based on the Company's current exposure to the geographic region involved as well as the size of the loss and the peril involved. This approach supplements the Company's approach for estimating losses for larger catastrophes, which as discussed above, includes discussions with brokers and ceding companies and reviewing individual contracts impacted by the event. For these small events, generally on the one year anniversary of when the event occurred, the Company will typically estimate IBNR for these events by using the reported Bornhuetter-Ferguson actuarial method. The loss development factors for the reported Bornhuetter-Ferguson actuarial method are selected based on a review of the Company's historical experience.

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

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Casualty and Specialty Main Class of Business

The Company offers its casualty and specialty reinsurance products principally on a proportional basis, and it also provides excess of loss coverage. The Company offers casualty and specialty reinsurance products to insurance and reinsurance companies and provides coverage for specific geographic regions or on a worldwide basis.

As with the Company's Property main class of business, its Casualty and Specialty main class of business reinsurance contracts can include coverage for relatively large limits or exposures. As a result, the Company's casualty and specialty reinsurance business can be subject to significant claims volatility. In periods of low claims frequency or severity, the Company's results will generally be favorably impacted while in periods of high claims frequency or severity the Company's results will generally be negatively impacted.

The Company's processes and methodologies in respect of loss estimation for the coverages offered through its Casualty and Specialty main class of business differ from those used for its Property main class of business. For example, the Company's casualty and specialty coverages are more likely to be impacted by factors such as long-term inflation and changes in the social and legal environment, which the Company believes gives rise to greater uncertainty in its reserves for claims and claim expenses. Moreover, in many lines of business the Company does not have the benefit of a significant amount of its own historical experience and may have little or no related corporate reserving history in many of its newer or growing lines of business. The Company believes this makes its Casualty and Specialty main class of business reserving subject to greater uncertainty than its Property main class of business.

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

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

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

For classes of business and underwriting years where the Company has limited historical claims experience, estimates of ultimate losses are generally initially determined based on the loss ratio method applied to each underwriting year and to each class of business. Unless the Company has credible claims experience or unfavorable development, it generally selects an ultimate loss based on its initial expected loss ratio. The selected ultimate losses are determined by multiplying the initial expected loss ratio by the earned premium. The initial expected loss ratios are key inputs that involve management judgment and are based on a variety of factors, including: (1) contract by contract expected loss ratios developed during the Company's pricing process; (2) historical loss ratios and combined ratios adjusted for rate change and trend; and (3) industry benchmarks for similar business. These judgments take into account management's view of past, current and future factors that may influence ultimate losses, including: (1) market conditions; (2) changes in the business underwritten; (3) changes in timing of the emergence of claims; and (4) other factors that may influence ultimate loss ratios and losses.

The determination of when reported losses are sufficient and credible to warrant selection of an ultimate loss ratio different from the initial expected loss ratio also requires judgment. The Company generally makes adjustments for reported loss experience indicating unfavorable variances from initial expected loss ratios sooner than reported loss experience indicating favorable variances. This is because the reporting of losses in excess of expectations tends to have greater credibility than an absence or lower than expected level of reported losses. Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are typically based on the Bornhuetter-Ferguson actuarial method or the reported chain ladder actuarial method.

The Bornhuetter-Ferguson actuarial method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively swayed by experience of actual paid and/or reported loss data, compared to the chain ladder actuarial method. The Bornhuetter-Ferguson actuarial method uses the initial expected loss ratio to estimate IBNR, and it assumes that past experience is not fully representative of the future. As the Company's reserves for claims and claim expenses age, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims, is reflected in the respective reporting period as a change in estimate. The utilization of the Bornhuetter-Ferguson actuarial method requires the Company to estimate an expected ultimate claims and claim expense ratio and select an expected loss reporting pattern. The Company selects its estimates of the expected ultimate claims and claim expense ratios as described above and selects its expected loss reporting patterns by utilizing actuarial analysis, including management's judgment, and historical patterns of paid losses and reporting of case reserves to the Company, as well as industry loss development patterns. The estimated expected claims and claim expense ratio may be modified to the extent that reported losses at a given point in time differ from what would be expected based on the selected loss reporting pattern.

The reported chain ladder actuarial method utilizes actual reported losses and a loss development pattern to determine an estimate of ultimate losses that is independent of the initial expected ultimate loss ratio and earned premium. The Company believes this technique is most appropriate when there are a large number of reported losses with significant statistical credibility and a relatively stable loss development pattern. Information that may cause future loss development patterns to differ from historical loss development patterns is considered and reflected in the Company's selected loss development patterns as appropriate. For certain reinsurance contracts, historical loss development patterns may be developed from ceding company data or other sources.

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

In addition, certain specialty coverages may be impacted by natural and man-made catastrophes. The Company estimates reserves for claim and claim expenses for these losses, following a process that is similar to its Property main class of business described above.

For incurred and paid accident year claims denominated in currencies other than USD, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

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

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

During the period from January 1, to November 1, 2023, net favorable development of prior accident years net claims and claim expenses of $37.4 million. The net favorable development of prior accident years net claims and claim expenses is driven primarily by:

- Approximately $7.6 million of favourable development 2019 event Typhoon Hagibis;
- Approximately $7.4 million of adverse development 2020 event Coronavirus-2019;
- Approximately $21.9m of adverse development on 2022 events, with $12.7 million adverse development from the Repsol Oil Spill and $22.2 million adverse on Winter Storm Elliot offset by $13.0 million of favourable development on Typhoon Nanmadol losses.
- Approximately $20.3 million of favourable development on various other event losses in the aggregate;
- Approximately $38.7 million of favourable development on attritional losses mostly driven by favourable experience in the Companies Trade Credit treaties of $15.5 million, Cyber treaties of $19.3 million, and $7.2 million on Marine and Composite treaties.

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

During the period from November 2, to December 31, 2023, net favorable development of prior accident years net claims and claim expenses of $2.4 million. Prior period development is limited to as a result of the Reserve Development Agreement that forms part of the Transaction, wherein AIG retains 95% of development on reserves that existed at the date of the Transaction close. The net favorable development of prior accident years net claims and claim expenses is driven primarily by:

- Approximately $1.5 million of favourable development on 2018 events Hurricane Michael, California Wildfires, Typhoon Jebi, and Typhoon Florence;
- Approximately $0.7 million of favourable development on 2019 events Typhoon Hagibis and Typhoon Faxai; offset by
- Approximately $1.8 million of unfavourable development on losses associated with the Ukraine conflict; and
- Approximately $2.0 million of favourable development on events and attritional losses.

During the year ended December 31, 2022, net favorable development of prior accident years net claims and claim expenses of $32.0 million. The net favorable development of prior accident years net claims and claim expenses is driven primarily by:

- Approximately $44.4 million of adverse development on 2020 event losses. $18.6 million in adverse development on Coronavirus-2019 pandemic related losses, $15.9 million in Hammerfest LNG fire, and $9.6 million from Orion Waymon Boyd explosion;
- Approximately $36.8 million in aggregate favourable development on other event losses primarily from 2021 and 2020 accident years contributing $11.7 million and $8.1 million, respectively;
- Approximately $39.4 million in favourable development on attritional losses mostly driven by $38.2 million favourable development from Trade Credit and Non-payment treaties due to government support following the Coronavirus-2019 pandemic relief, $24.6 million in favourable development from Marine and Composite treaties based on actual experience offset by $28.4 million in unfavourable development on U.S. property losses due to higher frequency and severity of severe conductive storm prevalence.

The following table details the Company's consolidated incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2023, net of reinsurance, as well as IBNR included within the net incurred claims amounts. The Company provides treaty reinsurance products on a global basis and does not receive or maintain claims count information associated with its reserve claims. As such, the Company has determined that it is impracticable to provide this information.

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 9. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Successor Company

	Incurred claims and claim expenses, net of reinsurance										As of December 31, 2023
	For the year ended December 31,										
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**IBNR**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2014	$ 219,297	$ 190,907	$ 171,471	$ 167,151	$ 171,178	$ 168,606	$ 167,004	$ 161,717	$ 161,023	$ 159,741	$ 114
2015	—	281,990	237,680	192,015	181,079	171,968	163,378	162,850	161,371	162,436	1,258
2016	—	—	229,230	213,421	196,986	184,553	171,570	169,527	170,076	169,641	5,916
2017	—	—	—	448,747	417,236	379,008	364,759	363,189	353,299	350,512	48,709
2018	—	—	—	—	511,425	525,250	491,357	471,263	477,049	472,197	42,139
2019	—	—	—	—	—	387,631	402,081	384,407	400,313	398,851	29,930
2020	—	—	—	—	—	—	455,284	490,645	568,404	577,321	115,328
2021	—	—	—	—	—	—	—	517,318	417,930	426,352	15,695
2022	—	—	—	—	—	—	—	—	517,126	472,079	226,977
2023	—	—	—	—	—	—	—	—	—	437,321	398,248
Total										$ 3,626,451	$ 884,314

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2014	$ 37,619	$ 95,624	$ 122,007	$ 130,688	$ 136,536	$ 142,071	$ 144,628	$ 153,215	$ 154,580	$ 155,387
2015	—	36,388	90,579	137,696	147,111	152,872	155,259	156,803	156,917	159,554
2016	—	—	38,221	96,151	93,275	123,757	139,205	147,112	151,177	152,918
2017	—	—	—	110,363	257,119	307,355	296,124	296,719	300,912	284,687
2018	—	—	—	—	32,829	322,722	348,556	377,659	397,866	326,630
2019	—	—	—	—	—	34,093	175,207	211,933	252,318	289,299
2020	—	—	—	—	—	—	43,779	172,470	265,795	372,192
2021	—	—	—	—	—	—	—	61,930	188,797	326,162
2022	—	—	—	—	—	—	—	—	47,407	203,425
2023	—	—	—	—	—	—	—	—	—	40,879
Total										$ 2,311,133
Outstanding liabilities from accident year 2013 and prior, net of reinsurance										19,535
Adjustment for unallocated loss adjustment expenses										3,838
Unamortized fair value adjustments in connection with an acquisition and CECL adjustments										(73,698)
Liability for claims and claim expenses, net of reinsurance										$ 1,264,993

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 10. SHAREHOLDER'S EQUITY

The aggregate authorized capital of the Company is 1,000,000 common shares of $1.00 par value each.

During the period from January 1, to November 1, 2023, the Company made a deemed distribution to AIG via Validus Holdings amounting to $1,522 relating to settlement of share-based compensation arrangements and received $20,000 in deemed contributions in the form of in specie cancellation of intercompany receivables owed to the Company. The Company, in contemplation of the Transaction, declared dividends to Validus Holdings amounting to $575,510 comprised of $562,510 cash and $13,000 in specie by the cancellation intercompany receivable owed to the Company by Validus Holdings, and returned capital of $1,050,559 in the form of forgiveness of certain loans made from the Company to wholly-owned subsidiaries of AIG.

Upon acquisition of the Company by RenaissanceRe, in accordance with the ASC Topic 805 upon the application of Pushdown, Predecessor retained earnings is closed to Additional paid-in-capital resetting the equity basis of the Company to that of the Successor. As part of Pushdown, certain fair value and other adjustments were made in order to align the Company with RenaissanceRe accounting policies and presentation as follows:

Deferred acquisition costs and value of business acquired	$ 223,409
Identifiable indefinite lived and finite lived intangible assets	495,573
Net reserve for claims and claim expenses	192,000
Deferred tax liability	(46,195)
Other accounting alignment and fair value adjustments	(24,344)

On December 31, 2023, the distribution of VHUK, as discussed in Note 5, was completed for no consideration, therefore in accordance with ASC Topic 360 the distribution was treated as a capital transaction and represents the net book value of the distributed discontinued operations less its contribution to net income (loss) for the period from November 2, to December 31, 2023.

During the year ended December 31, 2022, the Company made capital distributions to AIG via Validus Holdings amounting to $442 relating to settlement of share-based compensation arrangements. The Company declared dividends to Validus Holdings amounting to $150,000, comprising of $100,000 cash and $50,000 in specie by the cancellation of an intercompany payable owed to the Company.

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 11. RELATED PARTY TRANSACTIONS

The Company enters into related party transactions as a normal course of business in three main categories: (1) Reinsurance arrangements, (2) Derivatives, investments and loans, and (3) service level agreements. Amounts due to and from affiliates as of December 31, 2023 and 2022 are non-interest bearing and payable on demand, or in accordance with the contractual terms of reinsurance-related transactions.

Reinsurance arrangements

The Company has various reinsurance agreements with its affiliates which have been entered into for risk management or regulatory purposes. The following tables summarize the significant transactions resulting from these reinsurance agreements:

	Successor Company	Predecessor Company	
	Period from November 2, to December 31	Period from January 1, to November 1, 2023	Year ended December 31, 2022
Net premiums earned	6,963	20,037	6,007
Net claims and claim expenses incurred	(2,266)	—	2,481
Acquisition expenses	—	(339)	(487)

The following tables summarize the significant balances resulting from these reinsurance agreements:

	Successor Company	Predecessor Company
Balances outstanding as at	December 31, 2023	December 31, 2022
Premium receivable	569	21,571
Deferred acquisition costs	—	16
Prepaid reinsurance premiums	1,750	5,157
Reserves for claims and claims expenses	48,811	48,241
Unearned premiums	—	1,406
Reinsurance balances payable	(15,534)	17,272

Derivatives, investments and loans

Derivative agreement

The Company had a derivative agreement in place which was terminated in conjunction with the Transaction with an affiliated AIG entity. Refer to Note 14 for further details.

Investments

On January 1, 2019, the Company entered into an investment management agreement with AIG, whereby AIG would assume overall management of the Company's investment portfolio. As part of this agreement, the Company paid $1,139 of investment management expenses to AIG during the period from January 1, to November 1, 2023 ($2,297 - year ended December 31, 2022).

In 2022, AIG entered into investment management agreements with BlackRock, Inc. ("BlackRock"), a third party investment manager. Effective October 17, 2022, the Company likewise entered into investment management agreements with BlackRock.

NOTE 11. RELATED PARTY TRANSACTIONS, cont'd

In 2023, upon the closing of the Transaction, the investment management agreements held with BlackRock were cancelled and replaced with new investment management agreements with RenaissanceRe and BlackRock.

Loan receivables (included in Other assets)

On September 26, 2014, Validus Specialty, Inc., an affiliate, obtained a loan from a subsidiary of the Company, with a principal amount of $400,000 bearing an annual interest rate of 5.80% and maturing on September 23, 2024. On April 2019, the Company settled this loan with Validus Specialty, Inc. and entered into a new loan agreement with AIG. The new loan receivable has a principal amount of $400,000 bearing an annual interest rate of 5.09% and maturing on April 1, 2033. The outstanding balance as at December 31, 2022 was $401,664. The related interest income earned during the year ended December 31, 2022 amount to $20,360. The loan was distributed as part of the Transaction to an affiliated entity of AIG therefore the outstanding balance at December 31, 2023 was $0. The related interest income earned during the period from January 1 until November 1, 2023, amounted to $15,228.

On September 1, 2018, the Company acquired a note receivable from AIG International Holdings GmbH with a principal amount of $327,729 bearing an annual interest rate of 3.60% and matured on August 31, 2022. Upon maturity, the Company entered into a new loan agreement with AIG. The new loan receivable has a rolled principal amount of $339,691 bearing an annual interest rate of 4.60% and maturing on September 1, 2027. The outstanding balance as of December 31, 2022 was $345,030. The related interest income earned during the year ended December 31, 2022 amounted to $5,339. The loan was distributed as part of the Transaction to an affiliated entity of AIG therefore the outstanding balance as of December 31, 2023 was $0. The related interest income earned during the period from January 1, to November 1, 2023, amounted to $12,683.

On April 1, 2019, the Company acquired an additional AIG loan receivable from Validus Holdings with a principal amount of $250,000 in exchange for a capital contribution of $73,441 and the settlement of intercompany receivables from Validus Holdings of $176,559. This loan bears an annual interest rate of 3.90% and matured on August 31, 2022. Upon maturity, the Company entered into a new loan agreement with AIG. The new loan receivable has a rolled principal amount of $259,885 bearing an annual interest rate of 5.02% and maturing on August 31, 2027. The outstanding balance as of December 31, 2022 was $264,343. The related interest income earned during the year ended December 31, 2022 amounted to $4,457. The loan was distributed as part of the Transaction to an affiliated entity of AIG therefore the outstanding balance as of December 31, 2023 was $0. The related interest income earned during the period from January 1, to November 1, 2023, amounted to $10,598.

<u>Service level agreements</u>

In accordance with service level agreements, the Company participates in centralized services wherein expenses are incurred by service and other affiliated entities and allocated to, or recharged from, affiliated companies. Services provided across the group include managerial services, underwriting services, actuarial services, claims services, accounting services, information technology services and others. The following table summarizes the revenue and expenses incurred by the Company for services provided to or received from affiliated companies:

	Successor Company	Predecessor Company	
	Period from November 2, to December 31	Period from January 1, to November 1, 2023	Year ended December 31, 2022
Other Income	—	2,668	2,179
Operational expenses	315	63,959	49,846

(unless otherwise noted, amounts in tables expressed in thousands of United States (“U.S.”) dollars, except per share amounts and percentages)

NOTE 12. TAXATION

Currently, the Company is not subject to any income or capital gains taxes in Bermuda. On December 27, 2023, the Corporate Income Tax Act 2023 (the “Act”) was signed into law and will apply a 15% corporate income tax to certain Bermuda businesses which are considered Bermuda Constituent Entities as defined in section 9 of the Act beginning in fiscal years that start on or after January 1, 2025. The Company is considered a Bermuda Constituent Entity pursuant to the Act and, therefore, is expected to become subject to the 15% Bermuda corporate income tax beginning in 2025. The Act includes a provision referred to as the economic transition adjustment, which is intended to provide a fair and equitable transition into the tax regime with respect to which the Company has recorded a deferred tax asset. The Company recorded a net deferred tax asset of $44.1 million in the fourth quarter of 2023 of which it expects to utilize predominantly over a 10-year period. The Company expects to incur increased taxes in Bermuda beginning in 2025.

The following is a summary of the Company’s income (loss) before taxes allocated between domestic and foreign operations:

	Successor Company	Predecessor Company	
	Period from November 2, to December 31	Period from January 1, to November 1, 2023	Year ended December 31, 2022
Domestic			
Bermuda	179,371	327,658	(10,274)
Foreign			
Singapore	3,477	4,308	(12,401)
Canada	2,103	1,957	(2,753)
Income (loss) before taxes	184,951	333,923	(25,428)

Income tax benefit (expense) is comprised as follows:

	Successor Company	Predecessor Company	
	Period from November 2, to December 31	Period from January 1, to November 1, 2023	Year ended December 31, 2022
Current	(470)	(251)	(237)
Deferred	44,103	35	348
Income tax benefit (expense)	43,633	(216)	111

The Company’s expected income tax provision computed on pre-tax income (loss) at the weighted average tax rate has been calculated as the sum of the pre-tax income (loss) in each jurisdiction multiplied by that jurisdiction’s applicable statutory tax rate. Statutory tax rates of 0.0% in Bermuda, 17.0% in Singapore, and 26.5% in Canada have been used.

(unless otherwise noted, amounts in tables expressed in thousands of United States (“U.S.”) dollars, except per share amounts and percentages)

NOTE 12. TAXATION, cont’d.

The Company’s effective income tax rate, which it calculates as income tax (expense) benefit divided by net income or loss before taxes, may fluctuate significantly from period to period depending on the geographic distribution of pre-tax net income (loss) in any given period between different jurisdictions with comparatively higher tax rates and those with comparatively lower tax rates. The geographic distribution of pre-tax net income (loss) can vary significantly between periods due to, but not limited to, the following factors: the business mix of net premiums written and earned; the geographic location, the size and the nature of net claims and claim expenses incurred; the amount and geographic location of operating expenses, net investment income, net realized and unrealized gains (losses) on investments; outstanding debt and related interest expense; and the amount of specific adjustments to determine the income tax basis in each of the Company’s operating jurisdictions. In addition, a significant portion of the Company’s gross and net premiums are currently written and earned in Bermuda, which does not currently have a corporate income tax, including the majority of the Company’s catastrophe business, which can result in significant volatility to its pre-tax net income in any given period.

A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate is as follows:

	Successor Company	Predecessor Company	
	Period from November 2, to December 31	Period from January 1, to November 1, 2023	Year ended December 31, 2022
Expected income tax benefit (expense)	(1,149)	(1,248)	2,838
Recognition of Bermuda net deferred tax asset	44,062	—	—
Change in valuation allowance	591	(167)	(1,306)
Other	129	1,199	(1,421)
Income tax benefit (expense)	43,633	(216)	111

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 12. TAXATION cont'd

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

As of December 31,	Successor Company 2023	Predecessor Company 2022
Deferred tax assets		
Intangible assets	4,873	—
Value of in-force business	41,540	—
Reserve for claims and claim expenses	2,116	—
Tax loss and credit carryforwards	949	2,000
Accrued expenses	1,612	—
Deferred acquisition expenses	684	—
Investments	—	348
	51,774	2,348
Deferred tax liabilities		
VOBA	(6,295)	—
	(6,295)	—
Net deferred tax asset (liability) before valuation allowance	45,479	2,348
Valuation allowance	(1,408)	(2,000)
Net deferred tax asset	$ 44,071	$ 348

The Company's net deferred tax asset primarily relates to GAAP versus tax basis accounting differences relating to value of in-force business, intangible assets, reserves for claims and claims expenses and deferred acquisition expenses. The Company's valuation allowance assessment is based on all available information including projections of future GAAP taxable income from each tax-paying component in each tax jurisdiction. During 2023, the Company recorded a net (increase) / decrease to the valuation allowance of $0.4 million (2022 ($1.3) million).

The Company had no unrecognized tax benefits as of December 31, 2023 and December 31, 2022. Interest and penalties related to unrecognized tax benefits would be recognized in income tax expense. As of December 31, 2023 and December 31, 2022 there was no interest or penalties accrued on unrecognized tax benefits. The following filed income tax returns are open for examination with the applicable tax authorities:

- Singapore - 2019 to 2022
- Canada - 2019 to 2022

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 13. STATUTORY REQUIREMENTS

The Company's (re)insurance operations are subject to insurance laws and regulations in the jurisdictions in which they operate, the most significant of which currently include Bermuda, Canada, and Singapore. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the respective regulatory authorities.

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

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

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

	Bermuda	
	Successor Company	Predecessor Company
As of December 31,	**2023**	**2022**
Statutory capital and surplus	$ 2,018,159	$ 3,654,884
Required statutory capital and surplus	614,195	1,227,798

(1) The Company statutory capital and surplus is based on its statutory financial statements and required statutory capital and surplus is based on the enhanced capital requirement

Validus Reinsurance, Ltd. - Bermuda

Validus is registered as a Class 4 general business insurers under the Insurance Act 1978, amendments thereto and related regulations of Bermuda (collectively, the "Insurance Act"). Class 4 insurers are required to maintain available statutory economic capital and surplus at a level at least equal to their enhanced capital requirement ("ECR") and may be adjusted if the Bermuda Monetary Authority ("BMA") concludes that the insurer's risk profile deviates significantly from the assumptions underlying its ECR or the insurer's assessment of its risk management policies and practices used to calculate the ECR. The BMA has established a target capital level which is set at 120% of the ECR.

NOTE 13. STATUTORY REQUIREMENTS, cont'd.

Class 4 insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividend would cause the insurer to fail to meet the required minimum solvency margin or minimum liquidity ratio. Further, Class 4 insurers are prohibited from declaring or paying in any financial year dividends of more than 25% of total statutory capital and surplus unless the insurer file an affidavit with the BMA stating that it will continue to meet the required minimum solvency margin or minimum liquidity ratio. Class 4 insurers must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to the solvency requirements under the Companies Act 1981 which apply to all Bermuda companies.

Validus Reinsurance, Ltd. - Canada Branch

The Canada branch office is subject to regulation by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Under regulations and guidelines prescribed by OSFI, the Canada branch office is required to maintain prescribed levels of capital, which are dependent on the type and amount of insurance policies in force and the nature of the Canada branch office's assets. As of December 31, 2023, the margin of net assets required in respect of risks insured in Canada is CAD 1,746 (2022: CAD 814).

Validus Reinsurance, Ltd. - Singapore Branch

The Singapore Branch is licensed to carry on insurance business as a general reinsurer under the regulation of the Monetary Authority of Singapore, which is its primary regulator, pursuant to Singapore's Insurance Act. Additionally, the Singapore Branch is regulated by the Accounting and Corporate Regulatory Authority as a foreign company pursuant to Singapore's Companies Act. The Company's Singapore branch office is subject to capital a minimum adequacy requirement of SGD 5,000 as of December 31, 2023 and 2022.

NOTE 14. DERIVATIVE INSTRUMENTS

From time to time, the Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for assumed reinsurance risk mitigation where suitable retrocessional coverage is not available or cost effective. The Company's derivative instruments can be exchange traded or over-the-counter, with over-the-counter derivatives generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event a party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

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

As part of the Transaction, derivative instruments expired without replacement at the closing date of the change in control to RenaissanceRe, or were retained by AIG, as contemplated by the Stock Purchase Agreement dated May 22, 2023.

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

	Successor Company			
	Derivative Assets			
As of December 31, 2023	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Foreign exchange contracts	$ —	Other assets	$ —	$ —
Total	$ —		$ —	$ —
	Derivative Liabilities			
As of December 31, 2023	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Foreign exchange contracts	$ —	Accounts payable and accrued liabilities	$ —	$ —
Total	$ —		$ —	$ —

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages)

NOTE 14. DERIVATIVE INSTRUMENTS, cont'd.

	Predecessor Company			
	Derivative Assets			
As of December 31, 2022	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Foreign exchange contracts (1)	$ 17,405	Other assets	$ 10,420	$ 6,985
	Derivative Liabilities			
As of December 31, 2022	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Foreign exchange contracts (1)	$ 5,312	Accounts payable and accrued liabilities	$ —	$ 5,312

(1) The foreign exchange contracts are valued on the basis of standard industry valuation models.

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

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives		
		Successor Company	Predecessor Company	
		Period from November 2, to December 31, 2023	Period from January 1, to November 1, 2023	Year ended December 31, 2022
Foreign exchange contracts	Net foreign exchange gains (losses)	$ —	$ (8,359)	$ 14,035

Foreign Currency Derivatives

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

The Company uses foreign currency derivatives (principally foreign currency forward contracts) to minimize the effect of fluctuating foreign currencies on non-U.S. dollar foreign currency transactions and foreign currency denominated investments. The fair value of the Company's underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. As of December 31, 2023, the Company had outstanding foreign currency contracts of $nil in notional long positions and $nil in notional short positions, denominated in U.S. dollars (2022 – $295,085 and $83,598, respectively).

NOTE 15. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS

Concentration of Credit Risk

Instruments which potentially subject the Company to concentration of credit risk consist principally of investments, including the Company's, cash, premiums receivable and reinsurance balances. Except for securities of the U.S. government, none of the Company's fixed-maturity and short-term investments exceeded 10% of shareholder's equity as of December 31, 2023. See "Note 8. Reinsurance" and "Note 9. Reserve for Claims and Claim Expenses" for additional information with respect to reinsurance recoverable. and "Note 6 Investments" for additional information with respect to investment holdings.

Secured Letter of Credit Facility with Citibank Europe

RenaissanceRe, the Company's ultimate parent, and certain of its subsidiaries and affiliates are parties to a facility letter, dated December 19, 2022, as amended, with Citibank Europe plc ("Citibank Europe"), pursuant to which Citibank Europe has established a letter of credit facility under which Citibank Europe provides a commitment to issue letters of credit for the accounts of the participants in multiple currencies. On November 1, 2023, ValidusRe acceded to the credit facility, and the aggregate committed amount of the facility was increased from $180.0 million to $320.0 million, with a right, subject to satisfying certain conditions, to increase the size of the facility to $350.0 million.

As of December 31, 2023, RenaissanceRe had $280.1 million aggregate face amount of letters of credit outstanding and $39.9 million remained unused and available to the participants under this facility, of which $138.6 million relates to the Company. As of December 31, 2022, the Company had $144.1 million aggregate face amount of letters of credit outstanding under a facility letter supported by AIG.

Unsecured Letter of Credit Facility with Société Générale

The Company is party to a irrevocable standby letter of credit facility agreement with Société Générale dated May 27, 2020, as amended, and which provides for a $150.0 million committed, unsecured letter of credit facility pursuant to which Société Générale may issue letters of credit or similar instruments in United States Dollars. The facility was extinguished on November 1, 2023 as part of the Transaction.

Unsecured Letter of Credit Facility with Standard Chartered Bank

The Company is party to a irrevocable standby letter of credit facility agreement with Standard Charter Bank ("Standard Charter") dated December 31, 2018, as amended, and which provides for a $200.0 million committed, unsecured letter of credit facility pursuant to which Standard Charter may issue letters of credit or similar instruments in United States Dollars. The facility was extinguished on November 1, 2023 as part of the Transaction.

Indemnifications and Warranties

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

NOTE 15. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS cont'd

Legal Proceedings

The Company is subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct insurance policies, as applicable. In the Company's industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, disputes relating to the scope of, or compliance with, the terms of delegated underwriting agreements, employment claims, regulatory actions or other disputes.

The Company may also directly or indirectly be subject to claims litigation involving disputed interpretations of policy coverages. In addition, the Company may from time to time engage in litigation or arbitration related to its claims for payment in respect of ceded reinsurance, including disputes that challenge the Company's ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate. The Company believes that no individual litigation or arbitration to which the Company is presently a party is likely to have a material adverse effect on the Company's financial condition, business or operations.

NOTE 16. SUBSEQUENT EVENTS

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2023, through May 20, 2024, the date the consolidated financial statements were available to be issued.

On March 19, 2024, the Company's board of directors approved a distribution of $1.0 billion to Validus Holdings, Ltd. and received approval from the BMA for the distribution which exceeded 15% of statutory capital. The distribution was settled on April 23, 2024 by a in specie transfer of approximately $953.0 of fixed maturity investments and short term investments with the remainder distributed as cash of approximately $47.0 million in cash.