CATALINA GENERAL INSURANCE LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

CATALINA GENERAL INSURANCE LTD.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Catalina General Insurance Ltd.

Opinion

We have audited the consolidated financial statements of Catalina General Insurance Ltd. and its subsidiaries (the "Company"), which comprise the Consolidated Balance Sheets as of December 31, 2023 and 2022, and the related Consolidated Statement of Income (Loss) and Comprehensive Income (Loss), Consolidated Statements of Changes in Shareholders' Equity, and Consolidated 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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 Consolidated 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.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

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 on page 44 to 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United Stated of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 19, 2024

CATALINA GENERAL INSURANCE LTD.
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars, except share and per share amounts)

	Notes	2023	2022
Assets			
Investments			
Fixed maturities, trading, at fair value	5,6	$ 43,373	$ 87,479
Fixed maturities, available-for-sale, at fair value (amortized cost 2023: $2,050,639; 2022: $2,095,245; credit valuation allowance 2023: $4,041; 2022: nil)	5,6	1,814,106	1,695,088
Funds held - directly managed	5	209,496	300,470
Equity securities, at fair value	5,6	9	2,543
Other investments	5,6	493,953	1,096,583
Mortgage loans (credit valuation allowance: 2023: $7,809; 2022: nil)	8	45,413	71,677
Total investments		2,606,350	3,253,840
Cash and cash equivalents		353,017	123,013
Restricted cash and cash equivalents	13	246,805	182,710
Accrued investment income		21,301	21,623
Investment in affiliates	8	6,729	2,502
Investment in real estate	8	246,534	276,839
Reinsurance recoverable on paid and unpaid losses	11	815,819	886,594
Funds held by cedants and claims administrators		47,325	48,317
Insurance and reinsurance balances receivable		81,136	125,662
Other assets	9	580,978	232,680
Due from affiliates		9,908	1,095
Assets held-for-sale	4	240,770	313,090
Total assets		$ 5,256,672	$ 5,467,965
Liabilities			
Outstanding losses and loss expenses	10	$ 3,216,863	$ 3,447,885
Unearned premiums		2,473	7,659
Insurance and reinsurance balances payable		74,543	73,711
Accounts payable, accrued expenses and other liabilities		48,429	132,463
Long term subordinated debt	12	70,500	70,500
Loans payable	12	94,488	91,439
Liabilities held-for-sale	4	249,969	246,598
Total liabilities		3,757,265	4,070,255
Shareholder’s equity			
Ordinary shares - $60 par value; 8,333,333 shares authorized; 6,362,600 shares issued and outstanding (2022: 8,333,333 shares authorized; 6,362,600 shares issued and outstanding)	16	381,756	381,756
Additional paid-in capital		1,250,656	1,240,562
Retained earnings		107,904	263,754
Accumulated other comprehensive loss		(291,925)	(494,892)
Total Catalina General Insurance Ltd. shareholder’s equity		1,448,391	1,391,180
Non-controlling interest		51,016	6,530
Total shareholder's equity		1,499,407	1,397,710
Total liabilities and shareholder's equity		$ 5,256,672	$ 5,467,965

The accompanying notes are an integral part of these consolidated financial statements

CATALINA GENERAL INSURANCE LTD.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

	Notes	2023	2022
Revenues			
Net premiums earned		$ 14,886	$ 11,523
Net losses and loss expenses	10	(103,348)	(32,095)
Commissions		(6,628)	(7,810)
Net run-off loss		(95,090)	(28,382)
Net investment income	5	149,618	109,487
Net gains (losses) on investments	5	23,745	(39,050)
Total other-than-temporary impairment losses	5	—	(1,295)
Rental income		18,767	16,133
Total revenues		97,040	56,893
Expenses			
General and administrative expenses		(55,420)	(55,785)
Impairment on real estate		(33,006)	—
Net foreign exchange (losses) gains		(64,914)	107,306
Interest expense	12	(15,566)	(9,620)
Total expenses		(168,906)	41,901
(Loss) income from continuing operations before income taxes		(71,866)	98,794
Income tax expense	15	(2,064)	(9,321)
Net (loss) income from continuing operations		(73,930)	89,473
Net loss from discontinued operations, net of tax	4	(82,147)	(31,918)
Net (loss) income		(156,077)	57,555
Net loss (gain) attributable to non-controlling interest		227	(585)
Net (loss) income attributable to Catalina General Insurance Ltd.		$ (155,850)	$ 56,970
Other comprehensive income (loss)			
Foreign currency translation adjustments		(5,113)	(4,799)
Unrealized gains (losses) on available-for- sale securities, net of tax		121,988	(336,926)
Foreign exchange gains (losses) on available-for-sale securities		86,092	(138,231)
Other comprehensive income (loss), net of tax		202,967	(479,956)
Comprehensive income (loss)		$ 47,117	$ (422,986)

The accompanying notes are an integral part of these consolidated financial statements

CATALINA GENERAL INSURANCE LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
For the years ended December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

	2023	2022
Share capital - Ordinary shares of par value $60 each		
Balance at beginning of year	$ 381,756	$ 3,000
Issued during the year	—	378,756
Balance at end of year	$ 381,756	$ 381,756
Additional paid-in capital		
Balance at beginning of year	$ 1,240,562	$ 1,669,297
Distributions during the year	—	(50,000)
Impact of contribution of entity under common control	—	(378,756)
Change of non-controlling interest in subsidiaries	10,102	—
Other	(8)	21
Balance at end of year	$ 1,250,656	$ 1,240,562
Retained earnings		
Balance at beginning of year	$ 263,754	$ 253,679
Dividends paid	—	(50,000)
Net (loss) income attributable to Catalina General Insurance Ltd.	(155,850)	56,970
Impact of deconsolidation of subsidiaries	—	3,105
Balance at end of year	$ 107,904	$ 263,754
Accumulated other comprehensive income		
Balance at beginning of year	$ (494,892)	$ (14,936)
Change in foreign currency translation adjustments	(5,113)	(4,799)
Change in net unrealized gains (losses) on available-for-sale securities	121,988	(336,926)
Change in net unrealized foreign exchange gains (losses) on available-for-sale securities	86,092	(138,231)
Balance at end of year	$ (291,925)	$ (494,892)
Non-controlling interest		
Balance at beginning of year	$ 6,530	$ 5,945
Repurchase of shares	(792)	—
Change in non-controlling interest in subsidiaries	45,505	—
Net (loss) income attributable to non-controlling interest	(227)	585
Balance at end of year	$ 51,016	$ 6,530
Total shareholder's equity	$ 1,499,407	$ 1,397,710

The accompanying notes are an integral part of these consolidated financial statements

CATALINA GENERAL INSURANCE LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

	Notes	2023	2022
Cash flows from operating activities			
Net (loss) income		$ (156,077)	$ 57,555
Less: Net loss (income) from discontinued operations		82,147	31,918
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation of property and equipment		38,094	4,045
Amortization of net premiums (discounts) on investments		5,074	9,047
Net (gains) losses on investments	6	(26,706)	39,049
Loss on sale of investment in affiliate		2,961	—
Total other-than-temporary impairment losses	6	—	1,295
Other non-cash items		(1,088)	(17)
Changes in assets and liabilities:			
Accrued investment income		322	1,929
Outstanding losses and loss expenses recoverable	11	70,775	210,243
Funds held by cedants and claims administrators		992	4,998
Insurance and reinsurance balances receivable		44,526	139,313
Deferred reinsurance premiums		947	4,225
Other assets		(230,146)	(112,195)
Outstanding losses and loss expenses	10	(231,022)	(469,126)
Unearned premiums		(5,186)	(8,496)
Insurance and reinsurance balances payable		832	(21,981)
Accounts payable, accrued expenses and other liabilities		(84,034)	104,007
Net cash used in operating activities for continuing operations		(487,589)	(4,191)
Net cash used in operating activities for discontinued operations		(13,296)	(93,075)
Net cash used in operating activities		(500,885)	(97,266)
Cash flows from investing activities			
Purchases of investments		(812,894)	(1,357,256)
Proceeds from sale or maturity of investments		1,566,676	1,175,108
Net proceeds from sale of discontinued operations	5	—	47,363
Investment in real estate		—	(42,557)
Proceeds from sale of investment in affiliates		53,862	—
Net cash provided by (used in) investing activities for continuing operations		807,644	(177,342)
Net cash provided by investing activities for discontinued operations		13,184	145,772
Net cash provided by (used in) investing activities		820,828	(31,570)
Cash flows from financing activities			
Distributions to parent		—	(100,000)
Proceeds from loans and other borrowings		—	6,631
Repayment of loans and other borrowings		(1,745)	—
Net cash used in financing activities for continuing operations		(1,745)	(93,369)
Net cash used in financing activities for discontinued operations		1,091	(103,831)
Net cash used in financing activities		(654)	(197,200)
Effect of exchange rate changes		(24,611)	91,966
Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents		294,678	(234,070)
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of year		315,885	549,955
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of year		610,563	315,885
Less: cash, cash equivalents, restricted cash, and restricted cash equivalents of discontinued operation at end of year		(10,741)	(10,162)
Cash, cash equivalents, restricted cash, and restricted cash equivalents of continuing operations at end of year		$ 599,822	$ 305,723
Supplemental information:			
Interest paid		$ 15,014	$ 9,046
Income taxes paid	15	7,476	2,602
Supplemental information of non-cash investing activities:			
Securities received through quota share agreement		$ —	$ 123,603
Securities transferred to securitization vehicle	6	—	56,687
Reconciliation to consolidated balance sheet:			
Cash and cash equivalents		$ 353,017	$ 123,013
Restricted cash and cash equivalents	13	246,805	182,710
Cash, cash equivalents, restricted cash, and restricted cash equivalents		$ 599,822	$ 305,723

The accompanying notes are an integral part of these consolidated financial statements

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

1. Description of business

Catalina General Insurance Ltd., licensed as a Class 3B general business insurer and Class E long-term insurer, and its subsidiaries (collectively "CatGen" or the "Company") is a wholly owned Bermuda subsidiary of Catalina Alpha Ltd. ("CatAlpha"). The Company's ultimate parent is Catalina Holdings (Bermuda) Ltd. ("CHBL"), a company incorporated in Bermuda.

CatGen reinsures related parties and third parties through quota share, facultative and excess of loss reinsurance agreements and loss portfolio transfer agreements covering property, casualty, motor, aviation, marine and other risks. The Company also has reinsurance arrangements that limit its exposure to certain contracts on a per occurrence and aggregate basis. The Company (via Alea (Bermuda) Ltd. ("Alea")) also wrote life insurance policies in Europe and structured settlement contracts in Canada. The Company's current license issued by the Bermuda Monetary Authority ("BMA") precludes it from underwriting live insurance business without permission from the BMA.

The reinsurance and insurance business included in these consolidated financial statements includes both transactions entered into through acquisitions and reinsurance portfolio transfers. The following transactions were the result of acquisitions by CHBL or the Company that now form part of CatGen:

• Quanta Capital Holdings Ltd.	October 2008
• Alea Holdings UK Limited	October 2009
• Western General Insurance Ltd.	July 2010
• Glacier Reinsurance AG ("Glacier Re")	April 2011
• Residential Loss Control Holdings, LLC	October 2011
• HSBC Reinsurance Limited and HSBC Insurance (Ireland) Limited	October 2012
• KX Reinsurance Company Ltd.	April 2013
• American Safety Reinsurance Ltd.	October 2013
• Alea Group Holdings (Bermuda) Ltd.	March 2014
• Papiro AG	October 2015
• Allianz Suisse Ruckversicherungs-Gesselschaft AG	December 2015
• AGF Insurance Limited ("AGF")	October 2016
• Hartford Financial Products International Limited	May 2017
• Downlands Liability Management Limited	May 2017
• Globale Reinsurance Company Ltd.	May 2017
• Asia Capital Reinsurance Group Pte Ltd. ("ACR")	March 2020

The following transactions are from reinsurance portfolio transfers, both assumed and ceded, that now form part of CatGen:

• Marine insurance liabilities	June 2014
• Residential construction liabilities from NationsBuilders Insurance Company	February 2015
• UK and EU insurance liabilities	June 2015
• Hartford Financial Products International Limited ("CWIL")	May 2017
• German medical malpractice liabilities	March 2018
• U.S. construction defect and general liabilities	April 2018
• Construction insurance liabilities	September 2018
• UK employers liability liabilities	June 2019
• Credit and surety liabilities on UK builders insurance	March 2021
• U.S. casualty reinsurance liabilities	April 2021
• Habitational and excess casualty liabilities	June 2022

CHBL continues to restructure its subsidiaries to create capital and administrative efficiencies across the group, which resulted in changes to the reporting entity during 2022.

1. Description of business (continued)

Effective April 29, 2022, Catalina Holdings UK Limited ("CHUK"), previously direct subsidiary of CatAlpha, had its shareholding transferred to CatGen. Effective November 11, 2022, Asia Capital Reinsurance Group Pte. Ltd. ("ACR"), previously a direct subsidiary of CHBL, was acquired by CatGen through raising share capital and issuing common shares to CatAlpha. CHUK and ACR are consolidated by CatGen as result of these transactions.

On September 28, 2023, the Company entered into a share purchase agreement to sell Catalina Insurance Ireland dac ("CII"). The sale transaction completed on February 2, 2024. The consideration amount agreed and received from the seller was $86.1 million. Refer to "4. Discontinued Operations".

2. Significant accounting policies

Basis of presentation

The accompanying consolidated financial statements have been prepared on a going concern basis in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiaries in which it owns, directly or indirectly through subsidiaries, over fifty percent of the voting rights or is in a position to govern the financial and operating policies of the entity. All significant balances and transactions among related companies have been eliminated on consolidation.

Certain balances in the 2022 consolidated financial statements have been reclassified to conform to 2023 consolidated financial statement presentation.

Use of estimates

The preparation of financial statements in conformity with U.S. 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 reported at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. While management believes the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, the actual results could ultimately be materially different from the amounts currently provided for in the consolidated financial statements. The Company's principal estimates relate to the development or determination of the following:

- valuation of outstanding losses and loss expenses;
- valuation of investments and at fair value;
- provisions for litigation and other contingent liabilities;
- provisions for reinsurance balances recoverable;
- recoverability of insurance and reinsurance balances receivable;
- valuation of derivative contracts not actively traded;
- recoverability of commercial mortgage loans;
- valuation for expected credit losses charges on investment securities classified as available-for-sale ("AFS"), financial assets held at amortized cost, impairments on net deferred gains; and
- valuation of commissions payable as it relates to reinsurance agreements entered into.

Business combinations

The Company accounts for business combinations in accordance with FASB ASC 805 Topic, Business Combinations. In accordance with FASB ASC 805 Topic, Business Combinations, transactions between entities under common control are to be initially recognized at U.S. GAAP book value by the receiving entity at the transfer date and the financial statements of the receiving entity shall report the results of operations for the period in which the transfer occurs as though the transfer of net assets had occurred at the beginning of the earliest period presented. Financial statements and financial information presented for prior years shall be retrospectively adjusted to furnish comparative information. However, the comparative information shall only be adjusted for periods during which the entities were under common control.

2. Significant accounting policies (continued)

Premiums

The Company wrote insurance policies and reinsurance contracts prior to entering into run-off. With the exception of retroactive reinsurance agreements, the Company no longer writes new policies or contracts but premiums continue to be earned over the terms of the associated insurance policies and reinsurance contracts in proportion to the amount of insurance protection provided. The term of the insurance or reinsurance coverage provided may be cancelled by the insured or ceding company resulting in a return of written premium.

Profit commission accruals are recorded as commission expenses and are adjusted at the end of each year based on the experience of the underlying contract.
Ceded reinsurance or retrocessional coverage is used to limit the Company's individual and aggregate exposures to risks of losses arising from contracts of insurance or reinsurance. Reinsurance premiums ceded to reinsurers are recorded and earned in a manner consistent with that of the original contracts or policies written and the terms of the reinsurance agreements.

Premiums written and ceded relating to the unexpired periods of coverage or policy terms are recorded on the consolidated balance sheet as unearned premiums and deferred reinsurance premiums, respectively. Unearned premiums and deferred reinsurance premiums are recorded at fair value at the date that they were acquired. The fair value of the unearned premium reserve is based on the estimated timing of loss reserve settlements discounted at a risk-free rate.

Assumed premiums on life insurance contracts are recognized as revenue when payable by the policyholder on underlying reinsurance policies. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premium revenue.

Retroactive reinsurance

Retroactive reinsurance policies provide indemnification for outstanding losses and loss expenses with respect to past loss events. We use the balance sheet accounting approach for assumed loss portfolio transfers, whereby at the inception of the contract there are no premiums or losses recorded in earnings.

Consideration received in excess of estimated liabilities assumed with respect to retroactive reinsurance contracts is recognized as a deferred gain at inception of such contracts. Net deferred gains are subsequently amortized over the expected claims settlement period. Changes to the estimated timing or amount of loss payments produce changes in periodic amortization. Changes in such estimates are applied retrospectively and are included within net income in the year in which such changes are made. Deferred gains are reported within outstanding losses and loss expenses in the consolidated balance sheets and deferred gain amortization is recognized within net losses and loss expenses in the consolidated statements of income and comprehensive income (loss).

A deferred charge is recognized at the inception of such contracts where the estimated liabilities assumed exceed the consideration received. Deferred charges are subsequently amortized over the expected claims settlement period. Changes to the estimated timing or amount of the loss payments produce changes in periodic amortization. Changes in such estimates are applied retrospectively and are included within net earnings in the year in which such changes are made. Deferred charges are reported within outstanding losses and loss expenses in the consolidated balance sheets and deferred charge amortization is recognized within net losses and loss expenses in the consolidated statements of income and comprehensive income (loss).

Deferred charges are assessed at each year end for impairment. If the asset is impaired, it is written down in the year in which the determination is made.

2. Significant accounting policies (continued)

Outstanding losses and loss expenses

The Company establishes reserves for outstanding losses and loss expenses for estimates of future amounts to be paid in settlement of its ultimate liabilities for claims arising under its contracts of insurance and reinsurance that have occurred at or before the consolidated balance sheet date. The estimation of ultimate loss and loss expense liabilities is a significant judgment made by management and is inherently subject to significant uncertainties.

The Company's loss reserves fall into two categories; case reserves for reported losses and loss expenses ("case reserves") and reserves for losses and loss expenses incurred but not reported ("IBNR reserves"). Case reserves are based initially on claim reports received from insureds, brokers or ceding companies, and may be supplemented by the Company's claims professionals with estimates of additional ultimate settlement costs. IBNR reserves are estimated by management using generally accepted statistical and actuarial techniques and are reviewed by independent actuaries. In applying these techniques, management uses estimates as to ultimate loss emergence, severity, frequency, settlement periods and settlement costs. In making these estimates, the Company relies on the most recent information available, including industry information, and on its own historical loss and loss expense experience.

Management believes the Company's reserving techniques represent a reasonable basis for estimating ultimate claim costs and that the outstanding losses and loss expenses are sufficient to cover claims from losses occurring up to the consolidated balance sheet date; however, ultimate losses and loss expenses may be subject to significant volatility as a result of significant uncertainties. These uncertainties are driven by many variables that are difficult to quantify. These uncertainties include, for example, the period of time between the occurrence of an insured loss and actual settlement, fluctuations in inflation, prevailing economic, social and judicial trends, legislative changes, medical cost trends, internal and third party claims handling procedures and the lack of complete historical data on which to base loss expectations. Accordingly, ultimate liabilities may differ materially from the amounts recorded in the consolidated financial statements.

The Company regularly reviews and adjusts its reserve estimates and reserving methodologies taking into account current information. Outstanding losses and loss expenses are adjusted as claim experience develops and new information becomes available. Any adjustments to previously established reserves may significantly impact net income and will be recorded in the period in which they are determined.

Reinsurance balances recoverable on paid and unpaid losses

The Company estimates reinsurance balances recoverable using methodologies and assumptions consistent with those used in estimating reserves for losses and loss expenses. The estimation of outstanding loss and loss expenses recoverable is a significant judgment made by management and is inherently subject to significant uncertainties. The Company establishes allowances for amounts recoverable that are considered potentially uncollectible from its reinsurers. The valuation of this allowance for uncollectible reinsurance recoverable includes a review of the credit ratings of the reinsurance recoverables by reinsurer, an analysis of default probabilities as well as identifying whether or not coverage issues exist. These factors require management judgment and the impact of any adjustments to those factors is reflected in net income in the year that the adjustment is determined. The Company is subject to credit risk with respect to the reinsurance ceded because the ceding of risk does not relieve the Company from its original obligations to its insureds.

2. Significant accounting policies (continued)

Reinsurance recoverable balances are reviewed periodically for impairment and are presented net of an allowance for expected credit losses. The Company records credit loss expenses related to reinsurance recoverable in net incurred losses and loss expenses in the consolidated statement of income (loss) and comprehensive income (loss). Any adjustment to the allowance for the expected credit losses is recognized in the period in which it is determined. Write-offs of reinsurance recoverable balances, together with associated allowances for expected credit losses, are recognized in the period in which balances are deemed uncollectible. The Company does not have a history of significant write-offs, primarily due to three factors: (1) placing ceded reinsurance with high credit quality reinsurers and the related process for evaluating the creditworthiness of reinsurers; (2) obtaining collateral, usually letters of credit ("LOCs") and trusts, from reinsurers and (3) historically the Company had an immaterial amount of write-offs. Where the specific facts and circumstances for an individual recoverable indicate that there is a potential recoverability issue, and the amount is material, management will establish an allowance for expected credit losses.

As of December 31, 2023 and 2022, there was no allowance for expected credit losses recorded for the Company's reinsurance recoverable balance.

Insurance and reinsurance balances receivable

Receivable balances from assumed reinsurance contracts represent amounts due from brokers for premiums written, net of applicable brokerage fees and commissions, as the right to offset exists. Reinsurance balances receivable are reviewed for impairment periodically and are presented net of an allowance for expected credit losses. The allowance for expected credit losses is estimated based on the Company's analysis of amounts due, historical delinquencies and write-offs, current economic conditions, together with reasonable and supportable forecasts of short-term economic conditions. The allowance for expected credit losses is recognized in net income (loss) and any adjustment to the allowance for expected credit losses is recognized in the period in which it is determined. Write-offs together with associated allowances for expected credit losses, are recognized in the period in which balances are deemed uncollectible. The Company does not have a history of significant write-offs.

As of December 31, 2023 and 2022, there was no allowance for expected credit losses recorded for the Company's insurance and reinsurance balances receivable.

Funds Held

Under funds held arrangements, the cedants retained funds that the Company could otherwise use or invest. These funds are recorded as Funds Held and are reported net of any related liabilities in the consolidated balance sheet. Funds held are shown under two categories on the consolidated balance sheet, namely, funds held where the Company receives the underlying portfolio economics are shown as "Funds held - directly managed", and funds held where the Company receives interest are shown as "Funds held by cedants and claims administrators". Funds held by reinsured companies are carried at cost. The investment income is recognized in net investment income and net realized and unrealized gains (losses). Funds held - directly managed, are carried at fair value as at December 31, 2023 and 2022 and are comprised of available-for-sale fixed maturities securities and cash and cash equivalents. The investment income is recognized in net investment income and the realized and unrealized gains and losses, are recognized according to the securities classification as available-for-sale. Refer to the "Investments" section below.

Commutations

As the Company actively runs off, it seeks to mitigate its exposures through early settlement of its obligations to policyholders or ceding companies by entering into commutations or other arrangements.

These negotiated commutation agreements eliminate the risk of adverse claim experience as they provide for full and final settlement of all current and future policy obligations with respect to the transaction to which they relate. Gains and losses on commutations are recorded as either a decrease or an increase in incurred claims in the consolidated statements of income and comprehensive income (loss).

2. Significant accounting policies (continued)

The Company also enters into commutations with its reinsurers, assuming the reinsurers share of the obligations, when the economic benefits are in excess of the additional exposures assumed. Any changes in ultimate losses are recognized upon the execution of a commutation.

Life contracts

Life contracts are comprised of traditional life savings business assumed through coinsurance and modified coinsurance reinsurance contracts. They have all been in run-off for several years although many have recurring premiums. Liabilities for life reinsurance contracts are booked at the amounts reported by the ceding companies. The Company estimates the policy benefits for the life and annuity contracts using standard actuarial techniques and cash flow models. Policy benefits are reviewed annually and the Company performs a liability adequacy test based on cash flow projections. Since estimating the policy benefits depends on cash flow projection, the Company makes assumptions based on experience and industry mortality tables, longevity, morbidity rates, lapse rates, expenses and investment experience, including provision for adverse deviation. The assumptions used are locked in throughout the life of the contract unless a premium deficiency develops. A premium deficiency occurs if the sum of anticipated losses and loss expenses exceed unearned premiums, deferred acquisition costs and anticipated investment income. The assumptions are reviewed annually and unlocked if it results in material adverse development. The estimates are established based on information provided by the ceding companies, contract specific historical experience and industry experience.

Policy benefits are maintained at a level that, when taken together with future premium payments and investment income, are expected to be sufficient to cover policyholder obligations as they fall due. Provision is made where current best estimates of future contractual cash flows arising from the contracts are expected to exceed the policy obligations, net of premiums receivable. Investment income from the assets supporting the liabilities is taken into account when calculating such provision. The assessment of whether an additional provision needs to be booked is based on information available after offsetting the surpluses and deficits arising on contracts within the life portfolio. Any deficiency is charged to the statements of income and comprehensive income (loss) by establishing a provision for losses arising from the liability adequacy test for the unexpired risk portion. The amount of the provision depends on the risk adjusted returns available on assets designated to support life contract liabilities.

Structured settlements

Included within outstanding losses and loss expenses and reinsurance balances recoverable on paid and unpaid losses in the consolidated balance sheets are amounts related to structured settlements. The Company, through its Canadian branch, has assumed ownership of certain structured settlements and has purchased annuities from life insurance companies to provide fixed and recurring payments to the claimants. The Company remains responsible to the claimants in the case of non-performance by the life insurance companies. The assets and liabilities related to the structured settlement contracts are booked at the amounts reported by the life insurance companies as management believes this to be the best available estimate of the obligations under these contracts.

Cash and cash equivalents

Cash equivalents include highly liquid instruments such as liquidity funds, money market funds and other time deposits with commercial banks and financial institutions which have original maturities of three months or less. See "Note 13. Concentrations, commitments and contingencies" for additional information related to concentrations of credit risk. Restricted cash and cash equivalents are separately reported in the consolidated balance sheets at December 31, 2023 and 2022.

2. Significant accounting policies (continued)

The Company, or certain of its subsidiaries, participate in a notional cash pooling arrangement to manage liquidity. The participants of the pool, combine their cash balances in pooling accounts at the same financial institution with the ability to offset bank overdrafts of one participant against positive cash balances held by another. The financial institution has the right and ability to offset a positive balance in one account against an overdrawn amount in another. The accounts are unrestricted with respect to use. From time to time, the Company may have a net cash balance which is negative related to pooling and is considered overdraft. Overdraft balances are classified within accounts payable, accrued expenses and other liabilities on the consolidated balance sheets.

Pension plans

The Company's other subsidiaries sponsor defined contribution pension plans. Contributions to this plan are expensed as incurred. For further information, please refer to "Note 20. Pension plans".

Investments

The Company's investment portfolio consists of fixed maturity securities, equity securities and other investments which are recorded at fair value. Also included within its investments are directly held mortgage loans which are recorded at amortized cost.

Fixed maturity investments

The Company holds fixed maturity securities classified as trading, and are carried at fair value.

The Company also holds fixed maturity securities classified as available-for-sale. These securities are recorded at fair value, adjusted for any impairment in fixed maturities, deemed "other-than-temporary". Effective January 1, 2020, the Company designated that all future fixed maturity securities purchased will be classified as available-for-sale.

Subsequent changes to the fair value of trading securities are recorded within net gains (losses) on investments in the consolidated statements of income and comprehensive income (loss). Subsequent changes in the fair value of fixed maturity securities held as available-for-sale are included as a component of accumulated other comprehensive income ("OCI").

Purchases and sales of investments are recorded on a trade date basis. Realized and unrealized gains and losses on sales of investments are determined on a first-in, first-out basis and are shown within net gains (losses) on investments in the consolidated statements of income and comprehensive income (loss). Net investment income is recognized when earned, includes interest and dividend income, together with amortization of market premiums and discounts using the effective yield method, and is presented net of investment management fees.

Allowance for Credit Losses - AFS securities

Effective January 1, 2023, the Company adopted the new credit losses standard which replaced the old Other-Than-Temporary-Impairments ("OTTI") model. Under the new model, the credit losses on our AFS portfolio are recognized through an allowance account which is offset against the amortized costs basis of the AFS security, with the amount of the credit loss recognized being limited to the difference between the amortized cost and the fair value of the AFS security, creating effectively a "floor".

For the 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 credit loss component is separated from any unrealized loss from the amount related to all other non-credit factors and reported in the earnings. 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 earnings.

2. Significant accounting policies (continued)

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

The Company reports accrued investment income on AFS securities separately from the underlying cost of AFS securities. Due to the relatively short-term period during which accrued investment income remains unpaid, which is typically six months or less, the Company has elected not to assess the accrued interest separate from the other components of the amortized cost, but to analyze it as an integral component of the amortized cost of the AFS securities.

The Company performs a detailed analysis every reporting period to identify any credit losses on our investment portfolios. In order to establish indicators for review, information specific to each security is analyzed from market sources with input from management and specialists. The process performed using the securities data includes, but is not limited to, distressed market prices, near or actual default, bankruptcy filings, ratings changes and agency outlooks for the security issuer. Results are summarized on a watchlist and reviewed each month. The results of the review are agreed on, and any actions or mitigation strategies to be undertaken are determined, which can include, but is not limited to, increased monitoring or selling of the asset.

The process includes reviewing each fixed maturity investment whose fair value is below amortized cost and: (1) determining if the Company has the intent to sell the fixed maturity investment; (2) determining if it is 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 the Company 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.

In assessing whether it was more likely than not that the Company would be required to sell a fixed maturity investment before its anticipated recovery, management considered various factors including our future cash flow requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short-term investments and fixed maturity investments available-for-sale in an unrealized gain position, and other relevant factors are considered.

Equity securities

Equity securities include common stocks, preferred stocks, exchange traded funds and mutual funds. Exchange traded debt and equity funds and common stocks are classified within Level 1 as the fair values are based on quoted market prices in active markets. Preferred stocks and certain convertible bond and multi-asset funds with daily liquidity and redemption values based on the net asset value ("NAV") of the fund are classified within Level 2.

Other investments

Other investments consist of non-traditional, not readily marketable investments, some of which may be structured as limited partnerships, hedge funds, private equity, private equity funds, fixed income funds, private debt, corporate debt, debt funds, real estate funds, common trust funds, and venture capital funds. These other investments are stated at fair value, which ordinarily will be the most recently reported NAV as advised by the fund manager or administrator. The change in fair value is included in net gains (losses) on investments and recognized in net earnings.

Investments pending settlement include receivables and payables from unsettled trades due to/from counterparties. Receivables and payables from unsettled trades are carried at fair value based on quoted prices in active markets for identical assets or derived based on inputs that are observable. Receivables from unsettled trades are included in other assets, and payables from unsettled trades are included in accounts payable, accrued expenses and other liabilities, in the consolidated balance sheets.

2. Significant accounting policies (continued)

Mortgage loans

The Company participates in lending arrangements, directly investing in commercial mortgage loans (“CMLs”), which are primarily mezzanine loans and bridge loans as of December 31, 2023 and 2022. Mortgage loans are classified within other investments on the consolidated balance sheets and carried at amortized cost less allowance for expected credit losses. The loans are subject to impairment testing. If it is determined impairment is necessary, the amount between carrying value and fair value is recorded as a valuation for expected credit loss within net gains (losses) on investments in the consolidated statement of income (loss) and comprehensive income (loss).

The Company also invests in CMLs through purchasing securitized notes issued via a securitization vehicle (“SV”). These notes include an underlying pool of commercial lending for each investor. The SV has been created with the express purpose of securitizing assets in the form of loans, either acquired from third parties or originated by the SV. These mortgage loans are classified within other investments on the consolidated balance sheet as real estate funds, and presented at fair value, which ordinarily will be the most recently reported NAV as advised by the SV's manager or administrator. The change in fair value is included in net gains (losses) on investments and recognized in net earnings.

Derivatives

The Company’s derivative instruments are recorded at fair value within other assets (or accounts payable, accrued expenses and other liabilities, if negative) in the consolidated balance sheets. Changes in the fair value of derivatives are recognized in net earnings, apart from changes in the effective portion of derivatives designated as cash flow hedging instruments, which are reflected in other comprehensive income.

Derivative financial instruments derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity, credit, and market risk. Derivative financial instrument transactions which are not designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in net income during the year. Derivative financial instrument transactions which are designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in other comprehensive income during the year. Open futures contracts are valued using the settlement value on the relevant exchange and open foreign exchange contracts are valued using exchange rates quoted by a third-party pricing service.

Derivative financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets only to the extent there is a legally enforceable right-of-offset and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Derivative financial assets and liabilities are derecognized when the Company has transferred substantially all of the risks and rewards of ownership or the liability is discharged, cancelled, expired or elected to discontinue a specific hedging strategy. Dedesignated foreign currency hedging transactions are subsequently reversed through other comprehensive income (“OCI”) and recognized in earnings within net foreign exchange gains (losses).

Investment contracts written on a funds withheld basis backing funding agreement notes (“FABN”) are classified as a financial derivative. The Company has determined that the right to receive or obligation to pay the total return on the assets supporting the funds withheld at interest or funds withheld liability, respectively, represents a total return swap with a fixed and floating rate leg on note obligations. The fair value of the derivative is included within other assets (or other liabilities depending on the position) on the consolidated balance sheets for assumed agreements. The fair value of the financial derivative was $369.2 million and $165.8 million as at December 31, 2023 and 2022, respectively. The change in the fair value of the financial derivative is recorded in net gains (losses) on investments on the consolidated statements of income and comprehensive income (loss). Changes in the fair value of this derivative is reported in operating activities on the consolidated statements of cash flows.

2. Significant accounting policies (continued)

Fair value measurements

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. An asset or a liability's categorization within the fair value hierarchy is based on the lowest level of input that is significant to its valuation. The hierarchy is broken down into three levels as follows:

- Level 1 – Valuations based on 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, valuation of these assets and liabilities does not entail a significant degree of judgment.

- 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.

- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company-generated inputs and are not market-based inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. The Company uses prices and inputs that are current at the measurement date. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified between levels.

Investment in affiliates

The Company considers the percentage of voting rights as well as factors such as board representation and participation in the decision-making process in determining the method of accounting for an investment in another entity. As a general rule, if the Company holds 20% or greater but less than 50% of the shares, unless there is evidence to the contrary, it is assumed to have significant influence over the operating activities of that entity. These companies are accounted for under the equity method of accounting and presented under the "Investment in affiliates" caption on the consolidated balance sheets. As a general rule, if the Company holds 50% or more of the shares of another entity, it is deemed to have control over the operating activities of that entity, and is therefore consolidated.

Investments in real estate

The Company invests in commercial real estate to generate returns via rental income and capital appreciation through its wholly-owned subsidiaries. The relevant subsidiaries are Catalina Oxenwood Investments Ltd. ("COIL"), Catalina Oxenwood European Investments Ltd. ("COEIL"), Catalina Oxenwood Real Estate II Ltd. ("CORE II"), Propco (Swansea) Limited ("Swansea"), Propco (Newport) Limited ("Newport"), Propco (Telford) Limited ("Telford"), Propco (Greenock) Limited ("Greenock), Propco (Yeovil) Limited ("Yeovil"). These subsidiaries are consolidated by the Company. In addition, the Company used to invest in certain properties via Catalina ORE Ltd. ("CORE").

The Company recognizes the non-controlling interest ("NCI") of 1.5% in Oxenwood Catalina III Limited ("Oxenwood III") and Oxenwood Catalina UK Limited ("Oxenwood UK") as a proportionate share of the net assets of those entities in its consolidated balance sheets. The proportionate share of income attributable to the non-controlling interest is reflected in the Company's consolidated statements of income (loss) and comprehensive income (loss).

2. Significant accounting policies (continued)

The Company, either directly (in the case of Telford) or via subsidiaries or via trustees (in the case of Swansea, Newport, Greenock and Yeovil), owns 100.0% of the shares of those companies. Each of these companies own a building which generates returns through rental income and capital appreciation. The income from operating leases is recognized as rental income as per the terms of the leases. Refer to the “Leases” section below for further details.

The real estate acquired is recorded at cost less accumulated depreciation for the depreciable assets. The cost includes all acquisition costs directly identifiable with the purchase of the real estate. The Company splits the acquisition cost of each real estate asset between land and buildings based on management’s judgement. The real estate invested in through Oxenwood companies are comprised primarily of warehouses used to store goods. The real estate invested in through Propco companies are comprised primarily of commercial office space. The buildings are depreciated over an estimated useful life of 40 years on a straight-line basis.

The Company will assess its real estate for impairment when circumstances indicate the carrying value of the property may not be recoverable. The review will be based on the estimate of future undiscounted cash flows, excluding interest charges expected to result from their use and eventual disposal.

During 2023, the fair values of properties have declined significantly below their amortized cost. The Company has recorded a total impairment of $33.7 million (2022: nil). Refer to “Note 8. Other investments”.

Other assets and liabilities

The fair value of investment purchases and sales pending settlement, funds held by cedants and claim administrators, insurance and reinsurance balances receivable, insurance and reinsurance balances payable, accounts payable, accrued expenses and other liabilities and loans payable approximate their carrying value due to the immediate or relative duration of these financial instruments.

Leases

All of the Company’s leases are currently classified as operating leases. As a lessee, the Company records the leases on the consolidated balance sheet as right-of-use assets and a lease liability within “Other assets” and “Accounts payable, accrued expenses and other liabilities”, respectively. For operating leases with a lease term of more than twelve months, the Company recognizes a right-of-use asset and an offsetting lease liability on the consolidated balance sheet at the present value of the remaining lease payments until the lease contracts’ expiration. As the lease contracts generally do not provide an implicit discount rate, the Company uses a weighted-average discount rate in calculating the present value of the lease liabilities.

The Company has made an accounting policy election not to include renewal, termination or purchase options that are not certain of exercise when determining the effective term of the borrowing. Also, as permitted by the lease standard, the Company has adopted and is applying the following practical expedients:

- Lease contracts with a lease term of 12 months or less from the commencement date are excluded from the recognition on the balance sheet.

- The lease components and non-lease components of lease contracts are combined and considered as a single component in determining the lease payments. As a result, there is no longer the need to allocate the contract consideration between components.

The Company recognizes the related lease expense on a straight-line basis over the lease term in the consolidated statements of income (loss) and comprehensive income (loss).

As a lessor, the Company recognizes all its operating leases on the consolidated balance sheet as fixed assets that are depreciated over the assets’ useful life. The rental income generated is recorded on a straight-line basis over the lease term and included in “Rental income” in the consolidated statements of income (loss) and comprehensive income (loss).

2. Significant accounting policies (continued)

Long term subordinated debt

Long term subordinated debt instruments issued by the Company are carried at both fair value and amortized cost. Debt issuance costs are presented as a direct deduction from the related liability in the consolidated balance sheets. Amortization of debt issuance costs is included in interest expense in the consolidated statements of income and comprehensive income (loss). Changes in the fair value of debt instruments held at fair value are recognized in earnings. See "Note 12. Debt obligations" for additional information related to long term subordinated debt instruments issued by the Company.

Non-controlling interest

NCI relates to ownership of subsidiaries consolidated in these financial statements. A reconciliation of the beginning and ending carrying amount of the equity attributable to NCI is included in the consolidated statements of changes in shareholder's equity. During 2023, the Company sold 16.05% and 45.06% of the shares of COIL and COEIL, respectively, resulting in an increase in non-controlling interest in subsidiaries of $45.5 million (2022: nil).

Foreign currency translation

The U.S. dollar is the functional currency of the Company and most of its subsidiaries. All foreign currency asset and liability amounts are translated into U.S. dollars at end-of-year exchange rates. Foreign currency income and expenses are translated at average exchange rates in effect during the year. Exchange gains and losses arising from the translation of foreign currency-denominated monetary assets and liabilities are included in the consolidated statements of income (loss) and comprehensive income (loss). Available-for-sale securities are recorded at fair value with resulting gains and losses, including the portion attributable to movements in exchange rates, included in the foreign exchange gains (losses) on available-for-sale investments within other comprehensive income. The effects of the currency translation adjustments for entities whose functional currency is not the U.S. dollar are reported in the consolidated balance sheets and consolidated statements of changes in shareholders' equity as a foreign currency translation adjustment, a separate component of accumulated other comprehensive income.

Legal expenses

In the event of a dispute in the ordinary course of business, the Company expenses legal costs on an accrual basis. In the event of a specific litigation, when it is reasonably probable that the legal costs are going to be incurred, the Company accrues legal costs in line with the estimated incurred expenses.

Income taxes

The Company operates in jurisdictions where it is subject to income taxes. Deferred tax assets and liabilities result from net operating loss carryforwards and temporary differences between the carrying amounts of existing assets and liabilities recorded in the consolidated financial statements and their respective tax bases. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets if it is more likely than not that such portion or all of such deferred tax assets will not be realized.

2. Significant accounting policies (continued)

New accounting standards adopted

ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, and ASU 2019-11, Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, codified in *ASC 326 - Financial Instruments - Credit losses on Financial Instruments,* amending the guidance on the impairment of financial instruments and changing how entities measure credit losses for most financial assets, including reinsurance balances recoverable on paid and unpaid losses that are not measured at fair value through earnings. The ASU replaced the “incurred loss” approach previously applied to determine credit losses with an “expected loss” model for financial instruments measured at amortized cost. Under the “expected loss” model, the expected losses are estimated using historical information, current information as well as reasonable and supportable forecasts. The expected credit losses are recorded through an allowance account that is offset against the amortized cost 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.

ASC 326 also amends the OTTI model previously applied to AFS securities, the new approach now requiring the recognition of impairments related to credit losses through an allowance account and limits the amount of credit loss to the difference between the amortized cost and fair value of the security. Under the revised approach, the length of time during which the security has been in an unrealized loss position will no longer be considered in determining a credit loss.

The Company has adopted ASC 326 and all the related amendments, effective January 1, 2023 using the modified retrospective approach and recognized no opening allowance for expected credit losses in the beginning retained earnings on January 1, 2023.

ASU 2018-12, and ASU 2019-09, Financial Services - Insurance

In August 2018, FASB issued ASU 2018-12, which amends the scope of Topic 944 via improvements to the accounting for long-duration contracts. The standard update was effective for annual periods beginning after December 15, 2023. The ASU did not have a material impact on the consolidated financial statements and disclosures.

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

In June 2022, FASB issued ASU 2022-03 - Fair Value Measurement (Topic 820). ASU 2022-03 clarifies the guidance in Topic 820 to indicate that a contractual sale restriction should not be considered in the fair value of an equity security subject to such a restriction, and requires entities with investments in equity securities subject to contractual sale restrictions to disclose certain qualitative and quantitative information about such securities. ASU 2022-03 was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023. ASU 2022-03 is only be applicable to an equity security in which the contractual arrangement that restricts its sale is executed or modified on or after the adoption date. The ASU did not have a material impact on the consolidated financial statements and disclosures.

2. Significant accounting policies (continued)

Recently issued accounting standards not yet adopted

ASU 2023-09 "Improvements to Income Tax Disclosures"

In December 2023, FASB issued ASU 2023-09 - Improvements to Income Tax Disclosures", an amendment to Topic 740 - Income Taxes. The amendments in this ASU require an entity to provide disclosures on an annual basis that (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. The amendments in this update also require the entities to disclose on an annual basis the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state and foreign taxes, and the amount of income taxes paid disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than five percent of total income taxes paid (net of refunds received). Finally, the amendments in this ASU require that all entities disclose the income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign; and income tax expense (or benefit) from continuing operations disaggregated by federal (national), state and foreign. ASU 2023-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2025. Management is currently evaluating the impact of applying this update, however, it is not anticipated to have any material impact on its current annual tax disclosures.

3. Significant new reinsurance business

Primary and Excess General Liabilities Loss Portfolio Transfer

During May 2022, the Company through its wholly owned subsidiary CatGen entered into a loss portfolio transfer retrocession agreement which covers primary and excess general liability policies underwritten by the cedant's various subsidiaries. The approval from the BMA to enter into this transaction agreement was received on June 23, 2022.

Effective January 1, 2022 (the risk transfer date), CatGen assumed net loss reserves of $334.0 million for a total consideration of $390.0 million.

4. Discontinued Operations

Disposal of Catalina Insurance Ireland dac

On September 28, 2023, the Company entered into a share purchase agreement to sell CII. The sale transaction closed on February 2, 2024. The consideration amount agreed and received from the seller was $86.1 million. The sale of CII qualified as discontinued operation, the disposal of the business leading to the Company's exit from a major geographical area with significant effects on the Company's operations and financial results.

CII comprised a substantial portion of the Company's reinsurance business. Following the decision to sell CII during 2023, the assets and liabilities of CII as of December 31, 2023 were reclassified to held-for-sale on the consolidated balance sheet in addition to the comparatives being restated.

The following table summarizes the components of CII's assets and liabilities held-for-sale on the consolidated balance sheet as of December 31, 2023 and 2022:

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

4. Discontinued Operations (continued)

Assets	**2023**	**2022**
Investments, at fair value	$ 103,216	$ 115,036
Cash and cash equivalents	10,741	10,162
Accrued investment income	573	766
Reinsurance recoverable on paid and unpaid losses	166,707	171,422
Funds held by cedants and claims administrators	3,303	2,232
Insurance and reinsurance balances receivable	11,581	12,108
Other assets	214	1,364
Valuation allowance on disposal	(55,565)	—
Total assets held-for-sale	$ 240,770	$ 313,090
Liabilities		
Outstanding losses and loss expenses	$ 212,880	$ 218,651
Insurance and reinsurance balances payable	3	18
Accounts payable and other liabilities	1,340	2,472
Long term subordinated debt	26,548	25,457
Liability on disposal	9,198	—
Total liabilities held-for-sale	249,969	246,598

The following table summarizes the components of net (loss) income from discontinued operations, net of taxes, on the consolidated statement of income (loss) for the years ended December 31, 2023 and 2022:

	2023	**2022**
Revenues		
Net losses and loss expenses	(8,274)	(10,455)
Commissions	—	106
Net run-off loss	(8,274)	(10,349)
Net investment income	2,776	2,200
Net losses on investments	(2,443)	(2,288)
Total other-than-temporary impairment losses	—	(650)
Total revenues	(7,941)	(11,087)
Expenses		
General and administrative expenses	(3,650)	(3,369)
Net foreign exchange losses	(145)	(2,142)
Interest expense	(2,823)	(2,009)
Total expenses	(6,618)	(7,520)
Loss from discontinuing operations before income taxes	(14,559)	(18,607)
Income tax expense	—	—
Net loss from discontinuing operations, before loss on sale	(14,559)	(18,607)
Loss on sale of subsidiary	(67,588)	—
Net loss from discontinuing operations	$ (82,147)	$ (18,607)

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

4. Discontinued Operations (continued)

As at December 31, 2023, the total loss on sale of subsidiary was $67.6 million (2022: $13.1 million), of which $64.8 million was the loss on disposal (2022: $13.1 million) and $2.8 million were costs directly associated with the sale (2022: nil). The loss on disposal was recorded as a valuation allowance against CII's net carrying value, $9.2 million and included in the assets-held-for sale, with the remaining difference of $64.8 million included in the liability held-for-sale line, respectively on the consolidated balance sheet.

Disposal of Glacier Re

On August 26, 2022, the Company entered into a share purchase agreement to sell Glacier Re. The sale transaction closed on September 30, 2022. The final cash consideration received was $47.4 million. The sale of Glacier Re qualified as discontinued operation, the disposal of the business leading to the Company's exit from a major geographical area with significant effects on the Company's operations and financial results.

Glacier Re comprised a substantial portion of the Company's reinsurance business. Following the decision to sell Glacier Re during 2022, the assets and liabilities of Glacier Re as of December 31, 2021 were reclassified to held-for-sale on the consolidated balance sheet in addition to the comparatives being restated.

The following table summarizes the components of Glacier Re's assets and liabilities held-for-sale on the consolidated balance sheet as of December 31, 2021:

Assets	**2021**
Investments, at fair value	$ 125,419
Cash and cash equivalents	53,945
Accrued investment income	302
Reinsurance recoverable on paid and unpaid losses	6,523
Funds held by cedants and claims administrators	15,460
Insurance and reinsurance balances receivable	9,529
Other assets	100
Total assets held-for-sale	$ 211,278
Liabilities	
Outstanding losses and loss expenses	$ 71,305
Unearned premiums	801
Insurance and reinsurance balances payable	20,762
Accounts payable and other liabilities	16,799
Long term subordinated debt	13,012
Total liabilities held-for-sale	$ 122,679
Net assets held-for-sale	$ 88,599

The following table summarizes the components of net (loss) income from discontinued operations, net of taxes, on the consolidated statement of income (loss) for the years ended December 31, 2022 and 2021:

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

4. Discontinued Operations (continued)

	2022	2021
Revenues		
Net premiums earned	$ (1,454)	$ (423)
Net losses and loss expenses	11,150	6,668
Commissions	(1,225)	1,431
Net run-off income	8,471	7,676
Net investment income	1,166	3,286
Net (losses) gains on investments	(2,842)	1,631
Total revenues	6,795	12,593
Expenses		
General and administrative expenses	(3,946)	(5,146)
Net foreign exchange (losses) gains	(1,306)	987
Change in subordinated debt fair value	(988)	(371)
Interest expense	(304)	(551)
Total expenses	(6,544)	(5,081)
Income from discontinuing operations before income taxes	251	7,512
Income tax expense	(413)	(1,174)
Net (loss) income from discontinuing operations, before loss on sale	(162)	6,338
Loss on sale of subsidiary	(13,149)	—
Net (loss) income from discontinuing operations	$ (13,311)	$ 6,338

5. Investments

a. Trading securities

The fair value of fixed maturities, by asset type, as of December 31, 2023 and 2022 are as follows:

	2023	2022
Fixed maturities:		
Corporate	$ 16,646	$ 51,603
Asset-backed securities	23,170	31,340
Mortgage-backed securities	3,506	4,125
Municipals	51	411
Total fixed maturities, trading	$ 43,373	$ 87,479

Contractual maturities of the Company’s fixed maturities, trading, at fair value as of December 31, 2023 are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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

5. Investments (continued)

	2023	2022
Fixed maturities:		
Due in one year or less	$ 5,099	$ 27,486
Due after one year through five years	8,410	16,569
Due after five years through ten years	587	4,874
Due after ten years	2,601	3,085
Total	16,697	52,014
Mortgage and asset backed securities	26,676	35,465
Total fixed maturities, trading	$ 43,373	$ 87,479

b. Available-for-sale securities

The amortized cost, gross unrealized gains and losses, and the estimated fair value of fixed maturities, classified as available-for-sale, by asset type, as of December 31, 2023 and 2022 are as follows:

			Gross Unrealized Losses		
At December 31, 2023	Amortized Cost	Gross Unrealized Gains	Non-Credit Related Losses	Allowance for Credit Losses	Fair Value
Fixed maturities:					
Corporate	$ 1,181,267	$ 10,060	$ (170,642)	$ (841)	$ 1,019,844
Asset-backed securities	192,910	798	(7,697)	(715)	185,296
Mortgage-backed securities	85,974	203	(20,236)	(2,485)	63,456
U.S. government and agency	165,894	521	(14,881)	—	151,534
Non-U.S. government	414,563	9,768	(38,430)	—	385,901
Municipals	10,031	—	(1,956)	—	8,075
Total fixed maturities	2,050,639	21,350	(253,842)	(4,041)	1,814,106
Total investments, available-for-sale	$ 2,050,639	$ 21,350	$ (253,842)	$ (4,041)	$ 1,814,106

			Gross Unrealized Losses		
At December 31, 2022	Amortized Cost	Gross Unrealized Gains	Non-Credit Related Losses	Allowance for Credit Losses	Fair Value
Fixed maturities:					
Corporate	$ 1,391,358	$ 1,065	(286,369)	$ —	$ 1,106,054
Asset-backed securities	211,956	466	(20,826)	—	191,596
Mortgage-backed securities	87,990	144	(20,932)	—	67,202
U.S. government and agency	122,290	—	(15,542)	—	106,748
Non-U.S. government	271,427	740	(56,419)	—	215,748
Municipals	10,224	—	(2,484)	—	7,740
Total fixed maturities	2,095,245	2,415	(402,572)	—	1,695,088
Total investments, available-for-sale	$ 2,095,245	$ 2,415	$ (402,572)	$ —	$ 1,695,088

Proceeds from the sale of available-for-sale securities during the year ended December 31, 2023 were $0.0 million (2022: $388.3 million).

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

5. Investments (continued)

A summary of the Company's available-for-sale securities as of December 31, 2023, by contractual maturity, is shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Fixed maturities:		
Due in one year or less	$ 135,195	$ 132,822
Due after one year through five years	358,985	344,737
Due after five years through ten years	440,142	385,613
Due after ten years	837,433	702,182
Total	1,771,755	1,565,354
Mortgage and asset backed securities	278,884	248,752
Total investments, available-for-sale	$ 2,050,639	$ 1,814,106

The table below summarizes the aggregate unrealized losses of the Company's available-for-sale securities by length of time the security has continuously been in an unrealized loss position, for which an allowance for expected credit losses has not been recorded, as of December 31, 2023 and 2022:

	Less than 12 Months		Greater than 12 Months		Total	
At December 31, 2023	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
Corporate	$ 5,938	$ (43)	$ 745,629	$ (170,599)	$ 751,567	$ (170,642)
Asset-backed securities	571	(137)	159,289	(7,560)	159,860	(7,697)
Mortgage-backed securities	926	(65)	60,932	(20,171)	61,858	(20,236)
U.S. government and agency	28,075	(1,117)	54,749	(13,764)	82,824	(14,881)
Non-U.S. government	95,241	(1,580)	113,503	(36,850)	208,744	(38,430)
Municipals	—	—	8,075	(1,956)	8,075	(1,956)
Total fixed maturities	130,751	(2,942)	1,142,177	(250,900)	1,272,928	(253,842)
Total investments, available-for-sale	$ 130,751	$ (2,942)	$ 1,142,177	$ (250,900)	$ 1,272,928	$ (253,842)

	Less than 12 Months		Greater than 12 Months		Total	
At December 31, 2022	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
Corporate	$ 280,722	$ (21,348)	$ 781,444	$ (265,021)	$ 1,062,166	$ (286,369)
Asset-backed securities	34,785	(3,848)	154,550	(16,978)	189,335	(20,826)
Mortgage-backed securities	3,869	(503)	60,058	(20,429)	63,927	(20,932)
U.S. government and agency	76,557	(3,727)	23,588	(11,815)	100,145	(15,542)
Non-U.S. government	140,221	(17,995)	59,599	(38,424)	199,820	(56,419)
Municipals	—	—	7,741	(2,484)	7,741	(2,484)
Total fixed maturities	536,154	(47,421)	1,086,980	(355,151)	1,623,134	(402,572)
Total investments, available-for-sale	$ 536,154	$ (47,421)	$ 1,086,980	$ (355,151)	$ 1,623,134	$ (402,572)

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

5. Investments (continued)

Allowance for Expected Credit Losses & Non-Credit Related Impairment Costs

The Company evaluates AFS securities for impairment when fair value is below amortized cost. If the Company intends to sell or will be required to sell the security before its anticipated recovery, the full amount of impairment loss is charged to the consolidated statements of income (loss) and comprehensive income (loss). If the Company does not intend to sell or will not be required to sell the security before its anticipated recovery, an allowance for expected credit losses is established and the portion of the loss relating to credit factors is recorded in net income (loss). The non-credit impairment amount of the loss is recognized in other comprehensive income (loss).

Based on the Company's analysis as at December 31, 2023, a $4.0 million valuation allowance for expected credit losses was recognized on AFS debt securities (2022: nil).

As at December 31, 2023 the number of securities classified as AFS in an unrealized loss position for which an allowance for credit loss is not recorded was 1,150 (2022: 1,355), none of which are deemed by the Company to be OTTI. The Company does not intend to sell the securities that are currently in unrealized loss position, nor will it be required to sell the security before their anticipated recovery of their amortized cost bases. Therefore, there were nil OTTI charges related to the Company's fixed maturity securities for the year ended December 31, 2023 (2022: $1.3 million).

c. Funds held - directly managed

Funds held - directly managed, are carried at fair value as at December 31, 2023 and 2022 and are comprised of available-for-sale fixed maturity securities and cash and cash equivalents. The investment income is recognized in net investment income and the realized and unrealized gains and losses are recognized according to available-for-sale securities classifications.

The following table summarizes the components of the funds held - directly managed as of December 31, 2023:

	2023	2022
Fixed maturities, available-for-sale:		
Corporate	$ 163,718	$ 236,927
Asset-backed securities	36,655	46,698
U.S. government and agency	6,757	11,227
Total fixed maturities, available-for-sale	207,130	294,852
Cash and cash equivalents	2,366	5,618
Total Funds held - directly managed	$ 209,496	$ 300,470

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

5. Investments (continued)

d. Other investments

The fair value of equity and other investments, by asset type, as of December 31, 2023 and 2022 are as follows:

	2023	2022
Equities:		
Preferred and common stocks	$ 9	$ 2,543
Total equities	9	2,543
Other investments:		
Hedge funds	6,881	17,671
Private equity	182,348	348,512
Fixed income funds	88,899	247,750
Debt funds	60,280	349,887
Real estate funds	155,545	132,763
Total other investments	493,953	1,096,583
Total equities and other investments	$ 493,962	$ 1,099,126

e. Net investment income

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

	2023	2022
Fixed maturities, including mortgage and asset-backed securities	$ 91,056	$ 79,038
Equities	188	324
Other investments	54,690	34,076
Cash and cash equivalents	10,046	1,130
Gross investment income	155,980	114,568
Investment expenses	(6,362)	(5,081)
Net investment income	$ 149,618	$ 109,487

f. Net gains (losses) on investments

Net gains (losses) on investments within the consolidated statements of income and comprehensive income (loss) for the years ended December 31, 2023 and 2022 consisted of the following:

	2023	2022
Net realized (losses) gains on sales of investments	$ (39,643)	$ 8,074
Net change in fair market value of investments, trading	75,238	(47,124)
Increase in allowance for expected credit losses on mortgage loans, at cost	(7,809)	—
Increase in allowance for expected credit losses on fixed maturities, available-for-sale	(4,041)	—
Net gains (losses) on investments	$ 23,745	$ (39,050)

6. Fair value measurements

The Company used the following valuation techniques and assumptions in estimating the fair value of financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed maturities

At each valuation date, the Company uses a market approach technique to estimate the fair value of the fixed maturities portfolios, where possible. This market approach includes, but is not limited to, prices obtained from third party pricing services and broker-dealers for identical or comparable securities. When quoted market prices are unavailable, the pricing service prepares estimates of fair value measurements with its proprietary pricing applications, using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and expected cash flows, including prepayment speeds.

The following describes the significant inputs generally used to determine the fair value of fixed maturities by asset class:

Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

Private debt securities are classified in Level 3 as the inputs used to determine their fair values are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists and public comparisons.

Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. The significant inputs used to determine the fair values of these securities includes the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, expected cash flows including prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Some asset-backed securities have been classified in Level 3 as the inputs used to determine the fair values of these securities are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists and public comparisons.

Mortgage-backed securities include both agency and non-agency originated securities. The significant inputs used to determine the fair values of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, expected cash flows including prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Certain mortgage-backed securities have been classified in Level 3 as the inputs used to determine the fair values of these securities are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists and public comparisons.

U.S. government and agency securities consist of securities issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. The significant inputs include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

Non-U.S. government securities consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

Municipal securities consist primarily of bonds issued by U.S.-domiciled state and municipal entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

6. Fair value measurements (continued)

Equity securities

Equity securities include common stocks, preferred stocks, exchange traded funds and mutual funds. Common stocks, exchange traded debt and equity funds are classified within Level 1 as the fair values are based on quoted market prices in active markets. The fair value estimates of our investments in publicly traded preferred stocks are based on observable market data and, as a result, have been categorized as Level 2. The policy for all equity securities classified within Level 3 has been described under other investments below.

Other investments

Other investments carried at fair value are subject to stringent due diligence processes. These processes are designed to assist us in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether additional reviews are necessary. Certain funds do not provide full transparency of their underlying holdings; however, the Company obtains the audited financial statements for funds annually and review the audited results relative to the NAVs provided by the managers, and regularly review and discuss the fund performance with the fund managers to corroborate the reasonableness of the reported NAV.

The use of NAV as an estimate of the fair value for investments in certain entities that calculate NAV is a permitted practical expedient. Due to the time lag in the NAV reported by certain fund managers, the Company adjusts the valuation for capital calls and distributions. Other investments for which the Company do not use NAV as a practical expedient have been valued using prices from independent pricing services, investment managers and broker-dealers.

The fair values of hedge funds, private equity, debt funds and certain real estate funds have been estimated using the NAV of the funds reported by the entities responsible for administering the funds, where possible. In the absence of such information the assets are valued based on management's review and judgement of such assets. As a result of the inherent uncertainty of valuation, the estimated fair value may differ materially from the value that would have been used had a ready market existed for these investments. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from the Company's estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

The following describes the techniques generally used to determine the fair value of our other investments:

For investments in hedge funds, the Company measures fair value by obtaining the most recently available NAV as advised by the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

For investments in private equities, the Company measures fair value by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy. In all other instances, funds are categorized as Level 3, as inputs used to determine fair value are not considered to be observable. In such cases, the Company uses an internal model and inputs include quotes from third party investment specialists, market multipliers and price-to-book ratios.

Investments in fixed income funds are valued based on prices provided by external fund managers. These funds have publicly available prices. Consequently, the Company have classified the investments as Level 2.

For investments in debt funds, the Company measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

Investments in real estate funds are valued based on the most recently available NAV from the external fund manager or third-party administrator. The fair value of these investments is measured using the NAV as a practical expedient and therefore has not been categorized within the fair value hierarchy.

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

6. Fair value measurements (continued)

For investment contracts held at fair value, on a funds withheld basis, the Company measures the fair value by using an internal discounted net cash flow model that is sensitive to interest rate movements. This model includes both observable market inputs and unobservable inputs that not all market participants will have access to and, as a result, is classified as Level 3. The unobservable inputs used in the valuation include a crediting spread, estimated book yield on the asset portfolio, an asset portfolio on a funds withheld basis, valuation of swap contracts put in place to hedge currency and interest rates on variable funding notes, and a portfolio of future liability payments. The asset portfolio supporting these future liability payments consist, on average, of A- credit quality. The fair value of the assets in the funds withheld account as of December 31, 2023 and 2022 was $4,592.9 million and $4,980.2 million respectively. The notional value of the liabilities supported by the asset portfolio were $4,524.0 million and $4,867.3 million as of December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, the Company's financial instruments measured at fair value are categorized between Levels 1, 2 and 3, with the exception of alternative investments that use NAV as a practical expedient, shown as "NAV" in the table below.

At December 31, 2023	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets					
Fixed maturities:					
Corporate	$ —	$ 1,036,490	$ —	$ —	$ 1,036,490
Asset-backed securities	—	193,626	14,840	—	208,466
Mortgage-backed securities	—	28,687	38,275	—	66,962
U.S. government and agency	—	151,534	—	—	151,534
Non-U.S. government	—	385,901	—	—	385,901
Municipals	—	8,126	—	—	8,126
Total fixed maturities	—	1,804,364	53,115	—	1,857,479
Equity securities:					
Preferred and common stocks	9	—	—	—	9
Total equity securities	9	—	—	—	9
Other investments:					
Hedge funds	—	—	—	6,881	6,881
Private equity	—	—	—	182,348	182,348
Fixed income funds	—	88,899	—	—	88,899
Debt funds	—	—	—	60,280	60,280
Real estate funds	—	—	—	155,545	155,545
Total other investments	—	88,899	—	405,054	493,953
Other assets - investment contract	—	—	369,171	—	369,171
Total assets	$ 9	$ 1,893,263	$ 422,286	$ 405,054	$ 2,720,612
Liabilities					
Other liabilities - foreign currency forward contracts	—	2,215	—	—	2,215
Total liabilities	$ —	$ 2,215	$ —	$ —	$ 2,215

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

6. Fair value measurements (continued)

At December 31, 2022	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets					
Fixed maturities:					
Corporate	$ —	$ 1,157,657	$ —	$ —	$ 1,157,657
Asset-backed securities	—	207,482	15,454	—	222,936
Mortgage-backed securities	—	33,621	37,706	—	71,327
U.S. government and agency	—	106,748	—	—	106,748
Non-U.S. government	—	215,748	—	—	215,748
Municipals	—	8,151	—	—	8,151
Total fixed maturities	—	1,729,407	53,160	—	1,782,567
Equity securities:					
Preferred and common stocks	—	2,543	—	—	2,543
Total equity securities	—	2,543	—	—	2,543
Other investments:					
Hedge funds	—	9	—	17,662	17,671
Private equity	—	—	—	348,512	348,512
Fixed income funds	—	247,750	—	—	247,750
Debt funds	—	—	—	349,887	349,887
Real estate funds	—	—	—	132,763	132,763
Total other investments	—	247,759	—	848,824	1,096,583
Other assets - investment contract			165,768	—	165,768
Total assets	$ —	$ 1,979,709	$ 218,928	$ 848,824	$ 3,047,461
Liabilities					
Other liabilities - foreign currency forward contracts	—	10,737	—	—	10,737
Total liabilities	$ —	$ 10,737	$ —	$ —	$ 10,737

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

6. Fair value measurements (continued)

The following table presents a reconciliation of the beginning and ending balances for all financial instruments measured at fair value on a recurring basis using Level 3 inputs for the year ended December 31, 2023 and 2022.

	Level 3 Investments
Balance at beginning of year, January 1, 2022	$ 77,579
Purchases	6,051
Sales and maturities	(18,829)
Net losses	(8,334)
Foreign exchange losses	(3,307)
Other assets - investment contract	165,768
Balance at end of year, December 31, 2022	$ 218,928
Purchases	89
Sales and maturities	(1,215)
Net losses	(388)
Foreign exchange gains	1,469
Other assets - investment contract	203,403
Balance at end of year, December 31, 2023	$ 422,286

Transfers into and out of level 3 are recorded as of the end of the year consistent with the date of determination of fair value. For assets and liabilities that were transferred into Level 3 during the year, gains (losses) are presented as if the assets or liabilities had been transferred into Level 3 at the beginning of the year, similarly, for assets and liabilities that were transferred out of Level 3 during the year, gains (losses) are presented as if the assets or liabilities had been transferred out of Level 3 at the beginning of the year.

The following table presents additional information with respect to investments that are measured at fair value using NAV as a practical expedient as of December 31, 2023.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	$ 6,881	$ —	See below	See below
Private equity (*)	182,348	75,686	See below	See below
Debt funds	60,280	18,631	See below	See below
Real estate funds	155,545	31,654	See below	See below
	$ 405,054	$ 125,971		

(*) On the basis of its analysis of the nature, characteristics, and risks of the investments, the Company has determined that presenting them as a single class is appropriate.

6. Fair value measurements (continued)

Hedge funds

This relates largely to two investments. One is an open-ended fund incorporated in Ireland. The fund strategy is to establish synthetic credit exposure through sales of liquid, standardized exchange traded index contracts with daily observable prices via an internationally regulated clearing house. The other is a fund whose strategy is to hold derivatives as hedge positions in order to protect the Catalina investment portfolio from negative market shocks in either equities or credit markets. The funds' NAVs are calculated daily and both funds can be redeemed on a daily basis with a redemption notice period of one day.

Private equity

The Company's investments in private equity include investments in private equities and private equity funds. Private equity fund investments include a fund whose primary business is managing and investing in U.S. and European collateralized loan obligations ("CLO") equity, while another is involved financial and operational restructurings in Europe. Also included within private equity investments is a fund involved in buyout strategies in the U.S., Canada, and Europe, and a fund that focuses on small capital and growth opportunities in high-yield products in the global food supply chain. These funds provide NAVs on a quarterly basis. The Company generally has no right to redeem its interest in these private equities in advance of dissolution. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the respective private equities. It is estimated that the majority of the underlying assets of the private equities would liquidate over four to twelve years from inception. Quarterly valuations are provided by the sponsor.

Debt funds

This includes a fund that principally invests in a diversified portfolio of leveraged loans, collateralized debt obligations, high-yield bonds, commercial mortgage-backed securities, consumer and commercial asset-backed securities, credit default swaps, bank debt, options and synthetic securities and indices. This also includes an Alternative Investment Fund Manages Directive compliant Irish Collective Asset-management Vehicle that acquires individual loans and securities. The majority of these funds can be redeemed on a quarterly basis with a 65-day notice period prior to redemption. Other debt funds have a lock-up period of eight to ten years. Quarterly valuations are provided by the sponsor.

Real estate funds

This includes funds that originate mezzanine debt secured on commercial real estate to earn interest income and fees. Also included within this category is a fund involved in the development of residential real estate in the U.K. and Ireland. These funds record their real estate debt at fair value. Prices are determined using observable prevailing market conditions, performance and other similar transactions in the marketplace. It also includes a fund that provides mezzanine financing in Ireland for single-asset and portfolio acquisitions, as well as for restructuring existing loan portfolios. This fund provides net asset valuations on a quarterly basis. It is estimated that the majority of the underlying assets in these funds would liquidate over eight years from inception of the applicable fund.

7. Derivative instruments

On November 1, 2022, the Company entered into an agreement which includes funding agreement backed notes ("FABN") classified as a derivative. Refer to "Note 2. Significant accounting policies" and "Note 6. Fair value measurements" for further information. The instrument is classified as a Level 3 asset and included in Other assets on the consolidated balance sheets.

As at December 31, 2023, gains of $127.9 million related to the derivative instruments are included within net gains (losses) on investments in the consolidated statement of income (loss) and comprehensive income (loss) (2022: $60.8 million).

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

7. Derivative instruments (continued)

The Company entered into foreign exchange forward contracts to mitigate the foreign exchange rate risk of fluctuation in the U.S. Dollar against certain foreign currencies. The fair value of the derivative instruments as at December 31, 2023 was a liability of $2.2 million and is included in accounts payable, accrued expenses and other liabilities (2022: $10.7 million included in accounts payable, accrued expenses and other liabilities). The loss on derivative instruments for the year ended December 31, 2023 of $7.4 million (2022: $40.2 million) is included in net foreign exchange gains (losses) in the statements of income (loss) and comprehensive income (loss).

Foreign Exchange Forward Contracts	Contract Amount		Settlement Amount		Fair Value as at December 31, 2023
Australian Dollars	AUD	16,815	GBP	8,811	$ (253)
Canadian Dollars	CAD	11,700	USD	8,745	(87)
Euro	EUR	149,292	GBP	128,939	(973)
Euro	EUR	116,768	USD	127,680	(1,415)
Pound Sterling	GBP	11,710	EUR	13,596	106
Pound Sterling	GBP	278,050	USD	351,489	(2,718)
Malaysian Ringgit	MYR	104,000	USD	22,785	(137)
U.S. Dollars	USD	3,890	AUD	6,000	204
U.S. Dollars	USD	52,612	EUR	47,978	432
U.S. Dollars	USD	184,397	GBP	145,968	1,571
U.S. Dollars	USD	6,904	JPY	1,000,000	295
U.S. Dollars	USD	13,034	KRW	16,500,000	(199)
U.S. Dollars	USD	5,259	MYR	24,000	(14)
U.S. Dollars	USD	5,427	PHP	304,000	61
U.S. Dollars	USD	13,061	SGD	17,589	398
U.S. Dollars	USD	4,196	THB	150,000	205
U.S. Dollars	USD	6,295	TWD	200,000	309
					$ (2,215)

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

7. Derivative instruments (continued)

Foreign Exchange Forward Contracts		Contract Amount		Settlement Amount	Fair Value as at December 31, 2022
Euro	EUR	83,400	USD	92,404	$ 2,668
Euro	EUR	(6,971)	GBP	6,113	(66)
Euro	EUR	79,499	USD	80,760	(4,544)
Euro	EUR	101,932	GBP	89,232	(1,301)
Pounds Sterling	GBP	7,400	USD	8,943	(17)
Pounds Sterling	GBP	222,442	USD	261,375	(7,996)
Pounds Sterling	GBP	19,373	EUR	22,271	485
U.S. Dollars	USD	9,004	AUD	13,000	(128)
U.S. Dollars	USD	20,090	JPY	2,700,000	851
U.S. Dollars	USD	19,664	KRW	25,028,000	446
U.S. Dollars	USD	5,233	PHP	304,000	192
U.S. Dollars	USD	12,487	SGD	17,589	683
U.S. Dollars	USD	4,199	THB	150,000	177
U.S. Dollars	USD	6,334	TWD	200,000	255
U.S. Dollars	USD	(60,166)	GBP	49,324	(498)
U.S. Dollars	USD	106,005	GBP	87,774	296
U.S. Dollars	USD	85,559	EUR	79,949	228
Canadian Dollars	CAD	9,200	USD	6,736	(60)
Malaysian Ringgit	MYR	138,000	USD	29,310	(2,099)
Australian Dollars	AUD	(3,760)	GBP	2,063	(67)
Australian Dollars	AUD	13,870	GBP	7,624	(242)
Total					$ (10,737)

8. Other investments

Other investments include investments in real estate, mortgage loans, investments in affiliate. The other investments as at December 31, 2023 and 2022 are as follows:

	2023	2022
Investments in real estate	$ 246,534	$ 276,839
Investments in affiliate	6,729	2,502
Mortgage loans	45,413	71,677
Total	$ 298,676	$ 351,018

a. Investment in real estate

The Company acquires properties through its subsidiaries, Swansea, Newport, Telford, Yeovil, Greenock, Oxenwood UK and Oxenwood III, all Guernsey incorporated companies, and their subsidiaries. They generate returns via rental income and capital appreciation.

COIL was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via Oxenwood UK. COIL owns 98.5% (2022: 98.5%) of the shares of Oxenwood UK and Oxenwood UK and is therefore consolidated by the Company.

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

8. Other investments (continued)

COEIL was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via Oxenwood III. COEIL owns 98.5% (2022: 98.5%) of the shares of Oxenwood III and is therefore consolidated by the Company.

CORE II was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via OXW Capital LP, Oxenwood Real Estate LLP (purchased from CORE) and OXW Partners LP. CORE II owns 67.0% (2022: 67.0%) of each of these three entities.

No properties were acquired in 2023. During 2022, the Company acquired the following properties:

Property Name	Date Acquired	Location	Acquiring Company	Cost	Acquisition Expenses
Washington	June 30, 2022	Washington, UK	Oxenwood UK	$ 6,424	$ 476
Ivybridge	July 1, 2022	Ivybridge, UK	Oxenwood UK	2,528	195
Langenfeld	February 10, 2022	Lagenfield, Germany	Oxenwood III	13,346	1,436
Willich	February 10, 2022	Willich, Germany	Oxenwood III	17,054	1,731

As discussed in "Note 12. Debt obligations" the acquisitions of the properties were partially funded by term loans. The loans are secured by a first ranking legal charge over the properties.

During 2023, the Company disposed of its office space property located in Malaysia for a consideration of $7.0 million, which approximates the carrying value of the property at the date of sale. No properties were sold in 2022.

The cost of each property is split between land and buildings. The cost of the buildings is depreciated over a period of 40 years on a straight-line basis. Income from these real estate investments is recognized as per the terms of the lease agreements.

During 2023, the fair values of properties declined significantly below their amortized cost. The Company has recorded a total impairment of $33.7 million (2022: nil).

	2023	2022
Land, at cost	$ 121,571	$ 114,996
Buildings, at cost	170,540	169,951
Accumulated depreciation, buildings	(11,883)	(8,108)
Accumulated impairment	(33,694)	—
Buildings, net of accumulated depreciation & impairment	124,963	161,843
Total	$ 246,534	$ 276,839

The total estimated market value of the real estate properties as at December 31, 2023 is $252.4 million (2022: $275.5 million).

b. Investments in affiliate

Included within the other investments balance is investments in affiliate balance of $6.7 million as at December 31, 2023 (2022: $2.5 million) which primarily relates to minority shareholdings in property companies.

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

8. Other investments (continued)

b. Mortgage loans

Mortgage loans are held at amortized cost less an allowance for expected credit losses, with any indication of credit loss recognized in net income (loss). The carrying value of the Company's mortgage loans at December 31, 2023 was $45.4 million (2022: $71.7 million), including an allowance for expected credit losses of $7.8 million (2022: nil).

The table below provides a reconciliation of the beginning and ending balances of the mortgage loans:

	2023	2022
Balance at beginning of the year	$ 71,677	$ 141,932
Purchases during the year	15,854	43,022
Sales and maturities during the year (*)	(36,492)	(96,195)
Foreign exchange losses	2,183	(17,082)
Increase in allowance for expected credit losses	(7,809)	—
Balance at end of the year	$ 45,413	$ 71,677

(*) Out of $36.5 million sales and maturities, nil were transferred into the securitization vehicle in exchange for debt notes during 2023 (2022: $49.9 million). The cost of the commercial mortgage loans transferred approximated the fair value on the date of the transfer.

There are no expenses included in net investment income relating to these mortgage loans (2022: $0.2 million).

As discussed in "Note 2. Significant accounting policies ", during 2022 notes were purchased via a securitization vehicle. These mortgage loans are classified within other investments on the consolidated balance sheet and presented as real estate funds, at fair value. The fair value of these notes as at December 31, 2023 is $62.8 million (2022: $81.1 million).

9. Other assets

The other assets balance as at December 31, 2023 and 2022 consists of the following:

	2023	2022
Other assets:		
Pending investment trades	$ 161,692	$ 7,890
Deferred income taxes	10,459	9,980
Prepaid expenses and fixed assets	3,793	5,559
Right-of-use lease assets	3,044	4,666
Other assets - investment contract	369,171	165,768
Collateral margin for investment contract	8,109	—
Other receivable, net of provision for bad debt	6,953	11,487
Other miscellaneous assets	17,757	27,330
Total Other assets	$ 580,978	$ 232,680

No provision for bad debt has been recognized on the other receivable in 2023 and 2022.

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

10. Outstanding losses and loss expenses

Outstanding losses and loss expenses as of December 31, 2023 and 2022 are as follows:

	2023	2022
Case reserves	$ 872,958	$ 989,522
Incurred but not reported	2,181,957	2,209,635
Structured settlements	190,405	210,596
Life reserves	4,292	4,312
Net deferred (loss) gain	(32,749)	33,820
	$ 3,216,863	$ 3,447,885

The $32.7 million deferred loss in 2023 relates primarily to deferred losses on US casualty portfolios offset by business assumed by Catalina General Insurance Ltd.

The $33.8 million deferred gain in 2022 relates primarily to the Employers Liability LPT and the UK home warranty transaction. This was offset by the deferred charge on a U.S Casualty portfolio and the U.S. Casualty ADC transaction.

The following table represents the activity in outstanding losses and loss expenses for the years ended December 31, 2023 and 2022:

	2023	2022
Gross outstanding losses and loss expenses, beginning of year	$ 3,447,885	$ 3,793,404
Less reinsurance recoverable, beginning of year	(886,594)	(1,096,838)
Net losses and loss expenses, beginning of year	2,561,291	2,696,566
Net losses and loss expenses assumed during the year	—	331,045
Net incurred losses related to:		
Prior years	103,348	32,095
	103,348	32,095
Net paid losses related to:		
Prior years	(379,718)	(331,467)
	(379,718)	(331,467)
Foreign exchange losses	116,123	(166,948)
Net losses and loss expenses, end of year	2,401,044	2,561,291
Reinsurance recoverable, end of year	815,819	886,594
Gross outstanding losses and loss expenses, end of year	$ 3,216,863	$ 3,447,885

During the year ended December 31, 2023, the Company experienced $103.3 million loss and loss adjustment expense development, primarily driven by adverse development in U.S. Casualty. This was partially offset by favorable development in UK construction defect and UK liability lines.

During the year ended December 31, 2022, the Company experienced $32.1 million unfavorable loss and loss adjustment expense development, primarily driven by development in U.S. Casualty and the U.S. Casualty ADC transaction.

10. Outstanding losses and loss expenses (continued)

a. Actuarial Methodology and Methods for Establishing Reserves

The Company uses both historical experience and industry-wide loss development factors to provide a reasonable basis for estimating future losses. In the future, certain events may be beyond the control of management, such as changes in law, judicial interpretations of law and inflation which may favorably or unfavorably impact the ultimate settlement of the Company's loss and loss adjustment reserves.

The process of establishing reserves can be complex and is subject to considerable variability, as it requires the use of judgement to make informed estimates. These estimates are based on numerous factors and may be revised, as additional experience and other data becomes available, and reviewed, as new improved methodologies are developed or as current laws change.

The Company utilizes a variety of standard actuarial methods in its analysis of loss reserves. The selections from these various methods are based on the loss development characteristics of the specific line of business and significant actuarial judgement. The main actuarial methods the Company utilizes are:

Reported development method is based upon the assumption that the relative change in a given year's reported loss estimates from one evaluation point to the next is similar to the relative change in prior years' reported loss estimates at similar evaluation points. In utilizing this method, actual annual historical reported loss data is evaluated. Successive years can be arranged to form a triangle of data. Age to Age ("ATA") development factors are calculated to measure the change in cumulative reported costs from one evaluation point to the next. These historical ATA factors and comparable benchmark factors form the basis for selecting ATA factors used in projecting the current valuation of losses to an ultimate basis. In addition, a tail factor is based on trends shown in the data and consideration of external benchmarks. This method's implicit assumption is that the relative adequacy of case reserves has been consistent over time, and that there have been no material changes in the rate at which claims have been reported.

The paid development method is similar to the reported development method, however, case reserves are excluded from the analysis. While this method has the disadvantage of not recognizing the information provided by the current case reserves, it has the advantage of avoiding potential distortions in the data due to changes in case reserving methodology. This method's implicit assumption is that the rate of payment of claims has been relatively consistent over time.

The expected loss ratio method calculates the ultimate loss projections based upon some prior measure of the anticipated losses, usually relative to some measure of exposure, such as premiums, revenues, or payroll. An expected loss ratio (or loss cost/pure premium) is applied to the measure of exposure to determine estimated ultimate losses for each year. Actual losses are not considered in this calculation. This method has the advantage of stability over time because the ultimate loss estimates do not change unless the exposures of pure premiums change. However, this advantage of stability is offset by a lack of responsiveness since this method does not consider actual loss experience as it emerges. This method is based on the assumption that the expected loss ratio per unit of exposure is a good indication of ultimate losses and it is often dependent on pricing assumptions.

Reported Bornhuetter-Ferguson ("BF-IBNR") method is essentially a blend of two other methods. The first method is the loss development method whereby actual reported losses are multiplied by an expected loss development factor. For slow reporting coverages, the loss development method can lead to erratic and unreliable projections because a relatively small swing in early reporting can result in a large swing in ultimate projections. The second method is the expected loss method whereby the estimate for the incurred but not reported losses ("IBNR") equals the difference between a predetermined estimate of expected losses and actual reported losses. This has the advantage of stability, but it does not respond to actual results as they emerge. The reported BF-IBNR method contains these two methods by setting ultimate losses equal to actual reported losses plus expected unreported losses. As an experience year matures and expected unreported losses become smaller, the initial expected loss assumption becomes gradually less important.

10. Outstanding losses and loss expenses (continued)

Paid Bornhuetter-Ferguson method is analogous to the reported BF-IBNR method using paid losses and development patterns in place of reported losses and patterns.

The frequency / severity method calculates ultimate losses by separately projecting ultimate claim frequency (claims per exposure) and ultimate claim severity (cost per claim) for each experience period. Typically, loss development methods are used to project ultimate frequency and severity based on historical data. Ultimate losses are calculated as the product of the two items. This method is intended to avoid distortions that may exist with the other methods for the most recent years as the result of changes in case reserve levels, settlement rates, etc. In addition, it may provide insight into the drivers of the loss experience.

The Workers' Compensation ("WC") tabular method is designed to evaluate the value associated with a block of workers compensation claims. It is tailored for modelling claims with mortality exposure such as permanent total, permanent partial and death claims. The approach in the model is designed for evaluating existing claims, not IBNR claims. The model projects future estimate of medical and indemnity costs taking into consideration, life expectancy (including impairment and sex – male/female), medical inflation, as well as indemnity inflation. The annual medical inflation rate is assumed to be 2%. Indemnity benefits are only inflated if the specific state calls for future indemnity benefits to be indexed.

The Period Payment Order ("PPO") method is designed to evaluate the value associated with a block of PPOs and it is tailored for modelling lifetime claims. The assumed annual inflation trend for UK PPO's is based on the historical UK Consumer Price Index ("CPI"), the life expectancy is based on UK and Life Tables. The normal life expectancy is adjusted due to an impairment of a claimant that is expected to shorten his/her life below a normal life expectancy for his/her age based on medical evaluation of each claimant by medical experts.

On PPOs, due to the long delay from when a claim is settled and when the final payment will be made, the outstanding claims are discounted to take account of investment income expected to be earned to the final payment date. For 2023, the Company discounts its PPO claims at a real discount rate of 0.5% (2022: 0.0%) . For known PPO claims, cash flows were projected in accordance with the claimants' life expectancy adjusted for specific information on any impairments that the claimant may have that may impact their life expectancy. These cash flows are then discounted to the valuation date at an assumed discount rate. The Company has discounted the cash flows as management is of the opinion that estimating undiscounted reserves for PPO claims is neither reliable nor representative of the underlying value of the losses. The unreliability stems from the significant uncertainty involved in estimating an absolute level of indexation. Management believes that discounting cash flows using a real yield assumption based on the relationship of investment returns relative to inflation indices is more reliable in the long term.

UK EL Asbestos Projection method is a frequency/severity methodology. The method estimates future asbestos (particularly mesothelioma) deaths that are derived by applying a model developed in 2009 by the Health and Safety Laboratory ("HSL"), a specialist modelling arm of the UK Health and Safety Executive. The number of future claims is derived by the Institute and Faculty of Actuaries UK Asbestos Working Party by applying the HSL model for the number of asbestos deaths. The model updates released in 2019, including additional allowance for claimants over age 90 and claims beyond 2050, have also been adopted. Due to the specifics of portfolios, there were adjustments made to the standard assumptions in the model. The future severity estimates come from analyzing previous payments made by type of asbestos claim and then applying a severity trend. Asbestos claims, particularly mesothelioma claims, have a significant risk due to long manifestation period of in excess of 40 years. This method was used to estimate the loss reserve for UK EL asbestos for the AGF, CWIL and Zurich UK EL (Elbow) acquired portfolios.

10. Outstanding losses and loss expenses (continued)

U.S. Asbestos Projection method is based on ground up exposure evaluation based on a model ("Asbestos Model") consisting of insureds' ultimate liabilities applied to their respective coverage charts. The Asbestos Model makes use of future claim filing patterns extending beyond 2050 developed by researchers using data from the Manville Trust and based on epidemiological studies of asbestos-related diseases. Projection of future claims (filing) and cost per claim (severity) is based on the most recent experience of each underlying insured's trends. These estimated costs are then spread over applicable years of coverage after allowing for impact of policy language, state and federal court decisions and legislation. The costs are then applied to the insured's policy limits and attachment points that CWIL participated on. Catalina's internal Asbestos Model was only used to estimate CWIL's U.S. Asbestos losses for the Direct and Assumed Reinsurance books. On all other portfolios, the Company relied on benchmarking methods to estimate the U.S. asbestos losses.

U.S. Pollution Projection method is a ground-up exposure evaluation of individual assessments of the ultimate liabilities from the most significantly exposed insureds to U.S. Pollution. The individual assessments involve the analysis of the costs of investigation and clean-up costs based upon attorney, cedent and consultant estimates. These costs are then spread over applicable years of coverage after allowing for the impact of policy language, state and federal court decisions and legislation. The costs are then applied to the insured's policy limits and deductibles that Catalina participated on. Catalina's internal U.S. Pollution model was only used to estimate HFPI (CWIL) U.S. Pollution losses for the Direct and Assumed Reinsurance books.

For the Company's exposure to U.S. A&E from other acquired portfolios, the methodologies are based on Industry benchmarks:

The Survival Ratio method estimates the unpaid losses as a multiple of the average annual paid loss. This method is typically used for APH exposures. The Adjusted Paid Survival Ratios based on latest AM Best Report have been used. The reported is entitled "AM Best's A&E Loss Estimates Remain Unchanged". The Industry Survival Ratios have been adjusted for the deficiency that AM Best estimates in the US Asbestos and US Pollution reserves.

The IBNR to Case Ratio method, IBNR is estimated by multiplying the case reserves by a projected IBNR to case factor. The factor is based on the development implied by selected benchmarks reporting and payment patterns for each appropriate maturity. This method is useful in cases where IBNR is expected to stem from development on known cases, and further expected to be proportional to the amount of case reserves outstanding. This method yields a potentially volatile estimate of ultimate losses, meaning that small variations in case reserves can result in large changes in projections.

Management believes that the assumptions used represent a realistic and appropriate basis for estimating the outstanding losses and loss expenses as of December 31, 2023 and 2022. However, these assumptions are subject to change and the Company regularly reviews and adjusts its reserve estimates and reserving methodologies taking into account all currently known information and updated assumptions related to unknown information.

b. Short Duration Contracts Disclosure

The Company has disaggregated its claims information presented in the tables below by the business acquisition year. The development is presented by accident year, net of reinsurance, from the last nine calendar years. Only nine years of information has been presented as it was impractical to obtain sufficiently detailed additional information on earlier years.

The following tables set forth information about incurred and paid claims developments as of December 31, 2023, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts, related to the Company's 2013 through 2022 acquisition years. The Company being a run-off reinsurer, the claim counts were available on a very limited basis and therefore they have not been provided in the tables below as it was impractical to do so.

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

10. Outstanding losses and loss expenses (continued)

The following tables show the incurred and paid claims development for business acquired and contracts incepting during the years ended December 31, 2013 to December 31, 2023.

Business acquired and contracts incepting in the year ended December 31, 2014:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	**Total net reserves acquired**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total IBNR Reserve, Net of Reinsurance**	**Cumulative Claim Count**
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ 494,400	$ —	$ 454,500	$ 441,000	$ 443,809	$ 438,727	$ 429,623	$ 431,024	$ 431,361	$ 432,138	$ 432,401	$13,524	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ 494,400										$432,401	$13,524	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ 195,802	$ 251,149	$ 284,757	$ 300,347	$ 306,089	$ 319,530	$ 333,655	$ 340,049	$ 351,713
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—	—
Total										$ 351,713
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ 80,688

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

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2015:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	**Total net reserves acquired**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total IBNR Reserve, Net of Reinsurance**	**Cumulative Claim Count**
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ 467,250	$ —	$ 426,546	$ 368,936	$ 350,055	$ 336,555	$ 331,127	$ 333,041	$ 333,522	$ 332,941	$ 329,840	$ 2,046	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ 467,250										$ 329,840	$ 2,046	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ 168,278	$ 214,475	$ 221,347	$ 262,748	$ 275,702	$ 275,578	$ 293,980	$ 297,803	$ 297,849
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—	—
Total										$ 297,849
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ 31,991

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

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2016:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	**Total net reserves acquired**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total IBNR Reserve, Net of Reinsurance**	**Cumulative Claim Count**
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ 201,229	$ —	$ —	$ 201,129	$ 199,508	$ 198,338	$ 201,950	$ 210,604	$ 216,880	$ 231,033	$ 252,270	$ 117,877	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ 201,229	0	0	0	0	0	0	0	0	0	$ 252,270	$ 117,877	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ —	$ 9,927	$ 9,204	$ 41,023	$ 51,048	$ 56,018	$ 75,731	$ 105,333	$ 112,204
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—	—
Total										$ 112,204
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ 140,066

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

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2017:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	Total net reserves acquired	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total IBNR Reserve, Net of Reinsurance	Cumulative Claim Count
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ 486,633	$ —	$ —	$ —	$ 474,633	$ 460,135	$ 462,289	$ 472,326	$ 480,777	$ 499,649	$ 522,722	$ 199,216	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ 486,633										$ 522,722	$ 199,216	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ —	$ —	$ 5,913	$ 28,980	$ 53,759	$ 91,692	$ 130,569	$ 166,864	$ 187,291
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—	—
Total										$ 187,291
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ 335,431

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

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2018:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	Total net reserves acquired	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total IBNR Reserve, Net of Reinsurance	Cumulative Claim Count
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ 387,897	$ —	$ —	$ —	$ —	$ 452,602	$ 456,610	$ 503,420	$ 506,074	$ 532,949	$ 553,325	$ 17,096	n/a
2014	16,184	—	—	—	—	24,290	24,823	24,836	24,836	24,812	24,684	2,348	n/a
2015	33,448	—	—	—	—	50,202	51,303	51,331	51,331	51,353	51,148	3,709	n/a
2016	30,235	—	—	—	—	45,379	46,375	46,411	46,411	46,611	46,487	2,079	n/a
2017	17,708	—	—	—	—	26,578	27,161	27,183	27,183	27,343	27,291	797	n/a
2018	4,737	—	—	—	—	7,110	7,266	7,267	7,267	7,272	7,267	80	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ 490,209										$ 710,202	$ 26,109	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ —	$ —	$ —	$ 108,283	$ 190,424	$ 242,058	$ 304,081	$ 343,831	$ 383,868
2014	—	—	—	—	8,106	14,228	16,450	14,851	17,291	19,797
2015	—	—	—	—	16,753	29,406	34,143	35,557	39,472	43,428
2016	—	—	—	—	15,144	26,581	24,406	37,572	39,954	42,161
2017	—	—	—	—	8,870	15,568	13,312	23,794	24,790	25,632
2018	—	—	—	—	2,373	4,165	6,599	6,928	7,017	7,101
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—	—
Total										$ 521,987
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ 188,215

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

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2019:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	**Total net reserves acquired**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total IBNR Reserve, Net of Reinsurance**	**Cumulative Claim Count**
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ 789,025	$ —	$ —	$ —	$ —	$ —	$ 779,057	$ 754,185	$ 762,913	$ 758,713	$ 763,000	$ 415,235	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ 789,025										$ 763,000	$ 415,235	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ —	$ —	$ —	$ —	$ 21,957	$ 58,697	$ 124,477	$ 234,434	$ 254,895
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—	—
Total										$ 254,895
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ 508,105

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

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2020:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	Total net reserves acquired	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total IBNR Reserve, Net of Reinsurance	Cumulative Claim Count
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ 382,272	$ —	$ —	$ —	$ —	$ —	$ —	$ 382,272	$ 374,206	$ 366,366	$ 365,716	$ 24,375	n/a
2014	40,626	—	—	—	—	—	—	40,626	39,791	38,942	38,873	2,579	n/a
2015	74,170	—	—	—	—	—	—	74,170	72,646	71,092	70,967	4,705	n/a
2016	68,724	—	—	—	—	—	—	68,724	67,338	65,802	65,689	4,281	n/a
2017	62,778	—	—	—	—	—	—	62,778	61,524	60,075	59,973	3,872	n/a
2018	58,424	—	—	—	—	—	—	58,424	57,240	55,955	55,859	3,657	n/a
2019	58,986	—	—	—	—	—	—	58,986	57,778	56,527	56,428	3,730	n/a
2020	56,187	—	—	—	—	—	—	56,187	55,015	53,906	53,809	3,621	n/a
2021	28,069	—	—	—	—	—	—	28,069	27,560	27,035	26,985	1,843	n/a
2022	41	—	—	—	—	—	—	41	125	124	124	12	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ 830,277										$ 794,423	$ 52,675	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ —	$ —	$ —	$ —	$ —	$ 103,876	$ 162,217	$ 235,925	$ 259,183
2014	—	—	—	—	—	—	11,040	17,360	25,140	27,601
2015	—	—	—	—	—	—	20,154	31,723	45,911	50,401
2016	—	—	—	—	—	—	18,675	30,107	42,893	46,979
2017	—	—	—	—	—	—	17,059	27,845	39,351	43,048
2018	—	—	—	—	—	—	15,876	25,434	36,384	39,875
2019	—	—	—	—	—	—	16,028	25,336	36,565	40,125
2020	—	—	—	—	—	—	15,268	23,519	34,526	37,981
2021	—	—	—	—	—	—	7,627	11,533	17,173	18,931
2022	—	—	—	—	—	—	11	17	58	69
2023	—	—	—	—	—	—	—	—	—	—
Total										$ 564,193
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ 230,230

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

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2021:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	**Total net reserves acquired**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total IBNR Reserve, Net of Reinsurance**	**Cumulative Claim Count**
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ 53,000	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 55,765	$ 59,666	$ 82,078	$ 46,919	n/a
2014	26,500	—	—	—	—	—	—	—	27,882	29,833	41,039	23,459	n/a
2015	53,000	—	—	—	—	—	—	—	55,765	59,666	82,078	46,919	n/a
2016	83,639	—	—	—	—	—	—	—	86,036	89,158	106,887	66,481	n/a
2017	118,773	—	—	—	—	—	—	—	120,746	122,975	135,336	88,911	n/a
2018	125,967	—	—	—	—	—	—	—	127,854	129,899	141,161	93,504	n/a
2019	109,028	—	—	—	—	—	—	—	109,418	109,269	107,865	76,149	n/a
2020	44,695	—	—	—	—	—	—	—	44,157	43,021	36,191	28,535	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ 614,602										$ 732,635	$ 470,877	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	309	4,592	4,044
2017	—	—	—	—	—	—	—	663	9,858	8,680
2018	—	—	—	—	—	—	—	736	10,936	9,630
2019	—	—	—	—	—	—	—	832	12,369	10,892
2020	—	—	—	—	—	—	—	451	6,699	5,899
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—	—
Total										$ 39,145
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ 693,490

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

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2022:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	**Total net reserves acquired**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total IBNR Reserve, Net of Reinsurance**	**Cumulative Claim Count**
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	843	—	—	—	—	—	—	—	—	834	926	64	n/a
2017	31,629	—	—	—	—	—	—	—	—	31,284	32,259	2,755	n/a
2018	118,102	—	—	—	—	—	—	—	—	116,815	115,982	12,365	n/a
2019	180,015	—	—	—	—	—	—	—	—	178,052	182,109	25,743	n/a
2020	126,610	—	—	—	—	—	—	—	—	125,230	124,085	23,391	n/a
2021	37,864	—	—	—	—	—	—	—	—	37,451	29,450	9,720	n/a
2022	3,952	—	—	—	—	—	—	—	—	3,909	2,825	2,398	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ 499,015										$ 487,636	$ 76,436	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	818	862
2017	—	—	—	—	—	—	—	—	20,690	25,079
2018	—	—	—	—	—	—	—	—	63,897	81,808
2019	—	—	—	—	—	—	—	—	82,464	116,465
2020	—	—	—	—	—	—	—	—	44,658	71,890
2021	—	—	—	—	—	—	—	—	6,243	13,227
2022	—	—	—	—	—	—	—	—	25	211
2023	—	—	—	—	—	—	—	—	—	—
Total										$ 309,542
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ 178,094

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

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2023:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

		For the years ended December 31,										December 31, 2023	
Accident Year	**Total net reserves acquired**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total IBNR Reserve, Net of Reinsurance**	**Cumulative Claim Count**
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*		
2013 and prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2023	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$ —										$ —	$ —	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
2013 and prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—	—
Total										$ —
Total outstanding liabilities for losses and loss expenses, net of reinsurance										$ —

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

10. Outstanding losses and loss expenses (continued)

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

	2023
Net losses and loss expenses	
Surety	$ 26,762
Health	97,680
International Casualty	868,215
Property	340,226
U.S. Casualty	916,155
U.S. Professional	2,548
Other lines	137,309
Total net outstanding losses and loss expenses	2,388,895
Loss reserves recoverable	
Surety	3,784
Health	(71,163)
International Casualty	573,629
Property	39,821
U.S. Casualty	25,079
Other lines	19,232
Total loss reserves recoverable	590,382
Unallocated loss adjustment expenses, net	75,554
Net deferred loss	(32,749)
Structured settlements, life reserves and other adjustments	194,781
Total gross outstanding losses and loss expenses	$ 3,216,863

The following unaudited supplementary information represents the average annual percentage payout of net losses and loss expenses, net of reinsurance, by accident year at December 31, 2023:

	Average annual payout incurred claims since year of acquisition, net of reinsurance									
Accident year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2013	—%	—%	—%	—%	4.7%	8.3%	16.0%	18.7%	24.7%	27.6%
2014	—%	—%	—%	—%	4.8%	8.5%	15.6%	19.4%	24.6%	27.1%
2015	—%	—%	—%	—%	4.5%	7.9%	12.9%	20.3%	26.3%	28.1%
2016	—%	—%	—%	—%	2.9%	5.1%	10.0%	17.2%	31.1%	33.7%
2017	—%	—%	—%	—%	0.7%	1.3%	7.1%	10.4%	37.1%	43.4%
2018	—%	—%	—%	—%	—%	—%	4.7%	7.7%	38.5%	49.1%
2019	—%	—%	—%	—%	—%	—%	6.2%	10.0%	35.7%	48.1%
2020	—%	—%	—%	—%	—%	—%	10.2%	15.4%	31.3%	43.1%
2021	—%	—%	—%	—%	—%	—%	2.9%	4.3%	21.0%	71.8%
2022	—%	—%	—%	—%	—%	—%	—%	—%	—%	100.0%

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

11. Reinsurance recoverable on paid and unpaid losses

Reinsurance balances recoverable on paid and unpaid losses as of December 31, 2023 and 2022 are as follows:

	2023	2022
Case reserves	$ 43,777	36,534
Incurred but not reported	581,637	639,464
Structured settlements	190,405	210,596
	$ 815,819	$ 886,594

CatGen, through its Canadian branch, has assumed ownership of certain structured settlements and has purchased annuities from life insurance companies to provide fixed and recurring payments to the claimants. The gross liability for the structured settlements is fully recoverable from the life insurance companies resulting in no net liability to the Company. These annuities are fully funded and were purchased from Canadian life insurance companies with an S&P Global Ratings ("S&P) Financial Strength Rating of A+ and higher. In the event of the life insurance companies being unable to meet their obligations under the structured settlements to the Company, 85% of the total exposure is recoverable from the Canada Life and Health Insurance Compensation Corporation, under Canadian Federal regulation, leaving a net credit risk exposure of approximately $28.6 million.

Top Reinsurers

The balance of reinsurance recoverable on paid and unpaid losses at December 31, 2023 and 2022 was distributed based on the ranking and ratings of the reinsurers:

	2023	2022
Top 5 reinsurers	$ 814,343	$ 850,282
Other reinsurers	1,476	36,312
	$ 815,819	$ 886,594

	2023		2022	
Rating	$	%	$	%
A+ and above	$ 261,662	32.1 %	$ 399,674	45.1 %
A	152,356	18.7 %	52,517	5.9 %
A- and below	17,286	2.1 %	23,767	2.7 %
Not rated	384,515	47.1 %	410,636	46.3 %
	$ 815,819	100.0 %	$ 886,594	100.0 %

See "Note 13. Concentrations, commitments and contingencies" for additional information related to unrated balances included in the table above.

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

12. Debt obligations

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

Facility	Issuing Entity	2023	2022
Real estate investment term loan facilities	Oxenwood/Propco	$ 94,488	$ 91,439
Subordinated Notes due 2027	CatGen	45,500	45,500
Subordinated Notes due 2028	CatGen	25,000	25,000
Total debt obligations		$ 164,988	$ 161,939

The Company utilizes proceeds from its debt obligations for acquisitions, new business, to purchase real estate investments and for general corporate purposes.

Real Estate Investment Term Loan Facilities

In 2020, the Company's Newport and Swansea subsidiaries entered into a Term Loan Facility Agreement with Allied Irish Bank ("AIB"), in order to fund their purchase of real estate investments. Interest is calculated using a floating rate comprised of a margin plus SONIA. The loans are paid down quarterly based on a pre-agreed schedule of repayment. These term loans mature in 2024 and 2025, respectively, and are secured by a first ranking legal charge over the properties.

On December 20, 2021, the Company's Oxenwood subsidiaries entered into a Term Loan Facility Agreement with National Westminster Bank plc ("NatWest"), to partially fund the purchase of real estate investments. £51.5 million was drawn on the total commitment of £56.8 million. The loan accrues interest daily and is calculated using a floating rate comprised of a margin plus the Sterling Overnight Index Average ("SONIA"). This loan matures in 2025 and is secured by a first ranking legal charge over the properties.

In 2022, the Company's Telford, Yeovil and Greenock subsidiaries entered into a cross-collateralised Term Loan Facility Agreement with Lloyds Bank Corporate Markets Plc ("Lloyds"). Interest is calculated using a floating rate comprised of a margin plus the Bank of England base rate. The loans are paid down quarterly based on a pre-agreed schedule of repayment. This loan matures in 2024 and is secured by a first ranking legal charge over the properties.

Each of the Real Estate Investment Term Loan Facility Agreements has financial covenants in relation to net rental income interest cover and loan to value. During 2023 and 2022, each of the Oxenwood and Propco subsidiaries was in compliance with all covenants under their respective Term Loan Facility Agreements.

For the year ended December 31, 2023, interest expense on these loans was $6.5 million (2022: $3.1 million) and is included within interest expense in the consolidated statements of income and comprehensive income (loss).

CatGen Subordinated Notes due 2027 and 2028

On May 5, 2017, CatGen issued $45.5 million principal amount of floating rate unsecured subordinated notes due on May 5, 2027. The notes bear interest based on SOFR (or an agreed replacement benchmark) plus a credit adjustment spread of 0.26%, related to the cessation of LIBOR and a margin of 7.55%, with interest payable quarterly. The notes may be redeemed in whole but not in part by CatGen prior to maturity on any interest payment date on or after June 30, 2022, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CatGen.

12. Debt obligations (continued)

On March 16, 2018, CatGen issued $25.0 million principal amount of floating rate unsecured subordinated notes due on March 16, 2028. The notes bear interest based on SOFR (or an agreed replacement benchmark) plus a credit adjustment spread of 0.26% related tot he cessation of LIBOR and a margin of 7.10%, with interest payable each quarter. The notes may be redeemed in whole but not in part by CatGen prior to maturity on any payment interest date on or after March 16, 2023, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CatGen.

Interest expense on CatGen's 2027 and 2028 subordinated notes for the year ended December 31, 2023 was $9.0 million (2022: $6.6 million) and is included within interest expense in the consolidated statements of income and comprehensive income (loss).

Total interest expense in connection with the Company's debt facilities and long-term subordinated debt was $15.6 million for the year ended December 31, 2023 (2022: $9.6 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

As at December 31, 2023 and 2022, the Company was in compliance with all covenants under the debt obligations.

13. Concentrations, commitments and contingencies

a. Concentrations of credit risk

As of December 31, 2023 substantially all of the Company's cash and cash equivalents, and investments were held by twenty-nine custodians (2022: twenty-five). Management monitors the credit ratings of these custodians and believes them to be of high credit quality. The Company's investment portfolio is managed primarily by external investment advisors in accordance with the Company's investment guidelines. The Company limits its exposure to any single issuer to 5% or less of the total portfolio's market value at the time of purchase, with the exception of government and agency securities of G-7 countries. Additionally, the 5% limit does not include funds comprised of investments, provided that no single underlying investment in the fund can exceed the relevant limitation set by the board of directors ("the Board"), or as expressly approved by the Board prior to investment. As of December 31, 2023, the largest single issuer, not including the above, accounted for 10% (2022: 6.2%) of the aggregate fair value of the Company's invested assets. As of December 31, 2023, the Company's fixed maturity investments had a weighted average Standard & Poor's ("S&P") credit rating of BBB+ (2022: BBB+).

At December 31, 2023, the Company had a provision for uncollectible premiums receivable of $35.1 million (2022: $30.9 million).

Reinsurance assets due from reinsurers include reinsurance balances recoverable. The Company is subject to credit risk with respect to reinsurance ceded because the ceding of risk does not relieve the Company from its primary obligations to its policyholders. See "Note 11. Reinsurance recoverable on paid and unpaid losses" for additional information related to the concentration of credit risk relating to the structured settlements. Failure of the Company's reinsurers to honor their obligations could result in credit losses. As of December 31, 2023 the Company has recorded a provision for uncollectible losses and loss expenses recoverable of $27.2 million (2022: $29.8 million) including $24.3 million (2022: $26.9 million) recorded in CHUK. During the year ended December 31, 2023, outstanding loss and loss expenses recoverable of $2.8 million were written off (2022: $0.9 million million).

An unrated domestic affiliated reinsurer accounts for 64.1% of the total reinsurance recoverable balance as of December 31, 2023 (2022: 61.0%). This recoverable is fully collateralized. See "Note 18. Related party transactions" for additional information. Excluding this unrated reinsurer, two other reinsurers accounted for 25.7% of the reinsurance recoverable balance as of December 31, 2023 (2022: 25.2%) and were rated A or above by S&P at December 31, 2023 (2022: A+). The Company's reinsurers had an average S&P credit rating of A+ as at December 31, 2023 (2022: A+).

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

13. Concentrations, commitments and contingencies (continued)

b. Restricted assets

The Company's bankers have issued letters of credit under the Company's credit agreements (for which cash and cash equivalents and investments are pledged as security) and in favor of certain ceding companies to collateralize the Company's obligations under contracts of insurance and reinsurance. See "Note 11. Reinsurance recoverable on paid and unpaid losses" for additional information.

The Company also utilizes trust accounts where the trust accounts are set up for the benefit of the ceding companies, and generally take the place of LOC requirements.

The fair values of these restricted assets by category at December 31, 2023 and 2022 are as follows:

	2023			2022		
	Restricted Cash and cash equivalents	Restricted Investments	Total	Restricted Cash and cash equivalents	Restricted Investments	Total
Deposits with U.S. insurance regulatory authorities	$ 7,685	$ —	$ 7,685	$ 7,156	$ 4,513	$ 11,669
LOC pledged assets	29,506	107,431	136,937	84,767	63,854	148,621
Trust accounts	209,614	1,568,654	1,778,268	90,787	1,795,209	1,885,996
Total	$ 246,805	$ 1,676,085	$ 1,922,890	$ 182,710	$ 1,863,576	$ 2,046,286

c. Fund commitments

As of December 31, 2023, the Company has unfunded capital commitments for fund investments of $126.0 million (2022: $95.4 million).

d. Contingent liabilities

The Company, from time to time, is a party to litigation and/or arbitration that arises in the normal course of its business operations. The Company is also subject to other potential litigation, disputes and regulatory or governmental inquiries. As of December 31, 2023, the Company was not a party to any litigation or arbitration which is expected by management to have a material adverse effect on the Company's results of operations or financial condition and liquidity.

14. Leases

The Company leases office spaces, warehouses and office equipment under various long-term lease contracts expiring in various years through 2029, as lessee and 2038, as lessor. All leases are currently classified as operating leases. For operating leases that have a lease term of more than twelve months, the Company recognized a right-of-use assets and an offsetting lease liability on the consolidated balance sheet relating to office spaces that the Company is using to conduct its business from its various locations worldwide.

The exercise of lease renewal options is at the sole discretion of the Company and none of the current lease renewal options are deemed to be reasonably certain to be exercised. The Company has made an accounting policy election not to include renewal, termination or purchase options that are not certain of exercise when determining the effective term of the borrowing. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

14. Leases (continued)

As the lease contracts generally do not provide an implicit discount rate, the Company used a weighted average discount rate in determining the present value of the lease payments.

Leases as lessee

At December 31, 2023 the Company recorded on the consolidated balance sheet a right-of-use assets of $3.0 million (2022: $4.7 million) and a lease liability with an equivalent amount for the right-of-use assets. Right-of-use assets and lease liabilities are included within "Other assets" and "Accounts payable, accrued expenses and other liabilities" in the consolidated balance sheet, respectively.

The weighted-average of the remaining lease term and discount rate used for the Company's operating leases as of December 31, 2023, are as follows:

	2023	2022
Weighted-average remaining lease term	2.7	3.2
Weighted-average discount rate	11.7 %	11.7 %

The tables below provide a summary of the maturity of the operating lease liabilities as of December 31, 2023 and 2022:

At December 31, 2023	2023
2024	$ 1,985
2025	549
2026	549
2027	549
2028	—
2029 and beyond	—
Total undiscounted lease payments	3,632
Present value discount	(588)
Total discounted lease payments	$ 3,044

At December 31, 2022	2022
2023	$ 2,277
2024	1,985
2025	549
2026	549
2027	549
2028 and beyond	—
Total undiscounted lease payments	5,909
Present value discount	(1,243)
Total discounted lease payments	$ 4,666

Under Topic 842, the Company continues to recognize the related lease expense on a straight-line basis over the lease term. Total rent expense under operating leases for the year ended December 31, 2023 was $2.6 million (2022: $3.0 million) which was recognized in the statement of income (loss) and comprehensive income (loss) consistent with the accounting treatment applicable in prior periods under Topic ASC 840.

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

14. Leases (continued)

The operating cash outflows from operating leases included in the measurement of the lease liability during the year ended December 31, 2023 was $2.1 million (2022: $2.1 million).

Leases as lessor

The Company owns real estate properties within its investment portfolio, primarily through the property companies, Oxenwood UK, Oxenwood III, Yeovil, Greenock, Telford, Newport and Swansea. These properties are comprised of warehouses and office buildings that are rented to third parties and generate rental income. The terms of the leases may vary but in most cases the lessees have the option to renew the lease contracts based on market rates but do not have an option to purchase the properties. As of December 31, 2023, all of the Company's real estate leased assets are classified as operating leases.

The terms of the leases may also include provisions for the use of common areas. As a result of applying the practical expedient of not separating lease and non-lease components, consistently for all classes of leased assets, the non-lease components are not separately accounted for by the Company.

The rental revenue is recognized on a straight-line basis over the lease term. For the year ended December 31, 2023, the rental income was $18.8 million (2022: $16.1 million).

The tables below provide a summary of the maturity of the undiscounted cash flows to be received from lease payments as of December 31, 2023 and 2022.

At December 31, 2023	**2023**
2023	$ 17,313
2024	16,156
2025	15,397
2026	13,340
2027	12,498
2028 and beyond	35,476
Total undiscounted lease payments	$ 110,180

At December 31, 2022	**2022**
2023	$ 16,751
2024	15,684
2025	14,493
2026	13,726
2027	11,656
2028 and beyond	38,610
Total undiscounted lease payments	$ 110,920

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

15. Taxation

Under current Bermuda law, the Company and its Bermuda subsidiaries are not required to pay any taxes in Bermuda on income, including realized capital gains. The Company has received an undertaking from the Minister of Finance of Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2035.

The Company has operating subsidiaries in the United States, United Kingdom and Malaysia and is subject to the relevant taxes in those jurisdictions. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation. Effective February 2, 2024, the Company sold its subsidiary located in Ireland, Catalina Insurance Ireland dac, exiting a major geographical and tax jurisdiction. Refer to "Note 4. Discontinued Operations" for further details.

During 2023, the Company made tax payments of $7.5 million, $5.0 million of which were paid in Singapore, $1.4 million paid in Malaysia and $0.8 million paid by UK property companies (2022: total tax payments of $2.6 million, with $2.5 million paid in Malaysia).

Deferred income taxes reflect net operating loss carry forwards and the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for income tax purposes. The significant components of the net deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets:		
Net operating loss carry forwards	93,457	66,590
Capital loss carry forwards	327	164
Other	—	316
Total deferred tax assets	93,784	67,070
Valuation allowance	(83,044)	(56,705)
Total deferred tax assets, net of valuation allowance	10,740	10,365
Deferred tax liabilities:		
Outstanding losses and loss expenses	(4)	—
Underwriting results subject to timing differences for taxation	(277)	(378)
Other	—	(7)
Total deferred tax liabilities	(281)	(385)
Net deferred tax asset	$ 10,459	$ 9,980

The deferred tax asset and liability balances presented above represent the gross deferred tax asset and liability balances across each tax jurisdiction. The net deferred tax asset balance of $10.5 million at December 31, 2023 (2022: net deferred tax asset of $10.0 million) is included within other assets, and includes netting of certain deferred tax assets and liabilities within a tax jurisdiction to the extent such netting is consistent with the regulations of the tax authorities in that jurisdiction.

As of December 31, 2023, the Company has a deferred tax asset of $93.5 million (2022: $66.6 million) generated by net operating loss carry forwards ("NOL") of approximately $398.1 million (2022: $351.3 million), of which $394.9 million relates to NOL in United Kingdom (2022: $347.0 million) ("UK NOL") and $3.2 million (2022: $4.3 million) relates to NOL in the United States.

In relation to the UK NOL, the Company believes that it is more likely than not that a portion of the deferred tax asset will be recognized and has, therefore, recognized a partial valuation allowance.

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

15. Taxation (continued)

Income tax expenses for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Current income tax expense (credit)	$ 2,597	$ 9,244
Deferred income tax expense	(533)	77
Total income tax expense from continuing operations	$ 2,064	$ 9,321

The effective tax rate for the year ended December 31, 2023 of (3.4)% (2022: 9.4%) differs from the rate of 0.0% under Bermuda law primarily due to the geographical distribution of the Company's pre-tax net income between the Company's taxable and non-taxable jurisdictions.

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

	2023	2022
Expected tax rate	**0.0 %**	**0.0 %**
Foreign taxes at local expected rates	18.9 %	(1.5) %
Nondeductible expenses	(7.4) %	1.1 %
Tax exempt income	0.2 %	— %
Prior year adjustments	(0.5) %	1.6 %
Other	(14.6) %	8.2 %
Actual tax rate	**(3.4)%**	**9.4 %**

16. Shareholder's equity

During 2023 there were no share issues (2022: 6,362,600 shares issued with a par value of $60 each). As at December 31, 2023, the total authorized share capital was $500.0 million (2022: $500.0 million). The share capital issued at December 31, 2023 was $381.8 million (2022: $381.8 million).

During 2023, the Company paid no dividends to its parent (2022: $50.0 million) and made no capital distributions to its parent (2022: $50.0 million).

17. Credit agreements

The Company and its subsidiaries were party to the following LOC facility agreements:

		LOC Outstanding	
Entity	Counterparty	2023	2022
CatGen	ABN Amro Bank N.V.	$ 178,000	$ 200,000
CatGen	Comerica Bank	21,430	19,473
CatGen	ING Bank	70,453	74,639
CatGen	Natixis	290,063	35,000
CatGen	Citibank N.A.	8,789	11,501
CHUK	Citibank Europe	51,849	58,259
ACR	Barclays	30,950	44,692
ACR	Citibank	3,477	3,419

17. Credit agreements (continued)

On October 28, 2021, the Company entered into a three-year, $100.0 million unsecured LOC facility with ING Bank. The facility was reduced by $25.0 million during 2023. As at December 31, 2023, $4.5 million of unutilized capacity was available under that facility (2022: $25.2 million). That facility has financial covenants in relation to its maximum gearing ratio, maximum value of letters of credit and minimum consolidated net assets. For the year ended December 31, 2023, fees of $0.7 million were incurred in relation to that facility (2022: $0.1 million) and are included in general and administrative expenses in the consolidated statement of income (loss) and comprehensive income (loss).

CatGen has a discretionary collateralized LOC with Comerica Bank. The aggregate commitment under this agreement is up to $50.0 million. The availability for issuances of LOCs on account of any borrower is based on the amount of eligible investments pledged by the applicable borrower(s). The agreements contain financial and other covenants, among them a requirement to maintain a minimum statutory capital and surplus value.

On June 29, 2022, the Company entered into a three-year unsecured credit facility with ABN Amro Bank N.V. of up to $50.0 million (with accordion increases of up to $150.0 million). On November 4, 2022, the Company exercised the accordion increase of $150.0 million. As at December 31, 2023, $22.0 million of unutilized capacity was available under facility (2022: $200.0 million). For the year ended December 31, 2023, fees of $1.1 million were incurred in relation to that facility (2022: $0.3 million) and are included in general and administrative expenses in the consolidated statement of income (loss) and comprehensive income (loss).

On December 16, 2022, the Company entered into a three-year unsecured syndicated credit facility with Natixis (New York) Bank of up to $525.0 million. As at December 31, 2023, $234.9 million of unutilized capacity was available under the facility (2022: $490.0 million). The facility has financial covenants in relation to its maximum gearing ratio, minimum consolidated net assets and a requirement to maintain a minimum statutory capital and surplus value. For the year ended December 31, 2023, fees of $3.6 million were incurred in relation to that facility (2022: $0.1 million) and are included in general and administrative expenses in the consolidated statement of income (loss) and comprehensive income (loss).

As at December 31, 2023 and 2022, the Company was in compliance with all covenants under the various letter of credit facilities.

18. Related party transactions

a. Apollo

Funds affiliated with Apollo Global Management LLC ("Apollo") became majority shareholders of the Company in October 2018. The Company has investments in Apollo Credit Allocation Fund II Class A, Apollo Accord Offshore Fund V L.P., Apollo AP Highlands fund, Apollo Offshore Credit Fund Limited Class S-1, Warwick European Opportunities Fund II (USD) L.P., Warwick Capital Partners III, Motive Partners Fund II, Levine Leichtman Capital Partners Europe II SCSp, Apollo Asia Real Estate Fund L.P., ESO Capital Real Assets Fund I SCSp, Apollo Management Holdings L.P. and Apollo European Principal Finance Fund III (Dollar B), L.P. which are managed by an affiliate of Apollo.

In addition to the above mentioned funds, on December 31, 2023, the Company invested in one new fund also affiliated with Apollo, Apollo Overseas Partners X, L.P.

As of December 31, 2023, the total fair value of the Company's investments in funds affiliated with Apollo is $110.1 million (2022: $439.8 million) or 4.3% (2022: 13.8%) of investments at fair value.

b. OXW Partners

Funds affiliated with Oxenwood Partners. During the year the Company invested in Oxenwood Logistics Fund 1 Partners LP and Oxenwood Logistics Fund 1 SP.

18. Related party transactions (continued)

The total fair value of the Company's investments in these funds as of December 31, 2023 is $13.3 million (2022: $11.7 million) or 0.5% (2022: 0.4%) of investments at fair value.

c. Reinsurance transactions

As of December 31, 2023, insurance and reinsurance balances payable include technical balances due from Alea North American Insurance Company ("ANAIC"), a Company affiliate of $0.3 million (2022: $0.3 million).

As of December 31, 2023, the Company carried net losses and loss expenses of $15.0 million (2022: $16.3 million) relating to the reinsurance agreements with ANAIC.

On December 14, 2018, CatGen and Catalina London entered into a retrocession agreement with Elbow Re Ltd. ("Elbow Re", formerly known as Acra Re Ltd.). On August 30, 2023, CatAlpha completed a sales and purchase agreement pursuant to which it acquired 100% of the shares of Elbow Re. The transaction was accounted for as an asset acquisition by CatAlpha. Prior to the acquisition, Elbow Re was an affiliated company owned by funds affiliated with Apollo. Elbow Re reinsures 50% of the liabilities assumed by CatGen under the reinsurance and transfer deed with Zurich. As of December 31, 2023, total reserves ceded to Elbow Re are $639.0 million (2022: $664.6 million) and total insurance receivables from Elbow Re is $20.9 million (2022: $23.3 million).

d. Funding Agreement Backed Notes ("FABN")

On November 1, 2022, CatGen entered into a retrocession agreement with Athene Annuity Re Ltd ("AARe"). AARe is an affiliated company that is owned by Apollo. The agreement is an investment contract classified as a financial derivative. CatGen provides for the payment leg of the contract, while taking on the risk of the receive leg related to the underlying's excess spread return over payments made on FABN. As of December 31, 2023 there was $85.9 million (2022: $20.5 million) due to CatGen as a result of net settlements outstanding. Refer to "Note 7. Derivative instruments" for further information about the agreement.

e. Other items

Catalina U.S. Insurance Services LLC ("CUSIS"), a U.S.-domiciled service company, provides certain management services to the Company. During the year ended December 31, 2023, the Company paid a total of $2.6 million (2022: $1.4 million) to CUSIS in respect of this arrangement.

CatGen participates in a notional cash pooling arrangement to manage liquidity with its parent, CHBL. For further information regarding the agreement, refer to "Note 2. Significant accounting policies", Cash and cash equivalents section.

19. Statutory financial information and dividend restrictions

CatGen is registered under the Insurance Act of 1978 of Bermuda (the "Insurance Act") as a Class 3B general business insurer, and Class E long-term insurer. The Insurance Act grants the BMA powers to supervise the insurance companies. The Insurance Act requires CatGen to hold minimum statutory capital and surplus (Enhanced Capital Requirement or "ECR") at least equal to the greater of a minimum solvency margin or the Bermuda Solvency & Capital Requirement ("BSCR"). The BSCR is calculated using the standard risk-based capital model developed by the BMA. The BSCR model follows a standard formula framework and capital attributed to each risk is calculated by applying capital factors to the assets and liabilities. The BMA sets a Target Capital equivalent to 120% of the ECR. CatGen's licenses preclude it from effecting any new contracts without the permission of the BMA.

CatGen Dividend Restrictions

There were no significant restrictions on the Company's ability to pay dividends from retained earnings as of December 31, 2023. Bermuda law permits the payment of dividends if:

19. Statutory financial information and dividend restrictions (continued)

- the Company is not, or would not be after payment, unable to pay its liabilities as they become due; and
- the realizable value of the Company's assets is in excess of its liabilities after taking such payment into account.

On March 24, 2016, Bermuda's enhanced commercial insurance regime was approved as being fully equivalent to regulatory standards applied under Solvency II by the European Parliament. Solvency II sets out new capital adequacy and risk management requirements for insurers across the European Union with the aim to further enhance policyholder protection while instilling greater risk awareness. The equivalence was granted retroactive from January 1, 2016.

On April 25, 2017, the BMA approved the $45.5 million long term subordinated notes as "Other Fixed Capital" and has deemed the note as Tier 2 eligible capital. On March 8, 2018, the BMA approved the additional $25.0 million long term subordinated notes as "Other Fixed Capital" and Tier 2 eligible capital.

Effective June 25, 2019, the Company can pay dividends without prior BMA approval, provided the Company maintains an ECR of a minimum of 150% following the distribution.

The BMA also acts as the Group Supervisor with the Company as Designated Insurer. The Company is required to file the audited U.S. GAAP financial statements, the Capital and Solvency Return and the Commercial Insurer's Solvency Self-Assessment on an annual basis.

At December 31, 2023, the Company met the minimum levels of solvency and liquidity in Bermuda.

Subsidiary Statutory Financial Information and Dividend Restrictions

The Company's insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate, which are Ireland, the United Kingdom, the United States, Singapore, Malaysia and Hong Kong. The regulations in these jurisdictions include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities. Typically, these restrictions relate to minimum levels of solvency, capital and liquidity, as defined by the relevant insurance laws and regulations.

At December 31, 2023 and 2022, the Company met the minimum levels of solvency and liquidity in all jurisdictions in which the Company operates.

a. Ireland

CII is regulated by the Central Bank of Ireland. CII is a Solvency II Undertaking authorized under the European Union (Insurance and Reinsurance) Regulations 2015 to carry on insurance business. Under the Solvency II regime, CII is subject to minimum capital requirements and solvency capital requirements.

CII uses the standard formula to determine these in the context of the measurement of assets, liabilities and capital to satisfy the requirements set out in Pillar I of the regulations.

b. United Kingdom

The insurance subsidiaries based in the U.K. are regulated by the U.K. Prudential Regulatory Authority (the "PRA"). Since January 1, 2016, the UK companies have been required to comply with the Solvency II Framework Directive adopted by the PRA. The Solvency Capital Requirement for the U.K. subsidiaries are assessed using the Solvency II standard formula model.

19. Statutory financial information and dividend restrictions (continued)

In 2019, pursuant to Section 166 of the Financial Services and Markets Act 2000, as amended, the PRA initiated a Skilled Person's Report on Governance, Risk and Investment management effectiveness at the Catalina companies in the UK. The Company fully cooperated with this review and the final report was issued on March 20, 2020. As at December 31, 2023, the Company has addressed the findings of the final report and is no longer subject to the PRA's review.

c. United States

The Company's U.S. subsidiaries required statutory capital and surplus is determined using various criteria, including risk based capital tests. If a company falls below certain levels of risk based capital, and dependent upon the degree to which the company falls below, the commissioner of insurance with jurisdiction over the company is authorized to take certain regulatory actions to protect policyholders and creditors. The Company is subject to a 30% withholding tax on certain dividends received from its U.S. subsidiaries. As at December 31, 2023 and 2022, there are statutory restrictions on the payment of dividends from retained earnings or the return of capital from some of the Company's subsidiaries. Most of the Company's regulated reinsurance and insurance subsidiaries require regulatory approval before paying a dividend from retained earnings or returning capital.

d. Singapore, Malaysia and Hong Kong

ACR is subject to the regulatory reporting requirements of the Monetary Authority of Singapore, the Bank Negara Malaysia in Malaysia and the Hong Kong Insurance Authority. The Monetary Authority of Singapore and Bank Negara Malaysia specify the minimum required capital that must be maintained at all times throughout the year. This minimum required capital is determined to be the risk based capital, based on the Monetary Authority of Singapore's or Bank Negara Malaysia's respective Risk Based Capital Framework. Both these frameworks are methods of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on factors deemed higher for those items with greater underlying risk. ACR and its Malaysia subsidiary has complied with the relevant minimum required capital requirement during the year.

20. Pension plans

The Company also maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation. During 2023, the Company's total pension expenses were $1.8 million (2022: $1.5 million) for the above retirement benefits.

21. Subsequent events

In preparing the consolidated financial statements, the Company has evaluated subsequent events through April 19, 2024, which is the date that these financial statements were issued. Other than noted below, there are no subsequent events that require adjustments or disclosure to the financial statements.

Sale of Catalina Insurance Ireland dac.

On September 28, 2023, the Company entered into a share purchase agreement to sell Catalina Insurance Ireland dac. The sale transaction was completed on February 2, 2024. Refer to "Note 4. Discontinued Operations" for further details of the transaction.

Retail annuity reinsurance intercompany transaction

Effective January 1, 2024, the Company entered into reinsurance agreement with Catalina Re Archdale Life Insurance Company ("CRAL"), a wholly owned subsidiary of CatAlpha to reinsure CRAL's U.S. retail annuities exposures.