Cavello Bay Reinsurance Limited

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

April 30, 2024

Report of Independent Auditors

To the Board of Directors and Shareholder of Cavello Bay Reinsurance Limited

Opinion

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

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

Basis for opinion

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

Responsibilities of management for the consolidated financial statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

Required supplemental information

Accounting principles generally accepted in the United States of America require that the required supplemental information pertaining to Short-Duration Contracts disclosures labelled as "Unaudited" within Note 8 on pages 41 to 52 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Cavello Bay Reinsurance Limited
CONSOLIDATED BALANCE SHEETS
As at December 31, 2023 and 2022

	2023	2022
		restated
	(expressed in millions of U.S. dollars, except share data)	
ASSETS		
Short-term investments, trading, at fair value	$ —	$ 3
Short-term investments, available-for-sale, at fair value (amortized cost: 2023 - $19; 2022 - $27)	19	28
Fixed maturities, trading, at fair value	1,329	1,448
Fixed maturities, available-for-sale, at fair value (amortized cost: 2023 - $3,861; 2022 - $4,140; net of allowance: 2023 - $14; 2022 - $27)	3,544	3,628
Funds held	5,536	5,714
Equities, at fair value	587	849
Other investments, at fair value (includes consolidated variable interest entity: 2023 - $59; 2022 - $3)	3,115	2,719
Equity method investments	319	381
Total investments	14,449	14,770
Cash and cash equivalents (includes consolidated variable interest entity: 2023 - $8; 2022 - $0)	206	364
Restricted cash and cash equivalents	104	319
Accrued Interest Receivable	50	52
Reinsurance balances recoverable on paid and unpaid losses (net of allowance): 2023 - $106,000; 2022 - $104,000	143	95
Reinsurance balances recoverable on paid and unpaid losses, fair value	169	165
Deferred charge assets	529	470
Amounts due from related parties	175	44
Other assets	212	55
TOTAL ASSETS	$ 16,037	$ 16,334
LIABILITIES		
Losses and loss adjustment expenses	$ 9,077	$ 9,109
Losses and loss adjustment expenses, at fair value	797	782
Future policyholder benefits	—	1,184
Insurance and reinsurance balances payable	14	59
Amounts due to related parties	41	251
Other liabilities (includes variable interest entity: 2023 - $1; 2022 - $0)	134	86
TOTAL LIABILITIES	10,063	11,471
SHAREHOLDER'S EQUITY		
Share capital - 324,948,079 common shares, par value of $1 each issued, fully paid and outstanding	325	—
Shares in ultimate holding company	(201)	(201)
Additional paid-in capital	2,898	3,170
Accumulated other comprehensive loss	(295)	(471)
Retained earnings	3,067	1,975
Shareholder's Equity attributable to Shareholder	5,794	4,473
Noncontrolling interest	180	390
TOTAL SHAREHOLDER'S EQUITY	5,974	4,863
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 16,037	$ 16,334

See accompanying notes to the consolidated financial statements

Cavello Bay Reinsurance Limited
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2023 and 2022

	2023	2022 restated
	(expressed in millions of U.S. dollars)	
REVENUES		
Net premiums earned	$ 33	$ 41
Net investment income	529	311
Net realized investment losses	(45)	(78)
Net unrealized gains (losses)	453	(1,185)
Other income	275	19
TOTAL REVENUES	1,245	(892)
EXPENSES		
Net incurred losses and loss adjustment expenses		
Current Period	6	14
Prior Period	(159)	(693)
Total net incurred losses and loss adjustment expenses	(153)	(679)
Policyholder benefit expense	—	25
Amortization of net deferred charge assets	91	65
Acquisition costs	3	2
General and administrative expenses	133	120
Net foreign exchange (gains) losses	(17)	1
TOTAL EXPENSES	57	(466)
NET INCOME (LOSS) BEFORE NET INCOME (LOSS) FROM EQUITY METHOD INVESTMENTS	1,188	(426)
Income Tax benefit (expense)	149	5
Income (losses) from equity method investments	13	(73)
NET INCOME (LOSS)	1,350	(494)
Net (income) loss attributable to noncontrolling interest	(115)	52
NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDER	$ 1,235	$ (442)

See accompanying notes to the consolidated financial statements

Cavello Bay Reinsurance Limited
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022

	2023	2022 restated
	(expressed in millions of U.S. dollars)	
NET INCOME (LOSS)	$ 1,350	$ (494)
Other comprehensive loss, net of income taxes:		
Unrealized losses on fixed income available-for-sale investments arising during the year	111	(521)
Reclassification adjustment for change in allowance for credit losses recognized in net income	(8)	23
Reclassification adjustment for net realized gains included in net income	53	55
Change in currency translation adjustment	3	(3)
Change in net liability for losses and LAE at fair value - Instrument-specific credit risk	16	—
Total other comprehensive loss	175	(446)
Comprehensive income (loss)	1,525	(940)
Comprehensive (income) loss attributable to noncontrolling interest	(106)	74
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDER	$ 1,419	$ (866)

Cavello Bay Reinsurance Limited CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY For Years Ended December 31, 2023 and 2022

	2023	2022
		restated
	(expressed in millions of U.S. dollars)	
SHARE CAPITAL - COMMON SHARES		
Balance, beginning of year	$ —	$ —
Issued in year	325	—
Balance, end of year	$ 325	$ —
SHARES IN ULTIMATE PARENT COMPANY		
Balance, beginning and end of year	$ (201)	$ (201)
Purchased in year	—	—
Balance, end of year	(201)	(201)
ADDITIONAL PAID-IN CAPITAL		
Balance, beginning of year	$ 3,170	$ 2,821
Contribution of capital	30	50
Effect of acquisition of common control entities	—	299
Acquisition of noncontrolling and redeemable noncontrolling shareholders' interests in subsidiaries	9	—
Return of capital	(311)	—
Balance, end of year	$ 2,898	$ 3,170
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME		
Balance, beginning of year	(471)	(26)
Effect of acquisition of common control entities	—	(7)
Cumulative currency translation adjustment		
Balance, beginning of year	(8)	—
Effect of acquisition of common control entities	—	(5)
Change in currency translation adjustment	3	(3)
Balance, end of year	(5)	(8)
Unrealized gains (losses) on investments		
Balance, beginning of year	(463)	(26)
Effect of acquisition of common control entities	—	(2)
Change in unrealized gains (losses) on investments	157	(435)
Balance, end of year	(306)	(463)
Insurance contracts - net liability for losses and LAE at fair value - Instrument-specific credit risk		
Balance, beginning of year	—	—
Change in net liability for losses and LAE at fair value - Instrument-specific credit risk	16	—
Balance at the end of the year	16	—
Balance, end of year	$ (295)	$ (471)
RETAINED EARNINGS		
Balance, beginning of year	$ 1,975	$ 2,762
Effect of acquisition of common control entities - Beginning of year	$ —	$ 367
Cumulative effect of change in accounting principle		
Net income (loss)	1,350	(388)

Effect of acquisition of common control entities - Net income	—	(106)
Net (income) loss attributable to noncontrolling interest	(115)	52
Dividends paid	(143)	(600)
Effect of acquisition of common control entities - Dividends paid	—	(112)
Balance, end of year	$ 3,067	$ 1,975
NONCONTROLLING INTEREST		
Balance, beginning of year	$ 390	$ 219
Increase due to acquisition	(141)	—
Acquisition of non controlling shareholders' interest in subsidiary	(82)	—
Dividends Paid	(93)	(50)
Effect of acquisition of common control entities	—	295
Net income (loss) attributed to noncontrolling interest	106	(66)
Change in unrealized losses on available for sale investments attributable to noncontrolling interests	—	(8)
Balance, end of year	$ 180	$ 390
TOTAL SHAREHOLDER'S EQUITY	$ 5,974	$ 4,863

See accompanying notes to the consolidated financial statements

Cavello Bay Reinsurance Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022 restated
	(expressed in millions of U.S. dollars)	
OPERATING ACTIVITIES:		
Net (loss) Income	1,350	(494)
Adjustments to reconcile net income to cash flows provided by operating activities:		
Realized losses (gains) on sale of investments	45	79
Unrealized losses (gains) on investments	(453)	1,184
Cash consideration received on novation	94	—
Gain on novation	(272)	—
Sales and maturities of trading securities	1,404	2,669
Purchases of trading securities	(2,070)	(1,938)
Amortization of bond premiums and discounts	(24)	20
Amortization of deferred charge assets	91	65
Net loss (income) from equity method investments	(13)	79
Net loss on purchase and sales of subsidiaries	(6)	—
Changes in:		
Funds held	577	(1,152)
Reinsurance recoverable	(52)	122
Losses and loss adjustment expenses	(116)	686
Policy benefits for life and annuity contracts	—	(318)
Net amounts due to / from related parties	(341)	181
Reinsurance balances receivable	(33)	(19)
Other operating assets and liabilities	(305)	(323)
Net cash flows provided by operating activities	(124)	841
INVESTING ACTIVITIES:		
Sale and maturities of available-for-sale securities	1,418	1,753
Purchase of available-for-sale securities	(1,031)	(1,377)
Sale of investment in partly owned company	48	0
Purchase of other investments	(660)	(1,462)
Proceeds from other investments	448	215
Dividends received from equity method investments	10	5
Net cash flows used in investing activities	233	(866)
FINANCING ACTIVITIES:		
Dividends paid	(143)	(712)
Acquisition of noncontrolling interests	—	33
Disposal of Noncontrolling interest	(82)	
Dividends paid to noncontrolling interests	(93)	(50)
Return of capital	(132)	—
Additional paid in capital	30	50
Net cash flows used in financing activities	(420)	(679)
EFFECT OF EXCHANGE RATE CHANGES ON FOREIGN CURRENCY CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(62)	—
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(373)	(704)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	683	1,387
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 310	$ 683
Reconciliation to Consolidated Balance Sheets:		
Cash and cash equivalents	206	364
Restricted cash and cash equivalents	104	319
Cash, cash equivalents and restricted cash	$ 310	$ 683

Non-cash operating activities:		
Novation of future policy holder benefits	$ 828	$ —
Funds held directly managed transferred in exchange on novation of future policy holder benefits	(949)	—
Other assets / liabilities transferred on novation of future policy holder benefits	(62)	—
Non Cash investing activities:		
Receipt of available-for-sale securities as consideration in exchange for assumption of reinsurance contract liabilities	113	—
Receipt of available-for-sale debt securities as consideration in exchange for assumption of liabilities	—	508

See accompanying notes to the consolidated financial statements

1. BASIS OF PRESENTATION

Cavello Bay Reinsurance Limited (“Cavello Bay”, “we”, “us”, “our” or the “Company”) was incorporated under the laws of Bermuda on April 8, 2015. It is a wholly-owned subsidiary of Kenmare Holdings Ltd., ("Kenmare" or the "Parent"), a company incorporated in Bermuda, on August 16, 2001. The ultimate parent company of Cavello Bay is Enstar Group Limited (“Enstar”), a company incorporated under the laws of Bermuda.

The Company is registered as a Class 3B reinsurer under the Insurance Act 1978 of Bermuda, amendments thereto and related regulations (the “Insurance Act”).

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All intercompany accounts and transactions have been eliminated.

Change of Control

Effective December 11, 2023, Cavello Bay became the beneficial owner of 100% of the issued share capital of each of River Thames Insurance Company Limited, Mercantile Indemnity Company Limited and Rombalds Run-off Limited (together, the "U.K. entities"). As Enstar was the ultimate parent of the U.K. entities and Cavello Bay, all entities were under common control prior to the change in control and the comparative balances included in these financial statements have been restated as if the change in control of the U.K. entities had become effective as of the beginning of the earliest period presented using the historical cost of the parent.

The following table provides a summary of the effect of consolidating the U.K. entities on our 2022 previously reported consolidated financial statements:

	Year ended December 31, 2022		
	As previously presented	Effect of merger	Revised
Cash and cash equivalents	616	67	$ 683
Total investments	10,118	4,652	14,770
Other assets	4,564	(3,683)	881
Total assets	15,298	1,036	16,334
Total reserves	9,602	1,473	11,075
Other liabilities	1,554	(1,158)	396
Total liabilities	11,156	315	11,471
Shareholder's equity	4,142	721	4,863
Net Loss	(403)	(91)	(494)

Enhanzed Re

Our subsidiary, Enhanzed Reinsurance Ltd. ("Enhanzed Re"), is included in the consolidated financial statements reported on a one quarter lag. The effect on our consolidated financial condition and results of operations of all material events occurring at Enhanzed Re through December 31, 2023 has been considered for adjustment and/or disclosure.

In August 2022, Enhanzed Re entered into a Master Agreement with the Company, and Allianz SE (“Allianz”). Pursuant to the Master Agreement, Enhanzed Re, the Company and Allianz agreed to a series of transactions that allowed us to unwind Enhanzed Re’s operations in an orderly manner. The transactions included (i) commuting or novating all of the reinsurance contracts written by Enhanzed Re, (ii) repaying the $70 million of subordinated notes issued by Enhanzed Re to an affiliate of Allianz, and (iii) distributing Enhanzed Re’s excess capital to the Company and Allianz in accordance with their respective equity ownership. As of December 31, 2022, all of the transactions were complete, and the impact of transactions completed in the fourth quarter 2022 are reflected in our 2023 consolidated financial statements, as a result of the one quarter reporting lag.

Use of Estimates, Risks and Uncertainties

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimation of unpaid claim liabilities at any given point in time is subject to a high degree of uncertainty for a number of reasons. A significant amount of time can lapse between the assumption of risk, the occurrence of a loss event, the reporting of the event to an (re)insurance company and the ultimate payment of the claim on the loss event. Certain estimates for unpaid claim liabilities involve considerable uncertainty due to significant coverage litigation and it can be unclear whether past claim experience will be representative of future claim experience.

We are subject to economic factors such as interest rates, inflation, foreign exchange rates, adverse reserve developments, regulation, tax policy changes, political risks and other market risks that can impact our strategy, operations, and results.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies	Note Reference(s)
• Short-term investments and fixed maturities • Allowance for credit losses • Equity securities • Other investments, at fair value • Equity method investments • Funds held	Note 4 - Investments
• Derivative instruments	Note 5 - Derivatives and Hedging Instruments
• Reinsurance Balances Recoverable on Paid and Unpaid Losses	Note 6 - Reinsurance Balances Recoverable on Paid and Unpaid Losses
• Deferred Charge Assets and Deferred Gain Liabilities	Note 7 - Deferred Charge Assets and Deferred Gain Liabilities
• Losses and LAE	Note 8 - Losses and Loss Adjustment Expenses
• Variable Interest Entities	Note 11 - Variable Interest Entities
• Premiums Written	Note 12 - Premiums Written and Earned
• Income Taxes	Note 16 - Taxation

Other Significant Accounting Policies

Retroactive Reinsurance Contracts

For each of our reinsurance agreements, we determine whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. We review all contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

Cessions under reinsurance agreements do not discharge our obligations under the assumed reinsurance contracts.

Retroactive reinsurance contracts provide indemnification for losses and loss adjustment expenses ("LAE") with respect to past loss events. We do not record any income or expense on recognition of the contracts assets and liabilities. Any subsequent remeasurement of the value of liabilities is recorded to net incurred losses and LAE within the consolidated statements of operations.

Unearned Premium Reserves and Premiums Receivable

Unearned premium reserves, included within other liabilities on the consolidated balance sheets, represent the unexpired portion of policy premiums. For retrospectively rated contracts as well as those contracts whose written premium amounts are recorded based on premium estimates at inception, changes to accrued premiums arising from changes to these estimates are reflected as changes in premium balances receivable where appropriate.

Premiums receivable are reported net of an allowance for expected credit losses as appropriate. The allowance is based upon our ongoing review of amounts outstanding, historical loss data, including delinquencies and write-offs, current and forecasted economic conditions and other relevant factors. The credit risk on our premiums receivable balances is substantially reduced where we have the ability to cancel the underlying policy if the policyholder does not pay the related premium.

Acquisition Costs

Acquisition costs, consisting principally of incremental costs including, commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and which are directly related to the successful efforts of acquiring new insurance contracts or renewing existing insurance contracts, are deferred and amortized over the period in which the related premiums are earned.

Deferred acquisition costs (“DAC”), recorded within other assets on the consolidated balance sheets, are limited to their estimated realizable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income.

Future Policyholder Benefits

Prior to 2023, our life reinsurance contracts included traditional single payment premium immediate annuities, life contingent deferred annuities, and whole life reversion annuity policies all possessing significant mortality risk in the form of longevity risk. Future policyholder benefit provisions were established based on the present value of anticipated future cash flows which included judgment over estimates of mortality rates, investment yields, policy expenses and other assumptions by reference to cedants' historical data, regional mortality tables, industry standards and other available information sources as may be reasonably available. These estimates included provisions for adverse deviation. These assumptions were locked in at contract inception or assumption and were only unlocked and modified if it was deemed that the provision for future policyholders benefits were insufficient. The actual versus anticipated experience of the assumptions were reviewed periodically. The effects of changes in assumptions were recorded to the consolidated statements of operations as adjustments in the period in which the assumptions were unlocked and changes were made. All life reinsurance contracts were novated in 2023.

Cash and cash equivalents

Cash equivalents includes money market funds, fixed interest deposits and all highly liquid debt instruments purchased with an original maturity of three months or less. Securities included within cash equivalents are stated at estimated fair value, while other investments included within cash equivalents are stated at amortized cost which approximates estimated fair value.

Foreign Exchange

Assets, liabilities and operations of foreign affiliates and subsidiaries, as well as investments accounted for under the equity method, are recorded based on the functional currency of each entity. The determination of the functional currency is made based on the appropriate economic and management indicators. For most of our foreign operations, the local currency is the functional currency.

Assets and liabilities of foreign affiliates and subsidiaries are translated from the functional currency to our reporting currency U.S. dollars, at the exchange rates in effect at each year-end and revenues and expenses are translated at the average exchange rates during the year. The resulting translation adjustments are charged or credited directly to OCI, net of applicable taxes. Gains and losses from foreign currency transactions, including the effect of re-measurement of monetary assets and liabilities to the appropriate functional currency, are reported separately in the consolidated statement of operations in the period in which they occur.

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU 2023-09 - Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, which includes the following amendments to Topic 740 Income Taxes:

- Disclose, on an annual basis, specific categories in the rate reconciliation;
- Disclose, on an annual basis, additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5% of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate);
- Disclose, on an annual basis, the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes;
- Disclose, on an annual basis, the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5% of total income taxes paid (net of refunds received);
- Disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign;
- Disclose income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign;
- Eliminates the requirement to disclose the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months or make a statement that an estimate of the range cannot be made; and

- Eliminates the requirement to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures.

These amendments are effective for private entities for annual reporting periods beginning after December 15, 2025, and should be applied prospectively, however retrospective application is permitted. Early adoption is permitted.

Adopting ASU 2023-09 will require us to expand our income tax disclosures. We are currently determining the period in which the new guidance will be adopted

3. SIGNIFICANT NEW BUSINESS

Transaction	Consideration Received	Net Loss Reserves Assumed	DCA [1]	Type of Transaction	Remaining Limit upon Acquisition	Line of Business	Jurisdiction
	(in millions of U.S. dollars)						
QBE [3]	$ 1,505	$ 1,655	$ 150	LPT	838 [2]	Diversified mix of financial lines, casualty, multiline and discontinued business	North America and International
Syndicate 2008 - QBE [4]	$ 194	$ 194	$ —	LPT	—	International Finance	United Kingdom
RACQ [5]	179	179	—	LPT	195	Motor vehicle Compulsory Third Party ("CTP") liabilities	Australia
Total 2023	$ 1,878	$ 2,028	$ 150				

(1) Where the estimated ultimate losses payable exceed the consideration received at the inception of an LPT agreement, a deferred charge asset ("DCA") is recorded. Refer to Note 7 for additional information.

(2) This remaining limit covers both QBE and Syndicate 2008 - QBE contracts

(3) Total consideration received is comprised of $1,539 million of funds held - directly managed and consideration payable of $34 million.

(4) Total consideration received is comprised of $179 million of premiums, and $15 million of funds held

(5) Total consideration received is comprised of $58 million of restricted cash, $113 million of investments and $8 million of funds held.

4. INVESTMENTS

We hold:

(i) trading portfolios of fixed maturity and short-term investments and equities, carried at fair value;

(ii) AFS portfolios of fixed maturity and short-term investments, carried at fair value;

(iii) other investments carried at fair value;

(iv) funds held; and

(v) equity method investments.

Short-term and Fixed Maturity Investments

Short-term investments comprise investments with a maturity greater than three months up to one year from the date of purchase. Fixed maturities comprise investments with a maturity of greater than one year from the date of purchase.

Short-term and fixed maturities classified as trading are carried at fair value, with realized and unrealized gains and losses included in net income and reported as net unrealized gains and losses.

Short-term and fixed maturities classified as available-for-sale ("AFS") are carried at fair value, with unrealized gains and losses excluded from net income and reported as a separate component of accumulated other comprehensive income (loss) ("AOCI"). Realized gains and losses on sales of investments classified as AFS are recognized in the consolidated statements of operations.

The costs of short-term and fixed maturities are adjusted for amortization of premiums and accretion of discounts, recognized using the effective yield method and included in net investment income. For mortgage-backed and asset-backed investments, and any other holdings for which there is a prepayment risk, prepayment assumptions are evaluated and reviewed on a regular basis.

Investment purchases and sales are recorded on a trade-date basis. Realized gains and losses on the sale of investments are based upon specific identification of the cost of investments.

Asset Types

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

	2023				
	Short-term investments - Trading	Short-term investments - AFS	Fixed maturity investments - Trading	Fixed maturity investments - AFS	Total
	(in millions of U.S. dollars)				
U.S. government and agency	$ —	$ 8	$ 55	$ 108	$ 171
U.K. government	—	—	20	34	54
Other government	—	—	89	98	187
Corporate [(1)]	—	11	975	1,925	2,911
Municipal	—	—	35	80	115
Residential mortgage-backed	—	—	16	337	353
Commercial mortgage-backed	—	—	60	422	482
Asset backed	—	—	79	540	619
Total fixed maturity and short-term investments	$ —	$ 19	$ 1,329	$ 3,544	$ 4,892

(1) Includes convertible bonds of $20 million, which includes embedded derivatives of $1 million.

	2022 (restated)				
	Short-term investments - Trading	Short-term investments - AFS	Fixed maturity investments - Trading	Fixed maturity investments - AFS	Total
	(in millions of U.S. dollars)				
U.S. government and agency	$ 3	$ 2	$ 33	$ 164	$ 202
U.K. government	—	3	41	10	54
Other government	—	—	96	22	118
Corporate [(1)]	—	23	1,092	2,288	3,403
Municipal	—	—	33	79	112
Residential mortgage-backed	—	—	17	289	306
Commercial mortgage-backed	—	—	53	334	387
Asset backed	—	—	83	442	525
Total fixed maturity and short-term investments	$ 3	$ 28	$ 1,448	$ 3,628	$ 5,107

[(1)] Includes convertible bonds of $233 million, which includes embedded derivatives of $34 million

Included within residential mortgage backed securities as of December 31, 2023 were securities issued by U.S. governmental agencies with a fair value of $232 million (as of December 31, 2022: $283 million).

Included within commercial mortgage-backed securities as of December 31, 2023 were securities issued by U.S. governmental agencies with a fair value of $58 million (December 31, 2022: $49 million)

Contractual Maturities

The contractual maturities of our short-term investments and fixed maturity investments, classified as trading and AFS, and the fixed maturity investments included within our funds held - directly managed balance are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

As at December 31, 2023	Amortized Cost	Fair Value	% of Total Fair Value
	(in millions of U.S.dollars)		
One year or less	$ 162	$ 162	3.3 %
More than one year through two years	255	249	5.1 %
More than two years through five years	1,103	1,027	21.0 %
More than five years through ten years	1,226	1,106	22.6 %
More than ten years	1,145	894	18.3 %
Residential mortgage-backed	383	353	7.2 %
Commercial mortgage-backed	521	482	9.9 %
Asset-backed	616	619	12.6 %
	$ 5,411	$ 4,892	100 %

Unrealized Gains and Losses on AFS Short-Term and Fixed Maturities

The amortized cost, unrealized gains and losses, allowance for credit losses and fair values of our short-term and fixed maturity investments classified as AFS as of December 31, 2023 and 2022 were as follows:

As of December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses: Non-Credit Related Losses	Gross Unrealized Losses: Allowance for Credit Losses	Fair Value
	(in millions of U.S.dollars)				
U.S. government and agency	$ 128	$ 1	$ (13)	$ —	$ 116
U.K. government	33	2	(1)	—	34
Other government	99	2	(3)	—	98
Corporate	2,169	11	(230)	(14)	1,936
Municipal	92	1	(13)	—	80
Residential mortgage-backed	366	2	(31)	—	337
Commercial mortgage-backed	457	1	(35)	(1)	422
Asset-backed	536	8	(4)	—	540
	$ 3,880	$ 28	$ (330)	$ (15)	$ 3,563

As of December 31, 2022 (restated)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses: Non-Credit Related Losses	Gross Unrealized Losses: Allowance for Credit Losses	Fair Value
	(in millions of U.S.dollars)				
U.S. government and agency	$ 184	$ —	(18)	$ —	$ 166
U.K. government	14	—	(1)	—	13
Other government	26	—	(4)	—	22
Corporate	2,692	7	(360)	(28)	2,311
Municipal	96	1	(18)	—	79
Residential mortgage-backed	326	—	(37)	—	289
Commercial mortgage-backed	371	1	(38)	—	334
Asset-backed	457	1	(16)	—	442
	$ 4,166	$ 10	$ (492)	$ (28)	$ 3,656

Gross Unrealized Losses on AFS Short-term and Fixed Maturity Investments

The following table summarizes our short-term and fixed maturity investments classified as AFS that were in a gross unrealized loss position, for which an allowance for credit losses has not been recorded, as of December 31, 2023 and 2022:

	12 Months or Greater		Less Than 12 Months		Total	
As of December 31, 2023	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
			(in millions of U.S. dollars)			
U.S. government and agency	$ 65	$ (12)	$ 28	$ (1)	$ 93	$ (13)
U.K. government	5	(1)	3	—	8	(1)
Other government	14	(3)	2	—	16	(3)
Corporate	1,396	(228)	167	(2)	1,563	(230)
Municipal	64	(13)	2	—	66	(13)
Residential mortgage-backed	227	(31)	30	—	257	(31)
Commercial mortgage-backed	216	(29)	163	(6)	379	(35)
Asset-backed	139	(3)	71	(1)	210	(4)
Total short-term and fixed maturity investments	$ 2,126	$ (320)	$ 466	$ (10)	$ 2,592	$ (330)

	12 Months or Greater		Less Than 12 Months		Total	
As of December 31, 2022 (restated)	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
			(in millions of U.S. dollars)			
U.S. government and agency	$ 119	$ (13)	$ 47	$ (5)	$ 166	$ (18)
U.K. government	1	—	5	(1)	6	(1)
Other government	4	(1)	16	(3)	20	(4)
Corporate	1,013	(220)	1,103	(140)	2,116	(360)
Municipal	50	(13)	20	(5)	70	(18)
Residential mortgage-backed	154	(30)	118	(7)	272	(37)
Commercial mortgage-backed	167	(30)	108	(8)	275	(38)
Asset-backed	122	(6)	204	(10)	326	(16)
Total short-term and fixed maturity investments	$ 1,630	$ (313)	$ 1,621	$ (179)	$ 3,251	$ (492)

As of December 31, 2023 and 2022, the number of securities classified as AFS in an unrealized loss position for which an allowance for credit loss is not recorded was 1,138 and 1,723, respectively. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was 875 and 669, respectively.

The contractual terms of a majority of these investments do not permit the issuers to settle the securities at a price less than the amortized cost basis of the security. While interest rates have increased and credit spreads have widened, and in certain cases credit ratings were downgraded, we currently do not expect the issuers of these fixed income securities to settle them at a price less than their amortized cost basis and therefore it is expected that we will recover the entire amortized cost basis of each security. Furthermore, we do not intend to sell the securities that are currently in an unrealized loss position, and it is also not likely that we will be required to sell the securities before the recovery of their amortized cost bases.

Allowance for Credit Losses on AFS Fixed Maturities

Each reporting period we identify any credit losses on our investment portfolios not measured at fair value through net income. Credit losses on our fixed income securities, AFS are recognized through an allowance account which is deducted from the amortized cost basis of the security, with the net carrying value of the security presented on the consolidated balance sheet at the amount expected to be collected.

To calculate the amount of the credit loss, we compare the present value of the expected future cash flows with the amortized cost basis of the fixed income securities, AFS, with the amount of the credit loss recognized being limited to the excess of the amortized cost basis over the fair value of the fixed income securities, AFS, effectively creating a “fair value floor”.

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

For our fixed income securities, AFS where we record a credit loss, a determination is made as to the cause of the credit loss and whether we expect a recovery in the fair value of the security. For our fixed income securities, AFS where we expect a recovery in fair value, the constant effective yield method is utilized, and the investment is amortized to par.

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

Our allowance for credit losses is derived based on various data sources, multiple key inputs and forecast scenarios. These include default rates specific to the individual security, vintage of the security, geography of the issuer of the security, industry analyst reports, credit ratings and consensus economic forecasts.

To determine the credit losses on our fixed income securities, AFS, we use the probability of default (“PD”) and loss given default (“LGD”) methodology through a third-party proprietary tool which calculates the expected credit losses based on a discounted cash flow method. The tool uses effective interest rates to discount the expected cash flows associated with each AFS security to determine its fair value, which is then compared with its amortized cost basis to derive the credit loss on the security.

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

- **Corporate and government securities:** Expected cashflows are derived that are specific to each security. The PD is based on a quantitative model that converts agency ratings to term structures that vary by country, industry and the state of the credit cycle. This is used along with macroeconomic forecasts to produce scenario conditioned PDs. The LGD is based on default studies provided by a third party which we use along with macroeconomic forecasts to produce scenario conditioned LGDs.
- **Municipal securities:** Expected cash flows are derived that are specific to each security. The PD model produces scenario conditioned PD output over the lifetime of the municipal security. These PDs are based on key macroeconomic and instrument specific risk factors. The LGD is derived based on a model which uses assumptions specific to the municipal securities.

  For corporate, government and municipal securities, we use an explicit reversion and a three year forecast period, which we consider to be a reasonable duration during which an economic forecast could continue to be reliable.
- **Asset-backed, commercial and residential mortgaged-backed securities:** Expected cash flows are derived that are specific to each security. The PD and LGD for each security is based on a quantitative model that generates scenario conditioned PD and LGD term structures based on the underlying collateral type, waterfall and other trustee information. This model also considers prepayments. For these security types, there is no explicit reversion and the forecasts are deemed reasonable and supportable over the life of the portfolio.

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

Uncollectible fixed income securities are written off when we determine that no additional payments of principal or interest will be received.

The following table provides a reconciliation of the beginning and ending allowance for credit losses on our AFS debt securities:

	December 31, 2023			December 31, 2022 (restated)	
	Corporate	Commercial Mortgage Backed	Total	Corporate	Total
	(in millions of U.S. dollars)				
Allowance for credit losses, beginning of year	$ (28)	$ —	$ (28)	$ (10)	$ (10)
Allowances for credit losses on securities for which credit losses were not previously recorded	(2)	(3)	(5)	(26)	(26)
Reductions for securities sold during the year	4	—	4	4	4
Decrease to the allowance for credit losses on securities that had an allowance recorded in the	12	2	14	4	4
Allowance for credit losses, end of year	$ (14)	$ (1)	$ (15)	$ (28)	$ (28)

During the year ended December 31, 2023 and 2022, we did not have any write-offs charged against the allowance for credit losses or any recoveries of amounts previously written-off.

Equity Investments

We hold investments in publicly traded equities, exchange-traded funds and privately held equities. Unless we have elected the measurement alternative, our equity investments are carried at fair value with realized and unrealized gains and losses included in net income and recorded as net realized and unrealized gains and losses, respectively.

We may elect to measure a privately held equity without a readily determinable fair value that does not qualify for the practical expedient to estimate fair value at its cost less impairment, if any.

The following table summarizes our equity investments as of December 31, 2023 and 2022:

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Publicly traded equity investments in common and preferred stocks	$ 211	$ 174
Exchange traded funds	42	326
Privately held equity investments in common and preferred stocks	334	349
	$ 587	$ 849

Our publicly traded equity investments in common and preferred stocks predominantly trade on major exchanges and are managed by our external advisors. Our investments in exchange-traded funds also trade on major exchanges.

Our privately held equity investments in common and preferred stocks are direct investments in companies that we believe offer attractive risk adjusted returns and/or offer other strategic advantages. Each investment may have its own unique terms and conditions and there may be restrictions on disposals. There is no active market for these investments.

Other Investments, at fair value

Other investments include investments in limited partnerships and limited liability companies (collectively "private equity funds") and hedge funds, fixed income funds, equity funds, private credit funds, real estate funds, collateralized loan obligation ("CLO") equities and CLO equity funds that carry their investments at fair value and CLO equities.

We have elected the fair value option for certain of our other investments that would otherwise be accounted for as an equity method investment. The primary reason for electing the fair value option is because we believe this measurement basis is consistent with the applicable accounting guidance used by the investment funds themselves.

Our other investments are stated at fair value, which ordinarily will be the most recently reported net asset value ("NAV") as advised by the fund manager or administrator. The NAV is based on the fund manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents. Many of our fund investments publish NAVs on a daily basis and provide daily liquidity while others report on a monthly or quarterly basis. Unrealized gains and losses on other investments are included in net income and reported as net unrealized gains and losses.

The following table summarizes our other investments carried at fair value as at December 31, 2023 and 2022:

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Private equity funds	$ 1,454	$ 1,127
Fixed Income fund	399	422
Hedge fund	471	529
CLO equity	56	145
CLO equities funds	154	179
Private debt	416	194
Real estate fund	165	123
	$ 3,115	$ 2,719

The following is a description of the nature of each of these investment categories:

- Private equity funds include primary, secondaries diversified by asset classes, regional vintage and sectors and direct co-investment opportunities.
- Hedge funds invest in fixed income, equity and other investments.
- CLO equities comprise investments in the equity tranches of term-financed securitization of diversified pools of corporate bank loans.
- CLO equity funds invest primarily in the equity tranches of term-financed securitization of diversified pools of corporate bank loans.
- The Fixed income fund whose investors are Enstar subsidiaries and affiliates, comprises of a number of positions in diversified fixed income, and also direct holdings in fixed income securities. Underlying investments vary from high-grade corporate bonds to non-investment grade senior secured loans and bonds, in both liquid and illiquid markets. The liquid fixed income funds have regularly published prices.
- Real estate funds comprise of real estate funds that invest primarily in commercial real estate equity.
- Private credit funds invest in direct senior or collateralized loans.

Other investments, including equities measured at fair value using NAV as a practical expedient

We use NAV as a practical expedient to fair value certain of our other investments, including equities. Due to a lag in the valuations of certain funds reported by the managers, we may record changes in valuation with up to a three-month lag. We regularly review and discuss fund performance with the fund managers to corroborate the reasonableness of the reported net asset values and to assess whether any events have occurred within the lag period that would affect the valuation of the investments.

Certain of our other investments are subject to restrictions on redemptions and sales that are determined by the governing documents, which limits our ability to liquidate those investments. These restrictions may include lock-ups, redemption gates, restricted share classes or side pockets, restrictions on the frequency of redemption and notice periods. A gate is the ability to deny or delay a redemption request, whereas a side-pocket is a designated account for which the investor loses its redemption rights.

Certain of our other investments may not have any restrictions governing their sale, but there is no active market and no guarantee that we will be able to execute a sale in a timely manner. In addition, even if these investments are not eligible for redemption or sales are restricted, we may still receive income distributions from those other investments.

The table below details the estimated period by which proceeds would be received if we had provided notice of our intent to redeem or initiated a sales process as of December 31, 2023 for our investments measured at fair value using NAV as a practical expedient:

	Less than 1 Year	1-2 years	2-3 years	More than 3 years	Not Eligible/ Restricted	Total	Redemption Frequency [1]
	(in millions of U.S. dollars)						
Equities							
Privately held equity	$ —	$ —	$ —	$ —	$ 45	$ 45	N/A
Other investments							
Hedge fund	471	—	—	—	—	471	Monthly to Bi-Annually
Fixed income fund	286	—	—	—	52	338	Monthly to Quarterly
Private equity funds	—	—	—	—	1,458	1,458	N/A
CLO equity funds	154	—	—	—	—	154	Quarterly to Bi-Annually
Private credit funds	—	—	—	—	275	275	N/A
Real estate fund	—	—	—	—	166	166	N/A
	$ 911	$ —	$ —	$ —	$ 1,996	$ 2,907	

[1] Redemption frequency relates to unrestricted amounts.

Equity Method Investments

Investments that we do not consolidate but in which we have significant influence over the operating and financial policies of the investee are classified as equity method investments and are accounted for using the equity method of accounting unless we have elected the fair value option.

In applying the equity method of accounting, investments are initially recorded at cost and are subsequently adjusted based on the Company's proportionate share of net income or loss of the investee, net of any distributions received from the investee.

We typically record our proportionate share of an investee's net income or loss on a quarter lag in line with the timing of when they report their financial information to us. Any adjustments made to the carrying value of our equity method investees are based on the most recently available financial information from the investees.

Changes in the carrying value of such investments are recorded in our consolidated statements of operations as income (losses) from equity method investments. Any decline in the value of our equity method investments considered by management to be other-than-temporary is reflected in our consolidated statements of operations in the period in which it is determined.

During the fourth quarter of 2023, we divested of our entire equity interest in Citco and recognized a gain of $5 million, which is included in income from equity method investments in our consolidated statements of operations.

The table below summarizes our equity method investments as of December 31, 2023 and 2022:

	2023		2022	
	Ownership %	Carrying Value	Ownership %	Carrying Value
	(in millions of U.S. dollars)			
HH CTCO Holdings Limited [1]	— %	—	31.9 %	60
Monument Re [2]	20.0 %	95	20.0 %	110
Core Specialty	19.9 %	224	19.9 %	211
		$ 319		$ 381

[1] Prior to our divestiture of our entire equity interest in Citco during the fourth quarter of 2023, we owned 31.9% of the common shares in HH CTCO Holdings Limited which in turn owned 15.3% of the convertible preferred shares of Citco III Limited ("Citco"), or a 6.2% interest in the total equity of Citco.

[2] We own 20.0% of the common shares in Monument Re as well as different classes of preferred shares which have fixed dividend yields and whose balances are included in the Investment amount.

Funds Held

Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to us. The funds held balance is credited with investment income and losses paid are deducted.

We present funds held as a single category within the consolidated balance sheets. The following table summarizes the components of funds held as of December 31, 2023 and 2022:

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Funds held - directly managed	$ 2,502	$ 2,040
Funds held by reinsured companies	3,034	3,674
Total funds held	$ 5,536	$ 5,714

Funds held arrangements where we receive the underlying portfolio economics and the contractual right to direct the asset allocation strategies are known as "Funds held - directly managed". Funds held arrangements where we receive a fixed crediting rate or other contractually agreed return are known as "Funds held by reinsured companies". Where we receive a contractually agreed return, we evaluate whether we are required to recognize an embedded derivative.

Funds held by reinsured companies are carried at cost and any embedded derivative is carried at fair value.

Funds held - directly managed are carried at fair value because it represents the aggregate of funds held at cost and the value of an embedded derivative. The embedded derivative relates to our contractual right to receive the return on the underlying investment portfolio and the performance risk of the individual assets supporting the reinsurance contract.

We include the estimated fair value of these embedded derivatives in the consolidated balance sheets with the host contract in order to reflect the expected settlement of these features with the host contract.

The investment returns on both categories of funds held are recognized in net investment income and net unrealized gains (losses), respectively. The change in the fair value of the embedded derivative is included in net unrealized gains (losses).

Funds Held - Directly Managed

The following table summarizes the fixed maturity investment components of funds held - directly managed as of December 31, 2023 and 2022:

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Fixed maturity investments, at amortized cost	$ 2,364	$ 2,765
Net unrealized gains (losses):		
Change in fair value - embedded derivative accounting	(572)	(572)
Change in fair value [1]	593	(207)
Fixed maturity investments within funds held - directly managed, at fair value	2,385	1,986
Other assets	117	54
Total Funds held - directly managed	$ 2,502	$ 2,040

[1] Is clearly and closely related to the host contract.

The majority of our funds held - directly managed is comprised of short-term and fixed maturities. The $462 million increase in funds held - directly managed from December 31, 2022 to December 31, 2023 was primarily driven by an LPT transaction with QBE completed during the second quarter of 2023, partially offset by the derecognition of the assets supporting the Enhanzed Re reinsurance of a closed block of life annuity policies that were novated during the first quarter of 2023.

Funds Held by Reinsured Companies

Pursuant to the terms of the Aspen Insurance Holdings transaction entered into in 2022, in addition to earning a fixed crediting rate ("base crediting rate") on the funds withheld, as of October 1, 2022 and through September 30, 2025 we will also receive a variable return (together, the "full crediting rate").

The nature of the arrangement results in an embedded derivative, which represents the fair value of the amount by which all future interest payments on the funds withheld balance made at the full crediting rate are expected to exceed all future interest payments made on the funds withheld balance at the base crediting rate.

The following table summarizes the components of our funds held by reinsured companies:

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Funds held by reinsurance companies, at amortized cost	$ 2,994	$ 3,630
Fair value of embedded derivative	$ 40	$ 44
Funds held by reinsured companies, at fair value	$ 3,034	$ 3,674

As of December 31, 2023 and 2022, the following funds were withheld by affiliated companies and included within "Funds held by reinsurance companies" within the Company's consolidated balance sheets:

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Syndicate 2008	$ 528	$ 443
Clarendon National Insurance Company ("Clarendon")	—	136
Starstone Insurance SE ("SISE")	39	43
Enstar (US) Inc	41	11
	$ 608	$ 633

Enstar (US) Inc maintains a funds held balance that is used to settle claims on behalf of the Company

Net Investment Income

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

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Fixed maturities	$ 221	$ 159
Short-term investments and cash and cash equivalents	20	4
Funds held	113	84
Funds held - directly managed	91	35
Investment income from fixed maturities, cash and cash equivalents and funds held	445	282
Equity investments	25	29
Other investments	43	42
Investment income from equities and other investments	68	71
Interest income from affiliate	28	(25)
Gross investment income	541	328
Investment expenses	(12)	(17)
Net investment income	$ 529	$ 311

Net Realized and Unrealized Gains (Losses)

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

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Net realized gains (losses) on sale:		
Gross realized gains on fixed maturity securities, AFS	$ 4	$ 6
Gross realized losses on fixed maturity securities, AFS	(57)	(61)
Credit loss expense, AFS	8	(23)
Total net realized losses on sale	(45)	(78)
Net unrealized gains (losses):		
Unrealized gains (losses) on Fixed maturity securities, trading	62	(370)
Unrealized gains (losses) on funds held - directly managed portfolios	47	(430)
Unrealized gains (losses) on Equity securities, trading	147	(284)
Net gains (losses) recognized on equity securities sold during the period		—
Unrealized gains (losses) on Other investments	192	(83)
Unrealized gains (losses) on Derivatives	5	(18)
Total net unrealized gains (losses)	453	(1,185)
Net realized and unrealized gains (losses)	$ 408	$ (1,263)

The gross realized gains and losses on AFS investments included in the table above resulted from investment sales of $1.2 billion and $1.5 billion for the years ended December 31, 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, net unrealized gains (losses) recorded within the consolidated statement of operations relating to equity securities still held at the balance sheet date were $147 million and $(284) million, respectively.

Restricted Assets

We utilize trust accounts to collateralize business with our (re)insurance counterparties. We are also required to maintain investments and cash and cash equivalents on deposit with regulatory authorities and Lloyd's to support our (re)insurance operations. The investments and cash and cash equivalents on deposit are available to settle (re)insurance liabilities. Collateral generally takes the form of assets held in trust, letters of credit or funds held. The assets used as collateral are primarily highly rated fixed maturities. The carrying value of our restricted assets, including restricted cash of $104 million and $319 million, as of December 31, 2023 and 2022, respectively, was as follows:

	2023	2022 (restated)
	(in millions of U.S. Dollars)	
Collateral in trust for third party agreements	$ 3,999	$ 4,168
Assets on deposit with regulatory authorities	2	2
Collateral for secured letter of credit facilities	45	50
FAL (1)	370	320
	$ 4,416	$ 4,540

(1) The Company assumes business from two associated Lloyd's syndicates. Lloyd's determines the required capital principally through the annual business plan of each syndicate. The capital is referred to as Funds at Lloyd's ("FAL") and will be drawn upon in the event that a syndicate has a loss that cannot be funded from other sources.

5. DERIVATIVES AND HEDGING INSTRUMENTS

Accounting for Derivatives

Freestanding Derivatives

Freestanding derivatives are recorded on trade-dates and carried on the consolidated balance sheet either as assets within other assets or as liabilities within other liabilities at estimated fair value. We do not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net unrealized gains (losses) included in our consolidated statements of operations.

Hedge Accounting

To qualify for hedge accounting, at the inception of the hedging relationship, we formally document the risk management objective and strategy for undertaking the hedging transaction, as well as the designation of the hedge.

We have qualifying net investment in foreign operation (“NIFO”) hedges. We recognize changes in the estimated fair value of the hedging derivatives within OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation.

Our documentation sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and also sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument’s effectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship. Assessments of hedge effectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

When hedge accounting is discontinued pursuant to a NIFO hedge (due to a revaluation, payment of a dividend or the disposal of our investment in a foreign operation), the derivative continues to be carried on the balance sheet at its estimated fair value. Deferred gains and losses recorded in OCI pursuant to a discontinued NIFO hedge are recognized immediately in net foreign exchange losses (gains) in our consolidated statements of operations.

Embedded Derivatives

We are party to certain reinsurance agreements that have embedded derivatives. We also have embedded derivatives on our convertible bond portfolio, recorded within fixed maturities, trading on the consolidated balance sheets. We assess each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at estimated fair value with changes in estimated fair value recorded in net income;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the consolidated balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported within net unrealized gains (losses).

Derivative Strategies

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity price risks. We use a variety of strategies to manage these risks, including the use of derivatives.

Derivatives are financial instruments with values derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. The types of derivatives we use include swaps and forwards.

Foreign currency derivatives

We use foreign currency exchange rate derivatives, including foreign currency forwards, to reduce the risk from fluctuations in foreign currency exchange rates associated with our assets and liabilities denominated in foreign currencies. We also use foreign currency derivatives to hedge the foreign currency exchange rate risk associated with certain of our net investments in foreign operations.

In a foreign currency forward transaction, we agree with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date. We utilize foreign currency forwards in fair value, NIFO hedges and non-qualifying hedging relationships.

Interest rate derivatives

We use interest rate derivatives, specifically interest rate swaps, to reduce our exposure to changes in interest rates.

Interest rate swaps are used by us primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, we agree with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional amount. We utilize interest rate swaps in non-qualifying hedging relationships.

In February 2023, we entered into a two-month forward receive fixed, pay floating interest rate swap with a notional value of $800 million to partially mitigate the risk that interest rates could decrease prior to our receipt of the cash consideration for the QBE LPT transaction. Following the expiration of the forward period in April 2023, we took delivery of a three-year receive fixed, pay floating interest rate swap. The notional value of the swap was subsequently partially unwound as the consideration received was invested. The swap was fully unwound in July 2023. As of December 31, 2023 and 2022, we had no interest rate swaps.

The following table presents the gross notional amounts and estimated fair values of our derivatives recorded within other assets and other liabilities on the consolidated balance sheets as of December 31, 2023 and 2022:

	2023			2022		
	Gross Notional Amount	Fair Value (1)		Gross Notional Amount	Fair Value (1)	
		Assets	Liabilities		Assets	Liabilities
	(in millions of U.S. dollars)					
Derivatives designated as hedging instruments						
Foreign currency forward contracts	$ 106	$ 1	$ —	$ 187	$ 1	$ 6
Derivatives not designated as hedging instruments						
Foreign currency forward contracts	99	1	2	180	2	2
Total	$ 205	$ 2	$ 2	$ 367	$ 3	$ 8

(1) Refer to Note 10 for additional information regarding the fair value of our derivatives.

The following table presents the net gains and losses relating to our derivative instruments for the years ended December 31, 2023 and 2022:

	Location of gain (loss) recognized on derivatives	Amounts of Gains (Losses)	
		2023	2022
		(in millions of U.S. dollars)	
Derivatives designated as hedging instruments			
Foreign currency forward contracts	Accumulated other comprehensive (loss) income	$ (2)	$ 12
Derivatives not designated as hedging instruments			
Foreign currency forward contracts	Net foreign exchange gains (losses)	10	(9)
Interest rate swap	Net unrealized gains (losses)	7	—

6. REINSURANCE BALANCES RECOVERABLE

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liability for losses and LAE. We report our reinsurance balances recoverable on paid and unpaid losses net of an allowance for estimated uncollectible amounts.

Our allowance for estimated uncollectible reinsurance is derived based on various data sources, multiple key inputs and forecast scenarios. These include the duration of the collection period, credit quality, changes in reinsurer credit standing, default rates specific to the individual reinsurer, the geographical location of the reinsurer, contractual disputes with reinsurers over individual contentious claims, contract language or coverage issues, industry analyst reports and consensus economic forecasts.

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

Amounts deemed to be uncollectible, including amounts due from known insolvent reinsurers, are written off against the allowance.

Changes in the allowance, as well as any subsequent collections of amounts previously written off, are reported as part of the net incurred losses and LAE in our consolidated statements of operations.

On an ongoing basis, we also evaluate and monitor the credit risk of our reinsurers, including those under voluntary schemes of arrangement, to minimize our exposure to significant losses from potential insolvencies.

The following table provides the total reinsurance balances recoverable on paid and unpaid losses.

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Recoverable from reinsurers on unpaid:		
Outstanding losses and IBNR	$ 268	$ 282
Fair value adjustments - fair value option	(55)	(63)
Total reinsurance reserves recoverable	213	219
Paid losses recoverable	99	41
Total	$ 312	$ 260
Reconciliation to consolidated balance sheet:		
Reinsurance balances recoverable on paid and unpaid losses	$ 143	$ 95
Reinsurance balances recoverable on paid and unpaid losses - fair value option	169	165
Total	$ 312	$ 260

The fair value adjustments, determined on acquisition of (re)insurance subsidiaries, are based on the estimated timing of loss and LAE recoveries and an assumed interest rate equivalent to a risk free rate for securities with similar duration to the acquired reinsurance balances recoverable on paid and unpaid losses plus a spread for credit risk, and are amortized over the estimated recovery period, as adjusted for accelerations in timing of payments as a result of commutation settlements[1].

As of December 31, 2023 and 2022, we had reinsurance balances recoverable on paid and unpaid losses of $312 million and $260 million, respectively. The increase of $52 million was primarily due to the advanced payment of claims, adverse ceded development and foreign exchange movement.

[1] The determination of the fair value adjustments on the retroactive reinsurance contracts for which we have elected the fair value option is described in Note 10.

Top Ten Reinsurers

The following tables show our gross and net balances recoverable from our reinsurers as well as the related allowance for estimated uncollectible reinsurance broken down by the credit ratings of our reinsurers as at December 31, 2023 and 2022:

	December 31, 2023			December 31, 2022 (restated)		
	Number	Total ($)	%	Number	Total ($)	%
	(in millions of U.S. dollars, except for number of top 10 reinsurers)					
Information regarding top ten reinsurers:						
Top 10 reinsurers rated A- or better	8	$ 157		8	$ 99	
Top 10 non-rated reinsurers:						
Due from a U.S. state backed reinsurer that is supported by assessments on active auto writers operating within the state		87			85	
Due from a U.S. Workers' Compensation Reinsurance Pool that is secured through an allocation to insurers actively writing workers' compensation in the covered state		7			7	
Total top 10 non-rated reinsurers	2	94		2	92	
Total top 10 reinsurers		251	80.5 %		191	73.5 %
Other reinsurers > $1 million		55	17.6 %		45	17.3 %
Other reinsurers < $1 million		6	1.9 %		24	9.2 %
Total		$ 312	100.0 %		$ 260	100.0 %
Single reinsurers that represent 10% or more of total reinsurance balance recoverables as of December 31, 2023 and 2022:						
Argonaut Insurance [(1)]		$ 59			$ —	
Berkshire Hathaway Inc.[(2)]		$ —			$ 29	
Michigan Catastrophic Claims Association [(3)]		$ 87			$ 85	

(1) Rated A- by Standard and Poor

(2) Rated AA by Standard and Poor

(3) U.S. state backed reinsurer that is supported by assessments on active auto writers operating within the state.

The table below provides a reconciliation of the beginning and ending allowance for estimated uncollectible reinsurance balances for the years ended December 31, 2023 and 2022:

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Allowance for estimated uncollectible reinsurance, beginning of year	$ 104	$ 112
Effect of exchange rate movement	—	2
Current period change in the allowance	2	(10)
Allowance for estimated uncollectible reinsurance, end of year	$ 106	$ 104

7. DEFERRED CHARGE ASSETS AND DEFERRED GAIN LIABILITIES

If, at the inception of a retroactive reinsurance contract, the estimated liabilities for losses and LAE exceed the premiums received, a deferred charge asset ("DCA") is recorded for this difference. In contrast, if the premiums received are in excess of the estimated undiscounted ultimate losses payable, a deferred gain liability ("DGL") is recorded.

The consideration that we charge the ceding companies under retroactive reinsurance contracts may be lower than our estimate of losses and LAE liabilities as these liabilities may not be settled for many years. Our contractual counterparties (cedants) settle the consideration upon inception of the contract and we invest the consideration received over an extended period of time, thereby generating investment income. As a result, we expect to generate profits from these retroactive reinsurance contracts when taking into account the consideration received and expected investment income, less contractual obligations and expenses.

We amortize the originating DCA balances over the estimated claim payment period of the related contracts with the amortization adjusted prospectively at each reporting period to reflect new estimates of the pattern and timing of remaining losses and LAE payments. We present the amortization of our DCAs and DGLs as a separate line item in our consolidated statements of operations.

When liabilities for losses and LAE are extinguished through commutations and policy buybacks, they are removed from our estimates for the remaining loss and LAE payments, and this will generally result in an acceleration of the amortization of the DCAs.

DCAs are assessed at each reporting period for impairment and if the asset is determined to be impaired, then it is written down in the period in which the determination is made with that write down reflected in earnings as a component of net incurred losses and LAE. For the years ended December 31, 2023, 2022 we completed our assessment for impairment of deferred charge assets and concluded that there had been no impairment of our carried deferred charge asset balances.

For each reinsurance contact where a DCA has been recorded we assess for impairment at each reporting period by determining the rate of return that we are required to earn on the invested assets to ensure that all cashflows arising from the assumed liabilities are met in full over the projected remaining payout period. This required rate of return is compared against the modeled rate of return, the weighted average portfolio yield and the actual annualized rate of return in order to identify indicators that would lead us to record an impairment of the DCA.

Change in net DCA Amortization

Effective December 31, 2022, we voluntarily changed our accounting policy for calculating the amortization of our DCAs. Previously, any change in ultimate losses on the contracts with a recognized DCA would result in the recognition of an adjustment to the DCA, as if the adjusted reserves had existed upon inception of the contract. We will no longer adjust the DCA for these events.

We continue to amortize the originating DCA balances over the estimated claim payment period of the related contracts with the amortization adjusted prospectively at each reporting period to reflect new estimates of the pattern and timing of remaining losses and LAE payments. Previously, the amortization of our DCAs and DGLs was included in net incurred losses and LAE. We now present the amortization of our DCAs and DGLs as a separate line item in our consolidated statements of earnings.

We made the change in accounting policy because the primary basis for accepting consideration that is lower than the estimate of losses and LAE liabilities assumed is due to the time value of money, inclusive of our expectation of generating investment income, rather than expectations of changes in ultimate losses on the contracts.

We believe that the change in policy improves the usefulness of our financial statements as the changes in amortization of the DCA will no longer offset the loss developments, which allows the insurance loss developments to be recognized consistently through our consolidated statement of earnings regardless of whether the contract resulted in a DCA at inception.

We have retrospectively applied this change in accounting policy to all applicable prior period information presented herein as required. As of January 1, 2020, the cumulative effect of this change resulted in a $6 million increase to retained earnings, which is reflected as a cumulative change in accounting principle in the consolidated statements of changes in shareholders' equity.

Deferred Charge Assets and Deferred Gain Liabilities

The following table presents a reconciliation of the deferred charge assets and deferred gain liabilities for the years ended December 31, 2023 and 2022:

	2023			2022		
	DCA	DGL	NET	DCA	DGL	NET
	(in millions of U.S. dollars)			(in millions of U.S. dollars)		
Beginning carrying value	$ 470	$ —	$ 470	$ 396	$ 1	$ 395
Recorded during the year	150	—	150	140		140
Realized on acquisition	—	—	—	—	—	—
Amortization	(91)	—	(91)	(66)	(1)	(65)
Ending carrying value	$ 529	$ —	$ 529	$ 470	$ —	$ 470

8. LOSSES AND LOSS ADJUSTMENT EXPENSES

The liability for losses and LAE, also referred to as loss reserves, represents our gross estimates before reinsurance for unpaid reported losses (Outstanding Loss Reserves, or "OLR") and includes losses that have been incurred but not yet reported ("IBNR") using a variety of actuarial methods. LAE reserves include allocated LAE ("ALAE") and unallocated LAE ("ULAE"). ALAE are linked to the settlement of an individual claim or loss, whereas ULAE are based on our estimates of future costs to administer the claims. IBNR includes amounts for unreported claims, development on known claims and reopened claims.

Our loss reserves cover multiple lines of business, including asbestos, environmental, general casualty, workers' compensation, marine, aviation and transit, construction defect, professional indemnity/directors and officers, motor, property and other non-life lines of business.

The liability for losses and LAE includes reserves for unpaid reported losses and losses incurred but not reported ("IBNR").

We establish reserves for unpaid reported losses and LAE based on reports from brokers, ceding companies and insureds and these represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified by us.

The reserves for IBNR losses are established by us based on actuarially determined estimates of ultimate losses and LAE. Inherent in the estimate of ultimate losses and LAE are expected trends in claim severity and frequency, historical loss experience, industry statistics and other factors which may vary significantly as claims are settled.

These estimates are reviewed regularly and are subject to the impact of future changes in the factors noted above as well as economic conditions including the impact of inflation, legal and judicial developments, and medical cost trends.

Any subsequent remeasurement of our reserves will be recorded in income in the period in which they become known and reflected as part of the net increase or reduction in the estimates of ultimate losses included within net incurred losses and LAE in the consolidated statements of operations.

Prior period development ("PPD") arises from changes to loss estimates recognized in the current calendar year that relate to loss reserves established in previous calendar years.

Our estimates, at inception and on an ongoing basis, do not include an estimate for potential future commutations and policy buybacks. Commutations and policy buybacks are often unique and circumstance-based, and each commutation or policy buyback is separately negotiated. Therefore, the successful execution of one commutation or policy buyback does not necessarily impact the likelihood of other commutations or policy buybacks occurring in the future.

Commutations and policy buybacks provide an opportunity for us to exit exposures to certain policies and insureds generally at a discount to our estimate of the ultimate liability and provide us with the ability to eliminate exposure to further losses which can be beneficial to us as they legally extinguish liabilities in full, reducing the potential for future adverse loss development and future claims handling costs.

Commutations of acquired companies' exposures have the effect of accelerating the payout of claims compared to the probability-weighted ranges of actuarially projected cash flows that we applied when estimating the fair values of assets and liabilities at the time of acquisition.

Commutations are only executed directly with (re)insureds and any changes in ultimate losses are recognized upon the execution of a commutation or policy buyback with the (re)insured.

Any material acceleration of payout together with the impact of any material loss reserve savings in any period will also accelerate the amortization of any associated fair value adjustments in that period.

We also establish provisions for unallocated loss adjustment expenses ("ULAE") for LAE relating to run-off costs for the estimated duration of the run-off, such as internal claim management or associated operational support costs, which are included in the liability for losses and LAE. These provisions are assessed at each reporting date, and provisions relating to future periods are adjusted to reflect any changes in estimates of the periodic run-off costs or the duration of the run-off, including the impact of any acceleration of the run-off period that may be caused by commutations. Provisions relating to the current period together with any adjustment to future run-off provisions are included in net incurred losses and LAE in the consolidated statements of operations.

Fair Value Option

We have elected to apply the fair value option for certain reinsurance contracts including loss portfolio transfers ("LPTs") transactions. This is an irrevocable election that applies to all balances under the reinsurance contract, including funds held assets, reinsurance balances recoverable on paid and unpaid losses, and the liability for losses and LAE. The primary reason for electing the fair value option was to reduce the earnings volatility created by carrying the liabilities for losses and LAE at cost and the assets supporting those liabilities at fair value. During 2017 and 2018, we elected the fair value option on select new business and classified the supporting portfolio investments as trading securities, whereby all changes in fair value were recorded in the statements of operations. Commencing in 2019, we discontinued electing the fair value option on new business in order to better align with our evolving investment objectives.

We use an internal model to calculate the fair value of the liability for losses and LAE and the reinsurance balances recoverable on paid and unpaid losses. The nominal amounts related to the funds held assets, reinsurance balances recoverable on paid and unpaid losses, and the liability for losses and LAE, are inputs in our internal model. These liabilities are included in losses and LAE, at fair value on the consolidated balance sheets, and the changes in the liability are included in net incurred losses and LAE on the consolidated statements of operations.

The table below provides a consolidated reconciliation of the beginning and ending liability for losses and LAE for the years ended December 31, 2023 and 2022:

	2023	2022 (restated)
Balance as at January 1	$ 9,891	$ 8,701
Reinsurance reserves recoverable [1]	(219)	(316)
Net balance as at January 1	9,672	8,385
Net incurred losses and LAE:		
Current period:		
Increase in estimates of net ultimate losses	5	12
Increase in provisions for ULAE	1	2
Total current period	6	14
Prior periods:		
Reduction in estimates of net ultimate losses	(143)	(404)
Reduction in provisions for ULAE	(76)	(101)
Changes in fair value - fair value option [2]	15	25
Amortization of fair value adjustments [3]	44	(213)
Total prior periods	(159)	(693)
Total net incurred losses and LAE	(153)	(679)
Net paid losses:		
Current period	—	—
Prior periods	(1,937)	(1,033)
Total net paid losses	(1,937)	(1,033)
Other changes:		
Effect of exchange rate movement	61	(187)
Change in net liability for losses and LAE at fair value - Instrument-specific credit risk	(12)	—
Acquired business	2,030	4,019
Disposed business	—	(833)
Total other changes	2,079	2,999
Net balance as of December 31	9,661	9,672
Reinsurance reserves recoverable [1]	213	219
Balance as of December 31	$ 9,874	$ 9,891
Reconciliation to Consolidated Balance Sheet:		
Loss and loss adjustment expenses	9,077	9,109
Loss and loss adjustment expenses, at fair value	797	782
Total	$ 9,874	$ 9,891

[1] Excludes paid losses recoverable

[2] Comprises discount rate and risk margin components.

[3] 2022 amortization of fair value adjustments includes accelerated amortization of $37 million representing the remaining risk margin fair value adjustment liability originally recorded upon acquisition of the Enhanzed Re catastrophe reinsurance business. The liability was released following the commutation of the catastrophe business back to Allianz.

Prior Period Development ("PPD")

Reduction in Estimates of Net Ultimate Losses

The following table summarizes the reduction in estimates of net ultimate losses related to prior years by line of business:

	2023	2022 (restated)
	(in millions of U.S. dollars)	
Asbestos	$ 18	$ (18)
Environmental	3	(5)
General casualty	77	69
Workers' compensation	(144)	(291)
Marine, aviation and transit	11	(25)
Construction defect	18	(22)
Professional indemnity/Directors and Officers	(61)	(5)
Motor	(19)	(16)
Property	(40)	(24)
All Other	(5)	(67)
Total	$ (142)	$ (404)

2023**:**

The reduction in estimates of net ultimate losses of $142 million related to prior periods was primarily driven by net favorable development in the following lines of business:

Workers' Compensation - The workers' compensation line of business experienced $144 million of favorable development, most notably in our 2017 and 2019 to 2021 acquisition years, as a result of:

- lower severity trends on certain existing claims;
- reduced levels of expected frequency of claims for excess workers' compensation;
- favorable claim settlements, including accelerated and favorable claim settlement patterns on certain portfolios; and
- an ADC contract where the cedants have experienced continued favorable ground-up performance.

General Casualty - The experience in the general casualty reserves was adverse by $77 million. This was driven by higher average incurred severities as compared to assumptions, most notably in our 2019 and 2020 acquisition years.

- Our 2020 acquisition year general casualty liabilities experienced additional claim reporting latency and unexpected increased severity on a small number of large New York Labor Law claims which resulted in increased overall ultimate loss estimates.
- Our 2019 and 2021 acquisition year ADC general casualty liabilities showed ground up adverse development which has resulted in higher loss estimates.

2022:

The reduction in estimates of net ultimate losses of $404 million related to prior periods was primarily driven by net favorable development in the following lines of business:

Workers' Compensation - The workers' compensation line of business experienced a $291 million favorable development as a result of:

- lower severity trends on certain existing claims;
- reduced levels of expected frequency of claims for excess workers' compensation;

- favorable claim settlements, including accelerated and favorable claim settlement patterns on certain portfolios; and
- an ADC contract where the cedants have experienced continued favorable ground-up performance.

General Casualty - The experience in the general casualty reserves was adverse by $69 million, including adverse development on an LPT portfolio from our 2020 acquisition year, partially offset by favorable development on certain of our 2019 and 2021 ADC contracts. Notably,

- Our 2020 acquisition year general casualty liabilities experienced additional claim reporting latency and unexpected increased severity on a small number of large New York Labor Law claims which resulted in increased overall ultimate loss estimates.
- Our 2019 and 2021 acquisition year ADC general casualty liabilities show a continued pattern of ground up favorable development which has resulted in lower estimates of our reserves for these

All Other - During 2022, we commuted back to Allianz the catastrophe reinsurance business originally ceded to Enhanzed Re by Allianz and recognized a favorable commutation gain of $59 million, of which $26 million contributed to a favorable reduction in estimates of net ultimate losses. The remaining $33 million represented the accelerated amortization of the remaining fair value adjustment liability and is included within amortization of fair value adjustments.

Changes in Fair Value - Fair Value Option

During 2023 and 2022, changes in the fair value of liabilities related to assumed retroactive reinsurance agreements for which we have elected the fair value option of $15 million and $25 million, respectively, was primarily driven by a decrease in corporate bond yields in 2023 and 2022.

Reconciliation of the Net Liability for Losses and LAE, prior to the Provision for Bad debt to the Gross Liability for Losses and LAE included in the Consolidated Balance Sheet

The table below presents the reconciliation of the loss development tables disclosed further below to the liability for losses and LAE in the consolidated balance sheet:

	December 31, 2023				
	Net Liability for Losses and LAE, prior to Provision for Bad Debt	Provision for Bad Debt	Net Liability for Losses and LAE	Reinsurance Recoverable on Liabilities for Losses and LAE	Gross Liabilities for Losses and LAE
	(in millions of U.S. dollars)				
Presented in the loss development tables:					
Asbestos	$ 1,471	$ 18	$ 1,489	$ 54	$ 1,543
General casualty	3,593	7	3,600	7	3,607
Workers' compensation	1,231	—	1,231	59	1,290
Professional indemnity/ Directors and Officers	1,465	—	1,465	—	1,465
Excluded from the loss development tables:					
Motor	509	1	510	120	630
Environmental	293	3	296	3	299
Marine, aviation and transit	198	2	200	10	210
Construction defect	307	—	307	—	307
Property	175	1	176	—	176
Other	358	3	361	16	377
Total OLR and IBNR	9,600	35	9,635	269	9,904
ULAE	275	—	275	—	275
Fair value adjustments - fair value option	(249)	—	(249)	(56)	(305)
Total	**9,626**	**35**	**9,661**	**$ 213**	**$ 9,874**

Loss Development Information

Methodology for Establishing Reserves (Excluding Asbestos and Environmental Claims)

We perform our analysis of loss reserves and IBNR by each portfolio that we have acquired. Exposures for each portfolio are separated into homogenous reserving classes, generally lines of business, within each portfolio. Each reserving class contains either direct insurance or assumed reinsurance reserves and groups of relatively similar types of risks and exposures and lines of business written.

Based upon the exposure characteristics and the nature of available data for each individual reserving class, we select loss development extrapolation methods to calculate an estimate of ultimate losses.

We establish our recorded reserves as an estimate of unpaid losses for each class primarily by utilizing actuarial expertise and projection methods. The actuarial methodologies are selected after consideration of exposure characteristics, data limitations, and strengths and weaknesses of each method applied.

We use generally accepted actuarial methodologies to estimate ultimate losses and LAE, including:

- **Cumulative Reported and Paid Loss Development Methods**: The Cumulative Reported (Case Incurred) Loss Development method estimates ultimate losses by multiplying cumulative reported losses (paid losses plus case reserves) by a cumulative development factor.

Historical "age-to-age" loss development factors ("LDFs") are calculated to measure the relative development of an accident year from one maturity point to the next. Age-to-age LDFs are then selected based on these historical factors. The selected age-to-age LDFs are used to project the ultimate losses.

The Cumulative Paid Loss Development Method is mechanically identical to the Cumulative Reported Loss Development Method described above, but the paid method does not rely on case reserves or claim reporting patterns in making projections.

- **Incremental Reported and Paid Loss Development Methods**: Incremental incurred and paid analyses are performed in cases where cumulative data is not available. The concept of the incremental loss development methods is similar to the cumulative loss development methods described above, in that the pattern of historical paid or incurred losses is used to project the remaining future development.
- **IBNR-to-Case Outstanding Method**: This method requires the estimation of consistent cumulative paid and reported (case) incurred loss development patterns and age-to-ultimate LDFs, either from data that is specific to the segment being analyzed or from applicable benchmark or industry data. These patterns imply a specific expected relationship between IBNR, including both development on known claims (bulk reserve) and losses on true late reported claims, and reported case incurred losses.
- **Bornhuetter-Ferguson Expected Loss Projection Reported and Paid Methods**: The Bornhuetter-Ferguson Expected Loss Projection method produces expected unreported losses by multiplying the expected losses, which are based on initial selected ultimate loss ratios by year, by the unreported percentage. The unreported percentage is calculated as one minus the reciprocal of the selected cumulative incurred LDFs. Finally, the expected unreported losses are added to the current reported losses to produce ultimate losses.

The calculations underlying the Bornhuetter-Ferguson Expected Loss Projection method based on paid loss data are similar to the Bornhuetter-Ferguson calculations based on reported losses, with the exception that paid losses and unpaid percentages replace reported losses and unreported percentages.

- **Reserve Run-off Method**: This method first projects the future values of case reserves for all underwriting years to future ages of development by selecting a run-off pattern of case reserves based on the observed run-off ratios at each age of development. Once the ratios have been selected, they are used to project the future values of case reserves.

A paid on reserve factor is selected in a similar way. The ratios of the observed amounts paid during each development period to the respective case reserves at the beginning of the periods are used to estimate how much will be paid on the case reserves during each development period. These paid on reserve factors are then applied to the case reserve amounts that were projected during the first phase of this method. A summation of the resulting paid amounts yields an estimate of the liability.

We also consider additional information, such as, but not limited to, changes in the legal, regulatory and judicial environment; medical cost trends and general inflation; and adjust the estimate of ultimate losses as deemed necessary.

Paid-to-date losses are then deducted from the estimate of ultimate losses and LAE to arrive at an estimated total loss reserve, and reported outstanding case reserves are then deducted from estimated total loss reserves to calculate the estimated IBNR reserve.

These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. We generally perform a full review of each portfolio annually and additionally we perform interim reviews quarterly to ascertain whether changes to claims paid or case reserve amounts have varied from our expectations developed during the last annual reserve review. In this event, we consider the timing and magnitude of the actual versus expected development and may record an interim adjustment to our recorded reserves.

Asbestos and Environmental Reserving Methodologies

The ultimate losses from A&E claims cannot be estimated using traditional actuarial reserving techniques that extrapolate losses to an ultimate basis using loss development. Claims are spread across multiple policy years, generally from 1985 and prior, based on the still evolving case law in each jurisdiction, making historical development patterns unreliable to forecast the future claim payments.

As such, we estimate IBNR reserves for each of our portfolios with A&E exposures separately using the following methodologies:

- **Paid Survival Ratio Method**: In this method, our historical calendar year payments are examined to determine an expected future annual average payment amount. This amount is multiplied by an expected number of future payment years to estimate a reserve.

  Trends in calendar year payment activity are considered when selecting an expected future annual average payment amount and accepted industry benchmarks are used in determining an expected number of future payment years.

- **Paid Market Share Method**: In this method, our estimated market share is applied to the industry estimated unpaid losses or estimate of industry ultimate losses. The ratio of our historical calendar year payments to industry historical calendar year payments is examined to estimate our market share. This ratio is then applied to the estimate of industry unpaid losses or estimate of industry ultimate losses.

- **Reserve-to-Paid Method**: In this method, the ratio of estimated industry reserves to industry paid-to-date losses is multiplied by our paid-to-date losses to estimate our reserves.

- **IBNR - Case Ratio Method**: In this method, the ratio of estimated industry IBNR reserves to industry case reserves is multiplied by our case reserves to estimate our IBNR reserves.

- **Ultimate-to-Incurred Method**: In this method, the ratio of estimated industry ultimate losses to industry incurred-to-date losses is applied to our incurred-to-date losses to estimate our IBNR reserves.

- **Decay Factor Method**: In this method, a decay factor is directly applied to our payment data to estimate future payments. The decay factors were selected based on a review of our own decays and industry decays.

- **Asbestos Ground-up Exposure Analysis Using Frequency-Severity Method**: This method is used when we have policy and claim data at the defendant or claimant level. In a frequency-severity method there are two components that need to be estimated, namely, (1) the number of claims that will ultimately be settled with payment and (2) the severity of these claims including legal costs.

  The estimate of future settled claims is based on the historical claim filing rates, historical claim dismissal rates, current pending claims and epidemiological forecasts of asbestos disease incident for future claim filings.

Disclosures of Incurred and Paid Loss Development, IBNR, Claims Counts and Payout Percentages

The loss development tables set forth our historic incurred and paid loss development through December 31, 2023, net of reinsurance, as well as the cumulative number of reported claims, IBNR balances, and other supplementary information for our segment lines of business with material net losses and LAE balances as of December 31, 2023.

The following factors are relevant to the loss development information presented in the tables below:

- **Level of Disaggregation**: In addition to accident year, we have disaggregated the information in the loss development tables by line of business and acquisition year. We have presented only the last 10 years of portfolio acquisitions as we believe that the current activity on the preceding acquisition years is not meaningful. We have not presented empty rows where we did not acquire any business for that combination of line of business, acquisition and accident year.

We present acquisition year information so that the impact of take-on positions from acquired and assumed business (as described below) is additionally separated and provides a consistent trend of the development of our ultimate loss reserves.

- **Cessions to Enhanzed Re**: As a result of the Step Acquisition of Enhanzed Re, the Run-off segment business previously ceded to Enhanzed Re became subject to elimination upon consolidation. As such, the loss development disclosures presented for the Run-off segment have been restated to exclude the historical incurred and paid loss development related to these cessions.

- **Acquired and Assumed Business**: Assumed net reserves arising from retroactive reinsurance agreements are included in the loss development tables on a prospective basis as the loss reserves are effectively re-underwritten at the date that they are acquired or assumed.

We believe that the historical loss development prior to our acquisition is not relevant with respect to our own experience managing these acquired loss reserves. Furthermore, the information required to prepare the loss development disclosures on a retrospective basis is not always available to us or reliable.

- **Commutations and Policy Buybacks**: The loss development tables include the net incurred effect of agreeing a commutation or policy buyback in the year in which the commutation or policy buyback is contractually agreed and the related settlement in the year in which it is paid or received.

We do not recast prior years to remove commuted or bought back claims, since this practice would eliminate any historical favorable or adverse development we may have experienced on the commuted loss and LAE reserves.

- **Net Liabilities for Losses and LAE and Net Paid Losses and LAE**: The loss development tables include reported case reserves and IBNR liabilities as well as cumulative paid losses, both of which include ALAE and are net of reinsurance recoveries.

The loss development tables exclude ULAE and DCAs.

- **PPD**: PPD included in the loss development tables is calculated as follows: subtract the 2022 calendar year net cumulative incurred losses and ALAE from the 2023 calendar year for all accident years.
- **Foreign Exchange**: The loss development tables exclude the impact of foreign exchange rates. Historical amounts are disclosed on a constant-currency basis, which is achieved by using constant foreign exchange rates between years in the loss development tables, and translating prior year amounts denominated in currencies other than the U.S. dollar, which is our reporting currency, using the closing exchange rates as of December 31, 2023.
- **Annual Percentage Payout**: Annual percentage payout disclosures are based on the payout of claims by age, net of reinsurance. Claim age reflects the number of years that have lapsed since the original acquisition to the date the claim is paid.

There may be occasions where, due to our claims management strategies (including commutations and policy buybacks) or due to the timing of claims payments relative to the associated recovery, the cash received from reinsurance recoveries is greater than the cash paid out to our claimants, (i.e. a net recovery rather than a net payout for a particular calendar year), thereby resulting in a negative annual percentage payout for that calendar year.

- **Supplemental Information**: The information related to net incurred and paid loss development for all calendar years preceding the year ended December 31, 2023, as well as 2012 and prior accident year and all acquisition year information (including net acquired reserves and PPD), and the related historical average claims payout percentage disclosure is unaudited and is presented as supplementary information.

Asbestos

Acquisition Year	Accident Year	Total Acquired Reserves	Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31 — 2016	2017	2018	2019	2020	2021	2022	2023	Year Ended December 31, 2023 — PPD	As of December 31, 2023 — IBNR
		(in millions of U.S. dollars)	Unaudited									
2016	2013 and Prior	$ 6	$ 6	$ 6	$ 5	$ 5	$ 5	$ 5	$ 5	$ 5	$ —	$ 1
2017	2013 and Prior	858		816	733	771	782	763	748	768	20	428
2018	2013 and Prior	34			34	34	34	33	35	35	—	11
2019	2013 and Prior	366				367	354	356	354	356	2	92
2021	2013 and Prior	386						386	385	385	—	152
2022	2013 and Prior	500							630	630	—	154
	Grand Total	$ 2,150								$ 2,179	$ 22	$ 838

Net cumulative paid losses and ALAE (from table below)	(837)	
2014- 2023 acquisition years - net liabilities for losses and ALAE	1,342	
2013 and prior acquisition years - net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	129	(4)
Total net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior	$ 1,471	$ 18

Asbestos

Acquisition Year	Accident Year	Net cumulative paid losses and allocated loss adjustment expenses For the years ended December 31 — 2016	2017	2018	2019	2020	2021	2022	2023
		(in millions of U.S. dollars) Unaudited							
2016	2013 and Prior	$ —	$ 1	$ 1	$ 1	$ 1	$ 2	$ 2	$ 2
2017	2013 and Prior		18	50	81	117	154	190	234
2018	2013 and Prior			2	4	7	11	14	17
2019	2013 and Prior				(2)	29	85	135	170
2021	2013 and Prior						—	52	85
2022	2013 and Prior							296	329
	Grand Total								$ 837

Asbestos								
	Annual Percentage Payout of Incurred Losses since Year of Acquisition, Net of Reinsurance							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Acquisition Year	Unaudited							
2016	— %	20.00 %	— %	— %	— %	20.00 %	— %	— %
2017	2.34 %	4.17 %	4.04 %	4.69 %	4.82 %	4.69 %	5.73 %	
2018	5.71 %	5.71 %	8.57 %	11.43 %	8.57 %	8.57 %		
2019	(0.56)%	8.71 %	15.73 %	14.04 %	9.83 %			
2021	— %	13.51 %	8.57 %					
2022	6.19 %	4.76 %						

General Casualty

			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31								Year Ended December 31, 2023	As of December 31, 2023
Acquisition Year	Accident Year	Net Reserves Acquired	2016	2017	2018	2019	2020	2021	2022	2023	PPD	IBNR
		(in millions of U.S. dollars)										
		Unaudited										
2016	**2016**	$ 7	$ 15	$ 17	$ 18	$ 21	$ 21	$ 27	$ 26	$ 25	$ (1)	$ 3
2016	**2017**	—		30	37	54	52	64	67	72	5	8
2016	**2018**	—			25	19	18	17	23	24	1	11
2016	**2019**	—				2	2	3	2	1	(1)	—
2016	**2020**	—					—	—	—	1	1	—
	Total	7	15	47	80	96	93	111	118	123	5	22
2017	**2013 and Prior**	195		174	161	144	140	138	136	133	(3)	1
	Total	195		174	161	144	140	138	136	133	(3)	1
2018	**2013 and Prior**	7			7	8	8	8	11	11	—	6
	Total	7			7	8	8	8	11	11	—	6
2019	**2013 and Prior**	87				76	72	83	69	66	(3)	16
2019	**2014**	27				27	24	37	27	31	4	15
2019	**2015**	64				64	59	71	63	65	2	27
2019	**2016**	46				46	42	50	52	61	9	33
2019	**2017**	38				38	39	49	59	71	12	42
2019	**2018**	47				47	47	50	49	69	20	46
2019	**2019**	2				2	3	2	5	8	3	4
2019	**2020**	—					—	—	—	1	1	—
2019	**2021**	—						—	—	26	26	3
	Total	311				300	286	342	324	398	74	186
2020	**2013 and Prior**	45					41	36	43	44	1	4
2020	**2014**	27					30	29	45	50	5	7
2020	**2015**	57					58	48	60	66	6	17
2020	**2016**	65					67	70	91	107	16	23
2020	**2017**	45					40	43	58	68	10	24
2020	**2018**	18					13	26	42	55	13	11
2020	**2019**	5					4	7	12	15	3	12
2020	**2020**	2					1	1	1	2	1	2
	Total	264					254	260	352	407	55	100
2021	**2013 and Prior**	189						191	182	252	70	248
2021	**2014**	50						50	47	63	16	61
2021	**2015**	101						101	98	91	(7)	87
2021	**2016**	141						141	139	135	(4)	128
2021	**2017**	209						208	206	194	(12)	179
2021	**2018**	300						300	297	237	(60)	214
2021	**2019**	375						374	374	339	(35)	303
2021	**2020**	11						10	9	6	(3)	2
	Total	1,376						1,375	1,352	1,317	(35)	1,222
2022	**2013 and Prior**	625							443	351	(92)	50
2022	**2014**	188							140	142	1	12
2022	**2015**	258							172	154	(18)	39
2022	**2016**	304							64	212	148	88
2022	**2017**	335							202	217	15	71
2022	**2018**	366							381	260	(121)	101
2022	**2019**	440							460	492	32	128

General Casualty

			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31								Year Ended December 31, 2023	As of December 31, 2023
Acquisition Year	**Accident Year**	**Net Reserves Acquired**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**PPD**	**IBNR**
		(in millions of U.S. dollars)										
		Unaudited										
	Total	2,516							1,862	1,827	(35)	489
2023	**2013 and Prior**	84								86	2	1
2023	**2014**	10								14	4	5
2023	**2015**	15								15	—	4
2023	**2016**	21								23	2	7
2023	**2017**	41								39	(2)	12
2023	**2018**	55								56	1	15
2023	**2019**	94								111	17	41
2023	**2020**	122								125	3	79
2023	**2021**	71								66	(5)	56
2023	**2022**	16								12	(4)	13
	Total	529								547	18	233
	Grand Total	$ 5,205								$ 4,763	$ 79	$ 2,259

Net cumulative paid losses and ALAE (from table below)	(1,197)	
2014- 2023 acquisition years - net liabilities for losses and ALAE	3,566	
2013 and prior acquisition years - net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	27	(2)
Total net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior	$ 3,593	$ 77

General Casualty

Acquisition Year	Accident Year	2016	2017	2018	2019	2020	2021	2022	2023
		Net cumulative paid losses and allocated loss adjustment expenses For the years ended December 31							
		(in millions of U.S. dollars)							
		Unaudited							
2016	2016	$ —	$ 6	$ 8	$ 11	$ 15	$ 18	$ 20	$ 20
2016	2017		2	11	26	34	50	55	62
2016	2018			8	1	6	7	11	12
2016	2019				—	—	—	1	1
	Total	—	8	27	38	55	75	87	95
2017	2013 and Prior		34	67	87	100	107	112	116
	Total		34	67	87	100	107	112	116
2018	2013 and Prior			—	2	3	4	4	4
	Total			—	2	3	4	4	4
2019	2013 and Prior				5	16	26	34	39
2019	2014				1	3	5	6	7
2019	2015				3	10	16	21	24
2019	2016				1	4	7	10	12
2019	2017				—	1	2	6	8
2019	2018				—	—	1	1	3
2019	2019				—	—	—	—	1
2019	2021						—	—	8
	Total				10	34	57	78	102
2020	2013 and Prior					4	11	27	34
2020	2014					6	15	30	43
2020	2015					12	19	33	43
2020	2016					10	35	52	71
2020	2017					4	20	32	40
2020	2018					—	15	24	43
2020	2019					—	3	3	3
	Total					36	118	201	277
2022	2013 and Prior							21	69
2022	2014							7	38
2022	2015							8	35
2022	2016							9	44
2022	2017							10	50
2022	2018							9	45
2022	2019							12	243
	Total							76	524
2023	2013 and Prior								6
2023	2014								3
2023	2015								3
2023	2016								7
2023	2017								4
2023	2018								17
2023	2019								24
2023	2020								13
2023	2021								2
	Total								79
	Grand Total								$ 1,197

General Casualty								
	Annual Percentage Payout of Incurred Losses since Year of Acquisition, Net of Reinsurance							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Year of Acquisition	Unaudited							
2016	— %	6.48 %	15.39 %	8.91 %	13.77 %	16.20 %	9.72 %	6.48 %
2017	25.56 %	24.81 %	15.04 %	9.77 %	5.26 %	3.76 %	3.01 %	
2018	— %	18.18 %	9.09 %	9.09 %	— %	— %		
2019	2.51 %	6.03 %	5.78 %	5.28 %	6.03 %			
2020	— %	8.85 %	20.15 %	20.39 %				
2022	4.16 %	24.52 %						
2023	14.44 %							

Workers' Compensation

			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31									Year Ended December 31, 2023	December 31, 2023
Acquisition Year	Accident Year	Net Reserves Acquired	2015	2016	2017	2018	2019	2020	2021	2022	2023	PPD	IBNR
		(in millions of U.S. dollars)											
		Unaudited											
2015	2013 and Prior	$ 141	$ 141	$ 146	$ 137	$ 114	$ 120	$ 119	$ 119	$ 117	$ 117	$ —	$ —
2015	2014	37	37	34	37	31	32	33	34	34	35	1	—
2015	2015	3	3	3	2	2	2	2	2	2	2	—	—
	Total	181	181	183	176	147	154	154	155	153	154	1	—
2016	2013 and Prior	247		107	97	87	84	85	225	222	230	8	8
2016	2016	14		14	13	11	13	13	13	13	12	(1)	—
2016	2017	—			19	18	14	16	17	17	17	—	1
2016	2018	—				11	13	14	14	14	14	—	—
2016	2019	—					2	1	2	2	2	—	—
2016	2020	—						4	1	5	5	—	—
	Total	261		121	129	127	126	133	272	273	280	7	9
2017	2013 and Prior	132			104	99	104	97	91	78	73	(5)	7
2017	2017	5			5	9	11	10	10	10	9	(1)	—
2017	2018	—				14	12	13	13	15	15	—	—
2017	2019	—					15	15	15	16	17	1	1
2017	2020	—						18	17	19	20	1	1
2017	2021	—							15	15	16	1	3
	Total	137			109	122	142	153	161	153	150	(3)	12
2018	2013 and Prior	71				71	78	84	87	71	66	(5)	21
	Total	71				71	78	84	87	71	66	(5)	21
2019	2013 and Prior	32					32	36	51	47	44	(3)	19
2019	2014	34					34	34	28	28	26	(2)	14
2019	2015	51					51	51	41	39	36	(3)	20
2019	2016	76					76	76	54	50	47	(3)	24
2019	2017	86					86	86	62	57	52	(5)	28
2019	2018	119					119	119	83	72	64	(8)	37
2019	2019	—					—	1	2	2	2	—	—
	Total	398					398	403	321	295	271	(24)	142
2020	2013 and Prior	208						121	104	90	90	—	23
	Total	208						121	104	90	90	—	23
2021	2013 and Prior	1,030							963	783	674	(109)	148
2021	2014	12							13	13	13	—	6
2021	2015	17							17	13	19	6	9
2021	2016	31							30	25	24	(1)	13
2021	2017	24							23	21	21	—	9
2021	2018	50							48	39	39	—	23
2021	2019	29							28	23	20	(3)	8
2021	2020	5							6	8	6	(2)	1
	Total	1,198							1,128	925	816	(109)	217
2022	2013 and Prior	362								311	307	(4)	4
2022	2014	2								3	1	(2)	—
2022	2015	3								5	3	(2)	—

Workers' Compensation

Acquisition Year	Accident Year	Net Reserves Acquired	2015	2016	2017	2018	2019	2020	2021	2022	2023	Year Ended December 31, 2023 PPD	December 31, 2023 IBNR
			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31										
		(in millions of U.S. dollars)											
		Unaudited											
2022	2016	2								1	3	2	—
2022	2017	5								5	4	(1)	(1)
2022	2018	11								9	9	—	5
2022	2019	18								11	6	(5)	—
2022	2020	16								—	—	—	—
	Total	419								345	333	(12)	8
	Grand Total	$ 2,873									$ 2,160	$ (145)	$ 432

	2023	PPD
Net cumulative paid losses and ALAE (from table below)	(930)	
2014- 2023 acquisition years - net liabilities for losses and ALAE	1,230	
2013 and prior acquisition years - net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	1	1
Total net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	$ 1,231	$ (144)

Workers' Compensation

Acquisition Year	Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
		Net cumulative paid losses and allocated loss adjustment expenses For the years ended December 31								
		(in millions of U.S. dollars)								
		Unaudited								
2015	2013 and Prior	$ —	$ —	$ 37	$ 76	$ 96	$ 103	$ 108	$ 108	$ 117
2015	2014	—	—	1	23	28	31	32	32	35
2015	2015	—	—	—	1	2	2	2	2	2
	Total	—	—	38	100	126	136	142	142	154
2016	2013 and Prior		3	13	25	38	47	54	76	209
2016	2016		1	5	8	10	10	11	12	12
2016	2017			2	7	10	12	14	14	15
2016	2018				1	7	10	12	12	12
2016	2019					—	1	1	2	2
2016	2020						—	1	5	5
	Total		4	20	41	65	80	93	121	255
2017	2013 and Prior			26	32	45	55	59	51	56
2017	2017			—	2	4	6	7	8	8
2017	2018				3	8	10	12	13	15
2017	2019					4	8	12	14	16
2017	2020						2	9	14	16
2017	2021							4	9	11
	Total			26	37	61	81	103	109	122
2018	2013 and Prior				—	5	10	11	14	23
	Total				—	5	10	11	14	23
	2013 and Prior					2	7	8	9	9
2019	2014					1	1	2	2	2

Workers' Compensation

Acquisition Year	Accident Year	Net cumulative paid losses and allocated loss adjustment expenses For the years ended December 31								
		2015	2016	2017	2018	2019	2020	2021	2022	2023
		(in millions of U.S. dollars)								
		Unaudited								
2019	2015					—	1	1	2	2
2019	2016					1	3	3	4	5
2019	2017					—	1	2	2	2
						4	13	16	19	20
2020	2013 and Prior						2	9	15	22
	Total						2	9	15	22
2021	2013 and Prior							16	52	103
2021	2014							2	3	5
2021	2015							1	3	6
2021	2016							1	5	6
2021	2017							2	4	9
2021	2018							1	5	7
2021	2019							2	6	8
2021	2020							1	3	5
	Total							26	81	149
2022	2013 and Prior								158	177
2022	2015								—	2
2022	2016								—	1
2022	2017								—	2
2022	2018								—	3
	Total								158	185
	Grand Total									$ 930

Workers' Compensation

	Annual Percentage Payout of Incurred Losses since Year of Acquisition, Net of Reinsurance								
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Year of Acquisition	Unaudited								
2015	— %	— %	— %	— %	— %	— %	— %	— %	— %
2016	1.43 %	5.71 %	7.50 %	8.57 %	5.36 %	4.64 %	10.00 %	47.85 %	
2017	17.33 %	7.33 %	16.00 %	13.33 %	14.67 %	4.00 %	8.67 %		
2018	— %	7.58 %	7.58 %	1.52 %	4.55 %	13.64 %			
2019	1.48 %	3.32 %	1.11 %	1.11 %	0.37 %				
2020	— %	2.22 %	7.78 %	6.67 %					
2021	6.75 %	14.29 %	17.66 %						
2022	47.45 %	8.11 %							

Professional Indemnity / Directors and Officers

Acquisition Year	Accident Year	Total Acquired Reserves	Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31								Year Ended December 31, 2023	December 31, 2023
			2016	2017	2018	2019	2020	2021	2022	2023	PPD	IBNR
			(in million of U.S. dollars)									
			Unaudited									
2016	2016	$ 6	$ 6	$ 5	$ 5	$ 5	$ 5	$ 5	$ 6	$ 4	$ (2)	$ 1
2016	2017	—		11	16	13	11	9	11	11	—	1
2016	2018	—			10	13	13	16	15	14	(1)	2
2016	2019	—				2	4	2	3	2	(1)	1
2016	2020	—					1	—	—	—	—	—
	Total	6	6	16	31	33	34	32	35	31	(4)	5
2019	2013 and Prior	204				204	204	201	193	158	(35)	13
2019	2014	30				30	30	22	19	18	(1)	3
2019	2015	43				43	41	38	44	44	—	6
2019	2016	22				22	25	33	22	21	(1)	—
2019	2017	11				11	16	19	15	14	(1)	1
2019	2018	7				7	8	12	4	3	(1)	(2)
2019	2019	5				5	12	12	11	15	4	6
2019	2020	—					—	—	—	1	1	—
2019	2021	—						—	—	24	24	2
	Total	322				322	336	337	308	298	(10)	29
2021	2013 and Prior	67						$ 67	$ 52	$ 3	$ (49)	$ 3
2021	2014	13						13	10	6	(4)	6
2021	2015	25						25	19	6	(13)	6
2021	2016	23						23	17	11	(6)	11
2021	2017	31						31	24	18	(6)	18
2021	2018	54						54	41	33	(8)	33
2021	2019	73						73	55	52	(3)	52
	Total	286						286	218	129	(89)	129
	2013 and Prior	38							92	48	(44)	5
2022	2014	31							25	20	(5)	2
2022	2015	47							33	56	23	1
2022	2016	43							18	44	26	22
2022	2017	88							52	53	1	12
2022	2018	74							97	101	4	46
2022	2019	181							110	131	21	44
	Total	502							427	453	26	132
2023	2013 and Prior	90								126	36	14
2023	2014	25								27	2	(2)
2023	2015	31								43	12	12
2023	2016	88								84	(4)	34
2023	2017	220								242	22	86
2023	2018	162								121	(42)	8
2023	2019	169								172	3	87
2023	2020	229								217	(12)	133
2023	2021	27								25	(2)	27
2023	2022	3								3	—	3
	Total	$ 1,044								1,059	15	402
	Grand Total	$ 2,160								$ 1,970	$ (62)	$ 697

Professional Indemnity / Directors and Officers

			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31								Year Ended December 31, 2023	December 31, 2023
Acquisition Year	Accident Year	Total Acquired Reserves	2016	2017	2018	2019	2020	2021	2022	2023	PPD	IBNR
			(in million of U.S. dollars)									
			Unaudited									

Net cumulative paid losses and ALAE (from table below)	(507)		
2014- 2023 acquisition years - net liabilities for losses and ALAE	1,463		
2013 and prior acquisition years - net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	2	1	
Total net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	$ 1,465	$ (61)	

Professional Indemnity / Directors and Officers

Net cumulative paid losses and allocated loss adjustment expenses

For the years ended December 31

Acquisition Year	Accident Year	2016	2017	2018	2019	2020	2021	2022	2023
		(in millions of U.S. dollars)							
		Unaudited							
2016	2016	$ —	$ 2	$ 3	$ 3	$ 4	$ 4	$ 4	$ 4
2016	2017		1	3	7	8	8	7	8
2016	2018			—	2	4	7	10	11
2016	2019				—	—	—	3	1
	Total	—	3	6	12	16	19	24	24
2019	2013 and Prior				5	22	43	58	82
2019	2014				1	3	5	9	10
2019	2015				1	4	8	13	19
2019	2016				1	2	6	10	12
2019	2017				—	1	3	7	8
2019	2018				—	—	1	3	4
2019	2019				—	—	1	3	4
2019	2021						—	—	4
	Total				8	32	67	103	143
2022	2013 and Prior							44	19
2022	2014							1	13
2022	2015							2	17
2022	2016							1	13
2022	2017							2	16
2022	2018							1	39
2022	2019							3	52
	Total							54	169
2023	2013 and Prior								20
2023	2014								8
2023	2015								1
2023	2016								12
2023	2017								45
2023	2018								36
2023	2019								13
2023	2020								40
2023	2021								(4)
2023	2022								—
2023	2023								—
	Total								171
	Grand Total								$ 507

Run-off Segment

Professional Indemnity/Directors & Officers

	Annual Percentage Payout of Incurred Losses since Year of Acquisition, Net of Reinsurance							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Year of Acquisition	Unaudited							
2016	— %	9.68 %	9.68 %	19.35 %	12.90 %	9.68 %	16.13 %	— %
2019	2.68 %	8.05 %	11.74 %	12.08 %	13.42 %			
2022	11.92 %	25.39 %						
2023	12.32 %							

9. FUTURE POLICYHOLDER BENEFITS

The provision for future policyholder benefits includes provisions for life contingent liabilities assumed as well as other policy benefits for insureds. The future policyholder benefits are equal to the present value of the future benefits payments and related expenses less the present value of future net premiums.

As of December 31, 2023 and 2022, we had future policyholder benefit liabilities of $nil and $1,184 million, respectively. The decrease of $1,184 million was due to the novation of the reinsurance of a closed block of life annuity policies in the first quarter 2023, which is described further below.

Novation of Future Policyholder Benefits

In November 2022, Enhanzed Re completed a novation of the reinsurance of a closed block of life annuity policies to Monument Re Limited, a subsidiary of Monument Insurance Group Limited (“Monument Re”). We settled the life liabilities and the related assets at carrying value in return for cash consideration of $94 million as of the closing date and recorded other income of $275 million. Our net income attributable to Cavello Bay was reduced by the amount attributable to Allianz’s 24.9% noncontrolling interest in Enhanzed Re at the time of the transaction and our other income recorded was subject to deferral as profits emerge from the underlying novated business, which is generally over the expected settlement period of the life annuity policies, to account for our preexisting 20% ownership interest in Monument Re.

The following table illustrates the calculation of the gain as of the closing date of the novation:

		(in millions of U.S. dollars)
Calculation of carrying value as of transaction closing:		
Funds held - directly managed and other assumed reinsurance recoverables	$	973
Future policyholder benefits		(1,203)
Carrying value of net liabilities	$	(230)
Calculation of gain on novation (recorded in first quarter 2023):		
Cash consideration received	$	94
Less: carrying value of net liabilities		230
Amount deferred relating to 20% ownership interest in Monument Re (1)		(49)
Gain on novation recorded to other income (2)		275
Net income attributable to noncontrolling interest		(81)
Gain on novation attributable to Cavello Bay (3)	$	194

(1) Calculated as 20% of the net transaction gain of $243 million (consisting of the $324 million gain when comparing cash consideration to the carrying value of the net liabilities less Allianz's 24.9% share equal to $81 million).

(2) Recognized in other income in our consolidated statements of operations.

(3) Recognized in net income in our consolidated statements of operations.

During the year ended December 31, 2023, we amortized $2 million into other income relating to the portion of the gain that was deferred to account for our preexisting ownership interest in Monument Re and the total gain on novation attributable to Cavello Bay was $196 million. The deferred gain will be amortized over the expected settlement period of the transferred life annuity policies, which is projected to be 50 years, with the majority of benefit payments occurring in the earlier years.

10. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. We use a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The hierarchy is broken down into three levels as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets that we have the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to Level 1 instruments.
- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or significant inputs that are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on unobservable inputs where there is little or no market activity. Unadjusted third party pricing sources or management's assumptions and internal valuation models may be used to determine the fair values.

In addition, certain of our other investments are measured at fair value using net asset value ("NAV") per share (or its equivalent) as a practical expedient and have not been classified within the fair value hierarchy above.

	December 31, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV as Practical Expedient	Total Fair Value
	(in millions of U.S. dollars)				
Investments:					
Fixed maturity investments:					
U.S. government and agency	$ —	$ 171	$ —	$ —	$ 171
U.K. government	—	54	—	—	54
Other government	—	187	—	—	187
Corporate	—	2,905	6	—	2,911
Municipal	—	115	—	—	115
Residential mortgage-backed	—	353	—	—	353
Commercial mortgage-backed	—	482	—	—	482
Asset-backed	—	608	11	—	619
Structured products	—	—	—	—	—
	—	4,875	17	—	4,892
Funds held [1]	58	2,342	40	102	2,542
Equities:					
Publicly traded equity investments	192	19	—	—	211
Exchange-traded funds	42	—	—	—	42
Privately held equity investments	—	—	289	45	334
	234	19	289	45	587
Other investments:					
Private equity fund	—	—	—	1,454	1,454
Fixed Income fund	—	61	—	338	399
Hedge fund	—	—	—	471	471
CLO equity	—	56	—	—	56
CLO equity fund	—	—	—	154	154
Private debt	—	141	—	275	416
Real estate fund	—	—	—	165	165
	—	258	—	2,857	3,115
Total Investments	$ 292	$ 7,494	$ 346	$ 3,004	$ 11,136
Reinsurance balances recoverable:	$ —	$ —	$ 169	$ —	$ 169
Other Assets:					
Derivatives qualifying as hedging	$ —	$ 1	$ —	$ —	$ 1
Derivatives not qualifying as hedges	—	2	—	—	2
Derivative instruments	$ —	$ 3	$ —	$ —	$ 3
Losses and LAE:	$ —	$ —	$ 797	$ —	$ 797
Other Liabilities:					
Derivatives qualifying as hedging	$ —	$ —	$ —	$ —	$ —
Derivatives not qualifying as hedges	—	2	—	—	2
Derivative instruments	$ —	$ 2	$ —	$ —	$ 2

1) The difference in the amount of funds held shown at fair value and the funds held shown in our consolidated balance sheet relates to the $3.0 billion of funds held by reinsured companies carried at amortized cost.

	2022 (restated)				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV as Practical Expedient	Total Fair Value
	(in millions of U.S. dollars)				
Investments:					
Fixed maturity investments:					
U.S. government and agency	$ —	$ 202	$ —	$ —	$ 202
U.K Government	—	54	—	—	54
Other government	—	118	—	—	118
Corporate	—	3,403	—	—	3,403
Municipal	—	112	—	—	112
Residential mortgage-backed	—	306	—	—	306
Commercial mortgage-backed	—	387	—	—	387
Asset-backed	—	525	—	—	525
	—	5,107	—	—	5,107
Funds Held [(1)]	—	2,040	44	—	2,084
Equities:					
Publicly traded equity investments	152	22	—	—	174
Exchange-traded fund	327	—	—	—	327
Privately held equity investments	—	—	309	39	348
	479	22	309	39	849
Other investments:					
Private equity fund	—	—	—	1,127	1,127
Fixed income fund	—	58	—	364	422
Hedge fund	—	—	—	529	529
CLO equity	—	145	—	—	145
CLO equity fund	—	—	—	179	179
Private debt	—	—	—	194	194
Real estate fund	—	—	—	123	123
	—	203	—	2,516	2,719
Total Investments	$ 479	$ 7,372	$ 353	$ 2,555	$ 10,759
Reinsurance balances recoverable:	$ —	$ —	$ 165	$ —	$ 165
Other Assets:					
Derivatives qualifying as hedging	$ —	$ 1	$ —	$ —	$ 1
Derivatives not qualifying as hedges	$ —	$ 3	$ —	$ —	$ 3
Derivative instruments	$ —	$ 4	$ —	$ —	$ 4
Losses and LAE:	$ —	$ —	$ 782	$ —	$ 782
Other Liabilities:					
Derivatives qualifying as hedging	$ —	$ 6	$ —	$ —	$ 6
Derivatives not qualifying as hedges	$ —	$ 8	$ —	$ —	$ 8
Derivative instruments	$ —	$ 14	$ —	$ —	$ 14

[(1)] The difference in the amount of funds held shown at fair value and the funds held shown in our consolidated balance sheet relates to the $3.0 billion of funds held by reinsured companies carried at amortized cost.

Valuation Methodologies of Financial Instruments Measured at Fair Value

Short-term and Fixed Maturity Investments

The fair values for all securities in the short-term and fixed maturity investments and funds held - directly managed portfolios are obtained or validated from independent pricing services either directly or through our accounting service provider or investment managers.

We record the unadjusted price and validate this price through a process that includes, but is not limited to:

i. comparison of prices against alternative pricing sources;
ii. quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark);
iii. evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing; and
iv. comparing the price to our knowledge of the current investment market.

Our internal price validation procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

The independent pricing services used by our service providers obtain actual transaction prices for securities that have quoted prices in active markets. Where we utilize single unadjusted broker-dealer quotes, they are generally provided by market makers or broker-dealers who are recognized as market participants in the markets for which they are providing the quotes.

For determining the fair value of securities that are not actively traded, in general, pricing services use "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker-dealer quotes, interest rates, prepayment speeds, default rates and other such inputs as are available from market sources to determine a reasonable fair value.

The following describes the techniques generally used to determine the fair value of our short-term and fixed maturity investments by asset class, including the investments underlying the funds held - directly managed.

◦ **U.S. and non-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, or consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs used to determine the fair value of these securities 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 as Level 2.

◦ **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 as 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 as Level 2.

◦ **Asset-backed and commercial and residential mortgaged-backed securities** consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, prepayment speeds and default rates. These are considered observable market inputs and therefore the fair value of these securities are classified as Level 2.

◦ **Structured products** consist of funds withheld securities which are utilized to achieve asset-liability matching requirements and to reduce our exposure to credit risk. We utilize observable benchmark yields, issue spreads, issuer credit ratings, loss given default rates, and probability of default rates to discount the future cash flows to derive the fair value of these investments. These are considered observable market inputs and, therefore, the fair values of these securities are classified as Level 2.

Equities

Our investments in equities consist of a combination of publicly and privately traded investments. Our publicly traded equity investments in common and preferred stocks predominantly trade on major exchanges and are managed by our external advisors. Our exchange-traded funds also trade on major exchanges.

Our publicly traded equities are widely diversified and there is no significant concentration in any specific industry. We use an internationally recognized pricing service to estimate the fair value of our publicly traded equities and exchange-traded funds. We have categorized the majority of our publicly traded equity investments, other than preferred stock, and our exchange-traded funds as Level 1 investments because the fair values of these investments are based on unadjusted quoted prices in active markets for identical assets. One equity security trades in an inactive market and, as a result has been classified as Level 2. The fair value estimates of our investments in publicly traded preferred stock are based on observable market data and, as a result, have been categorized as Level 2.

Our privately held equity investments in common and preferred stocks are direct investments in companies that we believe offer attractive risk adjusted returns and/or offer other strategic advantages. Each investment may have its own unique terms and conditions and there may be restrictions on disposals. The market for these investments is illiquid and there is no active market. For the majority of these we use a combination of cost, internal models and reported values from co-investors/managers to calculate the fair value of the privately held equity investments. The fair value estimates of these are based on unobservable market data so have been categorized as Level 3.

Other investments, at fair value

We have ongoing due diligence processes with respect to the other investments carried at fair value in which we invest, including active discussions with managers of the investments. 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 further review is warranted.

Certain funds do not provide full transparency of their underlying holdings; however, we obtain the audited financial statements for funds annually and review the audited results relative to the net asset values 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 we adjust the valuation for capital calls and distributions. Other investments measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. Other investments for which we do not use NAV as a practical expedient have been valued using prices from independent pricing services and investment managers.

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

- For our investments in hedge funds, private equity funds, CLO equity funds, private credit funds real estate debt fund and the balanced funds, we primarily 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.
- Our investments in fixed income funds are valued based on a combination of prices from independent pricing services, external fund managers or third-party administrators. For the publicly available prices we have classified the investments as Level 2. For the non-publicly available prices we are using NAV as a practical expedient and therefore these have not been categorized within the fair value hierarchy.
- We measure the fair value of our direct investment in CLO equities based on valuations provided by independent pricing services. The fair values measured using prices provided by independent pricing services have been classified as Level 2.

Insurance Contracts - Fair Value Option

The Company uses an internal model to calculate the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses for certain retroactive reinsurance contracts where we have elected the fair value option.

The fair value was calculated as the aggregate of discounted cash flows plus a risk margin. The discounted cash flow approach uses:

i. estimated nominal cash flows based upon an appropriate payment pattern developed in accordance with standard actuarial techniques; and

ii. a discount rate based upon a high quality rated corporate bond yield plus a credit spread for non-performance risk.

The model uses corporate bond rates across the yield curve depending on the estimated timing of the future cash flows and specific to the currency of the risk.

The risk margin was calculated using the present value of the cost of capital. The cost of capital approach uses:

i. projected capital requirements;

ii. multiplied by the risk cost of capital representing the return required for non-hedgeable risk based upon the weighted average cost of capital less investment income; and

iii. discounted using the weighted average cost of capital.

Derivative Instruments

The fair values of our derivative instruments are classified as Level 2. The fair values are based upon prices in active markets for identical contracts.

Funds Held by Reinsured Companies

The fair value of the embedded derivative representing the contractually agreed variable return on the funds held by reinsured companies associated with the Aspen LPT transaction is classified as Level 3 and is calculated using an internal model.

The fair value is calculated as the difference between:

i. the present value of all future expected interest payments based on the full crediting rate, calculated using a Monte Carlo simulation model; and

ii. the present value of all future expected interest payments based on the base crediting rate, calculated using a discounted cash flow model.

The Monte Carlo simulation model uses:

i. a continuous forward risk-free rate commensurate with the crediting interest rate period (observable); and

ii. an estimated historical volatility rate based upon the annualized standard deviation of daily log returns observed on a portfolio replicating the Aspen investment portfolio over a period commensurate with the crediting rate period (unobservable).

The discounted cash flow model uses:

i. estimated expected loss payments based upon an appropriate payment pattern developed in accordance with standard actuarial techniques (unobservable);

ii. a risk-free rate based on U.S. treasury rates as of the valuation date (observable); and

iii. a credit spread based upon the historical option adjusted spread of the Aspen publicly traded corporate debt instrument (observable).

Level 3 Measurements and Changes in Leveling

Transfers into or out of levels are recorded at their fair values as of the end of the reporting period, consistent with the date of determination of fair value.

Investments

The following tables present 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:

	2023		2022	
	Privately-held Equities	Total	Privately-held Equities	Total
	(in millions of U.S. dollars)			
Beginning fair value	$ 309	$ 309	$ 322	$ 322
Purchases	2	2	5	5
Sales	(48)	(48)	—	—
Total net unrealized gains (losses)	26	26	(43)	(43)
Cost as approximation of fair value	—	—	25	25
Ending fair value	$ 289	$ 289	$ 309	$ 309

Net unrealized gains (losses) related to Level 3 assets in the table above are included in unrealized gains (losses) in our consolidated statements of operations.

There were no transfers to and from Level 2 and Level 3 investments for the years ended December 31, 2023 and 2022.

Valuation Techniques and Inputs

The table below presents the qualitative information related to the fair value measurements for investments measured at fair value on a recurring basis using Level 3 inputs:

Qualitative Information about Level 3 Fair Value Measurements

Valuation Techniques	Fair Value - As of December 31, 2023	Unobservable Input	Average [1]
	(in millions of U.S. dollars)		
Recurring bases:			
Guideline companies method and an option pricing model	$ 173	P/BV multiple P/BV (excluding AOCI) multiple Expected term in years (1-3)	1.5-1.9x 1.4-1.5x 1-3
Guideline companies method;	54	P/BV multiple Price/2024 earnings	1.5-1.7x 7.7-8.9x
Guideline companies method;	28	LTM Enterprise Value/ EBITDA multiples LTM EV/Revenue multiples	12.0-13.0x 2.5-3x
Dividend discount model	34	Discount rate	8.50%
	$ 289		

[1] The average represents the arithmetic average of the inputs and is not weighted by the relative fair value.

As of December 31, 2023, we elected to change the measurement of a privately held equity investment to recurring fair value measurements that was previously accounted for under the measurement alternative. We used a dividend discount model as the valuation technique to fair value the $34 million privately held equity investment, which is an industry standard approach. The unobservable input to the dividend discount model has been identified and disclosed in the table above.

Funds Held by Reinsured Companies - Embedded Derivative

As described in Note 4, we have an embedded derivative in relation to the Aspen LPT transaction to account for the fair value of the full crediting rate we expect to earn on the funds withheld received as consideration.

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

	2023	2022
	(in millions of U.S. dollars)	
Beginning fair value	$ 44	$ —
Initial recognition	$ —	27
Total net unrealized gains	13	17
Partial settlement	$ (17)	$ —
Ending fair value	$ 40	$ 44

Net unrealized gains in the table above are included in net unrealized gains (losses) in our consolidated statements of operations.

Valuations Techniques and Inputs

The table below presents the qualitative information related to the fair value measurements for the embedded derivative on our funds held by reinsured companies measured at fair value on a recurring basis using Level 3 inputs:

Qualitative Information about Level 3 Fair Value Measurements

Valuation Techniques	Fair Value - As of December 31, 2023	Unobservable Input	Average
	(in millions of U.S. dollars)		
Monte Carlo simulation model;		Volatility rate;	6.98%
Discounted cash flow analysis	$ 40	Expected loss payments	651

Insurance Contracts - Fair Value Option

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

	2023			2022		
	Liability for losses and LAE	Reinsurance balances recoverable	Net	Liability for losses and LAE	Reinsurance balances recoverable	Net
	(in millions of U.S. dollars)					
Beginning fair value	$ 782	$ 165	$ 617	$ 1,222	$ 242	$ 980
Incurred losses and LAE:						
Reduction in estimates of ultimate losses	48	7	41	(44)	(8)	(36)
Reduction in unallocated LAE	(3)	—	(3)	(8)		(8)
Changes in fair value:	67	13	54	(190)	(36)	(154)
Total incurred losses and LAE	112	20	92	(242)	(44)	(198)
Paid losses	(105)	(14)	(91)	(121)	(29)	(92)
Change in net liability for losses and LAE at fair value - Instrument-specific credit risk	(20)	(4)	(16)	—	—	—
Effect of exchange rate movements	28	2	26	(77)	(4)	(73)
Ending fair value	$ 797	$ 169	$ 628	$ 782	$ 165	$ 617

Changes in fair value in the table above are included in net incurred losses and LAE in our consolidated statements of income.

The following table presents the components of the net change in fair value for the years December 31, 2023 and 2022:

	2023	2022
	(in millions of U.S. dollars)	
Changes in fair value due to changes in:		
Average payout	$ 18	$ 12
Corporate bond yield	14	(166)
Credit spread for non-performance	16	—
Weighted cost of capital	6	—
Change in fair value	$ 54	$ (154)

Below is a summary of the quantitative information regarding the significant observable and unobservable inputs used in the internal model to determine fair value on a recurring basis as at December 31, 2023 and 2022:

Valuation Technique	Unobservable (U) and Observable (O) Inputs	2023	2022
		Weighted Average	Weighted Average
Internal model	Corporate bond yield (O)	A rated	A rated
Internal model	Credit spread for non-performance risk (U)	0.65%	0.65%
Internal model	Risk cost of capital	5.6%	5.1%
Internal model	Weighted average cost of capital (U)	8.75%	8.25%
Internal model	Duration - liability for losses and LAE (U)	9.77 years	10.03 years
Internal model	Duration - reinsurance balances recoverable (U)	9.3 years	9.8 years

The fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses may increase or decrease due to changes in the corporate bond rate, the credit spread for non-performance risk, the risk cost of capital, the weighted average cost of capital and the estimated payment pattern.

In addition, the estimate of the capital required to support the liabilities is based upon current industry standards for capital adequacy.

Disclosure of Fair Values for Financial Instruments Carried at Cost

Insurance Contracts

Disclosure of fair value of amounts relating to insurance contracts is not required, except those for which we elected the fair value option, as described above.

Remaining Financial Assets and Liabilities

Our remaining financial assets and liabilities were generally carried at cost or amortized cost, which due to their short-term nature approximates fair value as of December 31, 2023 and 2022.

11. VARIABLE INTEREST ENTITIES

We have investments in certain limited partnership funds which are deemed to be variable interest entities ("VIEs") and which are included in other investments at the reported NAV. The activities of these VIEs are generally limited to holding investments and our involvement in these entities is passive in nature. We consolidate all VIEs in which we are considered to be the primary beneficiary.

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

Our evaluation includes identification of the activities that most significantly impact the VIE's economic performance and an assessment of our ability to direct those activities based on governance provisions, contractual arrangements to provide or receive certain services, funding commitments and other applicable agreements and circumstances. Our assessment of whether we are the primary beneficiary of our VIEs requires significant assumptions and judgment.

GCM Fund

In July 2022, we entered into an agreement to become a limited partner of GCM Blue Sails Infrastructure Offshore Opportunities Fund, L.P. ("GCM Fund"), with an initial commitment of $150 million. At that time, we performed an assessment and concluded that as a result of being a limited partner and having no substantive kick-out or participating rights, the GCM Fund is a VIE. We also concluded that we are the primary beneficiary, as our 99.5% economic interest in the GCM Fund is disproportionately greater than our lack of stated power to direct the activities of the GCM Fund that will most significantly impact the GCM Fund's economic performance. As a result, we have consolidated the results of the GCM Fund. There was no gain or loss recognized on consolidation.

We have elected to recognize the results of the GCM Fund on a one quarter lag due to anticipated delays in obtaining timely financial information. As of December 31, 2023, $72 million of the initial commitment has been called. The carrying amounts of the assets and liabilities of the GCM Fund are presented within existing captions on our consolidated balance sheets as of December 31, 2023 and 2022. Net investment income, changes in the fair value of assets and liabilities of the GCM Fund and management fees will be presented within existing captions in the consolidated statements of operations.

We recognized net unrealized gains on other investments of $6 million and $nil for the years ended December 31, 2023 and 2022, respectively.

Our exposure to risk of loss is limited to the amount of our investment, in accordance with the limited partnership agreement. We have not committed to provide any financial support to the general partner of the GCM Fund. In addition, we have not committed to provide any additional financial support to the GCM Fund in excess of previously funded capital commitments and all undistributed profits and income.

The assets of Enstar are not available to the creditors of the GCM Fund.

Nonconsolidated VIEs

The tables below present the fair value of our investments in nonconsolidated VIEs as well as our maximum exposure to loss associated with these VIEs:

	As of December 31, 2023			As of December 31, 2022		
	Fair Value	Unfunded Commitments	Maximum Exposure to Loss	Fair Value	Unfunded Commitments	Maximum Exposure to Loss
	(in millions of U.S. dollars)					
Equities						
Publicly traded equity investment in common stock	$ 3	$ —	$ 3	$ 3	$ —	$ 3
Privately held equity	34	—	34	25	—	25
Other investments						
Hedge funds	$ 471	$ —	$ 471	$ 529	$ —	$ 529
Fixed income funds	147	35	182	263	33	296
Private equity funds	1,161	592	1,753	1,114	822	1,936
CLO equity funds	154	—	154	179	—	179
Private credit funds	307	249	556	79	148	227
Real estate funds	87	121	208	123	450	573
Total	$ 2,327	$ 997	$ 3,324	$ 2,287	$ 1,453	$ 3,740
Total investments in nonconsolidated VIEs	$ 2,364	$ 997	$ 3,361	$ 2,315	$ 1,453	$ 3,768

12. PREMIUMS WRITTEN AND EARNED

Premiums written related to prospective risk policies are earned on a pro-rata basis over the period of the related coverage. Reinsurance premiums on prospective risks are recorded at the inception of the policy, are based upon contractual terms and, for certain business, are estimated based on underlying contracts or from information provided by insureds and/or brokers.

Changes in reinsurance premium estimates for prospective risks are recorded as premiums written in the period in which they are determined.

Certain contracts are retrospectively rated and provide for a final adjustment to the premium based on the final settlement of all losses. Premiums on such contracts are adjusted based upon contractual terms, and management judgment is involved with respect to the estimate of the amount of losses that we expect to incur. These adjustments to the premium are recognized at the time loss thresholds specified in the contract are exceeded and are earned over the coverage period, or are earned immediately if the period of risk coverage has passed.

The following table provide a summary of net premiums written and earned for the years ended December 31, 2023 and 2022:

	2023		2022	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
	(in million of U.S. dollars)			
Total Gross	$ (2)	$ 33	$ 12	$ 45
Total Ceded	—	—	(4)	(4)
Total Net	$ (2)	$ 33	$ 8	$ 41

13. DEBT OBLIGATIONS AND CREDIT FACILITIES

We utilize debt financing and credit facilities primarily for funding acquisitions and significant new business, investment activities and, from time to time, for general corporate purposes.

Credit and Deposit Facilities

We utilize unsecured and secured letters of credit ("LOCs") and a deposit facility to support certain of our (re)insurance performance obligations. We also utilize unsecured LOCs to support the regulatory capital requirements of certain of our subsidiaries.

Our credit and deposit facilities were as follows:

	Commitment	Additional Commitments Available [1]	Aggregate Amount Issued / Requested as Deposits / Face Amount	
			December 31, 2023	December 31, 2022
	(in millions of U.S. dollars)			
$365.0 million LOC Facility	$ 365	$ —	$ 345	$ 365
$800.0 million Syndicated LOC Facility	800	—	655	625
$100.0 million Bermuda LOC Facility	$ 100	$ —	$ 100	$ 100

[1] Additionally the Company issued LOC's under its parent's facility, $74 million as at December 31, 2023 and $97 million as at December 31, 2022

For the year ended December 31, 2023 we borrowed $49 million from Enstar under the intercompany revolving credit facility.

We also utilize secured operating LOCs. As of December 31, 2023 and 2022, the total balance of such secured operating LOCs issued and outstanding was $34 million and $52 million, respectively.

14. NONCONTROLLING INTERESTS

We have noncontrolling interest ("NCI") on our consolidated balance sheets. NCI, which is carried at book value, does not have redemption features and is classified within equity in the consolidated balance sheets.

Noncontrolling Interest

As of December 31, 2023 and 2022, we had $180 million and $390 million, respectively, of NCI. 2023 related to external interests in Patcham funds while 2022 primarily related to external interests in one of our subsidiaries, Enhanzed Re. 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.

On December 28, 2022, Enhanzed Re repurchased the entire 24.9% ownership interest Allianz held in Enhanzed Re for $175 million. We recorded the impact of reclassifying the carrying value of the NCI acquired to shareholders' equity in our first quarter 2023 results, as we report the results of Enhanzed Re on a one quarter reporting lag.

The Company invests in Patcham Investment Funds Plc ("Patcham Funds"), as part of a group investment pool with other companies related through common control. These funds are managed by a wholly-owned subsidiary of Enstar and are included in other investments at fair value.

The other companies ownership percentage is shown as NCI and is shown as follows:

	2023	2022
Patcham Balanced Fund	31.5 %	37.6 %
Patcham GFI Fund	27.8 %	44.2 %

15. SHAREHOLDERS' EQUITY

Share Capital

As of December 31, 2023 our authorized share capital was as follows:

Authorized share capital	Par Value Per Share	Number of shares 2023	Number of shares 2022
Ordinary shares (“Voting Ordinary Shares”)	$ 1.00	324,948,079	120,000

On December 11, 2023 the company issued 324,828,079 Voting Ordinary Shares to Kenmare Holdings Ltd. to facilitate the consolidation of the U.K. entities.

Shares in Ultimate Parent Company

During the year ended December 31, 2023 and 2022, the Company held $201 million in Preferred Shares in Enstar, the Company's ultimate parent.

Accumulated Other Comprehensive Income (Loss)

The following table presents details about the tax effects allocated to each component of other comprehensive income (loss):

	2023			2022		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(in millions of U.S. Dollars)					
Unrealized (losses) gains on fixed income securities, AFS arising during the year	$ 111	$ —	$ 111	$ (521)	$ —	$ (521)
Reclassification adjustment for change in allowance for credit losses recognized in net income	(8)	—	(8)	23	—	23
Reclassification adjustment for net realized (gains) losses included in net income	53	—	53	55	—	55
Change in currency translation adjustment	3	—	3	(3)	—	(3)
Change in net liability for losses and LAE at fair value - Instrument-specific credit risk	16	—	16	—	—	—
Other comprehensive (loss) income	**$ 175**	**$ —**	**$ 175**	**$ (446)**	**$ —**	**$ (446)**

The following table presents details amounts reclassified from AOCI:

Details about AOCI components	**2023**	**2022**	**Affected Line Item in Statement where Net Income are presented**
	(in millions of U.S. dollars)		
Unrealized (losses) gains on fixed maturities, AFS	$ (45)	$ (79)	Net unrealized (losses) gains
Total reclassifications for the period, net of tax	$ (45)	$ (79)	**Net of tax**

Changes in Ownership of Consolidated Subsidiaries

The following table summarizes changes in the ownership interest in consolidated subsidiaries for the years ended December 31, 2023 and 2022:

	2023	**2022**
	(in millions of U.S. dollars)	
Net income (loss) attributable to Cavello Bay ordinary shareholders	$ 1,235	$ (442)
Transfer from noncontrolling interests:		
Increase in Cavello Bay's additional paid-in capital for purchase of noncontrolling interest [(1)]	9	—
Change from net income (loss) attributable to Cavello Bay ordinary shareholders and net transfers from noncontrolling interests	$ 1,244	$ (442)

[(1)] The transfer from the noncontrolling interests for the year ended December 31, 2023 relates to the repurchase of the entire 24.9% ownership interest Allianz held in Enhanzed Re recorded in the first quarter of 2023.

16. TAXATION

Bermuda Corporate Income Tax

In December 2023, legislation implementing a Corporate Income Tax Act 2023 (“the Act”) in Bermuda was enacted. The Bermuda income tax regulations aim to closely align with the global anti-base erosion rules of the Organization for Economic Co-operation and Development to ensure consistent and predictable tax outcomes. The Act includes a provision referred to as the Economic Transition Adjustment ("ETA"), which is intended to provide a fair and equitable transition into the tax regime.

The ETA allows Bermuda subject entities to establish tax basis in the assets and liabilities of such Bermuda entities (as of September 30, 2023 (the “Basis Valuation Date”)) using fair values which results in deductible and taxable temporary differences which are reflected as deferred income tax assets and liabilities in the financial statements. For each asset and liability subject to the adjustment, the amount of the adjustment would generally be the difference, as of the Basis Valuation Date, between each asset/liability’s fair market value and the carrying value of the item in the consolidated financial statements. As the ETA is assessed based on fair value only as of the Basis Valuation Date, it is not subsequently reassessed and therefore, not subject to any sensitivities to changes in fair value.

Following an analysis of the Act and ETA provision, the Company is expected to remain within the ETA framework.

We may be required to change our provision for income taxes when estimates used in determining valuation allowances on deferred tax assets change, or when receipt of new information indicates the need for adjustment in valuation allowances, however, such changes would need to be significant to establish a valuation allowance. Additionally, future events, such as changes in Bermuda tax laws and tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported on the financial statements in the year these changes occur.

Income Taxation

The Company is incorporated under the laws of Bermuda and is not required to pay taxes in Bermuda based upon income or capital gains under the Exempted Undertakings Tax Protection Act of 1996. However, in December 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (the “Act”), which amended the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Act introduces a 15% corporate income tax on Bermuda businesses that are part of an In Scope Multinational Enterprise Group (“MNE Group”), effective for tax years beginning on or after January 1, 2025. An MNE Group is an In Scope MNE Group if, with respect to any fiscal year beginning on or after January 1, 2025, the MNE Group had annual revenue of €750 million or more in the consolidated financial statements for at least two of the four fiscal years immediately preceding such fiscal year. Based on annual revenue in the ultimate parent company consolidated financial statements, the Company will be part of an In Scope MNE Group commencing with the tax year beginning on January 1, 2025.

In accordance with ASC 740, effects of changes in tax laws are required to be recognized in the period in which the law is enacted, regardless of the effective date. The application of the ETA resulted in our recognition of net deferred tax assets of $177 million in 2023. We have not recorded a valuation allowance against these deferred tax assets as of December 31, 2023. Furthermore, due to the enactment of the Act, we have recognized a deferred tax expense related to the remeasurement of deferred taxes on unrealized earnings on AFS securities recorded in OCI, due to the change in income tax rate.

The incremental financial statement impact related to the Act was as follows:

	2023
	(in millions of U.S. dollars)
Provision for income tax expense (benefit):	
Economic Transition Adjustment	(177)
Effect of change in income tax rate on the net change in unrealized gains (losses) on AFS securities recorded in OCI since the Basis Valuation Date	18
Total provision for income tax expense (benefit)	**$ (159)**

Income Tax Expense

The following table presents income (loss) before income taxes by jurisdiction, for the years ended December 31, 2023, and 2022:

	2023	2022
	(in millions of U.S. dollars)	
Domestic (Bermuda)	1,179	(389)
Foreign	22	(110)
Income (loss) before income taxes	**1,201**	**(499)**

The following table presents our current and deferred income tax (benefit) expense attributable to continuing operations by jurisdiction for the years ended December 31, 2023 and 2022:

	2023	2022
	(in millions of U.S. dollars)	
Current:		
Domestic (Bermuda)	—	—
Foreign	2	(3)
	2	(3)
Deferred:		
Bermuda	(159)	—
Foreign	8	(2)
	(151)	**(2)**
Total income tax (benefit) expense attributable to continuing operations	**(149)**	**(5)**

The actual effective income tax rate differs from the statutory rate of 0 percent under Bermuda law applied to income (loss) before income taxes for the years ended December 31, 2023 and 2022 as shown in the following reconciliation:

	2023	2022
	(in millions of U.S. dollars	
Income (losses) before income taxes	$ 1,201	$ (499)
Bermuda income taxes at statutory rate	— %	— %
Foreign income tax rate differential	0.4 %	4.1 %
Economic Transition Adjustment [1]	(14.7)%	— %
Change in valuation allowance	(0.1)%	(2.4)%
Effect of change in foreign income tax rate	1.5 %	0.7 %
Other	0.5 %	(1.4)%
Effective income tax rate	**(12.4)%**	**1.0 %**

[1] For the year ended December 31, 2023, we recorded a one-time deferred tax benefit of $177 million associated with the Company as it is anticipated to remain within the ETA.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities (included in sundry assets and other liabilities, respectively, in the condensed balance sheets) reflect the tax effect of the differences between the financial statement carrying amount and the income tax bases of assets and liabilities.

Significant components of the deferred tax assets and deferred tax liabilities as of December 31, 2023 and 2022 were as follows:

	2023	2022
	(millions of U.S. dollars)	
Deferred tax assets:		
Net operating loss carryforwards	49	54
Insurance reserves	175	—
Unearned premiums	3	—
Fair Value of Investments	3	4
Other deferred tax assets	—	6
Deferred tax assets	230	64
Valuation allowance	(45)	(48)
Deferred tax assets, net of valuation allowance	185	16
Deferred tax liabilities:		
Fair value of investments	(18)	—
Fair Value of Financial Instruments	—	—
Other deferred tax liabilities	(17)	(17)
Deferred tax liabilities	(35)	(17)
Net deferred tax asset	$ 150	$ (1)

Net Deferred Tax Asset (Liability) Balance by Major Jurisdiction

	Net Deferred Tax Asset	
	2023	2022
	(millions of U.S. dollars)	
Bermuda	159	0
United Kingdom	(9)	(1)
Total	$ 150	$ (1)

Net Operating, Capital Loss and Foreign Tax Credit Carryforwards

As of December 31, 2023, we had net operating loss carryforwards that could be available to offset future taxable income, as follows:

Tax Jurisdiction	Loss Carryforwards	Tax Effect	Expiration
Net Operating Loss Carryforwards:			
United Kingdom	$ 197	$ 49	Indefinitely

Assessment of Valuation Allowance on Deferred Tax Assets

As of December 31, 2023 and 2022, we had deferred tax asset valuation allowances of $45 million and $48 million, respectively, related to foreign subsidiaries. As of December 31, 2023, the Company recorded a net decrease of $3 million. This is due to a current year decrease of deferred assets mostly related to the utilization of net operating losses in the UK jurisdiction.

The realization of deferred tax assets is dependent on generating sufficient taxable income in future periods in which the tax benefits are deductible or creditable. The amount of the deferred tax asset considered realizable, however, could be adjusted in the future if estimates of future taxable income change. We have considered all available evidence using a “more likely than not” standard in determining the amount of the valuation allowance.

We considered the following evidence:

i. net income or losses in recent years;

ii. the future sustainability and likelihood of positive net income of our subsidiaries;

iii. the carryforward periods of tax losses including the effect of reversing temporary differences.

In making our determination, the assumptions used in determining future taxable income require significant judgment and any changes in these assumptions could have an impact on earnings.

Unrecognized Tax Benefits

During the year ended December 31, 2023, the Company had no unrecognized tax benefits. There were no accruals for the payment of interest and penalties related to income taxes as of December 31, 2023.

Open Tax Years

Our operating subsidiaries may be subject to examination by various tax authorities and may have different statutes of limitations expiration dates. Taxing authorities may propose adjustments to our income taxes.

Listed below are the tax years that remain subject to examination by a major tax jurisdiction as of December 31, 2023:

Major Tax Jurisdiction	Open Tax Years
United Kingdom	2021-2023

17. RELATED PARTY TRANSACTIONS

The following tables summarize our related party balances and transactions. Additional details about the nature of our relationships and transactions are included further below.

As of December 31, 2023	Stone Point [1]	Monument	AmTrust	Citco	Core Specialty	Other
	(in millions of U.S. dollars)					
Assets						
Fixed maturities, trading, at fair value	$ 23	$ —	$ —	$ —	$ —	$ —
Fixed maturities, AFS, at fair value	283	—	—	—	—	—
Equities, at fair value	80	—	173	—	—	—
Funds held	—	—	—	—	19	—
Other investments, at fair value	259	—	—	—	—	1,530
Equity method investments	—	95	—	—	224	—
Total investments	645	95	173	—	243	1,530
Cash and cash equivalents	12	—	—	—	—	—
Liabilities						
Losses and LAE	—	—	—	—	32	—
Insurance and reinsurance balances payable	—	—	—	—	1	—
Net assets (liabilities)	$ 657	$ 95	$ 173	$ —	$ 210	$ 1,530

[1] As of As of December 31, 2023, we had unfunded commitments of $156 million to other investments and $12 million to fixed maturity investments managed by Stone Point and its affiliated entities.

As of December 31, 2022	Stone Point [1]	Northshore [2]	Monument	AmTrust	Citco	Core Specialty	Other
	(in millions of U.S. dollars)						
Assets							
Short-term investments, AFS, at fair value	$ 1	$ —	$ —	$ —	$ —	$ —	$ —
Fixed maturities, trading, at fair value	24	—	—	—	—	—	—
Fixed maturities, AFS, at fair value	334	—	—	—	—	—	—
Equities, at fair value	84	37	—	182	—	—	—
Funds held	—	—	—	—	—	25	—
Other investments, at fair value	269	—	—	—	—	—	1,699
Equity method investments	—	—	110	—	60	211	—
Total investments	712	37	110	182	60	236	1,699
Cash and cash equivalents	25	—	—	—	—	—	—
Liabilities							
Losses and LAE	—	—	—	—	—	41	—
Insurance and reinsurance balances payable	—	—	—	—	—	1	—
Net assets (liabilities)	$ 737	$ 37	$ 110	$ 182	$ 60	$ 194	$ 1,699

[1] As of December 31, 2022, we had unfunded commitments of $145 million to other investments and $13 million to fixed maturity investments managed by Stone Point and its affiliated entities.

[2] Northshore ceased to be a related party in Deccember 2023.

	2023					
	Stone Point	Monument	AmTrust	Citco	Core Specialty	Other
	(in millions of U.S. dollars)					
Net premiums earned	$ —	$ —	$ —	$ —	$ —	$ —
Net investment income (expense)	6	—	6	—	—	6
Net unrealized gains (losses)	28	—	(9)	—	—	(3)
Other (expense) income	—	—	—	—	—	—
	34	—	(3)	—	—	3
Net incurred losses and LAE	—	—	—	—	(3)	—
	—	—	—	—	(3)	—
Income from equity method investments	—	10	—	4	13	—
Total net income (loss)	$ 33	$ 10	$ (3)	$ 4	$ 10	$ 3

	2022					
	Stone Point	Monument	AmTrust	Citco	Core Specialty	Other
	(in millions of U.S. dollars)					
Net premiums earned	$ —	$ —	$ —	$ —	$ (1)	$ —
Net investment income	9	—	6	—	—	4
Net unrealized losses	(49)	—	(34)	—	—	(63)
Other income	—	—	—	—	—	—
	(40)	—	(28)	—	(1)	(59)
Net incurred losses and LAE	—	—	—	—	(9)	—
	—	—	—	—	(9)	—
(Loss) income from equity method investments	—	(65)	—	5	(13)	—
Total net (loss) income	$ (40)	$ (65)	$ (28)	$ 5	$ (23)	$ (59)

Transactions with Enstar's Subsidiaries

Reinsurance Agreements with affiliates

The table below summarizes the outstanding liabilities under reinsurance agreements between the Company and its affiliates as of December 31, 2023 and 2022:

	2023	2022
	(in millions of U.S. dollars)	
Outstanding liabilities under reinsurance agreements:		
Syndicate 2008	$ 495	$ 514
StarStone Group	152	229
Clarendon National Insurance Company	—	142
Gordian Run-off Limited ("Gordian")	50	63

Loans

The tables below summarize the outstanding principal and accrued interest balances between the Company and its affiliates as of December 31, 2023 and 2022:

December 31, 2023	Relationship	Interest Rate	Principal	Accrued Interest	Total
Loans Receivable:					
BH Acquisition	Affiliate	3.00 %	$ 28	$ 1	$ 29

December 31, 2022	Relationship	Interest Rate	Principal	Accrued Interest	Total
Loans Receivable:					
BH Acquisition	Affiliate	3.00 %	$ 27	$ 1	$ 28

Kenmare Revolving Credit Facility

As of December 31, 2023, we permitted either Kenmare or Cavello Bay to borrow from each other up to an aggregate amount of $250 million under a bi-lateral unsecured revolving credit agreement.

As of December 31, 2023, there was $181 million of available to Kenmare and $250 million available to Cavello Bay of unutilized capacity under the facility.

Each party pay interest on loans borrowed under the facility at a per annum rate equal to the Benchmark Rate for the applicable Interest Period plus the Applicable Margin, computed based on the number of calendar days outstanding from its Advance Date to (but excluding) the date on which it is fully repaid.

If an event of default occurs, the interest rate may increase and the agent may, and at the request of the required lenders shall, terminate lender commitments and demand early repayment of any outstanding loans borrowed under the facility.

Enstar Group Limited Revolving Credit

As of December 31, 2023, we permitted either Enstar or Cavello Bay to borrow from each other up to an aggregate amount of $250 million under a bi-lateral unsecured revolving credit agreement.

As of December 31, 2023, there was $102 million available to Enstar and $250 million available to Cavello Bay of unutilized capacity under the facility.

Each party pays interest on loans borrowed under the facility at a per annum rate equal to the Benchmark Rate for the applicable Interest Period plus the Applicable Margin, computed based on the number of calendar days outstanding from its Advance Date to (but excluding) the date on which it is fully repaid.

If an event of default occurs, the interest rate may increase and the agent may, and at the request of the required lenders shall, terminate lender commitments and demand early repayment of any outstanding loans borrowed under the facility.

Stone Point

In May 2022, we entered into a share purchase agreement with an affiliate of Stone Point.

As of December 31, 2023, investment funds managed by Stone Point own 1,451,196 of Enstar's voting ordinary shares, which constitutes 9.5% of its outstanding voting ordinary shares. James D. Carey, a managing director of Stone Point, is a member of Enstar's Board.

As of December 31, 2023, Enstar agreed to purchase from investment funds managed by Stone Point their remaining 39.3% interest in our affiliate StarStone Holdings Limited ("SSHL") in exchange for cash consideration, settlement of loan receivable and our remaining interest in Northshore. As of December 31, 2023 and December 31, 2022, the Redeemable noncontrolling interest ("RNCI") on Enstar's balance sheet relating to these co-investment transactions was $0 million and $161 million, respectively.

We have made various investments in funds and separate accounts managed by Stone Point or affiliates of Stone Point, and we have also made direct investments in entities affiliated with Stone Point. Where we have made an investment in a fund, the manager of such fund generally charges certain fees to the fund, which are deducted from the net asset value.

We also have certain co-investments alongside Stone Point and its affiliates, including our investments in AmTrust and Northshore, which are described below, and Mitchell TopCo Holdings, the parent company of Mitchell International ("Mitchell"), and Genex Services in which we have invested $25 million. Mitchell provides third-party outsourcing managed care services to one of our subsidiaries in the ordinary course of its business.

Northshore

As of December 22, 2023, Northshore ceased to be a related party.

Monument Re

As of December 31, 2023, we own 20% of the common shares of Monument Re and 13.7% of its preferred shares. As of December 31, 2023, a fund managed by Stone Point owns 11.2% of Monument Re's preferred shares.

In November 2022, we closed a transaction with Monument Re to novate our reinsurance closed block of life annuity policies written by Enhanzed Re. A portion of the net gain on novation will be subject to deferral to account for our existing ownership interest in Monument Re. The final impact of the novation is reflected in our 2023 results, as we report the results of Enhanzed Re on a one quarter reporting lag.

We have accounted for our investment in the common and preferred shares of Monument Re as an equity method investment.

AmTrust

As of December 31, 2023 and 2022, Enstar owns 8.7% of the equity interest in Evergreen Parent L.P. ("Evergreen") and Trident Pine Acquisition LP ("Trident Pine") owns 22.6%. Evergreen owns all of the equity interest in AmTrust Financial Services, Inc. ("AmTrust"). Trident Pine is an entity owned by private equity funds managed by Stone Point.

We have accounted for our investment in the shares of AmTrust as an investment in a privately held equity security at fair value.

Citco

During the fourth quarter of 2023, we divested our equity ownership in the common shares of HH CTCO Holdings Limited and recorded a $5 million gain in our consolidated statements of operations.

As of December 31, 2022 we owned 31.9% of the common shares in HH CTCO Holdings Limited, which in turn owns 15.4% of the convertible preferred shares, amounting to a 6.2% interest in the total equity of Citco III Limited ("Citco"). As of December 31, 2022 Trident owned 3.4% interest in Citco.

We have accounted for our indirect investment in the shares of Citco as an equity method investment.

Core Specialty

We account for our investment in the common shares of Core Specialty as an equity method investment on a one quarter lag.

Other

We also have certain other investments, including investments in limited partnerships and partnership-like limited liability companies, that had we not elected the fair value option would otherwise be accounted for as equity method investments. We have disclosed our investments in these entities on an aggregated basis as they are individually immaterial.

18. DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

Statutory Financial Information and Dividend Restrictions

The Company is registered as a Class 3B reinsurer under the Insurance Act 1978 of Bermuda and related regulations, as amended (the "Insurance Act"). The Insurance Act imposes certain solvency and liquidity standards and auditing and reporting requirements and grants the Bermuda Monetary Authority ("BMA") powers to supervise, investigate, require information and the production of documents and intervene in the affairs of insurance companies.

The Insurance Act requires that the Company maintains certain solvency and liquidity standards. The minimum liquidity ratio requires that the value of relevant assets not be less than 75% of the amount of relevant liabilities. The minimum solvency margin, which varies depending on the class of the insurer, is determined as a percentage of either net reserves for losses and LAE or premiums. As the Company has a commercial insurance license it is required 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 as provided by the BMA.

The Company would be prohibited from declaring or paying any dividends if it were in breach of its minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause it to fail to meet such margin or ratio. In addition, the Company is prohibited, without the prior approval of the BMA, from reducing by 15% or more its total statutory capital, or from reducing by 25% of more its total statutory capital and surplus, as set out in its previous year’s statutory financial statements.

The company maintained capital in excess of the minimum capital resources requirements by $3.3 billion and $2.4 billion as of December 31, 2023 and 2022, respectively.

United Kingdom

U.K. Insurance Companies (non-Lloyd's)

Our U.K. based insurance subsidiaries are regulated by the U.K. Prudential Regulatory Authority (the "PRA") and the Financial Conduct Authority (the "FCA", together with the PRA, the "U.K. Regulator").

Our U.K.-based insurance subsidiaries are required to maintain adequate financial resources in accordance with the requirements of the U.K. Regulator. Insurers must comply with a Solvency Capital Requirement ("SCR"), which is calculated using either the Solvency II standard formula or a bespoke internal model. Our non-Lloyd's U.K. companies use the standard formula for determining compliance with the SCR.

The calculation of the minimum capital resources requirements in any particular case depends on, among other things, the type and amount of insurance business written and claims paid by the insurance company. As of December 31, 2023 and 2022, all of our U.K. insurance subsidiaries maintained capital in excess of the minimum capital resources requirements and complied with the relevant U.K. Regulator requirements. Our U.K.-based insurance subsidiaries, in aggregate, maintained capital in excess of the minimum capital resources requirements by $232 million and $160 million as of December 31, 2023 and 2022, respectively.

The U.K. Regulator’s rules require our U.K. insurance subsidiaries to obtain regulatory approval for any proposed or actual payment of a dividend. The U.K. Regulator uses the SCR, among other tests, when assessing requests to make distributions.

Lloyd’s

As of December 31, 2023, we participated in the Lloyd’s market through our interests in Syndicate 2008, a syndicate that has permission to underwrite RITC business and other run-off or discontinued business type transactions with other Lloyd’s syndicates.

We participated on the syndicate through a single, wholly owned Lloyd’s managing agent, Enstar Managing Agency Limited.

The underwriting capacity of a corporate member of Lloyd’s must be supported by providing FAL in the form of cash, securities, letters of credit or other approved capital instrument in satisfaction of its capital requirement. The amount of the FAL is assessed quarterly and is determined by Lloyd’s in accordance with applicable capital adequacy rules.

To release their capital, Lloyd’s members are usually required to have transferred their liabilities through an approved RITC, such as those offered by Syndicate 2008.

Business plans, including maximum underwriting capacity, for Lloyd’s syndicates require annual approval by the Lloyd’s Franchise Board, which may require changes to any business plan or additional capital to support underwriting plans.

The Lloyd’s market has applied the Solvency II internal model under Lloyd’s supervision, and our Lloyd’s operations are required to meet Solvency II standards. The Society of Lloyd's has received approval from the PRA to use its bespoke internal model under the Solvency II regime.

Lloyd’s approval is required before any person can acquire control of a Lloyd’s managing agent or Lloyd’s corporate member.

19. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

We believe that there are no significant concentrations of credit risk associated with our cash and cash equivalents, fixed maturity investments, or other investments. Our cash and investments are managed pursuant to guidelines that follow prudent standards of diversification and liquidity, and limit the allowable holdings of a single issue and issuers. We are also subject to custodial credit risk on our investments, which we manage by diversifying our holdings amongst large financial institutions that are highly regulated.

We have exposure to credit risk on certain of our assets pledged to ceding companies under insurance contracts. In addition, we are potentially exposed should any insurance intermediaries be unable to fulfill their contractual obligations with respect to payments of balances owed to and by us.

Credit risk exists in relation to (re)insurance balances recoverable on paid and unpaid losses. We remain liable to the extent that counterparties do not meet their contractual obligations and, therefore, we evaluate and monitor concentration of credit risk among our (re)insurers.

We are also subject to credit risk in relation to funds held by reinsured companies. Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to our reinsurance subsidiaries. The funds are not typically placed into trust or subject to other security arrangements. However, we generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by us.

We have a significant funds held concentration of $528 million (December 31, 2022: $443 million) to an Enstar affiliate.

We limit the amount of credit exposure to any one counterparty and none of our counterparty credit exposures, excluding U.S. Government instruments and the counterparties noted above, exceeded 10% of shareholders’ equity as of December 31, 2023. Our credit exposure to the U.S. government was $689 million as at December 31, 2023 (December 31, 2022: $663 million).

Legal Proceedings

We are, from time to time, involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation are included in the liability for losses and LAE in our consolidated balance sheets. In addition to claims litigation, we may be subject to other lawsuits and regulatory actions in the normal course of business, which may involve, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity. We do not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material effect on our business, results of operations or financial condition. We anticipate that, similar to the rest of the (re)insurance industry, we will continue to be subject to litigation and arbitration proceedings in the ordinary course of business, including litigation generally related to the scope of coverage with respect to A&E and other claims.

Unfunded Investment Commitments

As of December 31, 2023, we had unfunded commitments of $1.5 billion to other investments, $12 million to privately held equity and $41 million to fixed maturities.

20. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 30, 2024, which is the date that the financial statements were available to be issued.