ALIMCO RE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITORS' REPORT THEREON)

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

ALIMCO RE LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
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INDEPENDENT AUDITORS' REPORT

To the Shareholder,
Alimco Re Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Alimco Re Ltd. (the "Company") and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income (loss), changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alimco Re Ltd. 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

INDEPENDENT AUDITORS' REPORT *(continued)*

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Mazars Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 30, 2024

ALIMCO RE LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023 AND 2022
(Expressed in United States Dollars)

	Note	December 31, 2023 $	December 31, 2022 $
ASSETS:			
Cash and cash equivalents	5	126,491,526	63,161,654
Restricted cash and cash equivalents	5	14,499,263	15,379,900
Investments	5,6,7	124,118,144	93,323,401
Restricted investments	5,6,7	23,026,678	52,117,430
Pending trades receivable, net		-	1,764,075
Dividends receivable		858,260	93,791
Accrued investment income		560,000	298,975
Funds withheld		2,818,000	2,317,500
Reinsurance balances receivable		15,619,824	21,120,699
Unearned ceded premiums		-	753,722
Deferred acquisition costs		8,701,390	7,696,247
Deferred tax asset	13	2,205,435	335,417
Prepaid expenses		11,550	6,584
Total assets		318,910,070	258,369,395
LIABILITIES:			
Unearned premium reserves		29,432,237	40,209,673
Outstanding losses and loss expenses	9	103,954,326	76,081,156
Reinsurance balances payable		-	800,000
Commissions payable		2,992,256	2,243,942
Amounts due to affiliates	10	13,544,971	3,124,165
Accounts payable and accrued expenses	10	1,119,760	411,275
Total liabilities		151,043,550	122,870,211
SHAREHOLDER'S EQUITY			
Share capital	12	120,000	120,000
Additional paid-in-capital	3,12	135,225,903	124,691,457
Accumulated other comprehensive loss		(3,325,914)	(2,078,709)
Retained earnings		35,846,531	12,766,436
Total shareholder's equity		167,866,520	135,499,184
Total liabilities and shareholder's equity		318,910,070	258,369,395

The accompanying notes should be read in conjunction with these consolidated financial statements

ALIMCO RE LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in United States Dollars)

	Note	December 31 2023 $	December 31 2022 $
REVENUES			
Direct and assumed premiums		61,810,415	91,193,455
Ceded premiums written		800,000	(800,000)
Net Premiums Assumed		62,610,415	90,393,455
Change in unearned premiums		10,777,437	(9,303,976)
Change in unearned premiums ceded		(753,722)	(514,889)
Net Premiums Earned		72,634,130	80,574,590
INCURRED LOSSES AND UNDERWRITING EXPENSES			
Net losses paid	9	32,498,554	15,916,036
Net movement in reserves	9	27,873,170	47,189,906
Acquisition costs		15,130,216	15,906,054
Other underwriting commissions and expenses		2,837,175	2,123,795
Total incurred losses and underwriting expenses		78,339,115	81,135,791
NET UNDERWRITING LOSS		(5,704,985)	(561,201)
Net investment income (loss)	8,10	36,322,817	(17,585,229)
General and administrative expenses	10	(1,396,082)	(664,536)
NET INCOME (LOSS) – BEFORE TAX		29,221,750	(18,810,966)
Federal income tax	13	(7,680,137)	(543,527)
Change in deferred tax	13	1,538,482	4,493,831
NET INCOME (LOSS) – AFTER TAX		23,080,095	(14,860,662)
OTHER COMPREHENSIVE LOSS			
Net unrealized holding losses during the year		(1,578,741)	(3,960,678)
Deferred taxation on investments	13	331,536	831,742
COMPREHENSIVE INCOME (LOSS)		21,832,890	(17,989,598)

The accompanying notes should be read in conjunction with these consolidated financial statements

ALIMCO RE LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in United States Dollars)

	Note	Share Capital $	Additional Paid-In Capital $	Accumulated Other Comprehensive (Loss) Income $	Retained Earnings $	Total $
As at December 31, 2021		120,000	124,691,457	1,050,227	27,627,098	153,488,782
Net loss		-	-	-	(14,860,662)	(14,860,662)
Other comprehensive loss		-	-	(3,128,936)	-	(3,128,936)
As at December 31, 2022		120,000	124,691,457	(2,078,709)	12,766,436	135,499,184
Capital contributions	12	-	10,534,446	-	-	10,534,446
Net income		-	-	-	23,080,095	23,080,095
Other comprehensive loss		-	-	(1,247,205)	-	(1,247,205)
As at December 31, 2023		120,000	135,225,903	(3,325,914)	35,846,531	167,866,520

The accompanying notes should be read in conjunction with these consolidated financial statements

ALIMCO RE LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	December 31, 2023 $	December 31, 2022 $
OPERATING ACTIVITIES:		
Net income (loss) for the year	23,080,095	(14,860,662)
Adjustments to reconcile net income (loss) to net cash, cash equivalents and restricted cash provided by operating activities:		
Unrealized loss on investments	1,300,231	24,313,751
Non-cash related assets and liabilities transferred in from subsidiary	(15,756)	-
Realized gains on sale of investments	(28,278,064)	(1,221,388)
Accrued loan interest	(1,247,440)	(961,293)
Amortisation	2,856,704	(390,409)
Net change in operating assets and liabilities:		
Dividends receivable	(764,469)	(84,706)
Pending trades receivable	1,764,075	(1,753,933)
Unearned ceded premiums	753,722	514,889
Accrued investment income	(261,025)	(66,564)
Reinsurance balance receivable	5,500,875	(5,593,262)
Funds withheld	(500,500)	(2,317,500)
Prepaid expenses	(4,966)	(405)
Deferred acquisition costs	(1,005,143)	51,247
Unearned premium reserves	(10,777,436)	9,303,976
Outstanding losses and loss expenses	27,873,170	47,189,907
Reinsurance balances payable	(800,000)	355,511
Commissions payable	748,314	1,773,549
Deferred tax asset, net	(1,538,482)	(5,325,572)
Amounts due to affiliates	10,420,806	(9,282,977)
Accounts payable and accrued expenses	708,485	(1,761)
Cash and cash equivalents provided by operating activities	29,813,196	41,642,398
INVESTING ACTIVITIES:		
Proceeds on sales and maturities of investments	487,594,251	82,953,894
Purchases of investments	(465,508,414)	(92,504,636)
Cash and cash equivalents provided by (used in) investing activities	22,085,837	(9,550,742)
FINANCING ACTIVITIES:		
Cash transferred in from subsidiary	10,550,202	-
Net change in cash, cash equivalents and restricted cash and cash equivalents	62,449,235	32,091,656
Cash, cash equivalents and restricted cash and cash equivalents, beginning of year	78,541,554	46,449,898
Cash, cash equivalents and restricted cash and cash equivalents, end of year	140,990,789	78,541,554
Comprised of:		
Cash and cash equivalents	126,491,526	63,161,654
Restricted cash and cash equivalents	14,499,263	15,379,900
Supplemental information		
Net assets of a subsidiary contributed by parent	10,534,446	-

The accompanying notes should be read in conjunction with these consolidated financial statements

1. Operations

Alimco Re Ltd. ("the Company") was incorporated on October 18, 2019 and is licensed under the Insurance Act 1978 of Bermuda as a Class 3A insurer. The Company is managed and has its principal place of business in Bermuda. The Company is a wholly owned subsidiary of Alimco Financial Corporation ("AFC"), a holding company registered in Delaware, USA.

The Company has a wholly owned subsidiary, SRTI Blockchain Generation LLC ("SRTI"), a dormant company registered in Delaware, USA. On February 23, 2023, 100% of the outstanding share capital of SRTI was transferred from AFC to the Company for $nil consideration.

The Company sources all reinsurance business through MultiStrat Advisors Ltd. ("MultiStrat"), an Insurance Agent established in Bermuda for the purpose of sourcing business for investor-based segregated accounts and other reinsurance vehicles, such as the Company.

As at December 31, 2023, the Company had entered into twenty one reinsurance agreements (2022: fourteen), including twenty quota share agreements across several lines of business including workers' compensation, general liability, casualty and automotive. During 2020, the Company entered into one loss portfolio transfer ("LPT") to reinsure a legacy portfolio of general construction liability risks.

2. Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are denominated in U.S. dollars, which is the Company's functional currency. These consolidated financial statements include the results of the Company and its 100% wholly owned subsidiary, SRTI, which has been aggregated on a line-by-line basis. Intercompany accounts, transactions and shareholdings have been eliminated on consolidation.

The following are the significant accounting policies adopted by the Company:

a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks, time deposits and short term investments with an original maturity of three months or less.

b) Investments and Net Investment Income

The Company invests in an available-for-sale portfolio of fixed maturity securities, short-term securities and equity securities. The Company also has a participation in a hedge fund, various direct investments and private investment loans. Fixed maturity securities and equity securities are recorded at fair value on the statements of financial position with investment loans recorded at amortized cost. Direct investments are carried at fair value with any change in unrealized gains or losses recognized in the income statement and included in net investment income.

For available-for-sale portfolios, the unrealized gain or loss (other than credit losses) on fixed income securities is excluded from net earnings and reported as a separate component of accumulated other comprehensive income. Investment transactions are recorded on the trade date. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity using the effective interest rate method. Such amortization is included in investment income.

2. Significant Accounting Policies *(continued)*

b) Investments and Net Investment Income (continued)

Realized gains and losses on securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income and are recorded on the accrual basis and the ex-dividend date, respectively. Investment income is presented net of investment expenses.

Investments are reviewed periodically to determine if they have sustained an impairment. An investment is deemed to be impaired when the fair value is less than its amortized cost basis. The identification of potentially impaired investments involves significant management judgement. An allowance for credit losses is determined based on the below criteria:

(i) if the Company intends to sell the security or it has sold the security subsequent to the financial reporting date;
(ii) if it is more likely than not that the Company will be required to sell the security before its anticipated recovery, or;
(iii) if a credit loss exists that would cause the Company to receive less cash flows in the future than the present amortized cost basis of the security.

If the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the entire impairment is recognized as a charge against earnings. If the Company does not intend to sell the security and it is not more likely than not it will be required to sell the security before recovery of its amortized cost basis, the impairment is bifurcated into a credit related loss and a non-credit related loss.

The credit related loss is measured as the difference between the present value of cash flows expected to be collected from the fixed maturity security and the fixed maturity security's amortized cost. The amount of the credit related loss is recognized as a charge against earnings. The difference between the unrealized loss on the impaired fixed maturity security and the credit related loss charged against earnings is the non-credit related loss that is recognized in other comprehensive income.

After an impairment, the new cost basis is the prior amortized cost less the credit loss. The adjusted cost basis is generally not adjusted for subsequent recoveries in fair value. However, if the Company can reasonably estimate future cash flows after an impairment and the expected cash flows indicate some or all of the credit related loss will be recovered, the discount or reduced premium recorded is amortized over the remaining life of the security. Amortization in this instance is computed using the prospective method and is determined based on the current estimate of the amount and timing of future cash flows.

c) Fair Value of Financial Instruments

The Company measures its investment in financial instruments in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements.

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 provides guidance on how to measure the fair value of financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels.

2. Significant Accounting Policies *(continued)*

d) Derivative Instruments

Derivative instruments are recognized on the issuance on certain warrants and contingent value rights granted to the Company. Changes in the fair value as well as realized gains or losses on derivative instruments are recognized in net income as they are not designated as qualifying hedging instruments and they do not create a hedging relationship for net investment hedges.

e) Use of Estimates

To prepare the consolidated financial statements, management must make estimates and assumptions that affect the book value of assets and liabilities, income and expenses, and data disclosed in the notes to the consolidated financial statements.

All estimates are subjective in nature and could materially influence the consolidated financial statements. Accordingly, management makes these estimates and assessments on an ongoing basis according to past experience and various factors that are deemed reasonable and which constitute the basis for these assessments. The amounts shown in the Company's future consolidated financial statements are likely to differ from these estimates in accordance with changes in assumptions or different conditions. The principal significant estimates made by the Company's management primarily affect the provision for outstanding losses and loss expenses, fair value of financial assets and liabilities and impairment of investments.

f) Losses and Loss Expenses

Losses and loss expenses paid are recorded when advised by ceding companies. The liability for losses and loss expense provisions includes an amount determined from loss reports and individual cases and an amount, based on past experience and industry loss development factors, for losses incurred but not reported. These estimates are continually reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability is subject to inherent uncertainty given the nature of the reinsurance coverage in place and may be materially in excess of, or less than, the amounts provided and any adjustments will be reflected in the periods in which they become known.

g) Foreign Exchange

The Company maintains assets and liabilities in foreign currencies related to the operation of its business. All transactions denominated in foreign currency are translated at the average rate for the month. At period end, the Company re-measures non-US currency financial assets and liabilities to their current US dollar equivalent using the month end rate. All resulting gains or losses on foreign denominated investments is reflected separately in the consolidated statements of comprehensive income (loss).

h) Premiums and Acquisition Costs

Premiums written and acquisition costs are reported as earned on a pro-rata basis over the applicable policy period.

Acquisition costs, consisting principally of commission expenses incurred at the time a contract or policy is issued, are deferred and amortized over the period in which the related premiums are earned.

Where contracts contain a variable feature based on ultimate loss experience, adjustments are recorded against earned premium in the period in which the related loss experience is recognized.

2. Significant Accounting Policies *(continued)*

h) Premiums and Acquisition Costs *(continued)*

Other fees incurred include Account Management Fees ("AMF"), calculated on rolling average annual net loss reserves and paid monthly as well as Underwriting Performance Incentive ("UPI") fees calculated on a sliding scale basis dependent on contract performance.

i) Taxation

The Company provides for income taxes in accordance with applicable accounting guidance. The Company has a tax sharing agreement in place with AFC. The Company records its share of allocated tax expense in accordance with the terms of the agreement.

The Company's deferred tax primarily results from temporary differences between the amounts recorded in the consolidated financial statements and the tax basis of the Company's assets and liabilities. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The deferred tax balance is analyzed regularly by management. This assessment requires significant judgment and considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of carryforward periods, and tax planning strategies and/or actions.

Refer to Note 13 for a discussion of the Company's tax uncertainties.

j) Going Concern

The accompanying consolidated financial statements and notes have been prepared in conformity with GAAP, assuming that the Company will continue as a going concern. No conditions or events have been identified which raise substantial doubt about the Company's ability to continue as a going concern.

k) New Accounting Standards Adopted During the Year

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this update significantly change the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. The update also provides for recording credit losses on available-for-sale debt securities through an allowance account.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This update defers the implementation date of the new credit loss standard for nonpublic entities by one year and clarifies that operating lease receivables are not within its scope. The amendments are effective upon adoption of the amendments in ASU 2016-13.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments—Credit Losses* (Topic 326): Targeted Transition Relief. This update provides transition relief by providing entities with an alternative to irrevocably elect the fair value option for eligible financial assets measured at amortized cost upon adoption of the credit losses standard. The amendments are effective upon adoption of the amendments in ASU 2016-13.

2. Significant Accounting Policies *(continued)*

k) New Accounting Standards Adopted During the Year *(continued)*

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This update was issued to clarify the new credit impairment guidance in ASC 326 based on implementation issues raised by stakeholders. The amendments are effective upon adoption of the amendments in ASU 2016-13.

In March 2020, the FASB issued ASU 2020-03, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this update make narrow-scope improvements to various financial instruments Topics, including the current expected credit losses standard. The amendments are effective upon adoption of the amendments in ASU 2016-13.

The adoption of these amendments did not have a material effect on the consolidated financial statements of the Company.

l) New Accounting Standards to be Adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2023 and have not been applied in the preparation of these consolidated financial statements. Those which may be relevant to the consolidated financial statements of the Company are as follows:

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The amendments in this update simplify the accounting for convertible instruments by eliminating large sections of the existing guidance in this area. It also eliminates several triggers for derivative accounting, including a requirement to settle certain contracts by delivering registered shares. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2023.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted.

Management is currently assessing the impact of the adoption of the above standards and amendments on the consolidated financial statements of the Company.

(Expressed in United States Dollars)

3. Business Combination

On February 23, 2024, AFC contributed 100% of the issued and outstanding shares of SRTI to the Company for $nil consideration.

The determination of whether to account for a common control transaction prospectively or retrospectively depends on whether the nature of the net assets or equity interests is more similar to assets or a business. SRTI is a dormant business with no operations. Included in SRTI's net assets at the date of contribution is a deferred tax asset of $6,718,422 resulting from net operating loss carryforwads ("NOLs") of approximately $82 million that begin to expire in 2025. The primary purpose for the transaction is for future use of SRTI net operating loss carryforwards within the Company. As such, management determined that the nature of the transaction reflected a transfer of net assets and that the appropriate treatment was to account for the common control transaction at the carrying value prospectively. Upon transfer of SRTI's net asset, the Company recorded a valuation allowance of $6,718,422 against the deferred tax asset as management believes it is more likely than not that all of the deferred tax asset will not be realized.

The net assets transferred are summarized as follows:

	$
Assets transferred:	
Cash and cash equivalents	10,550,202
Deferred tax asset	6,718,422
Valuation allowance on deferred tax asset	(6,718,422)
Assets transferred	10,550,202
Liabilities assumed:	
Payables and other current liabilities	15,756
Liabilities assumed	15,756
Net assets transferred to the Company as a capital contribution	10,534,446

The Company recognized net losses attributable to SRTI of $24,228 from the contribution date to December 31, 2023.

4. Fair Value of Financial Instruments

Fair value disclosures with respect to certain financial instruments are included separately herein where appropriate. The carrying values of restricted and unrestricted cash and cash equivalents, reinsurance balances receivable, accrued investment income, reinsurance balances payable, unearned premium and ceded reserves, deferred acquisition costs, prepaid expenses, dividends receivable and accounts payable and accrued expenses approximate their fair values due to the short-term nature of the balances.

(Expressed in United States Dollars)

5. Pledged Assets

The Company has negotiated a letter of credit facility in an amount not to exceed $150,000,000 (2022 - $150,000,000) with a United States financial institution. The Company has pledged certain cash and securities in support of the facility.

As of December 31, 2023, eleven letters of credit had been issued under the facility (2022 - five). The Company has placed cash equivalents of $95,300,696 (2022 - $60,262,402) and investments with a fair value of $61,227,934 (2022 - $48,513,270) in a designated account to support the credit facility.

As of December 31, 2023, one trust accounts had been established in favor of certain ceding insurance companies (2022 - three). The Company held cash equivalents of $14,499,263 (2022 - $15,379,900) and investments with a fair value of $23,026,678 (2022 - $52,117,430) in these accounts.

6. Investments

The following is a summary of investments held as at December 31, 2023:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
	$	$	$	$	$
Available for sale:					
Corporate debt securities	24,483,902	3,201,959	(725,376)	-	26,960,485
Mortgage-backed and asset-backed securities	33,173,274	457,187	(1,884,164)	-	31,746,297
Sovereign debt securities	33,941,267	250,199	(5,509,824)	-	28,681,642
Total fixed maturities	91,598,443	3,909,345	(8,119,364)	-	87,388,424
Equity securities	42,632,400	14,850,826	(5,944,358)	-	51,538,868
Total available for sale investments	134,230,843	18,760,171	(14,063,722)	-	138,927,292
Other, at fair value:					
Notes/loans receivable	1,788,973	2,724,535	-	-	4,513,508
Limited partnership interests	5,333,105	-	(1,629,083)	-	3,704,022
Other investments	1,919,995	-	(1,919,995)	-	-
Total investments	143,272,916	21,484,706	(17,612,800)	-	147,144,822

(Expressed in United States Dollars)

6. Investments *(continued)*

The following is a summary of investments held as at December 31, 2022:

	Cost or Amortized Cost $	Gross Unrealized Gains $	Gross Unrealized Losses $	Allowance for Credit Losses $	Fair Value $
Available for sale:					
Corporate debt securities	5,219,074	1,023,180	(602,313)	-	5,639,941
Mortgage-backed and asset-backed securities	57,213,129	-	(8,243,812)	-	48,969,317
Sovereign debt securities	1,730,103	1,219,955	-	-	2,950,058
Total fixed maturities	64,162,306	2,243,135	(8,846,125)	-	57,559,316
Equity securities	67,209,351	16,767,327	(7,410,783)	-	76,565,895
Total available for sale investments	131,371,657	19,010,462	(16,256,908)	-	134,125,211
Other, at fair value:					
Notes/loans receivable	5,759,843	1,477,095	-	-	7,236,938
Limited partnership interests	5,278,287	-	(1,989,003)	-	3,289,284
Other investments	1,919,996	-	(1,130,598)	-	789,398
Total investments	144,329,783	20,487,557	(19,376,509)	-	145,440,831

For the year ended December 31, 2023, the gross unrealized gains included in other comprehensive income were $3,909,345 (2022 - $2,243,135) and gross unrealized losses for the same period were $8,119 ,364 (2022 - $8,846,125).

Other fair value disclosures are provided in Note 7.

The following table shows the gross unrealized losses and fair value of the Company's available-for-sale securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position for which no allowance for credit loss has been recorded:

	Less than 12 Months		12 Months Or Greater		Total	
December 31, 2023	Fair Value $	Unrealized Losses $	Fair Value $	Unrealized Losses $	Fair Value $	Unrealized Losses $
Corporate debt securities	4,720,675	(285,257)	123,909	(440,118)	4,844,584	(725,375)
Mortgage-backed and asset-backed securities	-	-	30,826,572	(1,884,045)	30,826,572	(1,884,045)
Sovereign debt securities	22,949,856	(5,509,824)	-	-	22,949,856	(5,509,824)
Equity securities	8,068,507	(4,741,315)	2,758,637	(1,203,043)	10,827,144	(5,944,358)
Limited partnership interests	-	-	3,704,022	(1,629,083)	3,704,022	(1,629,083)
Other investments	-	-	-	(1,919,995)	-	(1,919,995)
Total	35,739,038	(10,536,397)	37,413,140	(7,076,284)	73,152,178	(17,612,800)

(Expressed in United States Dollars)

6. Investments *(continued)*

December 31, 2022	Less than 12 Months		12 Months Or Greater		Total	
	Fair Value $	Unrealized Losses $	Fair Value $	Unrealized Losses $	Fair Value $	Unrealized Losses $
Corporate debt securities	198,708	(33,425)	1,356	(568,888)	200,064	(602,313)
Mortgage-backed and asset-backed securities	48,969,317	(8,237,096)	-	(6,716)	48,969,317	(8,243,812)
Equity securities	9,393,334	(6,795,587)	6,467,730	(1,599,560)	15,861,064	(8,395,147)
Limited partnership interests	-	-	2,183,784	(1,004,639)	2,183,784	(1,004,639)
Other investments	789,397	(1,130,598)	-	-	789,397	(1,130,598)
Total	59,350,756	(16,196,706)	8,652,870	(3,179,803)	68,003,626	(19,376,509)

At December 31, 2023, there were 780 securities in an unrealized loss position (2022 - 929 securities) of which 762 had been in an unrealized loss position for 12 months or greater (2022 – 9).

In November 2019, the FASB issued ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses. This update was issued to clarify the new credit impairment guidance in ASC 326 based on implementation issues raised by stakeholders.

Corporate debt securities and Mortgage & Asset backed securities are fixed income securities classified as available-for-sale debt securities and are measured at fair value at the end of each reporting period. These securities fall outside the scope of ASC 326 and therefore no allowances for credit losses have been recognized.

Equity securities consist of common and preferred stock of various listed and unlisted companies held either within a custodial account or via direct investment. Equity securities are measured at fair value at the end of each reporting period. These securities fall outside the scope of ASC 326 and therefore no allowances for credit losses have been recognized.

Limited partnership interests consist of investments in a privately managed fund. The fund is invested in various underlying equity positions. These funds are measured at fair value at the end of each reporting period and therefore fall outside the scope of ASC 326. No allowances for credit losses have been recognized.

Other investments consist of two investment loans held with fixed interest rates. Whilst these were historically valued at amortized cost, during the year the counterparty to these loans was evaluated given company performance and position. The loans were adjusted to the expected fair value at December 31, 2023, resulting in a loss. These investments are considered to be outside the scope of ASC 326 and no allowances for credit losses have been recognized.

(Expressed in United States Dollars)

6. Investments *(continued)*

The amortized cost and estimated fair value of securities at December 31, 2023 and 2022, by contractual maturity, are shown below:

	December 31, 2023		December 31, 2022	
	Fair Value $	Cost or Amortized Cost $	Fair Value $	Cost or Amortized Cost $
Corporate debt securities				
In one year or less	108,467	547,806	1,356	544,344
After one year through five years	10,196,217	9,644,596	5,626,262	4,632,425
After five years through ten years	16,655,801	14,291,500	-	-
After ten years through twenty-five years	-	-	12,323	14,396
After twenty-five years	-	-	-	27,909
Total corporate debt securities	26,960,485	24,483,902	5,639,941	5,219,074
Mortgage-backed and asset backed securities				
In one year or less	727,367	748,409	146,569	171,224
After one year through five years	4,224,160	4,450,194	7,735,313	9,036,465
After five years through ten years	7,932,725	8,088,884	9,353,788	10,933,898
After ten years through twenty-five years	17,731,281	18,722,416	30,023,552	35,073,793
After twenty-five years	1,130,764	1,163,371	1,710,095	1,997,749
Total mortgage-backed and asset backed securities	31,746,297	33,173,274	48,969,317	57,213,129
Sovereign debt securities				
In one year or less	-	-	2,950,058	1,730,103
After one year through five years	28,681,642	33,941,267	-	-
Total sovereign debt securities	28,681,642	33,941,267	2,950,058	1,730,103
Total fixed maturities	87,388,424	91,598,443	57,559,316	64,162,306
Equity securities	51,538,868	42,632,400	76,565,895	67,209,351
Notes/loans receivable				
In one year or less	4,513,508	1,788,973	1,209,853	1,120,213
After one year through five years	-	-	6,027,085	4,639,630
Total notes/loans receivable	4,513,508	1,788,973	7,236,938	5,759,843
Limited partnership interests	3,704,022	5,333,105	3,289,284	5,278,287
Other	-	1,919,995	789,398	1,919,996
Total	147,144,822	143,272,916	145,440,831	144,329,783

(Expressed in United States Dollars)

6. Investments *(continued)*

The contractual maturities in the foregoing table may differ from the actual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The following table sets forth certain information regarding the investment ratings of the Company's available-for-sale fixed maturity securities as at December 31, 2023 and 2022.

Ratings are the lower of those assigned by Standard & Poor's or Moody's.

	December 31, 2023		December 31, 2022	
	Amortized Cost/Cost $	Percent of Total %	Amortized Cost/Cost $	Percent of Total %
AAA	66,104,328	72.2	1,972,553	3.0
AA	989,267	1.1	57,213,129	89.2
A	-	-	-	-
BBB	14,291,500	15.5	-	-
BB+ and lower	10,213,348	11.2	4,976,624	7.8
Total	91,598,443	100	64,162,306	100.0

Proceeds from sales and maturities of investments during the year ended December 31, 2023 were $468,735,179 and $18,859,072, respectively (2022 - $60,111,566 and $22,842,328, respectively). Gross gains of $29,167,387 (2022 - $3,414,810) and gross losses of $889,323 (2022 - $2,193,422) were realized on the sales.

Included within other investments are derivative instruments which were granted to the Company as part of loan issuances. It grants the Company a number of contingent value rights based on performance.

7. Fair Value Measurements

The Company has adopted ASC 820, *Fair Value Measurements* (“ASC 820”). ASC 820 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

In accordance with ASC 820, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy in ASC 820 prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels, which are described in detail below. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

7. Fair Value Measurements *(continued)*

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement of the assets or liabilities. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In accordance with ASC 820, the Company maximizes the use of observable inputs in its valuation techniques and applies unobservable inputs only to the extent that observable inputs are unavailable.

The major classes of assets and liabilities carried at fair value by the Company as at December 31, 2023 and 2022 included corporate debt securities, mortgage and asset-backed securities, and equity securities including mutual funds.

The determination of fair values in the absence of quoted market prices is based on: (i) valuation methodologies; (ii) securities management deems to be comparable; and (iii) assumptions deemed appropriate given the circumstances. The fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows, and the credit standing of the issuer or counterparty.

Factors considered in estimating fair value include coupon rate, maturity, estimated duration, call provisions, credit rating, and industry sector of the issuer, and quoted market prices of comparable securities.

While the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the consolidated financial statements.

The Company's available-for-sale investments are comprised of a variety of different securities, which are leveled based on the valuation technique and inputs used in their valuation. The valuation of U.S. Treasury securities and equity (common stock, preferred stock and some mutual funds) securities are generally based on Level 1 inputs, which use the market approach valuation technique. The valuation of the Company's other available-for-sale investments, including obligations of U.S. government corporations and agencies, non-agency mortgage, corporate debt and asset-backed securities generally incorporate significant Level 2 inputs using the market, and income approach techniques, and are categorized as Level 2 in fair value hierarchy.

The Company has adopted ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent*). As a result of this adoption, instruments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient, which includes some of the Company's investment in mutual funds, have not been categorized within the fair value hierarchy.

(Expressed in United States Dollars)

7. Fair Value Measurements *(continued)*

The following tables set forth the Company's investments categorized by the level within the ASC 820 hierarchy in which the fair value measurements fall, on a recurring basis as at December 31, 2023 and 2022.

December 31, 2023	Total $	Level 1 Quoted Prices $	Level 2 Other Significant Observable Inputs $	Level 3 Significant Unobservable Inputs $	Investments Valued Using NAV As Practical Expedient $
Equity securities	30,519,142	18,564,183	11,954,959	-	-
Preferred shares	21,019,726	-	21,019,726	-	-
Corporate debt securities	26,960,485	-	26,960,485	-	-
Mortgage-backed and asset-backed securities	31,746,297	-	31,746,297	-	-
Sovereign debt securities	28,681,642	-	28,681,642	-	-
Notes/loans receivable	4,513,508	-	-	4,513,508	-
Limited partnership interests	3,704,022	-	-	-	3,704,022
Total	**147,144,822**	**18,564,183**	**120,363,109**	**4,513,508**	**3,704,022**

December 31, 2022	Total $	Level 1 Quoted Prices $	Level 2 Other Significant Observable Inputs $	Level 3 Significant Unobservable Inputs $	Investments Valued Using NAV As Practical Expedient $
Equity securities	49,794,447	42,919,168	6,875,279	-	-
Preferred shares	26,771,448	-	26,771,448	-	-
Corporate debt securities	5,639,941	-	5,639,941	-	-
Mortgage-backed and asset-backed securities	48,969,317	-	48,969,317	-	-
Sovereign debt securities	2,950,058	-	2,950,058	-	-
Notes/loans receivable	7,236,938	-	-	7,236,938	-
Limited partnership interests	3,289,284	-	-	-	3,289,284
Other	789,398	-	-	789,398	-
Total	**145,440,831**	**42,919,168**	**91,206,043**	**8,026,336**	**3,289,284**

(Expressed in United States Dollars)

7. Fair Value Measurements *(continued)*

Level 3 Measurements

The following table presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs during the years ended December 31, 2023 and 2022:

	Notes/Loans Receivable $	Other $	Total $
Year ending fair value, December 31, 2021	2,656,034	3,749,924	6,405,958
Purchases	3,500,000	1,500,000	5,000,000
Sales	-	-	-
Paydowns	-	-	-
Accretion	321,307	-	321,307
Accrued loan interest	759,598	-	759,598
Unrealized losses	-	(4,460,527)	(4,460,527)
Year ending fair value, December 31, 2022	7,236,939	789,397	8,026,336
Purchases	-	-	-
Sales	-	-	-
Paydowns	-	-	-
Accretion	(4,175,136)	-	(4,175,136)
Accrued loan interest	1,451,705	-	1,451,705
Unrealized losses	-	(789,397)	(789,397)
Year ending fair value, December 31, 2023	4,513,508	-	4,513,508

Net realized and unrealized gains related to Level 3 assets in the table above are included in net realized and unrealized gains in the statements of comprehensive income.

The Convertible Note, included within Notes/Loans receivables, relates to a private US company and convert if there is a qualified offering prior to the maturity date. As at December 31, 2023 or 2022, no such qualifying event has occurred with no secondary market transactions in the Notes, therefore it is carried at cost.

The Warrants are exercisable into common shares at an exercise price of $0.01. The Company’s valuation of these warrants is based on underlying market value less a liquidity discount as there is no active marker for these. The discount for the warrants accounts for the illiquidity of the warrant relative to the shares. The warrant must be exercised before the warrant shares are tradeable.

The Warrants and Contingent Value Rights (“CVR”), included within Other above, relate to a US listed company and were provided as part of private loans. The CVR represents a 19.9% interest in each of the entity’s operating subsidiaries’ note payable. The company is in wind down and announced its voluntary delisting from the OTCQB on December 28, 2023 and plans to deregister as a public company. The value of the Warrants and Contingent Value Rights as at 31 December 2023 is $nil. The Company engaged an independent valuation specialist, Valuescope Inc., to perform a valuation of the CVR as at December 31, 2022.

7. Fair Value Measurements *(continued)*

The valuation methodologies used in the valuation as at 31 December 2022 of the CVR included:

Residual Value Method

This determines the value of the entity utilizing appropriate business valuation methodologies including:

Income approach – This directly measures the value of a company by estimating the expected cash flows derived from the business.

Market approach – Provides an indication of value of each company's shares by observing the market value of guideline companies based on various pricing measures or transactions.

Cost approach – This was considered and excluded for the valuation of the entity as this approach tends to misstate the fundamental economic value of an ongoing business enterprise.

Once the value of the business was calculated per the above, subtractions for the value of debt, the market capitalization of equity and the value of the warrants and options were applied. The amount remaining, the residual, is the value of the CVR.

Option Pricing Method

The CVR has a contingent claim on the value of the entity, whereby their claim is contingent upon the occurrence of a sale. A Monte Carlo simulation model to simulate the value of the entity and the occurrence of a transaction was created.

Black-Scholes Option Pricing Model

This model is used for determining the value of options on stocks. The call value is calculated as the difference between the benefit of acquiring the stock outright, given the stock price exceeds the exercise price and the present value of the payment of the exercise price at expiration.

The Binomial Option Pricing Model

This uses a step procedure, allowing for the specification of nodes during the time span between the Valuation Date and the options expiration date. Each node represents a step of the model and each step contains a decision between one possible upward and one possible downward movement.

This model reduces possibilities of price changes, arbitrage, assumes a perfectly efficient market and shortens the duration of the option. It also provides a stream of valuations for a derivative at each node in a span of time which is useful for valuing derivatives such as American options which allow the owner to exercise the option at any point in time until expiration.

7. Fair Value Measurements *(continued)*

The following are pricing model inputs utilized in the above models:

1) Stock price
2) Strike price or exercise price
3) Risk-free rate
4) Expected dividend yield
5) Volatility of stock returns
6) Time to expiration

The investments in funds measured at net asset value as a practical expedient includes units held in Limited partnership interests which are all entities that calculate net asset value per share. The following are the details of these funds.

Investment	Redemption Frequency and Restrictions	Redemption Notice Period	Investment Strategy	Liquidity Restrictions
Broadbill Partners II, LP (Class C)	Annually on investment anniversary	90 days	Hedge Fund – Distressed and Special Situations – U.S. & Global *	Manager Discretion
Broadbill Partners II, LP (Class D)	Annually on investment anniversary	90 days	Hedge Fund – Distressed and Special Situations – U.S. & Global *	Manager Discretion
MILFAM CI LLC Series G Membership Interest	Manager discretion	Manager discretion	Holding Company – Private Investments – U.S. & Global **	Manager Discretion
CI Series G is a Subscriber in Yield Capital Partners IX, L.P.	None	None	Venture Capital – Seed Stage – U.S. & Global **	No Partner shall have the right to withdraw its capital and profits from the Partnership

*Note 1 – The investment objective of the Fund is to seek growth of capital by investing in, and disposing of, securities and loans, claims and other obligations that are not securities. The Fund anticipates that its portfolio will include securities of financially leveraged or troubled companies and companies undergoing financial or operational restructurings or reorganizations, as well as similar non-corporate entities or governments. The Fund will utilize both long and short securities positions and may sell and purchase put and call options

**Note 2 – The primary objective of the Partnership is to generate significant returns for its Partners, principally through long-term capital appreciation, by making, holding and disposing of investments, directly or indirectly, in Ridecell, Inc.

(Expressed in United States Dollars)

8. Net Investment Income

The net investment income (loss) for the years ended December 31, 2023 and 2022 consists of the following items:

	December 31, 2023 $	December 31, 2022 $
Interest income	5,609,314	3,150,784
Dividend income	13,333,513	2,418,086
Net realized gains on investments	28,278,064	1,221,388
Change in unrealized gains on investments	(1,300,231)	(24,313,751)
Investment fees	(6,741,139)	(452,145)
Accretion	(2,856,704)	390,409
Total	36,322,817	(17,585,229)

9. Losses and Loss Expenses

The liability for losses and loss adjustment expenses comprises:

	December 31, 2023 $	December 31, 2022 $
Outstanding losses	59,872,004	42,549,398
Losses incurred but not reported (“IBNR”)	44,082,322	33,531,758
Total	103,954,326	76,081,156

a) Activity in the liability for losses and loss expenses is summarized as follows:

	December 31, 2023 $	December 31, 2022 $
Balance, beginning of year	76,081,156	28,891,249
Less: Reinsurance recoverable	-	-
Net balance, beginning of year	76,081,156	28,891,249
Incurred losses relating to:		
Current year	50,566,982	60,998,486
Prior years	9,804,742	2,107,457
Total incurred losses	60,371,724	63,105,943
Less losses paid relating to:		
Current year	8,865,826	10,032,095
Prior years	23,632,728	5,883,941
Total paid losses	32,498,554	15,916,036
Net balance, end of year	103,954,326	76,081,156
Add: Reinsurance recoverable	-	-
Balance, end of period	103,954,326	76,081,156

9. Losses and Loss Expenses *(continued)*

The liability for losses and loss expenses is established at management's best estimate of expected losses having regard to the advice from the Company's third-party consulting actuary.

During the years ended December 31, 2023 and 2022, there was unfavorable development on prior year incurred losses. The changes in the prior years' provision for outstanding losses and loss expenses was primarily due to the ongoing analysis of loss development trends across all accident years and not attributable to any specific occurrence or event.

b) Methodologies for determining incurred but not reported claims ("IBNR") and expected development on reported claims and significant changes to those methodologies.

The following methods are used in determining IBNR and expected development on reported claims:

Indicated ultimate losses and allocated loss adjustment expenses by program year on a gross basis are developed for each line of coverage based on five commonly used actuarial methodologies set out below:

Paid Loss Development (Paid LDF)

Ultimate losses are estimated by calculating past paid loss development factors and applying them to exposure periods with further expected paid loss development.

The paid loss development method assumes that losses are paid at a consistent rate. It provides an objective test of reported loss projections because paid losses contain no reserve estimates. Thus, paid loss estimates are not influenced as heavily by changes in claims reserving policies and procedures, as are reported loss estimates.

In some circumstances, paid losses for recent periods may be too immature or erratic for accurate predictions. In many coverages, claim payments are made very slowly and it may take years for claims to be fully reported and settled. Payments may be erratic because of shifts in settlement patterns or large settlements in the early stages of development. Choosing an appropriate "tail factor" to determine the amount of payments from the latest development period to ultimate may also require considerable judgment, especially for coverages which have long payment patterns. In these cases, alternate methods are relied upon in selecting ultimate losses.

Reported Loss Development (Reported LDF)

Ultimate losses are estimated by calculating past reported loss development factors and applying them to exposure periods with further expected reported loss development.

Since reported losses include payments and case loss reserves, changes in both of these amounts are incorporated in this method. This provides a larger volume of data than just payments to estimate ultimate losses. Thus, reported loss patterns may be less erratic than paid loss patterns, especially for coverages that have a long payout pattern but for which claims are reported relatively early and case loss reserve estimates are established.

This method assumes that those who have been setting reserves have been following consistent practices over the historical period that is reviewed. Changes in claims handling procedures, large claims, or significant numbers of claims of an unusual nature may cause results to be erratic. Also, choosing an appropriate "tail factor" to determine the change in reported loss from the latest development period to ultimate may require considerable judgment, especially for coverages which have long reporting patterns.

9. Losses and Loss Expenses *(continued)*

Bornhuetter-Ferguson Paid Loss Method (Paid B-F)

The Bornhuetter-Ferguson paid loss method is a combination of the paid loss development method and a loss ratio method. The amount of losses yet to be paid is based on expected ratio of losses to standard premiums. These expected loss ratios are then modified to the extent that paid losses to date differ from what would have been expected based on the selected paid loss development pattern.

The formula used to estimate reserves for unreported claims and for any additional development on case reserves are estimated as the product of expected losses (ultimate payrolls x the loss rates) and [1 - (1/CLDF)], where CLDF is the appropriate cumulative paid loss development factor. These reserves are added to cumulative paid losses to produce the ultimate loss estimates.

This method avoids some of the distortion that could result if a large development factor were applied to a small base of paid losses to calculate ultimate loss. This method will react slowly if actual loss ratios develop differently because of major changes in rate levels, retentions or deductibles, the forms and conditions of reinsurance coverage, the types of risks covered or a variety of other changes.

Bornhuetter-Ferguson Reported Loss Method (Reported B-F)

The Bornhuetter-Ferguson reported loss method is similar to Bornhuetter-Ferguson paid loss method with the exception that it uses reported loss and reported loss development factors.

Frequency-Severity

This method develops the number of ultimate claims as well as the expected average amount of these claims separately using triangular methods for each accident year. The total expected ultimate loss is derived as the ultimate number of claims multiplied by the expected average amount of these claims.

The following is information about incurred and paid claims development as of December 31, 2023, 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.

(Expressed in United States Dollars)

9. Losses and Loss Expenses *(continued)*

General liability:

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance for the years ended December 31				Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	2020	2021	2022	2023		
	$	$	$	$	$	
2008	-	-	-	-	-	-
2009	149,342	99,021	176,239	80,955	10,868	327
2010	412,611	251,313	196,376	218,186	27,995	397
2011	621,881	381,556	324,937	318,234	46,322	453
2012	1,513,711	1,190,031	1,055,474	1,096,394	150,464	582
2013	2,392,729	2,065,503	2,344,725	2,164,013	334,255	722
2014	4,107,253	4,152,279	3,948,438	6,331,498	562,875	825
2015	3,149,985	3,360,728	3,932,730	4,253,588	560,636	586
2016	1,477,521	1,074,845	1,174,926	2,031,343	167,493	179
2017	144,765	37,502	8,654	5,789	1,234	11
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021		5,804,732	6,825,422	6,769,875	2,333,563	137
2022			13,785,675	18,043,674	6,846,923	351
2023				7,161,234	3,155,686	241
				48,474,783	14,198,314	

(Expressed in United States Dollars)

9. Losses and Loss Expenses *(continued)*

General liability *(continued)*

Accident year	Paid claims and claims expenses, net of reinsurance for the years ended December 31 2020 $	2021 $	2022 $	2023 $
2008	-	-	-	-
2009	6,768	69,931	70,088	70,088
2010	23,361	128,778	175,691	180,492
2011	17,101	173,760	210,366	262,276
2012	112,973	277,085	380,907	484,896
2013	136,402	533,528	859,198	1,134,151
2014	263,279	1,289,223	1,832,007	3,159,881
2015	231,295	775,639	1,188,079	1,998,129
2016	29,644	126,568	179,534	855,191
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021		-	93,073	599,954
2022			54,033	862,868
2023				107,747
				9,715,673
	Liability for losses and loss expenses, net of reinsurance			38,759,110

Workers compensation:

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance for the year ended December 31 2021 $	2022 $	2023 $	Total IBNR Plus Expected Development on Reported Claims $	Cumulative Number of Reported Claims
2021	9,159,251	8,248,770	8,552,461	1,346,423	2,124
2022		17,452,731	17,296,364	2,122,628	3,332
2023			17,360,601	7,814,931	5,272
			43,209,426	11,283,982	

Accident year	Paid claims and claims expenses, net of reinsurance for the year ended December 31 2021 $	2022 $	2023 $
2021	1,732,575	4,128,933	5,850,898
2022		3,955,885	11,111,897
2023			4,481,126
			21,443,921
Liability for losses and loss expenses, net of reinsurance			21,765,505

(Expressed in United States Dollars)

9. Losses and Loss Expenses *(continued)*

Commercial auto:

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance for the year ended December 31 2021 $	2022 $	2023 $	Total IBNR Plus Expected Development on Reported Claims $	Cumulative Number of Reported Claims
2021	8,485,302	10,032,829	10,563,727	333,873	668
2022		29,064,601	30,521,276	5,306,983	2,925
2023			23,165,370	10,489,295	2,606
			64,250,373	16,130,152	

Accident year	Paid claims and claims expenses, net of reinsurance for the year ended December 31 2021 $	2022 $	2023 $
2021	2,146,169	4,016,410	7,770,433
2022		6,022,177	12,248,605
2023			4,175,783
			24,194,821
Liability for losses and loss expenses, net of reinsurance			40,055,552

Professional liability:

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance for the year ended December 31 2021 $	2022 $	2023 $	Total IBNR Plus Expected Development on Reported Claims $	Cumulative Number of Reported Claims
2021	82,442	82,442	185,944	-	31
2022		695,479	621,870	23,063	90
2023			1,596,394	1,596,394	110
			2,404,208	1,619,457	

Accident year	Paid claims and claims expenses, net of reinsurance for the year ended December 31 2021 $	2022 $	2023 $
2021	-	2,912	185,944
2022		-	26,317
2023			-
			212,261
Liability for losses and loss expenses, net of reinsurance			2,191,947

(Expressed in United States Dollars)

9. Losses and Loss Expenses *(continued)*

Multi Line:

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance for the year ended December 31 2023 $	Total IBNR Plus Expected Development on Reported Claims $	Cumulative Number of Reported Claims
2023	1,283,383	850,417	4,214
	1,283,383	850,417	

Accident year	Paid claims and claims expenses, net of reinsurance for the year ended December 31 2021 $	2022 $	2023 $
2023			101,171
			-
Liability for losses and loss expenses, net of reinsurance			1,182,212

The reconciliation of the incurred and paid claims development tables to the liability for losses and loss adjustment expenses in the statements of financial position is as follows:

	December 31, 2023 $	December 31, 2022 $
Net outstanding liabilities:		
General liability	38,759,110	28,630,621
Workers compensation	21,765,505	17,616,683
Commercial auto	40,055,552	29,058,843
Professional liability	2,191,947	775,009
Multi Line	1,182,212	-
Total net outstanding liabilities	103,954,326	76,081,156

The following table is unaudited supplementary information for average annual historical duration of claims:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance
Unaudited

Years	1	2	3	4
General liability	1.7%	7.1%	8.4%	19.7%
Workers compensation	23.0%	34.7%	20.1%	
Commercial auto	19.4%	19.1%	35.5%	
Professional liability	0.0%	2.9%	98.4%	
Multi Line	7.9%			

10. Amounts Due to Affiliates

The following transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties:

Ocmila Advisors Inc. ("Ocmila"), an investment manager who shares directors and ultimate beneficial shareholders in common with the Company, has been retained by the Company to act as an investment manager. Under the terms of the investment management agreement, Ocmila is entitled to a fee that includes an incentive provision equal to 30% of the net appreciation of the investment portfolio over specified time periods. As at December 31, 2023, the investment management fees accrued under the agreement amounted to $5,826,005 (2022 - $nil). The fee is payable upon demand by Ocmila and is included within 'amounts due to affiliates' on the consolidated statement of financial position.

As at December 31, 2023, amounts due to affiliates include $52,294 (2022 - $52,294) owing from AFC which was interest free and repayable on demand.

The Company has entered into a tax sharing agreement with AFC. Under the terms of the agreement, at December 31, 2023, the Company has recorded a net liability payable to AFC of $7,356,596 (2022 - $3,176,459) for current tax expense. During 2023, the Company has entered another agreement with AFC wherein AFC pays the compensation and payroll costs in relation to shared officers and employees, including salary, bonuses, healthcare, and taxes in which a portion of these payroll-related expenses are to be shared with the Company. As at December 31, 2023, the Company owed AFC $414,664 (2022 - $nil). These balances are included within 'amounts due to affiliates' on the consolidated statements of financial position.

Milfam LLC ("Milfam"), a company that shares directors in common with the Company and is one of the Company's ultimate beneficial shareholders, provides ancillary investment support functions related to the Company's investment portfolio. Under the agreement with Milfam, the Company incurs a quarterly fee of 2.5 basis points on assets under management at the end of each quarter. During the year ended December 31, 2023, fees of $168,216 (2022 - $162,446) were charged and are included within 'general and administrative expenses' on the statements of consolidated comprehensive income (loss), of which $174,205 remained owing to Milfam as at December 31, 2023 (2022 - $40,000) and is included within 'Accounts payable and accrued expenses' on the consolidated statements of financial position.

Certain directors of the Company also hold positions as directors or officers of other entities in which the Company may be invested in either through public market participation or private placements.

11. Concentration of Credit Risks

Credit risk arises from the failure of the counterparty to perform according to the terms of a contract.

The Company is a party to financial instruments with concentration of credit risk. These financial instruments include cash and cash equivalents and investments. The Company's investment portfolio is managed pursuant to guidelines that follow prudent standards of diversification. The guidelines limit the allowable holdings of a single issue and issuers. The Company believes that there are no significant concentrations of credit risk associated with its investment portfolio.

As of December 31, 2023 and 2022, all cash and cash equivalents are held with two financial institutions located the United States and one financial institution located in Bermuda. The Company does not require collateral or other security to support financial instruments with credit risk.

(Expressed in United States Dollars)

11. Concentration of Credit Risks *(continued)*

Insurance balances receivable primarily consist of net premiums due from insureds and reinsured. The Company believes that the counterparties to these receivables are able to meet, and will meet, all of their obligations. The Company's credit risk is further reduced by the contractual right to offset loss obligations or unearned premiums against premiums receivable. The insurance balances receivable that are outstanding for more than 90 days are nil as of December 31, 2023 and December 31, 2022.

12. Shareholder's Equity

Share Capital

	December 31, 2023	December 31, 2022
Authorized:		
120,000 common shares of par value $1 each	$ 120,000	$ 120,000
Issued and fully paid:		
120,000 common shares of a par value of $1 each	$ 120,000	$ 120,000

Contributed Surplus

Prior to the year ended December 31, 2023, contributed surplus represents additional paid-in capital contributions made by the shareholder less returnable amounts declared by the Company.

During the year ended December 31, 2023, an additional capital contribution was made to the Company by its parent AFC of $10,534,446 through the transfer of SRTI's share capital to the Group as discussed in note 3.

13. Taxation

Bermuda

On December 27, 2023, the Bermuda Corporate Income Tax Act 2023 ("BCIT Act") was enacted into law. The BCIT Act introduces a 15% corporate income tax ("CIT") on Bermuda businesses that are part of multinational enterprise ("MNE") groups with annual revenue of €750 million or more.

Management has reviewed the provisions of the BCIT Act and deemed that the Company is currently not in scope.

United States

On March 30, 2021, the Company made an irrevocable election under Section 953(d) of the Internal Revenue Code ("IRS"), as amended, to treat the Company as a United States ("U.S.") domestic insurance company for U.S. federal income tax purposes. The "domestic election" was approved by the IRS on December 1, 2023 and as a result the Company is subject to U.S. taxation on its worldwide income as if it were a U.S. corporation. The Company's filing is made as part of a consolidated filing with that of its parent company.

(Expressed in United States Dollars)

13. Taxation *(continued)*

The Company has made provision for obligations under the tax sharing agreement with AFC as follows:

	December 31, 2023	December 31, 2022
	$	$
Current tax expense at statutory rate of 21%	7,680,137	543,527
Net changes in deferred tax liability	(1,538,482)	(4,493,831)
Net tax expense (benefit)	6,141,655	(3,950,304)

As a result of the tax sharing agreement in place with AFC, the Company has recorded a current tax payable to AFC of $7,356,596 (2022 - $3,176,459) and is included within 'amounts due from affiliates' on the consolidated statements of financial position. The Company's effective tax rate for the year ended December 31, 2023 was 21% (2022 - 21%).

The expected tax provision has been calculated using the pre-tax accounting income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. The statutory tax rates for the Company's Bermuda and U.S. operations are: 0% and 21% respectively.

Deferred tax expense/benefits are based upon temporary differences between the consolidated financial statements and tax basis of assets and liabilities. The following deferred taxes are recorded:

	December 31, 2023	December 31, 2022
	$	$
Deferred Tax Assets		
Unearned premium reserve	1,236,154	1,657,150
Discounted reserves	1,623,184	1,140,011
Timing difference on US partnership investments	1,414,337	-
Unrealized investment gains – other comprehensive income	884,104	552,568
Subsidiary net operating losses	6,718,422	-
Valuation allowance on subsidiary net operating losses	(6,718,422)	-
	5,157,779	3,349,729
Deferred Tax Liabilities		
Deferred Acquisition Costs	(1,827,292)	(1,616,212)
Unrealized gains on equity securities	(1,125,052)	(1,398,100)
Unrealized investment gains – other comprehensive income	-	-
Total deferred tax liabilities	(2,952,344)	(3,014,312)
Net deferred tax asset	2,205,435	335,417

In 2023, the Company recorded a valuation allowance of $6,718,422 against the deferred tax asset contributed from the SRTI as management believes it is more likely than not that all of the deferred tax asset will not be realized. SRTI has a net operating loss carried forward of approximately $82 million which will begin to expire in 2025.

(Expressed in United States Dollars)

13. Taxation *(continued)*

The Company has open tax years that are potentially subject to examinations by local tax authorities in the following major tax jurisdictions: the U.S., 2023. The Company does not believe it has any uncertain tax positions and the Company is not currently under any tax audits.

14. Statutory Requirements

The Bermuda Insurance Act 1978 and Related Regulations requires the Company to maintain a 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 based on a standardized risk-based capital model.

A reconciliation of the statutory capital and surplus to GAAP equity is below:

	December 31 2023 $	December 31 2022 $
Shareholder's equity in accordance with U.S. GAAP	167,866,520	135,499,184
Less: Non-admitted assets		
Prepaid expenses	(11,550)	(6,584)
Statutory capital and surplus	167,854,970	135,492,600

The Company met the minimum solvency margin at December 31, 2023 and exceeded minimum solvency requirements by $150,908,524 (2022 - $119,458,940).

In this regard, distributions from retained earnings and additional paid-in capital are limited to the extent that the above requirements are met. At December 31, 2023, retained earnings and additional paid-in capital amounting to $33,873,349 (2022 - $38,370,616) was available for distribution.

As a result of premium volumes written by the Company for the year ended December 31, 2023 exceeding the $50,000,000 threshold, the Company applied to the Bermuda Monetary Authority on March 13, 2024, under Section 56 of the Insurance Act 1978, to be exempted from the requirement to classify as a Class 3B. The Bermuda Monetary Authority approved this request on March 19, 2024 and has requested that the Company's application to reclass to a Class 3B insurer is to be completed during 2024.

15. Legal/Regulatory Risk

Legal/regulatory risk is the risk that the legal or regulatory environment in which an insurer operates will change and create additional loss costs or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those recorded in the consolidated financial statements. The Company mitigates this risk through its underwriting and loss adjusting practices which identify and minimize the adverse impact of this risk.

16. Subsequent Events

Subsequent events were evaluated to April 30, 2024 the date the consolidated financial statements were available to be issued.

No subsequent events were noted that would have a material impact on the consolidated financial statements.