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Premia Holdings Ltd.

**Consolidated Financial Statements
and Report of Independent Auditors**

For the Years Ended December 31, 2023 and 2022

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Premia Holdings Ltd.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Delata Ltd.

April 30, 2024

Premia Holdings Ltd.

Consolidated Balance Sheets

As at December 31, 2023 and December 31, 2022

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

		2023		2022
Assets				
Short-term investments, available-for-sale, at fair value (amortized cost: 2023 - \$21,959; 2022 - \$49,016; net of allowance: 2023 - \$nil)	\$	21,966	\$	49,211
Fixed maturities, available-for-sale, at fair value (amortized cost: 2023 - \$1,408,136; 2022 - \$1,582,471; net of allowance: 2023 - \$3,304)		1,325,105		1,455,329
Other investments, at fair value		270,527		230,402
Equities, at fair value		2,500		2,808
Equity method investment		18,021		19,506
Total investments	Note 4	1,638,119		1,757,256
Cash and cash equivalents		89,005		102,046
Restricted cash and cash equivalents		95,419		86,627
Premiums receivable		94,246		149,122
Prepaid reinsurance premiums		1,351		1,938
Funds held by ceding companies		903,740		630,441
Reinsurance recoverable on paid and unpaid losses (net of allowance: 2023 - \$4,558)	Note 7	810,572		819,290
Deferred charge asset	Note 6	36,179		38,782
Deferred acquisition costs		2,094		6,554
Other assets		116,046		100,971
Goodwill and other intangible assets	Note 8	34,397		35,002
Total Assets		\$ 3,821,168	\$ 3,728,029	
Liabilities				
Reserve for losses and loss adjustment expenses	Note 6	\$ 1,776,429	\$	1,729,977
Deposit liability	Note 6	768,574		801,133
Unearned premiums		8,563		19,825
Insurance and reinsurance balances payable		49,090		61,788
Ceded funds held		367,487		308,077
Long term debt	Note 9	247,934		247,083
Deferred gain liability	Note 6	27,174		10,612
Other liabilities		100,393		86,751
Total Liabilities		3,345,644	3,265,246	
Shareholders' Equity				
Common shares (\$0.01 par; shares issued and outstanding: 42,852,729)	Note 10	429		429
Additional paid-in capital		439,354		439,354
Accumulated other comprehensive loss		(88,020)		(142,637)
Retained earnings		123,761		165,637
Total Shareholders' Equity		475,524	462,783	
Total Liabilities and Shareholders' Equity		\$ 3,821,168	\$ 3,728,029	

Premia Holdings Ltd.
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Years Ended December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

	2023	(As Adjusted) 2022
Revenues		
Gross premiums written	\$ 16,119	\$ 8,097
Ceded premiums	(2,350)	(979)
Net premiums written	13,769	7,118
Change in unearned premiums	11,030	27,398
Net premiums earned	24,799	34,516
Net investment income	Note 4 99,842	66,557
Net realized gains on investments	Note 4 5,844	3,041
Net unrealized gains (losses) on equities and other investments	Note 4 825	(2,007)
Other income	42,514	49,297
Total revenues	173,824	151,404
Expenses		
Net loss and loss adjustment expenses	(67,851)	(4,636)
Acquisition expenses	(11,243)	(13,722)
Operating expenses	(75,794)	(63,654)
Interest expense	Note 9 (52,524)	(52,018)
Net foreign exchange (loss) gain	(1,617)	3,025
Total expenses	(209,029)	(131,005)
Net (loss) income before income taxes	(35,205)	20,399
Income tax expense	Note 11 (134)	(74)
Income from equity method investments	(1,490)	15,506
Net (loss) income	\$ (36,829)	\$ 35,831
Other Comprehensive Income (Loss)		
Available for sale investments:		
Unrealized gains (losses) arising during the year	\$ 41,842	\$ (149,095)
Reclassification adjustment for change in allowance for credit losses recognized in net income	(1,975)	—
Reclassification adjustment for net realized losses included in net income	9,929	6,625
Unrealized gains (losses) arising during the period, net of reclassification adjustment	49,796	(142,470)
Foreign currency translation adjustment	4,821	(12,751)
Other comprehensive income (loss), before income tax	54,617	(155,221)
Change in deferred tax on unrealized losses	—	128
Total other comprehensive income (loss)	54,617	(155,093)
Comprehensive income (loss)	\$ 17,788	\$ (119,262)

Premia Holdings Ltd.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

	2023	2022
Common Shares		
Balance at beginning of year	\$ 429	\$ 429
Balance at end of year	429	429
Additional Paid-in Capital		
Balance at beginning of year	439,354	439,354
Balance at end of year	439,354	439,354
Accumulated Other Comprehensive Loss		
Balance at beginning of year	(142,637)	12,456
<i>Unrealized gains (losses) on available-for-sale securities:</i>		
Balance at beginning of year	(130,206)	12,264
Change in unrealized gains (losses) on available-for-sale securities	49,796	(142,470)
Balance at end of year	(80,410)	(130,206)
<i>Foreign currency translation adjustment</i>		
Balance at beginning of year	(12,928)	(177)
Change in foreign currency translation adjustment	4,821	(12,751)
Balance at end of year	(8,107)	(12,928)
<i>Change in deferred tax on unrealized gains (losses):</i>		
Balance at beginning of year	497	369
Change in deferred tax on unrealized gains (losses)	—	128
Balance at end of year	497	497
Balance at end of year	(88,020)	(142,637)
Retained Earnings		
Balance at beginning of year	165,637	129,806
Cumulative effect of change in accounting principle	(5,047)	—
Net (loss) income	(36,829)	35,831
Balance at end of year	123,761	165,637
Total Shareholders' Equity	\$ 475,524	\$ 462,783

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

	2023	2022
Cash Flows from Operating Activities:		
Net (loss) income	\$ (36,829)	\$ 35,831
<u>Adjustments to reconcile net (loss) income to net cash used in operating activities:</u>		
Net realized gains on investments	(4,427)	(6,895)
Net unrealized (gains) losses on equities and other investments	(825)	2,000
Movement in allowance for expected credit losses	(1,425)	3,776
Change in deferred tax on unrealized (gains) losses	—	128
Net loss (income) from equity method investment	1,490	(15,506)
Foreign exchange losses (gains)	3,653	1,435
Depreciation, amortization and accretion	2,932	8,128
Gain on sale of long-term asset	—	(2,134)
<u>Changes in assets and liabilities:</u>		
Premiums receivable	74,753	(10,516)
Prepaid reinsurance premiums	(1,074)	5
Funds held by ceding companies	(302,097)	(373,688)
Reinsurance recoverable on paid and unpaid losses	(41,858)	70,025
Deferred acquisition costs	4,658	10,925
Other assets	19,133	(28,086)
Reserve for losses and loss adjustment expenses	18,253	103,759
Deposit liability	(32,559)	31,957
Unearned premiums	(7,628)	(27,084)
Insurance and reinsurance balances payable	(1,645)	21,803
Ceded funds held	140,284	35,409
Other liabilities	29,428	(39,286)
Net cash used in Operating Activities	(135,783)	(178,014)
Cash Flows from Investing Activities:		
Purchase of available-for-sale investments	(380,405)	(600,104)
Proceeds from sale or redemption of available-for-sale investments	506,206	594,511
Purchase of equity method investment	—	(4,000)
Proceeds from sale of long-term asset	—	4,233
Purchase of property and equipment	(210)	(880)
Net cash provided by (used) in Investing Activities	125,591	(6,240)
Cash Flows from Financing Activities:		
Borrowings, net	851	(85)
Net cash provided by (used in) Financing Activities	851	(85)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	5,092	(23,048)
Net decrease in cash, cash equivalents and restricted cash	(4,249)	(207,387)
Cash, cash equivalents and restricted cash at beginning of year	188,673	396,060
Cash, cash equivalents and restricted cash at end of year	\$ 184,424	\$ 188,673
Reconciliation to Consolidated Balance Sheet		
Unrestricted cash and cash equivalents	\$ 89,005	\$ 102,046
Restricted cash and cash equivalents	95,419	86,627
Cash, cash equivalents and restricted cash	\$ 184,424	\$ 188,673
Supplemental Cash Flow Information:		
Income taxes paid, net of refunds	\$ 343	\$ 240
Interest paid	19,606	16,939

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

1. Organization

Premia Holdings Ltd. (“Premia Holdings” or the “Company”), incorporated in Bermuda on October 6, 2016, was initially capitalized on January 6, 2017 with \$400.0 million of common equity and \$110.0 million of senior debt, for a total initial capitalization of \$510.0 million excluding incorporation expenses. The equity capital is comprised of a \$300.0 million investment by Kelso & Company and its equity co-investors, and a \$100.0 million investment by Arch Reinsurance Limited (“Arch Re”) and certain members of Arch Re’s senior management, including the senior management team of Premia Holdings.

Since its incorporation, Premia Holdings, through its subsidiaries (collectively "Premia Group"), has entered into various transactions with third parties including the completion of six business acquisitions which are summarized below:

- Alan Gray LLC ("Alan Gray") which was acquired on August, 31, 2018,
- Public Service Insurance Company ("Public Service") which was acquired on January 9, 2019,
- Charles Taylor Managing Agency Holdings Limited, Charles Taylor Corporate Name Limited, and The Standard Club Corporate Name Limited which was acquired on March 16, 2020. These companies were subsequently renamed Premia Managing Agency Holdings Limited, Premia Corporate Name (2) Limited, Premia Corporate Name (3) Limited ("PCN3"), respectively, (collectively "PMAL"),
- The Dominion Insurance Company Limited and BD Cooke Investments Limited (collectively referred to as "Dominion") which was acquired on September 1, 2020,
- Armour Risk Management Inc. ("ARMI") which was acquired on June 1, 2021. The company was subsequently renamed A.G. Risk Management Inc. ("AGRM"), and
- Navigators Holdings (Europe) NV ("NHENV") which was acquired on December 29, 2021. The company was subsequently renamed Premia Holdings (Europe).

Since its incorporation, Premia Group has also completed various retroactive reinsurance transactions with third parties which have taken the form of loss portfolio transfers ("LPT"); Adverse Development Covers ("ADC") and Reinsurance-to-Close ("RITC") transactions. One of the retroactive reinsurance transactions, originally completed by the Company in 2017 through its wholly owned subsidiary Premia Reinsurance Ltd. ("Premia Re"), was amended and restated in 2019 and is now accounted for as a deposit liability contract. In addition, the net exposures assumed by the Company through two LPT reinsurance contracts completed by Premia Re in 2019, were subsequently transferred to the Company's Syndicate 1884 at Lloyd's through two RITC transactions which were completed on February 18, 2021 but with an effective date of January 1, 2021.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies

(a) Basis of presentation

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

The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. The results of subsidiaries acquired or disposed off during the year are included from the date of their acquisition or through to the date of their disposal, respectively, by the Company.

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

(b) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. While management believes the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, actual results could differ from those estimates.

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

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

(c) Retroactive reinsurance contracts

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

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

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

	As Previously Presented	Presentation Adjustments	As Currently Presented
	US\$'000"	US\$'000"	US\$'000"
Gross premiums written	973,347	(965,250)	8,097
Ceded premiums	(388,229)	387,250	(979)
Net premiums written	585,118	(578,000)	7,118
Net loss and loss adjustment expenses	(582,636)	578,000	(4,636)
Net income	2,482	—	2,482

Deferred charge assets and Deferred gain liabilities

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

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

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

(d) Premiums

Prospective reinsurance contracts

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

To the extent that the amount of written premium is estimable, the Company estimates the ultimate premiums for the entire contract period and records this estimate at the inception of the contract. For contracts where the full written premium is not estimable at inception, the Company records written premium for the portion of the contract period for which the amount is estimable.

These estimates are based primarily on information in the underlying contracts as well as information provided by insureds and/or brokers. Changes in premium estimates are expected and may result in adjustments in any reporting period. These estimates change over time as additional information regarding the underlying business written is obtained. Any subsequent adjustments arising on such premium estimates are recorded in the period in which they are determined.

Unearned premium reserve

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

Premiums receivable

For retrospectively rated contracts as well as those contracts whose written premium amounts are recorded based on premium estimates at inception, changes to accrued premiums arising from changes to these estimates are reflected as changes in premium balances receivable where appropriate. Premiums receivable are reported net of an allowance for expected credit losses as appropriate. This allowance is determined based on the Company's ongoing review of amounts outstanding, historical loss data, including delinquencies and write-offs, current and forecasted economic conditions and other relevant factors. The credit risk on the Company's premiums receivable balances is substantially reduced where it has the ability to cancel the underlying policy if the policyholder does not pay the related premium.

(e) Reinsurance premiums ceded

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

(f) Deposit accounting

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

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

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

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

(g) Reinsurance to close transactions

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities are estimated with sufficient accuracy to allow for the predecessor year of account to be closed out through the payment of a reinsurance to close premium to the successor year of account. The reinsurance to close premium is estimated by reference to the outstanding technical provisions, including outstanding claims, unearned premium reserve net of deferred acquisition costs, and unexpired risks for the closed year(s) of account.

Although the estimate for these liabilities is considered fair and reasonable, it is implicit in the estimate that there could be a variance from this premium amount. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of the receiving year of account and gives them the benefit of refunds, recoveries and premiums receivable falling due and other income for the closing year of account not credited to date.

(h) Acquisition costs

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

(i) Loss and loss adjustment expenses

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

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

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

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

(j) Commutations

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

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

(k) Cash and cash equivalents

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

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

(I) Investments and net investment income

Short-term and fixed maturity investments

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

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

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

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

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

Allowance for Credit Losses

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

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

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

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

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

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

Other-Than-Temporary Impairments ("OTTI")

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

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

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

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

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

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

Other investments, at fair value

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

Equity investments, at fair value

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

Equity method investments

Investments that are not consolidated but in which the Company has significant influence over the operating and financial policies of the investee are classified as equity method investments and are accounted for using the equity method of accounting. In applying the equity method of accounting, investments are initially recorded at cost and are subsequently adjusted based on the Company's proportionate share of net income or loss of the investee and net of any distributions received from the investee.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

(m) Variable interest entities

The Company has investments in certain limited partnership funds which are deemed to be variable interest entities (“VIEs”) and which are included in other investments at the reported NAV. The Company also has contractual and fee arrangements with certain entities that have been deemed to be VIEs, but which have not been consolidated by the Company.

Determining whether to consolidate a VIE may require judgment in assessing (i) whether an entity is a VIE, and (ii) if the Company is the entity’s primary beneficiary and thus required to consolidate the entity. To determine if the Company is the primary beneficiary of a VIE, management evaluates whether the Company has (i) the power to direct the activities that most significantly impact the VIE’s economic performance, and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

Management’s evaluation includes identification of the activities that most significantly impact the VIE’s economic performance and an assessment of the Company’s ability to direct those activities based on governance provisions, contractual arrangements to provide or receive certain services, funding commitments and other applicable agreements and circumstances. Management’s assessment of whether the Company is the primary beneficiary of its VIEs requires significant assumptions and judgment. That said, based on its current assessment, management has concluded that the Company is not the primary beneficiary of its VIEs and is therefore not required to consolidate those VIEs.

(n) Property and equipment

Property and equipment, which consist of land and building, vehicles, leasehold improvements, office furniture, computer software and computer equipment, are stated at cost less accumulated depreciation. Depreciation is computed using a straight-line method over the estimated useful lives of the assets, ranging from three to thirty five years. Net property and equipment are included in other assets on the consolidated balance sheets.

(o) Goodwill and other intangible assets

The excess of the purchase price paid over the fair value of the net assets acquired in a business combination transaction, is recorded as goodwill, and is not amortized. Intangible assets with finite lives are amortized over their estimated useful lives, whereas intangible assets with indefinite useful lives are not amortized.

Goodwill and intangible assets with indefinite useful lives are assessed at least annually for impairment, or more frequently if events or changes in circumstances indicate that it is more likely than not that an impairment exists. If the carrying amounts of intangible assets, including goodwill, are greater than their fair values established during impairment testing, the carrying value is written down to the fair value with a corresponding impairment loss recognized in the consolidated statements of operations. Intangible assets with finite useful lives do not require annual impairment testing but the Company is responsible for routinely assessing whether indicators of impairment exist that would lead to a need for recoverability testing.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

(p) Long term debt

Long term subordinated debt instruments issued by the Company are carried at amortized cost. Debt issuance costs and discounts are presented as a direct deduction from the liability in the consolidated balance sheets. Amortization of debt issuance costs and discounts are included in interest expense in the consolidated statements of operations.

(q) Business combinations

The Company accounts for business combinations using the acquisition method of accounting, which requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values, with any goodwill or gain from bargain purchase recognized on the date of acquisition.

The key assumptions used by the Company to value its acquired companies are, (i) the projected payout, timing and amount of assumed loss reserves; (ii) the related projected timing and amount of reinsurance collections; (iii) an appropriate discount rate, which is used to determine the present value of the future cash flows; (iv) the estimated unallocated loss adjustment expenses to be incurred over the life of the run-off of the acquired company; and (vi) an appropriate risk margin. The difference between the nominal carrying values of the acquired (re)insurance assets and liabilities as of the acquisition date and their fair value is recorded as a fair value adjustment ("FVA") on the Company's consolidated balance sheet. The FVA is amortized over the estimated payout period of the acquired loss reserves and reinsurance balances recoverable.

Transaction expenses incurred in relation to a business combination transaction, including legal and financial advisory services, are expensed as incurred and included in operating expenses.

(r) Held-for-sale business and discontinued operations

The Company reports a business as held-for-sale when certain criteria are met, which include (1) management has either approved the sale or is in the process of obtaining approval to sell the business and is committed to a formal plan to sell the business, (2) the business is available for immediate sale in its present condition, (3) the business is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (4) the sale is anticipated to occur within the next 12 months, among other specified criteria. A business classified as held-for-sale is recorded at the lower of its carrying amount or estimated fair value less costs to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized. Assets and liabilities related to businesses classified as held-for-sale are separately reported on the Company's consolidated balance sheets beginning in the period in which the business is classified as held-for-sale.

Disposals that represent strategic shifts that have or will have a major effect on the Company's operations and financial results are reported as discontinued operations which requires the restatement of the comparatives reflected on the Company's consolidated financial statements.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

(s) Share issuance costs

Issuance costs incurred in connection with the capital raise, which included underwriters' fees, legal and accounting fees, printing and other fees were deducted from the gross proceeds of the offering. The proceeds from the issuance of shares, net of offering costs, is included in additional paid-in capital in the consolidated statements of shareholders' equity.

(t) Stock compensation

The Company accounts for its stock plans in accordance with the ASC Topic 718 - *Compensation - Stock Compensation*. Accordingly, the Company recognizes the compensation expense for stock option grants based on the fair value of the award on the date of grant over the requisite service period. Compensation expense is recognized once the occurrence of performance obligations associated with the stock option grants is considered by management to be probable.

(u) Warrants

The Company has accounted for certain warrant contracts issued to its sponsoring investors in conjunction with the capitalization of the Company, and which may be settled by the Company using either the physical settlement or net-share settlement methods, in accordance with ASC Topic 815-40-*Derivatives and Hedging - Contracts in an Entity's Own Equity*. Accordingly, the fair value of these warrants would be recorded in equity as additional paid-in capital.

(v) Restricted stock units

The Company accounts for its restricted stock unit ("RSU") transactions in accordance with ASC Topic 718 - *Compensation - Stock Compensation*. Accordingly, the Company recognizes the cost of services received based on the fair value of the award on the date of grant. Compensation expense is recognized once services associated with the RSU have been performed, with an offsetting increase to equity.

(w) Foreign currency translation

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

Assets and liabilities denominated in currencies other than the U.S. dollar are translated at period end exchange rates while revenues and expenses denominated in other currencies are translated at the average exchange rates prevailing during the period they are earned or incurred, respectively. The effect of the currency translation adjustments related to these foreign subsidiaries is included in accumulated other comprehensive income (loss).

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

(x) Income tax

Certain of the Company's subsidiaries operate in jurisdictions where they are subject to taxation. Current and deferred tax benefit (expense) is allocated to net income (loss), or, in certain cases, other comprehensive income (loss). Current tax is recognized and measured based on enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the income tax becomes due or realizable. Deferred taxes are provided for temporary differences between the carrying amount of assets and liabilities used in the financial statements and the tax basis used in the various jurisdictional tax returns.

When the Company's assessment indicates that all or some portion of deferred tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets to reduce the assets to the amount more likely than not to be realized. The Company recognizes the benefit relating to tax positions only where the position is more likely than not (greater than 50%) to be sustained. A liability or other adjustment is recognized for any tax benefit (along with any interest and penalty, if applicable) claimed in a tax return in excess of the amount allowed to be recognized in the financial statements under U.S. GAAP. Any changes in the amounts recognized are recorded in the Company's consolidated statements of operations, in the period in which those changes are determined.

New Accounting Standards Adopted in 2023

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

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

ASU 2016-13 also amends the OTTI model that was previously applicable to AFS securities, with the new approach now requiring the recognition of impairments relating to credit losses through an allowance account and limiting the amount of credit losses to the difference between a security's amortized cost basis and its fair value. This revised approach records the full effect of reversals of any credit losses in current period earnings, compared to the previous guidance where this reversal was amortized over the lifetime of the security. Under this revised approach, the length of time a security has been in an unrealized loss position will no longer be considered in determining whether to record a credit loss. In addition, the historical and implied volatility of the fair value of a security and recoveries or declines in fair value after the balance sheet date will no longer be considered when making a determination of whether a credit loss exists.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

New Accounting Standards Adopted in 2023 (Continued)

The Company adopted ASU 2016-13 and all the related amendments on January 1, 2023 using the modified retrospective approach for its financial assets carried at amortized cost, and prospectively for its AFS debt securities as required by the guidance, resulting in an overall reduction of \$5.047 million in the opening retained earnings.

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU 2023-09 – Income Taxes – Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09 to improve its income tax disclosure requirements so as to enhance the transparency and decision usefulness of income tax disclosures. The amendments in the ASU related to the rate reconciliation and income taxes paid disclosures improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation; and (2) income taxes paid disaggregated by jurisdiction. The amendments are aimed at allowing investors to better assesses, in their capital allocation decisions, how an entity's global operations and related tax risks and tax planning and operational opportunities affect its income tax rate and prospects for future cash flows

ASU 2023-09 is effective for annual periods beginning after December 15, 2025 with early adoption permitted. The adoption of ASU 2023-09 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

ASU 2023-05 – Business Combinations – Joint Venture Formations – Recognition and Initial Measurement

In August 2023, the FASB issued ASU 2023-05, which requires a joint venture to initially measure all contributions received upon its formation at fair value. This accounting will largely be consistent with ASC 805 - *Business Combinations*, although there are some specific exceptions. This new guidance is intended to reduce diversity in practice and provide users of the joint venture's financial statements with more decision-useful information. It may also reduce the amount of basis differences that an investor in a joint venture needs to track.

ASU 2023-05 is effective prospectively for all joint venture entities with a formation date on or after January 1, 2025, with early adoption permitted. Joint ventures formed prior to the adoption date may elect to apply the new guidance retrospectively back to their original formation date. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Significant accounting policies, continued

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

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

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

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

ASU 2021-08 - Business Combinations - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers

In October 2021, the FASB issued ASU 2021-08 which requires companies to apply the guidance in ASC 606 - *Revenue from Contracts with Customers*, to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. ASU 2021-08 is effective for interim and annual periods beginning after December 15, 2023 with early adoption permitted.

The adoption of ASU 2021-08 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

3. Significant transactions and new business

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

Significant Transactions and New Business Completed in 2023:

Loss Portfolio Transfer Reinsurance Agreement with Hiscox

On September 6, 2023, the Company through its Lloyd's Syndicate 1884 (managed by PMAL), as the Reinsurer, and Syndicate 33 (managed by Hiscox Syndicates Limited or "Hiscox"), as the Reinsured, entered into a Loss Portfolio Transfer ("LPT") reinsurance agreement which had an effective date of January 1, 2023, through which Syndicate 1884 assumed 87.5% of Syndicate 33's carried net loss reserves as of November 30, 2022 (the "Valuation Date"). Pursuant to the LPT reinsurance agreement, Syndicate 1884 assumed net loss reserves of \$61.728 million in exchange for a total consideration of \$58.144 million.

Adverse Development Cover with Woodward Straits Insurance Company

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

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

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

GuideOne Commutation

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

3. Significant transactions and new business, continued

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

Significant Transactions and New Business Completed in 2022:

Loss Portfolio Transfer Reinsurance Agreement with CoAction

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

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

Investment in Canvas Holdco, LLC and Acquisition of SPX Subsidiaries

On November 1, 2022, Canvas Holdco, LLC ("Canvas"), an entity jointly owned and controlled by Premia Holdings through its wholly-owned subsidiary Premia Intermediate Holdings, Inc. ("Premia Intermediate") and Global Risk Capital LLC ("Global Risk"), completed the acquisition of three wholly-owned subsidiaries from SPX Technologies, Inc. ("SPX"), which hold asbestos liabilities and the related insurance recoverable asset. In connection with this transaction, SPX contributed \$138.850 million in cash to the three subsidiaries acquired by Canvas. In addition, both Premia Intermediate and Global Risk each made capital injections of \$4.0 million into Canvas, concurrent with the closing of its acquisition of the three wholly-owned subsidiaries from SPX.

Following the completion of the acquisition, Canvas assumed the operational management of the three subsidiaries acquired from SPX, including the administration of all the asbestos claims and collection of existing insurance policy reimbursements.

The Company accounted for its investment in Canvas as an equity method investment pursuant to the guidance in ASC 323 - *Equity Method and Joint Ventures*, thereby recording its 50.0% share of the fair value of the net assets of the three subsidiaries that were acquired from SPX by Canvas, on its consolidated balance sheet. This resulted in the recognition of a gain from bargain purchase of \$15.427 million on the transaction as summarized on the table below and which was included within income from equity method investment in the Company's consolidated statement of operations for the year ended December 31, 2022:

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

3. Significant transactions and new business, continued

<i>(in thousands of U.S. dollars)</i>		<u>Canvas' Acquisition of the SPX Subsidiaries</u>
Assets acquired		
Cash and cash equivalents	\$ 138,850	
Insurance receivable	23,574	
Insurance recoverable	362,439	
Total assets acquired		\$ 524,863
Liabilities assumed		
Provision for accrued expenses	(35,422)	
Environmental liabilities	(1,936)	
Asbestos liabilities	\$ (456,652)	
Total liabilities assumed		\$ (494,010)
Fair value of net identifiable assets acquired and liabilities assumed		<u>30,853</u>
Gain from bargain purchase - Premia's 50% share (Included within income from equity method investment)		\$ <u>15,427</u>

LPT Reinsurance Agreement with Hiscox

On July 5, 2022, the Company through its Lloyd's Syndicate 1884 (managed by PMAL), as the Reinsurer, and Syndicate 33 (managed by Hiscox Syndicates Limited), as the Reinsured, entered into an LPT reinsurance agreement which had an effective date of January 1, 2022, through which Syndicate 1884 assumed 87.50% of Syndicate 33's carried net loss reserves as of November 30, 2021 (the "Valuation Date"), rolled-forward to December 31, 2021. Pursuant to the LPT reinsurance agreement, Syndicate 1884 assumed net loss reserves of \$191.210 million in exchange for a total consideration of \$190.75 million. \$172.670 million of the total consideration payable to Syndicate 1884 was retained by Syndicate 33 in a Funds Withheld account with interest initially being credited on the balance at a fixed annual rate of 3.00%.

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments

The Company holds:

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

Investment Categories

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

<i>(in thousands of U.S. dollars)</i>	2023				Fair value
	Amortized cost	Gross unrealized gains	Gross unrealized losses		
			Non-credit related losses	Allowance for credit losses ⁽¹⁾	
Fixed maturity and short-term investments					
Corporate	\$ 652,429	\$ 2,084	\$ (37,221)	\$ (182)	617,110
Non-agency mortgage-backed	266,050	5,588	(22,155)	(2,288)	247,195
U.S. government and agency	109,729	144	(6,097)	—	103,776
Non-U.S. governments	22,903	7	(1,702)	—	21,208
Municipals	46,888	8	(3,816)	—	43,080
Agency mortgage-backed	40,958	252	(5,750)	—	35,460
Asset backed	130,531	720	(8,647)	(226)	122,378
Term loans	160,607	1,830	(4,965)	(608)	156,864
Total fixed maturity and short-term investments	1,430,095	10,633	(90,353)	(3,304)	1,347,071
Other investments	245,912	31,456	(6,841)	—	270,527
Equity investments	2,056	736	(292)	—	2,500
Total investments	\$ 1,678,063	\$ 42,825	\$ (97,486)	\$ (3,304)	\$ 1,620,098

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

<i>(in thousands of U.S. dollars)</i>	2022			Fair value
	Amortized cost	Gross unrealized gains	Gross unrealized losses	
Fixed maturity and short-term investments				
Corporate	\$ 706,516	\$ 198	\$ (60,997)	\$ 645,717
Non-agency mortgage-backed	280,671	4,128	(22,891)	261,908
U.S. government and agency	123,143	7	(8,788)	114,362
Non-U.S. governments	42,981	4	(2,366)	40,619
Municipals	54,271	2	(5,733)	48,540
Agency mortgage-backed	45,502	233	(6,849)	38,886
Asset backed	173,304	536	(13,561)	160,279
Term loans	205,099	1,108	(11,978)	194,229
Total fixed maturity and short-term investments	1,631,487	6,216	(133,163)	1,504,540
Other investments	206,947	29,215	(5,760)	230,402
Equity investments	2,079	1,050	(321)	2,808
Total investments	\$ 1,840,513	\$ 36,481	\$ (139,244)	\$ 1,737,750

Fixed Maturity and Short-term Investments

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

<i>(in thousands of U.S. dollars)</i>	2023		
	Short-term investments	Fixed maturities	Total fixed maturity and short- term investments
Corporate	\$ 2,309	\$ 614,801	\$ 617,110
Non-agency mortgage-backed	—	247,195	247,195
U.S. government and agency	13,462	90,314	103,776
Non-U.S. governments	2,363	18,845	21,208
Municipals	—	43,080	43,080
Agency mortgage-backed	—	35,460	35,460
Asset backed	—	122,378	122,378
Term loans	3,832	153,032	156,864
Total fixed maturity and short-term investments	\$ 21,966	\$ 1,325,105	\$ 1,347,071

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

<i>(in thousands of U.S. dollars)</i>	2022		
	Short-term investments	Fixed maturities	Total fixed maturity and short- term investments
Corporate	\$ 14,831	\$ 630,886	\$ 645,717
Non-agency mortgage-backed	—	261,908	261,908
U.S. government and agency	14,991	99,371	114,362
Non-U.S. governments	5,626	34,993	40,619
Municipals	—	48,540	48,540
Agency mortgage-backed	—	38,886	38,886
Asset backed	—	160,279	160,279
Term loans	13,763	180,466	194,229
Total fixed maturity and short-term investments	<u>\$ 49,211</u>	<u>\$ 1,455,329</u>	<u>\$ 1,504,540</u>

Other Investments

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

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

<i>(in thousands of U.S. dollars)</i>	2023	2022
Private credit investment funds	\$ 65,161	\$ 60,364
Real assets and intellectual property funds	35,978	29,336
Residential real estate funds	20,210	20,531
Commercial real estate funds	41,549	31,897
Financial funds	17,309	18,575
Credit funds	55,586	40,211
Traditional private equity funds	34,734	29,488
Total other investments	\$ 270,527	\$ 230,402

Equity Investments

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

Equity Method Investments

The Company's equity method investment represents a 50% ownership in Canvas which had a carrying value of \$18.021 million as of December 31, 2023 (2022: \$19.506 million).

Gross Unrealized Losses on Fixed Maturity and Short-term Investments

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

<i>(in thousands of U.S. dollars)</i>	2023					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Corporate	\$ 123,081	\$ (2,882)	\$ 399,328	\$ (34,339)	\$ 522,409	\$ (37,221)
Non-agency mortgage-	51,096	(3,796)	131,208	(18,359)	182,304	(22,155)
U.S. government and agency	33,865	(707)	47,676	(5,390)	81,541	(6,097)
Non-U.S. governments	988	(32)	17,573	(1,670)	18,561	(1,702)
Municipals	7,311	(91)	33,111	(3,725)	40,422	(3,816)
Agency mortgage-backed	25	(4)	33,091	(5,746)	33,116	(5,750)
Asset backed	10,321	(349)	91,295	(8,298)	101,616	(8,647)
Term loans	21,363	(2,045)	27,737	(2,920)	49,100	(4,965)
Total fixed maturity and short-term investments	<u>\$ 248,050</u>	<u>\$ (9,906)</u>	<u>\$ 781,019</u>	<u>\$ (80,447)</u>	<u>\$ 1,029,069</u>	<u>\$ (90,353)</u>

<i>(in thousands of U.S. dollars)</i>	2022					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Corporate	\$ 486,373	\$ (38,441)	\$ 143,895	\$ (22,556)	\$ 630,268	\$ (60,997)
Non-agency mortgage-	173,014	(13,714)	52,476	(9,177)	225,490	(22,891)
U.S. government and agency	39,713	(1,875)	57,506	(6,913)	97,219	(8,788)
Non-U.S. governments	16,813	(520)	17,894	(1,846)	34,707	(2,366)
Municipals	17,467	(2,129)	31,515	(3,604)	48,982	(5,733)
Agency mortgage-backed	12,427	(2,265)	25,315	(4,584)	37,742	(6,849)
Asset backed	117,392	(7,297)	32,827	(6,264)	150,219	(13,561)
Term loans	80,256	(7,787)	15,662	(4,191)	95,918	(11,978)
Total fixed maturity and short-term investments	<u>\$ 943,455</u>	<u>\$ (74,028)</u>	<u>\$ 377,090</u>	<u>\$ (59,135)</u>	<u>\$ 1,320,545</u>	<u>\$ (133,163)</u>

As of December 31, 2023 there were 2,674 (2022: 5,330) securities in an unrealized loss position for which an allowance for credit losses had not been recorded, of which 2,029 (2022: 1,103) had been in a continuous unrealized loss position for one year or longer.

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

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

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

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

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

- *Corporate and government securities:* Expected cash flows are derived that are specific to each security. The PD is based on a quantitative model that converts agency ratings to term structures that vary by country, industry and the state of the credit cycle. This is used along with macroeconomic forecasts to produce scenario conditioned PDs. The LGD is based on default studies provided by a third party which the Company uses along with macroeconomic forecasts to produce scenario conditioned LGDs. The Company uses an explicit reversion and a two-year forecast period, which is considered to be a reasonable duration during which economic forecasts could continue to be reliable.
- *Municipal securities:* Expected cash flows are derived that are specific to each security. The PD model produces a scenario conditioned PD output over the lifetime of the municipal security. These PDs are based on key macroeconomic and instrument specific risk factors. The LGD is derived based on a model which uses assumptions specific to the municipal securities. There is no explicit reversion, and the forecasts are deemed reasonable and supportable over the life of the portfolio.
- *Asset-backed and non-agency mortgage-backed securities:* Expected cash flows are derived that are specific to each security. The PD and LGD for each security is based on a quantitative model that generates scenario conditioned PD and LGD term structures based on the underlying collateral type, waterfall and other trustee information. This model also considers prepayments. For these security types, there is no explicit reversion and the forecasts are deemed reasonable and supportable over the life of the portfolio.

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

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

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

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

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

OTTI on Fixed Maturity and Short-term Investments

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

Credit Ratings on Fixed Maturity and Short-term Investments

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

<i>(in thousands of U.S. dollars)</i>	2023		2022	
	Fair value	%	Fair value	%
AAA	\$ 77,181	5.7 %	\$ 168,809	11.3 %
AA	245,245	18.2 %	182,706	12.1 %
A	470,444	34.9 %	506,007	33.6 %
BBB	213,597	15.9 %	259,246	17.2 %
BB	13,102	1.0 %	22,183	1.5 %
B	51,208	3.8 %	60,163	4.0 %
CCC or lower	138,650	10.3 %	154,269	10.3 %
Not rated	137,644	10.2 %	151,157	10.0 %
Total fixed maturity and short-term investments	\$ 1,347,071	100 %	\$ 1,504,540	100 %

Mortgage loans represent \$81.105 million (2022: \$96.669 million) of the Company's not rated nationally recognized statistical rating organization ("NRSRO") classification, since they do not receive NRSRO ratings. The Company assesses the credit quality of the Company's mortgage loan portfolio against the National Association of Insurance Commissioners' ("NAIC") commercial mortgage designation methodology.

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

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

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

<i>(in thousands of U.S. dollars)</i>	2023		2022	
	Fair value	%	Fair value	%
NAIC 1	\$ 960,713	71.3 %	\$ 995,549	66.1 %
NAIC 2	219,757	16.3 %	274,810	18.3 %
NAIC 3	63,383	4.7 %	103,622	6.9 %
NAIC 4	47,908	3.6 %	55,223	3.7 %
NAIC 5	30,919	2.3 %	40,101	2.7 %
NAIC 6	24,391	1.8 %	35,235	2.3 %
Total fixed maturity and short-term investments	\$ 1,347,071	100 %	\$ 1,504,540	100 %

Contractual Maturities on Fixed Maturity and Short-term Investments

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

<i>(in thousands of U.S. dollars)</i>	2023		2022	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	\$ 235,992	\$ 232,474	\$ 242,204	\$ 234,532
Due after one year through five years	428,205	409,163	507,897	474,241
Due after five years through ten years	230,325	215,008	275,980	245,741
Due after 10 years	98,034	85,393	105,929	88,953
Agency mortgage-backed	40,958	35,460	45,502	38,886
Asset backed	130,531	122,378	173,304	160,279
Non-agency mortgage-backed	266,050	247,195	280,671	261,908
Total fixed maturity and short-term investments	\$ 1,430,095	\$ 1,347,071	\$ 1,631,487	\$ 1,504,540

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

Net Investment Income

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

<i>(in thousands of U.S. dollars)</i>	2023	2022
Fixed maturities, short-term investments and cash and cash equivalents	\$ 77,176	\$ 61,476
Equities and other investments	13,711	12,398
Funds held - fixed crediting rate	30,640	15,335
Gross investment income	121,527	89,209
Investment expenses	(21,685)	(22,652)
Net investment income	\$ 99,842	\$ 66,557

Net Realized and Unrealized Gains (Losses)

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

<i>(in thousands of U.S. dollars)</i>	2023	2022
Net realized gains (losses):		
Gross realized gains on fixed maturity, short-term investments and cash and cash equivalents	\$ 4,241	\$ 5,599
Gross realized losses on fixed maturity, short-term investments and cash and cash equivalents	(14,220)	(13,334)
Decrease in allowance for expected credit losses on fixed maturity investments	1,426	—
Gross realized gains on equities and other investments	14,397	10,776
Total net realized gains	5,844	3,041
Net unrealized gains (losses):		
Unrealized gains (losses) on equities and other investments	825	(2,007)
Total net unrealized gains (losses)	825	(2,007)
Total net realized and unrealized gains	\$ 6,669	\$ 1,034

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

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

<i>(in thousands of U.S. dollars)</i>	2023	2022
Realized gains on fixed maturity, short-term investments and cash and cash equivalents		
Cash and cash equivalents	\$ 968	\$ 1,078
Corporate	25	2,275
Non-agency mortgage-backed	1,411	1,190
Municipals	—	429
Agency mortgage-backed	35	16
Asset backed	34	39
Term loans	1,768	572
Total realized gains on fixed maturity, short-term investments and cash and cash equivalents	\$ 4,241	\$ 5,599
Realized losses on fixed maturity, short-term investments and cash and cash equivalents		
Cash and cash equivalents	\$ (418)	\$ (1,380)
Corporate	(2,909)	(3,051)
Non-agency mortgage-backed	(3,389)	(2,810)
U.S. government and agency	(68)	(664)
Non-U.S. governments	(206)	(157)
Municipals	(255)	(111)
Agency mortgage-backed	(275)	(126)
Asset backed	(809)	(212)
Term loans	(5,891)	(1,047)
OTTI charge recognized in net income	—	(3,776)
Total realized losses on fixed maturity, short-term investments and cash and cash equivalents	\$ (14,220)	\$ (13,334)
Decrease in allowance for expected credit losses on fixed maturity investments	1,426	—
Realized gains on equities and other investments	14,397	10,776
Total net realized gains	\$ 5,844	\$ 3,041
Total net unrealized gains (losses) on equities and other investments	\$ 825	\$ (2,007)

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

5. Fair value measurements

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

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

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

The fair value hierarchy is broken down into three levels as follows:

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

5. Fair value measurements, continued

During the twelve months ended December 31, 2023 and 2022, the Company did not transfer any securities into level 3 and vice versa. The Company purchased \$58.290 million of level 3 securities during the twelve months ended December 31, 2023 (2022: \$106.093 million). All level 3 purchases during 2023 were term loans.

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

<i>(in thousands of U.S. dollars)</i>	Redemption period remaining until liquidation of underlying assets	2023	
		Fair value	Unfunded capital commitments
Private credit investment funds	Quarterly	\$ 65,161	\$ 3,973
Real assets and intellectual property funds	0 to 11 years	35,978	24,747
Residential real estate funds	1 to 7 years	20,210	960
Commercial real estate funds	4 to 7 years	41,549	17,163
Financial funds	2 to 9 years	17,309	7,483
Credit funds	3 to 7 years	55,586	16,063
Traditional private equity funds	5 to 12 years	34,734	26,756
Total other investments		<u>\$ 270,527</u>	<u>\$ 97,145</u>
2022			
<i>(in thousands of U.S. dollars)</i>	Redemption period remaining until liquidation of underlying assets	Fair value	Unfunded capital commitments
Private credit investment funds	Quarterly	\$ 60,364	\$ —
Real assets and intellectual property funds	1 to 12 years	29,336	19,872
Residential real estate funds	3 to 8 years	20,531	2,546
Commercial real estate funds	1 to 9 years	31,897	23,926
Financial funds	4 to 8 years	18,575	1,541
Credit funds	4 to 9 years	40,211	15,421
Traditional private equity funds	1 to 10 years	29,488	3,601
Total other investments		<u>\$ 230,402</u>	<u>\$ 66,907</u>

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

5. Fair value measurements, continued

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

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

Other assets and liabilities

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses

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

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

<i>(in thousands of U.S. dollars)</i>	2023	2022
OSLR	\$ 867,303	\$ 950,181
IBNR	895,626	761,818
ULAE	21,994	25,482
Fair value adjustments on acquired companies	(8,494)	(7,504)
Reserve for losses and loss adjustment expenses	\$ 1,776,429	\$ 1,729,977

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

<i>(in thousands of U.S. dollars)</i>	2023	2022
Reserve for losses and loss adjustment expenses, beginning of year	\$ 1,729,977	\$ 1,347,078
(-) Reinsurance recoverable on unpaid losses, beginning of year	(712,191)	(565,739)
Net balance, beginning of year	1,017,786	781,339
 Net incurred losses and loss adjustment expenses		
Current accident year	3,334	16,828
Prior accident years	52,971	(17,256)
Total net incurred losses and loss adjustment expenses	56,305	(428)
 Net paid losses and loss adjustment expenses		
Current accident year	(508)	(5,045)
Prior accident years	(334,664)	(335,363)
Total net paid losses and loss adjustment expenses	(335,172)	(340,408)
 Other changes:		
Fair value adjustment on reserves	(578)	1,577
Commutations	(35,143)	—
Assumed business	358,866	588,960
Net foreign exchange (gain) loss	(11,928)	(13,254)
Net balance, end of year	1,050,136	1,017,786
(+) Reinsurance recoverable on unpaid losses, end of year	726,293	712,191
Reserve for losses and loss adjustment expenses, end of year	\$ 1,776,429	\$ 1,729,977

For the year ended December 31, 2023, the net incurred losses and LAE included \$52.971 million of net adverse loss development on prior years' loss reserves, which was comprised of \$120.437 million in gross adverse loss development partially offset by ceded adverse development of \$67.466 million on prior years' reinsurance recoverables. For the year ended December 31, 2022, the net incurred losses and LAE included \$17.256 million of net favorable loss development which was comprised of \$33.215 million of gross favorable development on prior years' loss reserves partially offset by ceded adverse development of \$15.959 million on prior years' reinsurance recoverables.

For the year ended December 31, 2023, the net adverse loss development of \$52.971 million on prior years' loss reserves was primarily attributable to the Company's liability and property exposures which accounted for \$25.188 million and \$16.293 million of net adverse loss development, respectively.

For the year ended December 31, 2022, the net favorable development of \$17.256 million on prior years' loss reserves was primarily attributable to the Company's liability and property exposures which accounted for \$5.658 million and \$11.617 million of net favorable loss development, respectively.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

For the year ended December 31, 2023, net paid losses attributable to prior years include \$13.386 million (2022: \$151.610 million) related to retroactive reinsurance transactions that closed during the year.

For the year ended December 31, 2023, the current year net incurred losses and LAE of \$3.334 million (2022: \$16.828 million), were primarily attributable to losses related to net earned premiums.

Deposit liability

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

DCA and DGL balances

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

Deferred charge asset

<i>(in thousands of U.S. dollars)</i>	2023	2022
Deferred charge asset, beginning of year	38,782	27,776
Deferred charge asset recognized during the year	17,658	21,351
Deferred charge asset de-recognized during the year	(3,322)	—
Amortization of deferred charge asset	(16,939)	(10,345)
Deferred charge asset, end of year	\$ 36,179	\$ 38,782

Deferred gain liability

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Reserving methodologies

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

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

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

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

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

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

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

Market Share: Industry estimated ultimate losses and the Company's estimated market share are used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

The Company uses a weighted average of the results from the methods described above as the basis for its liability best estimate.

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

Incurred and paid loss development tables by accident year

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

- In addition to the accident year split specifically required by the applicable U.S. GAAP guidance, the information presented is first disaggregated by acquisition year and then by line of business within the loss development tables;
- Where the acquired or assumed portfolios within a specific acquisition year have similar characteristics such as the projected duration of the assumed claims, type of coverage; geographic exposure etc., these are aggregated together and presented within the same loss development table with no further disaggregation;
- Following the change in the classification of the retroactive reinsurance agreement entered into with AmTrust Financial Services Inc., ("AmTrust") in 2017, to a deposit liability contract in 2019 in addition to the commutation of the 2017 LPT reinsurance agreement with GuideOne effective September 18, 2023 as discussed in *Note 3 - Significant Transactions and New Business* above, no loss development tables are presented for 2018 & Prior acquisition years;

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

- For businesses acquired and retroactive reinsurance contracts incepting in 2019 through 2023, these have been further disaggregated into lines of business with material net loss reserve balances as at December 31, 2023 which were primarily the following - Workers' Compensation; Liability; Property and Auto (only in 2022 and 2023);
- For retroactive reinsurance contracts incepting in 2022 and 2023 with residual exposures that individually were not material but cumulatively had material net loss reserve balances as at December 31, 2023 and were deemed to largely have similar characteristics, were all aggregated together into "*Other lines*" within the loss development tables presented below;
- The Company's APH exposures which were acquired in 2020 have been excluded from the loss development tables presented below since the related accident years are all older than 10 years and therefore their disclosure is not required based on the applicable U.S. GAAP guidance;
- Businesses acquired and retroactive reinsurance contracts completed by the Company are presented prospectively within the loss development tables shown below. Since the loss reserves are effectively re-underwritten on the date they are acquired or assumed, management believes that the historical loss development of these acquired businesses or assumed retroactive reinsurance portfolios prior to being acquired or assumed by the Company is not relevant to how they are managed by the Company subsequent to their acquisition or assumption. In addition, the information required to prepare the loss development on these acquired businesses or assumed retroactive reinsurance portfolios on a retrospective basis is not always available to the Company and even where its available, the claims data is often not reliable;
- Two retroactive reinsurance contracts completed by the Company in 2019 were commuted effective January 1, 2021 with the original business underlying these commuted contracts subsequently being transferred into Syndicate 1884's 2021 Year of Account ("YoA"). As a result, the 2019 acquisition year loss development tables presented below reflect the extinguishment of these exposures with the related claims information subsequently being included within the "*2021 - Liability*" and "*2021 - Property*" loss development tables;
- The negative net IBNR balances reflected within the "*2020 - Property*" and "*2021 - Property*" loss development tables shown below are attributable to the fact that the Company has already settled the assumed losses on a gross basis, but is yet to collect the related reinsurance recoverable balances and is therefore carrying significant reinsurance recoverable assets on these assumed portfolios;
- No paid loss triangles are included within the loss development tables presented below for retroactive reinsurance ADC contracts for which the reported paid losses From Group Up have not penetrated through to the layers covered by the Company;
- Movements in the ULAE provision and fair value adjustments are excluded from the loss development tables presented below and are instead shown as reconciling items within the overall reconciliation of the net loss reserves per the loss development tables shown below, to the total loss reserves presented on the Company's consolidated balance sheet;
- The loss development tables shown below for all accident years are presented using the year-end exchange rates as of December 31, 2023. Therefore, all accident years prior to the current year have been restated and presented using the current year-end exchange rates; and
- The information related to the net incurred L&LAE and net paid L&LAE for the years ended December 31, 2014, through 2022 is presented as supplementary information and is therefore unaudited.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net

<i>(in thousands of U.S. dollars)</i>		2019	2020	2021	2022	2023	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2014	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2015	—	—	—	—	—	—	—
2016	8,161	8,075	7,236	8,769	7,641	7,231	3,672
2017	2,321	2,296	1,653	2,011	1,126	999	736
2018	—	—	—	—	—	—	—
2019	—	—	—	—	—	1	—
2020	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—
Total						\$ 8,231	\$ 4,408

Cumulative paid losses and loss adjustment expenses, net

(in thousands of U.S. dollars)

Accident year	2019	2020	2021	2022	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2014	\$ —	\$ —	\$ —	\$ —	\$ —
2015	—	—	—	—	—
2016	1,491	1,788	2,246	2,870	3,124
2017	396	433	538	558	571
2018	—	—	—	—	—
2019	—	—	—	—	1
2020	—	—	—	—	—
2021	—	—	—	—	—
2022	—	—	—	—	—
2023	—	—	—	—	—
Total				\$ 3,696	

Net reserves for losses and loss adjustment expenses from 2014 to 2023	4,535
Net reserves for losses and loss adjustment expenses prior to 2014	43,472
Net reserves for losses and loss adjustment expenses, end of year	<u>\$ 48,007</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net							
<i>(in thousands of U.S. dollars)</i>							
Accident year	Acquired Reserves, net	2019	2020	2021	2022	2023	
	(unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	IBNR, net
2014	\$ 14,473	\$ 14,677	\$ 14,710	\$ 14,655	\$ 14,479	\$ 14,485	\$ 7
2015	22,704	23,050	23,044	23,223	23,476	22,193	2
2016	49,954	49,869	50,071	49,798	51,726	50,769	375
2017	116,109	129,312	130,062	129,929	131,236	134,690	761
2018	187,338	211,821	213,406	212,658	212,533	211,193	363
2019	85,592	98,833	102,756	102,776	102,747	102,777	6
2020	—	—	25,220	25,220	25,220	25,220	—
2021	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—
Total						\$ 561,327	\$ 1,514

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

Accident year	2019	2020	2021	2022	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2014	\$ 2,055	\$ 5,228	\$ 15,014	\$ 15,018	\$ 15,018
2015	3,170	8,322	23,194	24,135	24,370
2016	7,519	19,662	47,504	50,012	50,533
2017	22,219	50,981	120,687	122,827	129,158
2018	32,504	77,811	200,507	201,078	202,698
2019	15,833	38,545	102,756	102,756	102,756
2020	—	5,594	25,220	25,220	25,220
2021	—	—	—	—	—
2022	—	—	—	—	—
2023	—	—	—	—	—
Total					\$ 549,753

Net reserves for losses and loss adjustment expenses from 2014 to 2023	11,574
Net reserves for losses and loss adjustment expenses prior to 2014	6,299
Net reserves for losses and loss adjustment expenses, end of year	\$ 17,873

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net								
<i>(in thousands of U.S. dollars)</i>								
Accident year	Acquired Reserves, net	2019	2020	2021	2022	2023		IBNR, net
	(unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	L&LAE, net	
2014	\$ 965	\$ 984	\$ 841	\$ 861	\$ 844	\$ 845	\$	13
2015	1,925	1,963	1,880	2,061	2,389	2,590		23
2016	6,366	6,478	3,449	3,645	3,636	3,606		66
2017	77,368	91,998	80,314	80,275	80,093	80,090		19
2018	137,321	162,128	163,296	163,308	163,289	163,285		9
2019	72,317	84,629	97,502	97,440	97,420	97,449		8
2020	—	—	29,290	28,590	28,590	28,590		19
2021	—	—	—	—	—	—		—
2022	—	—	—	—	—	—		—
2023	—	—	—	—	—	—		—
Total						\$ 376,455	\$	157

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

Accident year	2019	2020	2021	2022	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2014	\$ 114	\$ 140	\$ 843	\$ 845	\$ 845
2015	291	513	1,924	2,113	2,197
2016	1,582	2,035	3,485	3,537	3,536
2017	37,571	58,097	80,194	80,194	80,194
2018	49,160	92,833	163,288	163,288	163,288
2019	23,252	51,458	97,419	97,419	97,433
2020	—	9,132	28,510	28,510	28,510
2021	—	—	—	—	—
2022	—	—	—	—	—
2023	—	—	—	—	—
Total				\$ 376,003	

Net reserves for losses and loss adjustment expenses from 2014 to 2023	452
Net reserves for losses and loss adjustment expenses prior to 2014	3,268
Net reserves for losses and loss adjustment expenses, end of year	<u>\$ 3,720</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2020 - Property ("2020 - Property")

Losses and loss adjustment expenses incurred, net (in thousands of U.S. dollars)							
Accident year	Acquired Reserves, net (unaudited)	2020		2021		2023	
		L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	IBNR, net
2014	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2015	3,184	4,231	3,940	3,297	3,213	69	
2016	8,378	8,540	9,136	7,801	7,704	(96)	
2017	20,150	19,279	21,458	17,193	16,032	(242)	
2018	30,337	27,973	30,717	27,003	26,317	(123)	
2019	15,563	14,244	15,512	14,119	13,989	(29)	
2020	5,265	4,834	5,146	4,763	4,718	(11)	
2021	—	—	619	619	599	(6)	
2022	—	—	—	168	159	(2)	
2023	—	—	—	—	38	(1)	
Total					\$ 72,769	\$ (441)	

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

Accident year	2020		2021		2022		2023	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
2014	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2015	325	325	325	354	19			
2016	1,284	2,720	3,008	3,513				
2017	4,629	11,378	12,062	14,471				
2018	8,787	21,223	23,916	25,943				
2019	4,653	11,188	12,811	13,538				
2020	1,562	3,127	3,509	3,711				
2021	—	979	1,106	1,198				
2022	—	—	342	378				
2023	—	—	—	173				
Total					\$ 62,944			

Net reserves for losses and loss adjustment expenses from 2014 to 2023	9,825
Net reserves for losses and loss adjustment expenses prior to 2014	—
Net reserves for losses and loss adjustment expenses, end of year	\$ 9,825

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net (in thousands of U.S. dollars)		2021		2022		2023	
Accident year	Acquired Reserves, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	IBNR, net	
2014	\$ 30,137	\$ 31,839	\$ 34,243	\$ 33,843	\$ 640		
2015	41,995	45,277	52,300	51,850	2,286		
2016	82,000	76,362	84,583	84,108	4,579		
2017	113,234	109,752	112,119	110,871	10,135		
2018	56,051	55,732	55,905	70,927	13,759		
2019	22,538	22,364	19,384	28,851	8,832		
2020	23,421	23,399	17,961	19,927	10,212		
2021	6,867	6,771	8,687	7,450	631		
2022	—	—	5,769	6,047	323		
2023	—	—	—	2,316	602		
Total				\$ 416,190	\$ 51,999		

Cumulative paid losses and loss adjustment expenses, net

(in thousands of U.S. dollars)

year	2021 (unaudited)	2022 (unaudited)	2023
2014	\$ 7,928	\$ 12,381	\$ 18,526
2015	11,173	19,767	26,089
2016	27,224	39,022	46,108
2017	29,054	44,163	57,050
2018	12,549	35,758	53,874
2019	3,123	15,738	25,008
2020	840	4,371	7,056
2021	1,719	3,090	4,066
2022	—	3,054	3,455
2023	—	—	2,975
Total			\$ 244,207

Net reserves for losses and loss adjustment expenses from 2014 to 2023	171,983
Net reserves for losses and loss adjustment expenses prior to 2014	53,410
Net reserves for losses and loss adjustment expenses, end of year	\$ 225,393

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net (in thousands of U.S. dollars)						
Accident year	Acquired Reserves, net (unaudited)	2021	2022	2023		
		L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	IBNR, net	
2014	\$ 5,246	\$ 5,689	\$ 5,585	\$ 6,170	\$ 22	
2015	7,792	9,515	9,552	11,342	(932)	
2016	14,526	17,946	18,003	21,852	99	
2017	28,791	44,206	39,288	46,624	(6,534)	
2018	90,661	107,571	94,790	90,542	(8,575)	
2019	66,147	73,285	66,912	61,813	(3,574)	
2020	21,817	23,616	22,890	20,123	(1,555)	
2021	7,633	8,890	8,286	6,143	(493)	
2022	—	—	—	—	(178)	
2023	—	—	—	—	14	
Total				\$ 264,609	\$ (21,706)	

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

Accident year	2021	2022	2023
	(unaudited)	(unaudited)	
2014	\$ 1,229	\$ 589	\$ 1,752
2015	1,454	1,632	4,702
2016	4,441	4,748	7,245
2017	11,222	12,036	17,635
2018	57,743	70,113	86,148
2019	35,763	59,053	69,200
2020	8,277	24,128	27,950
2021	4,804	10,747	11,981
2022	—	1,110	1,511
2023	—	—	2,428
Total			\$ 230,552

Net reserves for losses and loss adjustment expenses from 2014 to 2023	34,057
Net reserves for losses and loss adjustment expenses prior to 2014	6,372
Net reserves for losses and loss adjustment expenses, end of year	\$ 40,429

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net (in thousands of U.S. dollars)		2022		2023	
Accident year	Acquired Reserves, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	IBNR, net	
2014	\$ 17,682	\$ 16,893	\$ 18,693	\$ 1,836	
2015	26,353	32,658	32,638	2,251	
2016	61,271	52,637	51,398	3,198	
2017	81,797	77,039	78,712	5,710	
2018	118,693	104,213	102,562	8,630	
2019	64,599	59,846	57,701	13,487	
2020	47,841	47,161	45,524	12,872	
2021	23,649	28,304	29,844	10,988	
2022	—	—	—	—	
2023	—	—	—	—	
Total			\$ 417,072	\$ 58,972	

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

Accident year	2022 (unaudited)	2023
2014	\$ 4,487	\$ 10,315
2015	16,683	27,059
2016	14,810	25,922
2017	23,764	44,226
2018	24,885	53,341
2019	10,267	28,084
2020	4,054	18,334
2021	1,301	7,737
2022	—	—
2023	—	—
Total		\$ 215,018

Net reserves for losses and loss adjustment expenses from 2014 to 2023	202,054
Net reserves for losses and loss adjustment expenses prior to 2014	29,647
Net reserves for losses and loss adjustment expenses, end of year	\$ 231,701

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

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

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

Accident year	2022		2023	
	(unaudited)			
2014	\$ 1,277	\$ 1,437		
2015	916	2,200		
2016	1,921	3,272		
2017	4,585	5,774		
2018	8,419	13,035		
2019	5,690	17,530		
2020	3,034	12,430		
2021	—	9,165		
2022	—	—		
2023	—	—		
Total			\$ 64,843	

Net reserves for losses and loss adjustment expenses from 2014 to 2023	20,790
Net reserves for losses and loss adjustment expenses prior to 2014	156
Net reserves for losses and loss adjustment expenses, end of year	<u>\$ 20,946</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

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

Accident year	2022		2023	
	(unaudited)			
2014	\$ 83	\$ 108		
2015	171	210		
2016	437	828		
2017	567	902		
2018	800	1,264		
2019	1,048	2,013		
2020	104	664		
2021	—	174		
2022	—	—		
2023	—	—		
Total			\$ 6,163	

Net reserves for losses and loss adjustment expenses from 2014 to 2023	7,218
Net reserves for losses and loss adjustment expenses prior to 2014	196
Net reserves for losses and loss adjustment expenses, end of year	<u>\$ 7,414</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

Accident year	Acquired Reserves, net (unaudited)	2022		2023	
		L&LAE, net (unaudited)	L&LAE, net	IBNR, net	
2014	\$ 564	\$ 499	\$ 401	\$ 68	
2015	667	633	1,147	109	
2016	1,945	1,960	3,442	113	
2017	2,674	2,574	2,225	269	
2018	9,671	10,897	10,989	550	
2019	4,076	3,803	7,525	301	
2020	4,285	4,031	3,013	739	
2021	32	39	109	54	
2022	—	—	—	—	
2023	—	—	—	—	
Total			\$ 28,851	\$ 2,203	

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

Accident year	2022		2023	
	(unaudited)			
2014	\$ 15	\$ 58		
2015	156	876		
2016	827	2,872		
2017	745	1,374		
2018	7,881	8,709		
2019	734	6,392		
2020	882	1,484		
2021	8	14		
2022	—	—		
2023	—	—		
Total			\$ 21,779	

Net reserves for losses and loss adjustment expenses from 2014 to 2023 7,072

Net reserves for losses and loss adjustment expenses prior to 2014 435

Net reserves for losses and loss adjustment expenses, end of year \$ 7,507

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

Accident year	Acquired Reserves, net (unaudited)	2023	
		L&LAE, net	IBNR, net
2014	\$ 1,627	\$ 1,636	\$ 1,636
2015	2,099	2,022	1,689
2016	2,665	2,130	2,517
2017	10,560	8,851	4,114
2018	25,798	20,560	5,327
2019	41,133	45,731	7,862
2020	12,123	12,192	12,192
2021	19,026	19,134	19,134
2022	31,662	31,842	31,842
2023	—	—	—
Total		\$ 144,098	\$ 86,313

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

Accident year	2023
2014	\$ —
2015	26
2016	—
2017	15
2018	270
2019	13,047
2020	—
2021	—
2022	—
2023	—
Total	\$ 13,358

Net reserves for losses and loss adjustment expenses from 2014 to 2023	130,739
Net reserves for losses and loss adjustment expenses prior to 2014	12,204
Net reserves for losses and loss adjustment expenses, end of year	\$ 142,943

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

Accident year	Acquired Reserves, net (unaudited)	2023	
		L&LAE, net	IBNR, net
2014	\$ 7,204	\$ 7,244	\$ 7,245
2015	6,499	6,537	6,536
2016	8,894	8,945	8,945
2017	9,379	9,432	9,432
2018	10,323	10,382	10,382
2019	13,045	13,119	13,119
2020	12,541	12,612	12,612
2021	13,850	13,928	13,928
2022	17,340	17,438	17,438
2023	—	—	—
Total		<u>\$ 99,637</u>	<u>\$ 99,637</u>
Net reserves for losses and loss adjustment expenses prior to 2014		72,855	
Net reserves for losses and loss adjustment expenses, end of year		<u>\$ 172,492</u>	

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

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

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

<i>(in thousands of U.S. dollars)</i>	2023
2019 - Workers' Compensation	\$ 48,007
2019 - Liability	17,873
2019 - Property	3,720
2020 - Liability (Not material hence excluded from the loss development tables)	1,980
2020 - Property	9,824
2020 - APH (Accident Years older than 10 years so excluded from the loss development tables)	77,151
2021 - Liability	225,393
2021 - Property	40,429
2022 - Liability	231,701
2022 - Auto	20,947
2022 - Workers' Compensation	7,414
2022 - Other lines	7,507
2023 - Liability	142,943
2023 - Auto	20,258
2023 - Workers' Compensation	172,492
2023 - Other lines	7,836
	\$ 1,035,475
Outstanding losses and loss expenses, net of reinsurance	\$ 1,035,475
Reinsurance recoverable on unpaid losses	726,293
ULAE provision	21,719
Fair value adjustments on acquired companies	(7,058)
Reserve for losses and loss adjustment expenses, end of year	\$ 1,776,429

Cumulative claims frequency

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Claims duration

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

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance					
	Year 1	Year 2	Year 3	Year 4	Year 5
	2019	2020	2021	2022	2023
2019 - Workers' Compensation	26.70 %	5.97 %	6.34 %	7.86 %	6.33 %
2019 - Liability	15.24 %	22.07 %	58.62 %	1.69 %	1.55 %
2019 - Property	29.42 %	26.85 %	42.74 %	0.08 %	0.10 %
2020 - Property	— %	29.19 %	40.81 %	8.48 %	8.02 %
2021 - Liability	— %	— %	21.80 %	17.61 %	14.42 %
2021 - Property	— %	— %	44.97 %	22.14 %	17.79 %
2022 - Liability	— %	— %	— %	24.10 %	25.47 %
2022 - Auto	— %	— %	— %	30.26 %	45.35 %
2022 - Workers' Compensation	— %	— %	— %	23.93 %	21.69 %
2022 - Other lines	— %	— %	— %	38.19 %	36.33 %
2023 - Liability	— %	— %	— %	— %	8.55 %
2023 - Auto	— %	— %	— %	— %	— %
2023 - Workers' Compensation	— %	— %	— %	— %	— %
2023 - Other lines	— %	— %	— %	— %	— %

The higher Year 3 payout percentages for the "2019 - Liability" and "2019 - Property" lines of business are driven primarily by the commutation of two retroactive reinsurance agreements effective January 1, 2021. These commutations were presented within the respective loss development tables as paid losses since the associated liabilities were legally extinguished effective January 1, 2021.

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

7. Reinsurance

The Company's (re)insurance run-off subsidiaries and assumed portfolios prior to their acquisition used reinsurance and retrocessional reinsurance agreements to manage their net retention on individual risks and overall exposure to losses while providing them with the ability to offer policies with sufficient limits to meet policyholder needs. In a reinsurance transaction, an insurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. In a retrocessional reinsurance transaction, a reinsurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. The ceding of insurance does not legally discharge the Company's (re)insurance run-off subsidiaries from their primary liability for the full amount due on the reinsured policies, and the Company's (re)insurance run-off subsidiaries will be required to pay the loss and bear the collection risk if the reinsurer fails to meet its obligations under the reinsurance or retrocessional agreement.

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

The following table presents a breakdown of the reinsurance recoverable on paid and unpaid losses as of December 31, 2023 and 2022:

<i>(in thousands of U.S. dollars)</i>	2023	2022
Reinsurance recoverable on unpaid losses	\$ 728,334	\$ 713,583
Reinsurance recoverable on paid losses	88,232	113,490
Allowance for uncollectible reinsurance recoverable	(4,558)	(6,877)
Fair value adjustments on acquired companies	(1,436)	(906)
Reinsurance recoverable on paid and unpaid losses, end of year	\$ 810,572	\$ 819,290

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

7. Reinsurance, continued

The following tables present the reinsurance recoverable on paid and unpaid losses by counterparty credit ratings as of December 31, 2023 and 2022:

(in thousands of U.S. dollars)

		December 31, 2023	
		Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses, net of payables and collateral
AA+	\$	3,704	\$ 3,704
AA		68,299	67,307
AA-		29,119	28,292
A+		166,941	37,752
A		15,842	14,327
A-		266,705	248,184
BBB and below		17,935	15,300
Not Rated		243,463	2,095
Total	\$	812,008	\$ 416,961

(in thousands of U.S. dollars)

		December 31, 2022	
		Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses, net of payables and collateral
AA+	\$	19,361	\$ 18,606
AA		10,938	10,776
AA-		113,136	107,810
A+		285,741	152,904
A		35,582	31,743
A-		120,697	115,444
BBB and below		26,440	20,597
Not Rated		208,301	705
Total	\$	820,196	\$ 458,585

As of December 31, 2023, 67.8% (2022: 71.4%) of reinsurance recoverable on paid and unpaid losses were with reinsurers rated “A-” or above by A.M. Best Company, and the remaining 32.2% (2022: 28.6%) of reinsurance recoverables were with reinsurers rated “BBB” or below, including reinsurers that are not rated. To further reduce credit exposure to reinsurance recoverable balances, the Company has received collateral, including letters of credit and trust accounts, from certain reinsurers. Collateral related to these reinsurance agreements is available, without restriction, when the Company pays losses covered by the reinsurance agreements. In addition, the Company has retained certain ceded premium amounts as

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

7. Reinsurance, continued

funds withheld, to cover the obligations of its retrocessionaires as they fall due, thereby further mitigating its credit exposure to these retrocessionaires.

The following tables present the reinsurance recoverable on paid and unpaid losses for the Company's top ten counterparties as of December 31, 2023 and 2022:

(in thousands of U.S. dollars)

	December 31, 2023		
Counterparty Credit Rating	Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses, net of payables and collateral	
Elevation Re (SPC)	Not Rated	\$ 243,463	\$ 2,095
Arch Capital Group	A+	142,976	15,219
Lloyd's of London	A	61,059	59,907
Munich Re	A+	55,815	55,773
AmTrust Financial Services	A-	33,454	32,473
Everest Re Group	AA-	25,515	25,515
Aviva Insurance Limited	A-	18,253	18,251
Berkshire Hathaway	A+	16,725	16,432
Greenlight Capital	A-	15,864	15,864
Hannover Re	A+	14,957	14,385
Other		183,927	161,047
Total		\$ 812,008	\$ 416,961

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

7. Reinsurance, continued

(in thousands of U.S. dollars)

	December 31, 2022		
	Counterparty Credit Rating	Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses, net of payables and collateral
Elevation Re (SPC)	Not Rated	\$ 208,301	\$ 705
Arch Capital Group	A+	121,031	4,657
Lloyd's Of London	A+	63,545	61,538
Munich Re Group	AA-	59,122	59,080
Everest Re Group	A+	40,368	39,575
AmTrust Financial Services	A-	40,344	40,344
Hannover Re	AA-	23,058	20,866
Aviva Insurance Limited	AA-	17,858	17,858
Berkshire Hathaway	AA+	16,973	16,218
Apollo Global Management	A-	16,342	16,042
Other		213,254	181,702
Total		\$ 820,196	\$ 458,585

As of December 31, 2023, balances recoverable from the ten largest reinsurers represented 77.3% (2022: 74.0%) of the reinsurance recoverable on paid and unpaid losses, after considering allowances for uncollectible reinsurance recoverable balances and before payables and collateral. As of December 31, 2023 and 2022, the largest reinsurance balance was due from Elevation Re (SPC) and represented 30.0% (2022: 25.4%) of the reinsurance recoverable on paid and unpaid losses, after considering allowances for uncollectible reinsurance recoverable balances and before payables and collateral.

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

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

The Company revised its process for determining the allowances for estimated uncollectible reinsurance following its adoption of ASU 2016-13 and the related amendments on January 1, 2023. The Company's allowance for estimated uncollectible reinsurance is now derived based on various data sources, key inputs and forecast scenarios. These include the duration of the collection period, credit quality, changes in reinsurer credit standing, default rates specific to the individual reinsurer, the geographical location of the reinsurer, contractual disputes with reinsurers over individual contentious claims, contract language or coverage issues, industry analyst reports and consensus economic forecasts.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

7. Reinsurance, continued

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

The table below provides a reconciliation of the beginning and ending allowance for estimated uncollectible reinsurance balances for the year ended December 31, 2023:

<i>(in thousands of U.S. dollars)</i>	December 31, 2023
Allowance for estimated uncollectible reinsurance, beginning of period	\$ (6,877)
Cumulative effect of change in accounting principle	—
Effect of exchange rate movement	(151)
Write-offs charged against the allowance	1,800
Current period change in the allowance	670
Allowance for estimated uncollectible reinsurance, end of period	\$ (4,558)

Following its adoption of ASU 2016-13 and the related amendments on January 1, 2023, the Company determined that its existing allowance for estimated uncollectible reinsurance was adequate and therefore no adjustment was recorded against the Company's opening retained earnings to reflect the initial impact of the adoption of the guidance.

During the year ended December 31, 2023, the Company wrote off \$1.80 million against the allowance for estimated uncollectible reinsurance.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

8. Goodwill and other intangible assets

Intangible assets subject to amortization consist of finite lived intangible assets including customized cloud computing software, customer relationships and a brand name, arising from the acquisition of Alan Gray, as well as a customized legal bill review invoice management system called the Simple Invoice Management System ("SIMS") and customer relationships acquired from Legal Cost Control ("LCC"), Inc. by Alan Gray on September 7, 2022. All these finite lived intangible assets are amortized on a straight-line basis over their estimated useful lives of 5 to 15 years. The Company did not recognize any impairment losses on these finite lived intangible assets for the years ended December 31, 2023 and 2022.

Indefinite-lived intangible assets and goodwill as at December 31, 2023 consist of the Lloyd's platform benefit valued at \$15.863 million resulting from the acquisition of PMAL, US state insurance licenses valued at \$6.125 million resulting from the acquisition of Public Service, and goodwill of \$7.891 million resulting from the acquisition of Alan Gray.

The following tables present the components of the gross and net carrying values of goodwill and other intangible assets as of December 31, 2023 and 2022 respectively.

(in thousands of U.S. dollars)

	December 31, 2023		
	Gross carrying value	Accumulated amortization	Net carrying value
Cloud computing software	\$ 4,335	\$ (2,376)	\$ 1,959
Customer relationships	1,705	(492)	1,213
Brand	1,034	(368)	666
SIMS intellectual property	629	(41)	588
Value of business acquired	261	(169)	92
Total finite lived intangible assets	<u>7,964</u>	<u>(3,446)</u>	<u>4,518</u>
State insurance licenses	6,125	—	6,125
Lloyd's platform benefit	15,863	—	15,863
Total indefinite lived intangible assets	<u>21,988</u>	<u>—</u>	<u>21,988</u>
Goodwill	7,891	—	7,891
Goodwill and other intangible assets	<u>\$ 37,843</u>	<u>\$ (3,446)</u>	<u>\$ 34,397</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

8. Goodwill and other intangible assets, continued

(in thousands of U.S. dollars)

	December 31, 2022		
	Gross carrying value	Accumulated amortization	Net carrying value
Cloud computing software	\$ 3,808	\$ (1,295)	\$ 2,513
Customer relationships	1,705	(378)	1,327
Brand	1,034	(299)	735
SIMS intellectual property	382	(8)	374
Value of business acquired	252	(78)	174
Total finite lived intangible assets	<u>7,181</u>	<u>(2,058)</u>	<u>5,123</u>
State insurance licenses	6,125	—	6,125
Lloyd's platform benefit	15,863	—	15,863
Total indefinite lived intangible assets	<u>21,988</u>	<u>—</u>	<u>21,988</u>
Goodwill	7,891	—	7,891
Goodwill and other intangible assets	<u>\$ 37,060</u>	<u>\$ (2,058)</u>	<u>\$ 35,002</u>

9. Long term debt

The Company utilizes debt financing and credit facilities primarily to fund business acquisitions, significant new business transactions and investment activities. Below is a summary description of the Company's debt arrangements as of December 31, 2023 and 2022:

Revolving Credit Facility

On May 13, 2022, the Company entered into an amended and restated revolving credit facility ("amended and restated RCF") with the Bank of Montreal, which increased the lender's commitment to \$155.0 million. Interest on borrowed principal is paid quarterly and determined using a variable Secured Overnight Financing Rate ("SOFR"). The original revolving credit agreement, dated October 5, 2020, provided a commitment of \$45.0 million which was undrawn up to the date of the amended and restated RCF.

On May 13, 2022, the Company drew \$110.0 million from the amended and restated RCF and used the proceeds to fully extinguish the outstanding principal on the \$110.0 million 7.0% Notes that were due in January 2024.

Subordinated Notes

6.50% Fixed-Rate Reset Subordinated Notes due February 2031

On February 1, 2021, the Company entered into an indenture agreement with The Bank of New York Mellon for a principal amount of \$50.0 million. The Subordinated Fixed-Rate Reset Notes ("the Subordinated Fixed-Rate Reset Notes due February 2031") are repayable in full at the end of ten years,

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

9. Long term debt, continued

with a first par call date set after five years and a second par call date set after eight years. Annual interest of 6.50% is payable quarterly for the first five years.

After the first par call date the interest is floating at a per annum rate equal to the five-year treasury rate plus 6.15%. After the second par call date the interest is floating at a per annum rate equal to the blended 30-month treasury rate plus 6.15%.

6.50% Fixed-Rate Reset Subordinated Notes due January 2031

On January 7, 2021, the Company entered into an indenture agreement with The Bank of New York Mellon for a principal amount of \$50.0 million. The Subordinated Fixed-Rate Reset Notes ("the Subordinated Fixed-Rate Reset Notes due January 2031") are repayable in full at the end of ten years, with a first par call date set after five years and a second par call date set after eight years. Annual interest of 6.50% is payable quarterly for the first five years. After the first par call date the interest is floating at a per annum rate equal to the five-year treasury rate plus 6.15%. After the second par call date the interest is floating at a per annum rate equal to the blended 30-month treasury rate plus 6.15%.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

9. Long term debt, continued

The Company's debt obligations as of December 31, 2023 and 2022 are summarized as follows:

(in thousands of U.S. dollars)

Facility	Issuance Date	Term	2023	2022
6.90% Fixed-to-Floating Subordinated Notes due 2030	September 21, 2020	10 years	39,561	39,310
6.50% Fixed-Rate Reset Subordinated Notes due January 2031	January 7, 2021	10 years	49,498	49,402
6.50% Fixed-Rate Reset Subordinated Notes due February 2031	February 1, 2021	10 years	49,627	49,441
Fluctuating-Rate Revolving Credit Facility due 2026	May 13, 2022	4 years	109,248	108,930
Long term debt			\$ 247,934	\$ 247,083

Long term debt is presented net of debt issuance costs and discounts paid by the Company when the commitments are initially drawn down. The amended and restated RCF includes issuance costs of \$1.272 million which are expensed through the consolidated statements of operations quarterly, over the tenor of the facility.

The 6.90% Fixed-to-Floating Subordinated Notes due 2030, Subordinated Fixed-Rate Reset Notes due January 2031, and Subordinated Fixed-Rate Reset Notes due February 2031 include comprehensive debt issuance costs of \$2.459 million, which are expensed quarterly through the consolidated statements of operations, up until the par call date.

The following table presents the components of interest expense and other debt facility fees as well as the interest expense on the Company's deposit liability for the years ended December 31, 2023 and 2022 respectively:

(in thousands of U.S. dollars)

	2023	2022
Interest on deposit liability	\$ 31,256	\$ 31,957
Interest on notes and subordinated notes	9,793	12,995
Interest and fees on letter of credit	2,321	2,683
Interest and fees on revolving credit facility	9,154	4,383
Interest expense	\$ 52,524	\$ 52,018

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

10. Share capital

The authorized share capital of the Company consists of 160 million common shares, of par value \$0.01 per share. Issued and outstanding shares as at December 31, 2023 and 2022 consisted of 42,852,729 common shares. Formation expenses of \$3.603 million have been capitalized as an off-set to additional paid-in capital included in Shareholders' Equity.

(b) Warrants

The Company issued 6,250,000 warrants on January 6, 2017 to founding investors, all of which were outstanding as December 31, 2023. The warrants expire on the earlier of January 6, 2027 or the consummation date of a transaction that allows for the warrants to be exercised.

The terms of the warrants contain standard anti-dilutive provisions which adjust the exercise price and the number of shares purchasable under the warrants, as applicable, on the occurrence of certain dilution events. The warrants were initially measured at fair value and recorded in additional paid-in capital.

(c) Options

The Company had 6,894,194 issued and outstanding options outstanding at December 31, 2023 (2022: 6,982,665). The Company repurchased 51,946 options during the year (2022: 625,000) with regard to departing employees, for a net cost to the Company of \$0.123 million (2022: \$1.404 million).

(d) Restricted stock units

The Company has issued 241,500 restricted stock units ("RSUs") to employees all of which were fully vested in 2021. No additional RSUs were issued in 2023.

11. Income taxes

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

11. Income taxes, continued

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

Premia Holdings has subsidiaries that operate in the United States, United Kingdom and Continental Europe and are therefore subject to federal, foreign, state and local taxes in those jurisdictions. Current and deferred taxes are assessed annually in the United Kingdom while assessments are performed quarterly in the United States.

The components of income tax attributable to the Company's operations were as follows:

<i>(in thousands of U.S. dollars)</i>	2023	2022
<u>Current (expense) benefit</u>		
United States	\$ (166)	\$ (462)
UK and Continental Europe	32	516
	(134)	54
<u>Deferred expense</u>		
United States	—	(128)
	—	(128)
Income tax expense	\$ (134)	\$ (74)

The Company's net (loss) income before income taxes was earned within the following jurisdictions:

<i>(in thousands of U.S. dollars)</i>	2023	2022
<u>Income (loss) before income taxes:</u>		
Bermuda	\$ 19,012	\$ 11,903
United States	1,100	770
UK and Continental Europe	(55,317)	7,726
Total	\$ (35,205)	\$ 20,399

The expected tax provision computed on pre-tax income or loss at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. The statutory tax rates by jurisdiction are as follows: Bermuda (0.0%), United States (21%), Luxembourg (15%), Belgium (25%), and United Kingdom (19%). The difference between the actual income tax expense and the expense computed by applying the statutory corporate income tax rate is attributable to the geographical distribution of the Company's pre-tax net income between jurisdictions and change in valuation allowance.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

11. Income taxes, continued

United States taxes

Deferred income tax assets and liabilities reflect temporary differences based on enacted tax rates between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. As at December 31, 2023 the Company had gross deferred tax assets of \$7.241 million (2022: \$7.650 million) which were comprised primarily of a U.S. federal and state net operating loss carry forward of \$1.080 million, \$1.238 million from the discounting of loss reserves and \$1.894 million related to deferred and other compensation.

As of December 31, 2023 the Company had gross deferred tax liabilities of \$5.493 million (2022: \$3.692 million) comprised primarily of \$2.864 million attributable to unrealized losses on the Company's other investments and \$2.145 million attributable to the valuation of intangible assets arising from business combination transactions.

The Company provides a valuation allowance to reduce certain deferred tax assets by an amount which management expects will more likely than not be realized. As of December 31, 2023 and 2022, the Company has recorded a full valuation allowance against its net deferred tax asset of \$1.749 million (2022: \$3.958 million).

At December 31, 2023, the Company had \$3.551 million (2022: \$10.061 million) of federal net operating losses available to offset future taxable income in the United States. These net operating loss carry forwards in the United States of \$3.551 million as of December 31, 2023, cannot be carried back.

Generally accepted accounting principles require management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Company recognizes interest and penalties related to uncertain tax positions in the provision for income taxes line of the consolidated statements of operations. No interest and penalties were incurred for the years ended December 31, 2023 and 2022.

The Company is subject to routine audits by taxing authorities in the United States. At this time there are currently no audits for any tax periods in progress. The Company's U.S. federal and state income tax returns are open for all tax years since inception (2019).

12. Concentrations and contingencies

Concentration of credit risk

The Company's investment portfolio is managed by external investment advisors in accordance with the Company's investment guidelines. The Company's investment guidelines limit maximum issuer concentration at 2% of assets. U.S. government and agency securities are however excluded from this guideline. There are no significant concentrations of credit risk in excess of the Company's concentration guidelines as of December 31, 2023. As of December 31, 2023 approximately 77.1% (2022: 77.3%) of the Company's total investments including cash and cash equivalents and restricted cash and cash equivalents are rated as either NAIC 1 or NAIC 2.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

12. Concentrations and contingencies, continued

Reinsurance recoverable balances include outstanding loss and LAE recoverable. The Company is subject to credit risk with respect to reinsurance ceded as the ceding of risk does not relieve the Company from its primary obligations to its policyholders. Failure of the Company's reinsurers to honor their obligations could result in the Company incurring credit losses, therefore the Company continuously evaluates and monitors the concentration of credit risk among its reinsurers.

The Company is also subject to credit risk in relation to funds held by its ceding companies. Under funds held arrangements, the ceding company retains funds that would otherwise have been remitted to the Company's (re)insurance subsidiaries. These funds are not typically placed into trust or subject to other security arrangements, however the Company's (re)insurance subsidiaries generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts that they owe the ceding companies. As of December 31, 2023, funds held balances of \$903.740 million (2022: \$630.441 million) had been retained by the Company's cedents.

The Company utilizes trust funds which are set up for the benefit of its ceding companies. The fair value of the restricted assets included in these trust funds was \$1.341 billion as of December 31, 2023 (2022: \$1.459 billion), of which \$1.246 billion (2022: \$1.372 billion) relates to investments and \$95.419 million relates to cash and cash equivalents, as of December 31, 2023 (2022: \$86.627 million).

Unfunded investment commitments

The Company makes contributions to and receives distributions from its investment funds measured at fair value. During the year ended December 31, 2023, the Company made a net contribution of \$17.790 million to its investment funds compared to a net distribution of \$1.733 million received from its investment funds during the year ended December 31, 2022. The Company has committed to make additional contributions of \$97.145 million (2022: \$66.906 million) to its investment funds over time.

Legal proceedings

The Company from time to time is involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation are included in the reserve for losses and LAE in the consolidated balance sheets.

In addition to claims litigation, the Company may be subject to other lawsuits and regulatory actions, which may involve, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity.

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

12. Concentrations and contingencies, continued

Leases

The Company adopted the new leasing standard and the related amendments on January 1, 2022 using the modified retrospective transition method as required by the standard, and based on the detailed analysis of its leasing arrangements, a right-of-use asset and an offsetting lease liability were recognized on the Company's consolidated balance sheet, relating primarily to office space and facilities that have been leased to conduct its business operations. On an ongoing basis the Company determines whether an arrangement is a lease or contains a lease at inception and also completes an assessment to determine the classification of each lease as either a finance lease or an operating lease. The Company's leases are all currently classified as operating leases.

The Company's leases have remaining lease terms of one year to 15 years, some of which include options to either extend the lease term by up to 2 years or terminate the lease within one year. The Company considers these options in determining the lease term used to establish its right-of-use assets and lease liabilities. Renewal options that the Company believes are likely to be exercised are considered when determining lease terms. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Since a majority of the leases do not provide an implicit discount rate, the Company has used its implied collateralized incremental borrowing rate in determining the present value of its lease payments.

The table below provides a summary of the operating leases recorded on the Company's consolidated balance sheet for the years ended December 31, 2023 and 2022:

<i>(in thousands of U.S. dollars)</i>	<u>Balance Sheet Classification</u>	<u>2023</u>	<u>2022</u>
Right-of-use assets	Other assets	\$ 4,644	\$ 7,761
Current lease liabilities	Other liabilities	(1,607)	(1,368)
Non-current lease liabilities	Other liabilities	(2,169)	(5,979)

The weighted-average discount rate used for the Company's operating leases for the years ended December 31, 2023 and 2022 was 6.50%.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

12. Concentrations and contingencies, continued

Leases, continued

The following table provides a summary of the contractual maturities of the Company's operating lease liabilities:

<i>(in thousands of U.S. dollars)</i>	2023
2024	\$ 1,381
2025	1,351
2026	1,179
2027	741
2028	75
2029 and beyond	(460)
Total lease payments	4,267
Less: Imputed interest	(490)
Present value of lease liabilities	\$ 3,777

The lease expense for the year ended December 31, 2023 was \$1.502 million (2022: \$1.869 million), relating to office space and facilities that the Company has leased to conduct its business operations.

13. Related party transactions

Transactions between Premia Re and Arch Re

Arch Re, along with certain members of senior management, collectively own approximately 25% of the Company's total equity.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

Premia Re has retrocession agreements with Arch Re through which it retrocedes between 12.5% and 25% of the business it writes to Arch Re on a pro rata basis.

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

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

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

Transactions between Premia Re and Arch Underwriters

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

Transactions between Alan Gray and Arch Re

For the year ended December 31, 2023 Alan Gray invoiced Arch Re and its affiliates \$0.042 million (2022: \$0.098 million) for the provision of claims audit services.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

13. Related party transactions, continued

Transactions between PCN3 and Arch Re

PCN3 entered into a retrocession agreement with Arch Re, effective January 1, 2021, through which PCN3 cedes to Arch Re a 12.5% quota share of the risks attaching to the 2018 YoA of Syndicate 1861, as reinsured into the 2021 YoA of Syndicate 1884, on a pro rata basis. As at December 31, 2023 and 2022 the consolidated balance sheets and statements of operations included the following amounts ceded by PCN3 to Arch Re:

<i>(in thousands of U.S. dollars)</i>	2023	2022
Balance sheets:		
Reinsurance recoverable on paid and unpaid losses	\$ 9,633	\$ 14,022
Ceded unearned premium	400	829
Ceded funds held	(11,067)	(16,728)
Statements of operations:		
Ceded written premiums	\$ 70	\$ (793)
Change in ceded unearned premiums (included in Change in unearned premiums)	557	1,621
Ceded net investment income (included in Net investment income)	210	(570)
Ceded loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	(2,400)	(1,771)
Ceded operating expenses (included in Operating expenses)	(402)	(603)
Ceded foreign currency gain/loss	(386)	—
Ceded acquisition costs	(87)	—

Transactions between Premia Re and Kelso & Company

Kelso & Company own approximately 70% of the Company's total equity and the Company also has investments in Kelso & Company's KIA X Fund and KIA XI Fund.

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

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

13. Related party transactions, continued

Transactions between Premia Re, Public Service and Somers Group

On May 23, 2022, Premia Re and Public Service jointly invested a total of \$6.0 million in a 6.5% Fixed Rate Reset Subordinated Note due in 2032 ("6.5% Fixed Rate Reset Note") issued by Somers Group Holdings Ltd. ("Somers Group"), in which Arch Capital Group Ltd. ("Arch Capital") and Kelso & Company jointly own the majority of the equity interests. As of December 31, 2023, the fair value of the 6.5% Fixed Rate Reset Note amounted to \$6.017 million (2022: \$6.407 million). During the year ended December 31, 2023, total interest accrued on the 6.5% Fixed Rate Reset Note amounted to \$0.390 million (2022: \$0.250 million).

Transactions between Premia Group and Armour

As part of Phase 1 of the Sale and Exchange Agreement ("SEA") between Premia Holdings and Armour Group Ltd. ("Armour") that was entered into on February 21, 2021, the Company through its subsidiaries took over certain service agreements of Armour as of the effective date of the SEA, at which point the services that were provided by the Company and its subsidiaries to both Armour and its affiliates became related party transactions, in view of Aquiline Armour Co-Invest L.P.'s ("Aquiline") equity investment in the Company.

During the year ended December 31, 2023, the total fees earned by the Company and its affiliates from the services provided to Armour and its affiliates under these service agreements amounted to \$4.995 million (2022: \$6.819 million).

14. Statutory financial information and dividend restrictions

The Company's insurance and reinsurance subsidiaries are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate. These regulations include certain restrictions on the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

Group Supervision

The Bermuda Monetary Authority ("BMA") is the group supervisor of the Company. Under the Insurance Act 1978, as amended, and related regulations of Bermuda (the "Insurance Act"), the Company is required to meet its minimum solvency margin ("MSM"), defined as the prescribed minimum amount by which the value of the assets of the Company must exceed the value of its liabilities.

In addition, the Company is required to maintain statutory economic capital and surplus at a level at least equal to its enhanced capital requirement ("ECR"). The ECR is equal to the greater of the MSM and the required capital calculated by reference to the Bermuda Solvency Capital Requirement ("BSCR") model.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

14. Statutory financial information and dividend restrictions, continued

The Company is currently completing its 2023 group 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 level of required statutory economic capital and surplus. The actual and required statutory capital and surplus for the Company's principal operating subsidiaries at December 31, 2023 and 2022 was as follows:

<i>(in thousands of U.S. dollars)</i>	2023	2022
Actual capital and surplus:		
Bermuda	\$ 779,823	\$ 715,574
United States	45,796	45,286
United Kingdom	212,064	270,190
Europe	43,730	35,262
Total actual capital and surplus	\$ 1,081,413	\$ 1,066,312
Required capital and surplus:		
Bermuda	\$ 243,616	\$ 232,352
United States	10,360	11,255
United Kingdom	202,480	232,566
Europe	17,055	17,397
Total required capital and surplus	\$ 473,511	\$ 493,570

The Company's insurance and reinsurance subsidiaries prepare their statutory financial statements in accordance with statutory accounting practices prescribed or permitted by local regulators, which differ from U.S. GAAP, primarily in the treatment of investments, acquisition costs, goodwill and certain intangible assets and deferred income taxes, amongst other items, which may not be reflected in the statutory financial statements.

Bermuda

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

Premia Re may declare dividends subject to it continuing to meet its solvency and capital requirements, which includes continuing to hold statutory capital and surplus equal to or exceeding its ECR.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

14. Statutory financial information and dividend restrictions, continued

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

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

United States

The Company's U.S. insurance subsidiary Public Service is domiciled in the state of Illinois and files financial statements in accordance with statutory accounting practices prescribed or permitted by its local insurance regulators.

Public Service was not permitted to declare any dividends during 2023 without approval from the Illinois Department of Insurance. The payment of shareholder dividends without regulatory approval is limited to formula amounts based on net income and capital and surplus, determined in conformity with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding twelve months. No dividends were paid for the years ended December 31, 2023 or 2022.

Public Service is required to maintain paid up capital of not less than the minimum capital requirement applicable to the types of insurance it is authorized to write. Insurance companies are also subject to risk-based capital ("RBC") requirements adopted by state insurance regulators. A company's authorized control level RBC is calculated using various factors applied to certain financial balances and activity. The statutory capital and surplus of Public Service met regulatory requirements for 2023 and 2022.

United Kingdom

The Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") regulate insurance and reinsurance companies and the FCA regulates firms carrying on insurance activities operating in the U.K, under both the Financial Services and Markets Act 2000. The Company's European insurance operations are conducted through Syndicate 1884, which is managed by PMAL, Dominion, and Trent. Syndicate 1884 is supported by PCN3, a corporate member. All U.K. companies are also subject to a range of statutory provisions, including the laws and regulations of the Companies Acts 2006 (as amended) (the "U.K. Companies Acts").

Syndicate 1884, via PCN3, Dominion and Trent must maintain a margin of solvency at all times under the Solvency II Directive from the European Insurance and Occupational Pensions Authority ("EIOPA"). The regulations stipulate that insurers are required to maintain the minimum capital requirements and solvency capital requirements at all times. The capital requirements for Syndicate 1884 are calculated using PMAL's internal model, and for Dominion and Trent by reference to a standard formula defined in Solvency II.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

14. Statutory financial information and dividend restrictions, continued

As at December 31, 2023, Dominion and Trent are in compliance with their solvency requirements. Syndicate 1884, via PCN3, had an immaterial shortfall but, since this was less than 10% of the requirement, no action was required under Lloyd's solvency rules.

PMAL, Syndicate 1884, and PCN3 are subject to the oversight of the Council of Lloyd's and are therefore required to meet Lloyd's capital and solvency requirements. The capital required to support a Syndicate's underwriting capacity, or funds at Lloyd's, is assessed quarterly and is determined by Lloyd's in accordance with the capital adequacy rules established by the PRA. The Company has provided capital to support the underwriting of Lloyd's Syndicate 1884.

The amount which the Company provides as funds at Lloyd's ("FAL") is not available for distribution to the Company for the payment of dividends. Lloyd's is supervised by the PRA under the Lloyd's Act of 1982 which regulates the operations of the Lloyd's market. With respect to managing agents and corporate members, Lloyd's prescribes certain minimum standards relating to management and control, solvency and other requirements and monitors managing agent's compliance with such standards.

Under U.K. law, all U.K. companies are restricted from declaring a dividend to their shareholders unless they have "*profits available for distribution*". The calculation as to whether a company has sufficient profits is based on its accumulated realized profits minus its accumulated realized losses.

The U.K. insurance regulatory laws do not prohibit the payment of dividends, but the PRA or FCA, as applicable, requires that insurance companies and insurance intermediaries maintain certain solvency margins and may restrict the payment of a dividend by the Company's subsidiaries.

Europe

The Company's Belgian insurance subsidiary, Premia Insurance Europe NV ("Premia Europe"), files statutory financial statements and returns with the National Bank of Belgium ("NBB"). For the year ended December 31, 2023, Premia Europe was in compliance with its solvency and capital requirements under Solvency II and filed its financial statements and returns on March 28, 2024. The amount of dividends that Premia Europe is permitted to distribute is restricted to its after tax profits. No dividends were distributed by Premia Europe during the years ended December 31, 2023 and 2022.

The Company's Luxembourg reinsurance subsidiary, Canal Re Sarl ("Canal Re"), files statutory financial statements and returns with the Commissariat aux Assurances ("CAA"). For the year ended December 31, 2023, Canal Re was in compliance with its solvency and capital requirements under Solvency II and filed its financial statements and returns on March 28, 2024. The amount of dividends that Canal Re is permitted to distribute is restricted to its after tax profits. No dividends were distributed by Canal Re during the years ended December 31, 2023 and 2022.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

15. Contractual obligations and commitments

On October 5, 2020, the Company entered into a \$45.0 million two-year unsecured revolving credit facility (the "Revolving Credit Facility") with a syndication of lenders. On May 13, 2022, the Revolving Credit Facility was amended and restated to \$155.0 million and provides commitments up to, but not exceeding, an aggregate of \$75.0 million. As at December 31, 2023, the Company had drawn down \$110.0 million against the Revolving Credit Facility. The Revolving Credit Facility requires that the Company maintains certain financial covenants, all of which were met at December 31, 2023.

On November 12, 2019, the Company entered into a \$131.0 million four-year letter of credit facility agreement ("Letter of Credit") with a syndication of lenders. On November 5, 2021, the Letter of Credit was amended to provide commitments of up to, but not exceeding, \$125.0 million with further amendments made on November 1, 2022 and October 27, 2023, which decreased the commitments on the Letter of Credit up to but not exceeding \$116.50 million and \$75.0 million, respectively. As at December 31, 2023, an aggregate value of \$75.0 million of outstanding Letters of Credit have been issued under the facility. The Letter of Credit requires that the Company maintains certain financial covenants, all of which were met at December 31, 2023.

16. Subsequent events

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

Loss Portfolio Transfer with Hoahrhein Internationale Rückversicherung Aktiengesellschaft

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

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

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