

May 31, 2024

Report of Independent Auditors

To the Board of Directors of Claddaugh Casualty Insurance Company Ltd.

Opinions

We have audited the accompanying condensed financial statements of Claddaugh Casualty Insurance Company Ltd. (the “Company”), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2023 and December 31, 2022, and the related condensed statements of income for the years then ended, including the related notes (collectively referred to as the “condensed financial statements”).

Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and December 31, 2022, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial Statements (the “Legislation”).

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on U.S. generally accepted accounting principles* section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and December 31, 2022, or the results of its operations for the years then ended.

Basis for Opinions

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 condensed 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 opinions.

Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 4 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 4 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of management for the condensed financial statements

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed 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 condensed financial statements are available to be issued.

Auditors' responsibilities for the audit of the condensed financial statements

Our objectives are to obtain reasonable assurance about whether the condensed 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 condensed 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 condensed 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 condensed financial statements.
- Obtain an understanding of internal controls 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 condensed 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.



Grant Thornton (Bermuda) Limited
Chartered Professional Accountants
Hamilton, Bermuda

CONDENSED CONSOLIDATED BALANCE SHEET

Claddaugh Casualty Insurance Company

As at December 31, 2023

expressed in United States Dollars

LINE No.		2023	2022
1.	CASH AND CASH EQUIVALENTS	106,928,608	51,823,043
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	28,460,975	30,780,660
(h)	Total investments in and advances to affiliates	28,460,975	30,780,660
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED	433,846	148,862
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	68,318	851,809
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	68,318	851,809
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	-	
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS		

CONDENSED CONSOLIDATED BALANCE SHEET

Claddaugh Casualty Insurance Company

As at December 31, 2023

expressed in United States Dollars

LINE No.		2023	2022
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other		
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs		
(g)	Net receivables for investments sold		
(h)	Deferred Tax Asset	1,324,535	-
(i)	Prepaid Expenses	34,167	38,210
(j)	Income Tax Receivable	1,266,641	828,331
(k)	Total sundry assets	2,625,343	866,541
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	138,517,090	84,470,915
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	24,087,432	8,542,244
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	24,087,432	8,542,244
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	7,453,378	9,067,656
(b)	Less: Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	7,453,378	9,067,656
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	31,540,810	17,609,900
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	Total Net Long-Term Business Insurance Reserves	-	-
	OTHER LIABILITIES		

CONDENSED CONSOLIDATED BALANCE SHEET

Claddaugh Casualty Insurance Company

As at December 31, 2023

expressed in United States Dollars

LINE No.		2023	2022
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	358,502	785,170
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	17,500,000	
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	43,165	45,300
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased		
(e)	Other sundry liabilities (specify)		
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	-	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	17,901,667	830,470
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	49,442,477	18,440,370
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	89,074,613	66,030,545
41.	TOTAL	138,517,090	84,470,915
		TRUE	TRUE

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Claddaugh Casualty Insurance Company
 As at December 31, 2023
 expressed in United States Dollars

LINE No.		2023	2022
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written		
	(b) Assumed gross premiums written	58,000,000	22,760,548
	(c) Total gross premiums written	58,000,000	22,760,548
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	58,000,000	22,760,548
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(15,545,188)	(5,337,772)
5.	NET PREMIUMS EARNED	42,454,812	17,422,776
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	42,454,812	17,422,776
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	6,642,249	39,714,828
9.	COMMISSIONS AND BROKERAGE	17,500,000	
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	24,142,249	39,714,828
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	18,312,563	(22,292,052)
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations		
	(b) Assumed gross premiums and other considerations		
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED		
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME		
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS		
23.	COMMISSIONS		
24.	OTHER		
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOMECladdaugh Casualty Insurance Company
As at December 31, 2023
expressed in United States Dollars

LINE No.		2023	2022
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	18,312,563	(22,292,052)
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	495,879	381,817
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	495,879	381,817
31.	COMBINED INVESTMENT INCOME - NET	3,429,447	638,894
32.	COMBINED OTHER INCOME (DEDUCTIONS)		
33.	COMBINED INCOME BEFORE TAXES	21,246,131	(22,034,975)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	1,526,598	(91,446)
	(b) Deferred	(1,324,535)	(368,443)
	(c) Total	202,063	(459,889)
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	21,044,069	(21,575,086)
36.	COMBINED REALIZED GAINS (LOSSES)		
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	21,044,069	(21,575,086)

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Claddaugh Casualty Insurance Company

As at December 31, 2023
expressed in United States Dollars

LINE No.		2023	2022
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares		
	authorized	120,000	
	value	\$ 1,000	
	fully paid	120,000	
		shares of par	
		each issued and	
		shares	
	(ii)		
	(A) Preferred shares:		
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2023		
	2022		
	(B) Preferred shares issued by a subsidiary:		
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2023		
	2022		
	(iii) Treasury Shares		
	repurchased		
	value		
		shares of par	
		each issued	
(b)	Contributed surplus	96,414,792	94,414,793
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	96,534,792	94,534,793
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	(28,504,248)	(6,929,162)
(b)	Add: Income for the year	21,044,069	(21,575,086)
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus		
(f)	Surplus - End of Year	(7,460,179)	(28,504,248)
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	89,074,613	66,030,545

CLADDAUGH CASUALTY INSURANCE COMPANY LTD.
NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

PART I: GENERAL NOTES TO THE FINANCIAL STATEMENTS

1. Claddaugh Casualty Insurance Company Ltd. (the “Company”) was incorporated under the laws of Bermuda on May 6, 2008. The Company is a wholly-owned subsidiary of HCI Group, Inc. (the “Parent”) (formerly known as Homeowner’s Choice, Inc.), a company incorporated in the United States of America. The Company is registered under and regulated by the Insurance Act 1978 and its related regulations.
2. Effective December 31, 2017, Homeowners Choice Property & Casualty Insurance Company, Inc. entered into an Adverse Loss Development contract with the Company. The contract covers incurred losses, including IBNR, on Homeowners and Dwelling Fire lines of business occurring prior to January 1, 2018, but not paid until January 1, 2018 or after. The policy’s retention is \$70 million and the aggregate limit is \$30 million. This policy was commuted on April 1, 2021.

On June 1, 2023, the Company entered into the following policies:

1. PROPERTY CATASTROPHE EXCESS OF LOSS REINSURANCE CONTRACT (U8GR001-C) which provides coverage of \$1,500,000 x/s of \$12,500,000 for Homeowners Choice Property & Casualty Insurance Company, Inc. for a maximum exposure of \$3,000,000; Claddaugh’s participation is 100%.
 2. PROPERTY CATASTROPHE MULT-REGION EXCESS OF LOSS REINSURANCE CONTRACT LAYER 1 (UBWP0001-C1) which provides coverage of \$11,000,000 x/s of \$9,000,000 for TypTap Insurance Company and Homeowners Choice Property & Casualty Insurance Company, Inc. for a maximum exposure of \$22,000,000; Claddaugh’s participation is 100%.
 3. PROPERTY CATASTROPHE MULT-REGION EXCESS OF LOSS REINSURANCE CONTRACT LAYER 2 (UBWP0001-C1) which provides coverage of \$30,000,000 x/s of \$20,000,000 for TypTap Insurance Company and Homeowners Choice Property & Casualty Insurance Company, Inc. for a maximum exposure of \$60,000,000; Claddaugh’s participation is 100%.
 4. PROPERTY CATASTROPHE MULT-REGION EXCESS OF LOSS REINSURANCE CONTRACT (UBWP0001-C2) which provides coverage of \$62,000,000 x/s of \$50,000,000 for TypTap Insurance Company and Homeowners Choice Property & Casualty Insurance Company, Inc. for a maximum exposure of \$12,400,000; Claddaugh’s participation is 20%.
3. The condensed general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the “Legislation”). The condensed general purpose financial statements are based on United States of America Generally Accepted Accounting Principles (“US GAAP”) but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from US GAAP.
 4. The financial statements are prepared in accordance with the Insurance Act 1978, as amended by the Insurance Amendment Act 1995, and reflect the following policies:

PART I: GENERAL NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(a) Premiums

Premiums are earned on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums.

(b) Losses and loss expense provisions

The reserve for losses and loss adjustment expenses comprises estimates for specific case reserves and losses incurred but not reported. Specific case reserves are recorded upon notification of a claim impacting the layers underwritten by the Company. Losses incurred but not reported reserve is established based on recommendations of an independent actuary using past loss experience and case basis evaluation.

Although management believes the reserve is reasonable, the ultimate cost of settlement of claims may vary materially from the amount recorded. Future adjustments to the amounts recorded as at December 31, 2022, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Company's statement of operations in future periods when such adjustments become known.

(c) Cash and cash equivalents

Cash and cash equivalents comprise money market funds that are highly liquid and readily convertible into a known amount of cash.

(d) Federal income taxes

The Company accounts for income taxes under Accounting Standards Codification No. 740 "Accounting for Income Taxes" ("ASC 740"). Under the asset and liability method of ASC No. 740, deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date and deferred tax assets are recognised if it is more likely than not that a benefit will be realised.

(e) Interest income

Interest income is recorded on an accrual basis.

5. Income is recognised on the following basis:

Premium income - See Part I note 4 (a)

Commission income – N/A

Interest income – See Part I note 4 (e)

6-15. Not applicable.

16. On December 27, 2023, final legislation was passed in Bermuda to enact a 15% Corporate Income Tax that would apply to Bermuda businesses that are part of a multinational group with an annual revenue over Eur 750 million. The law is effective starting on January 1, 2025. The exemption from taxation until 2035 previously mentioned does not apply to this tax. The Company is currently reviewing the legislation, but the financials as presented do not reflect an impact as the company expects to have a full credit against any Bermuda tax for the U.S. taxes incurred due to the 953(d) election discussed in the subsequent paragraph.

The Company has made an irrevocable election under Section 953(d) of the United States Internal Revenue Code, as amended, to be taxed as a US domestic corporation. As a result of this "domestic election", the Company is subject to US taxation on its world-wide income as if it were a US corporation.

17. Not applicable

PART II: NOTES TO THE CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

1. (a) Capital Stock

Authorised, issued and fully paid 120,000 common shares of par value \$1 each.
- (b) During the year 2023, the parent made cash contribution to the company that increased the contributed surplus by \$2,000,000.
2. (c) Not applicable.

PART III: NOTES TO THE CONSOLIDATED BALANCE SHEET

1. The Company has entered into a trust agreement with HCI Group Inc. to establish a trust account which secures the Company's obligations. The Company is required to have assets in the trust account which HCI Group, Inc. can draw upon to settle claims or other balances due. Cash and cash equivalents with a fair value of \$106,928,608 (2022: \$51,823,043) were held in the trust account as of December 31, 2023.
- 2-3. Not applicable.
4. Amounts advanced to affiliates are interest free, unsecured and have no fixed terms of repayments.
- 5-8. Not applicable.
9. Accrued interest from investments held is \$433,846 (2022:\$148,862).
10. The balance of accounts and premiums receivable is \$68,318 (2022:\$851,809).
- 11-12. Not applicable.
13. Sundry assets are composed of deferred tax asset amount of \$1,324,534 (2022: \$NIL). Prepaid expenses represent prepaid secretarial fee, management fee and out of pocket expenses in the amount of \$34,167 (2022: \$38,210). Income tax receivable amount of \$1,266,641 (2022: \$828,331).
14. Not applicable.
16. See Part 1 note 4(a).
17. The following table provides a reconciliation of the activity in the reserves for insurance losses and loss adjustment expenses.

	2023	2022
Gross/Net loss and loss expense provisions at beginning of year	9,067,656	14,351,038
Net losses incurred and net loss expenses incurred related to:		
Current year	-	28,705,695
Prior years	<u>6,642,249</u>	<u>11,009,132</u>
Total net incurred losses & loss expenses	<u>6,642,249</u>	<u>39,714,827</u>
Net losses and loss expenses paid or payable related to:		
Current year	-	(28,705,695)

Prior years	<u>(8,256,527)</u>	<u>(16,292,514)</u>
Total losses and loss expenses paid or payable	<u>(8,256,527)</u>	<u>(44,998,209)</u>
Gross/Net loss and loss expense provisions at end of year	<u>7,453,378</u>	<u>9,067,656</u>

(b) Gross loss and loss expense provisions have decreased by \$6,642,249 (2022: \$11,009,132) from last year. The decrease is mainly due to the decrease in losses and losses expenses for Sally;ETA; NE Storms and IAN losses.

(c) Not applicable.

20-27. Not applicable.

28. The insurance and reinsurance balances payable of \$358,502 represents loss payable to the Parent.

29. Not Applicable

30. Not applicable.

31. The Company made an irrevocable election under Section 953(d) of the Internal Revenue Code of 1986, as amended, to treat the Company as a domestic insurance company for United States federal income tax purposes. As a result of the “domestic election”, the Company is subject to U.S. taxation on its worldwide income as if it were a U.S. corporation.

The Company and its Parent file a consolidated federal income tax return and the balance owing, or recoverable, is paid by or paid to, the Parent company. Income tax expense in the Company’s statement of income and retained earnings has been allocated under Internal Revenue Code Section 1552(a) (2).

The Components of income tax expense are as follows:

	2023	2022
Current income tax expense(benefit)	\$ 1,526,598	(828,331)
Deferred Income tax expense(benefit)	<u>(1,324,535)</u>	<u>368,442</u>
	<u>\$ 202,063</u>	<u>(459,889)</u>

The component of income tax payable are as follows:

	2023	2022
Current income tax payable/(receivable)	\$ <u>(1,266,641)</u>	<u>(828,331)</u>

32. Not applicable.

33. Accounts payable and accrued expenses in the amount of \$43,165 (2022:\$45,300) represents the accrued actuarial fee, and audit fee.

34-37. Not applicable.

PART IV: NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

6. Not applicable.

15. Not applicable.

32. Not applicable.

36. Not applicable.