Premia Reinsurance Ltd.

Consolidated Financial Statements
and Report of Independent Auditors

For the Years Ended December 31, 2021 and 2020

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Premia Reinsurance Ltd.

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Financial Statements

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Premia Reinsurance Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United Stated of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 8, 2022

Premia Reinsurance Ltd.

Consolidated Balance Sheets

As at December 31, 2021 and December 31, 2020

(Expressed in thousands of US dollars, except share data)

		2021	2020
Assets			
Short-term investments, available-for-sale, at fair value		$ 26,986	$ 6,523
Fixed maturities, available-for-sale, at fair value		1,098,434	1,189,174
Other investments, at fair value		212,221	175,659
Equities, at fair value		1,709	1,719
Total investments	Note 3	1,339,350	1,373,075
Cash and cash equivalents		37,312	4,635
Restricted cash and cash equivalents		85,700	73,514
Premiums receivable		28,000	77,077
Funds held by ceding companies		402,438	507,020
Reinsurance recoverable on paid and unpaid losses	Note 6	16,388	22,587
Deferred charge asset	Note 5	20,851	16,311
Other assets		28,695	29,827
Receivable from related party	Note 10	227,096	119,893
Total Assets		**$ 2,185,830**	**$ 2,223,939**
Liabilities			
Reserve for losses and loss adjustment expenses	Note 5	$ 492,589	$ 703,689
Deposit liability	Note 5	769,176	739,099
Unearned premiums		19,040	44,599
Ceded funds held		23,843	32,650
Deferred gain liability	Note 5	177	10,562
Intercompany payable		28	1,318
Other liabilities		35,300	44,543
Total Liabilities		**1,340,153**	**1,576,460**
Shareholders' Equity			
Common shares ($1 par; shares issued and outstanding: 1,000,000)	Note 7	1,000	1,000
Additional paid-in capital		681,865	503,000
Accumulated other comprehensive income		17,400	35,294
Retained earnings		145,412	108,185
Total Shareholders' Equity		**845,677**	**647,479**
Total Liabilities and Shareholders' Equity		**$ 2,185,830**	**$ 2,223,939**

Premia Reinsurance Ltd.

Consolidated Statements of Operations and Comprehensive Income

For the Years Ended December 31, 2021 and 2020

(Expressed in thousands of US dollars)

		2021	2020
Revenues			
Gross premiums written		$ 484,976	$ 91,459
Ceded premiums		—	—
Net premiums written		484,976	91,459
Change in unearned premiums		25,559	41,316
Net premiums earned		510,535	132,775
Net investment income	Note 3	40,314	42,546
Realized gains (losses) on investments	Note 3	6,443	(6,503)
Unrealized gains on other investments	Note 3	14,979	3,927
Other income		7,169	4,519
Total revenues		**579,440**	**177,264**
Expenses			
Net loss and loss adjustment expenses		(488,368)	(133,506)
Operating expenses		(17,792)	(5,690)
Interest expense		(34,394)	(27,384)
Net foreign exchange (loss) gain		(1,659)	1,901
Total expenses		**(542,213)**	**(164,679)**
Net income		**$ 37,227**	**$ 12,585**
Other Comprehensive (Loss) Income			
Available for sale investments:			
Unrealized (losses) gains arising during the year		$ (11,255)	$ 1,724
Adjustment for net realized (gains) losses and OTTI recognized in net income		(6,639)	8,081
Unrealized (losses) gains arising during the year, net of reclassification adjustment		(17,894)	9,805
Total other comprehensive (loss) income		**(17,894)**	**9,805**
Comprehensive income		**$ 19,333**	**$ 22,390**

Premia Reinsurance Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2021 and 2020

(Expressed in thousands of US dollars)

	2021	2020
Common Shares		
Balance at beginning of year	$ 1,000	$ 1,000
Common shares issued	—	—
Balance at end of year	1,000	1,000
Additional Paid-in Capital		
Balance at beginning of year	503,000	503,000
Contribution during the year	178,865	—
Balance at end of year	681,865	503,000
Accumulated Other Comprehensive Income		
Balance at beginning of year	35,294	25,489
Unrealized (losses) gains on available-for-sale securities	(17,894)	9,805
Balance at end of year	17,400	35,294
Retained Earnings		
Balance at beginning of year	108,185	95,600
Net income	37,227	12,585
Balance at end of year	145,412	108,185
Total Shareholders' Equity	**$ 845,677**	**$ 647,479**

Premia Reinsurance Ltd.

Consolidated Statements of Cash Flows

As at December 31, 2021 and December 31, 2020

(Expressed in thousands of US dollars)

	2021	2020
Operating Activities		
Net income	$ 37,227	$ 12,585
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Realized (gains) losses on investments	(12,708)	2,632
Unrealized gains on other investments	(16,229)	(4,392)
Net impairment losses	2,663	4,772
Depreciation, amortization and accretion	4,549	39
Net foreign exchange gain	(2)	(1,901)
Changes in assets and liabilities:		
Premiums receivable	49,077	80,033
Funds held by ceding companies	104,581	103,042
Reinsurance recoverable on paid and unpaid losses	6,200	12,418
Deferred charge asset	(4,539)	(3,363)
Other assets	(1,599)	(1,133)
Reserve for losses and loss adjustment expenses	(211,099)	(125,758)
Deposit liability	30,077	27,384
Unearned premiums	(25,559)	(41,804)
Ceded funds held	(8,806)	(7,060)
Deferred gain liability	(10,385)	2,127
Other liabilities	(2,876)	11,627
Receivable from related party	(107,202)	(16,401)
Intercompany payable	(1,290)	1,122
Net cash (used in) provided by Operating Activities	(167,920)	55,969
Investing Activities		
Purchase of available-for-sale investments	(670,976)	(574,391)
Proceeds from sale or redemption of available-for-sale investments	704,894	413,901
Purchase of property and equipment	—	(18)
Net cash provided by (used in) Investing Activities	33,918	(160,508)
Financing Activities		
Capital contributions	178,865	—
Net cash provided by Financing Activities	178,865	—
Net increase (decrease) in cash, cash equivalents and restricted cash	44,863	(104,539)
Cash, cash equivalents and restricted cash at beginning of period	78,149	182,688
Cash, cash equivalents and restricted cash at end of period	**$ 123,012**	**$ 78,149**
Reconciliation to Consolidated Balance Sheet		
Unrestricted cash and cash equivalents	$ 37,312	$ 4,635
Restricted cash and cash equivalents	85,700	73,514
Cash, cash equivalents and restricted cash	**$ 123,012**	**$ 78,149**

Premia Reinsurance Ltd.

Notes to the Consolidated Financial Statements

1. Organization

Premia Reinsurance Ltd. ("Premia Re" or the "Company") was incorporated in Bermuda on October 31, 2016 as a Bermuda exempted company, and obtained a license from the Bermuda Monetary Authority ("BMA") to operate as a Class 4 insurer and reinsurer under the Insurance Act 1978 (the "Act") on January 1, 2017. The ultimate parent company of Premia Re is Premia Holdings Ltd. ("Premia Holdings"), which was incorporated in Bermuda on October 6, 2016, and capitalized on January 6, 2017.

Premia Re was capitalized with $500.0 million and $4.0 million on January 9, 2017 and February 3, 2017, respectively, by Premia Holdings.

2. Summary of significant accounting policies

(a) Basis of presentation

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

The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

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

(b) Use of estimates

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

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

a. valuation of loss and loss adjustment expense reserves;
b. determination of whether reinsurance contracts transfer insurance risk;
c. recoverability of reinsurance balances receivable;
d. valuation of investments and assessment of other than temporary impairment; and
e. valuation of deferred charge assets and deferred gain liabilities.

2. Summary of significant accounting policies, continued

(c) Premiums

To the extent that the amount of written premium is estimable, the Company estimates the ultimate premiums for the entire contract period and records this estimate at the inception of the contract. For contracts where the full written premium is not estimable at inception, the Company records written premium for the portion of the contract period for which the amount is estimable. These estimates are based primarily on information in the underlying contracts as well as information provided by clients and/or brokers. Changes in premium estimates are expected and may result in adjustments in any reporting period. These estimates change over time as additional information regarding the underlying business volume is obtained. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined.

Premiums for retroactive reinsurance contracts are earned at the inception of the contract, as all of the underlying loss events covered by these contracts occurred in the past. If the estimated loss and loss adjustment expense reserve differs from the premium consideration received at the inception of a retroactive reinsurance contract, the resulting difference is deferred and recognized over the estimated claim payment period of the related contract with the periodic amortization reflected in earnings as a component of loss and loss adjustment expenses incurred.

Premiums for prospective reinsurance are earned over the life of the reinsurance contract. At the inception of the contract, the Company records premiums written on prospective business in full with an unearned premium reserve, equal to an actuarial analysis of the reserve balance, as of the same date. The unearned premium reserve is amortized over the remaining contract period in proportion to the amount of insurance protection provided.

(d) Reinsurance premiums ceded

Retrocessional coverage is used to limit the Company's exposure to the risk of loss arising from certain assumed reinsurance contracts. The Company remains obligated to the extent that any retrocessionaire fails to meet its obligations to it. Reinsurance premiums ceded which relate to retroactive reinsurance contracts, are written during the period in which the risks incept and are earned in full at the inception of the contract. Ceded unearned premiums relating to prospective reinsurance contracts, if any, consist of the unexpired portion of reinsurance ceded.

(e) Retroactive reinsurance

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered by the underlying policies reinsured. A deferred charge asset or deferred gain liability ("DCA" or "DGL") is reported separately on the consolidated balance sheets when the premium consideration received is less than, or greater than, the best estimate of the loss reserves assumed, respectively, such that no underwriting gain or loss is recorded at the inception of these retroactive reinsurance contracts. In addition, for retrocessions of loss reserves assumed through retroactive reinsurance contracts where the retroceded liabilities exceed the retrocession premiums paid, the excess is recorded as a DGL and amortized over the estimated period during which the losses paid on the assumed retroceded liabilities are recovered from the retrocessionaire.

2. Summary of significant accounting policies, continued

The periodic amortization of the recorded DCA/DGL is recognized within net losses and loss adjustment expenses in the consolidated statements of operations.

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

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

(f) Deposit accounting

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

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

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

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

(g) Acquisition costs

Acquisition costs, consisting principally of commission, brokerage and federal excise tax, incurred at the time a retroactive reinsurance contract is issued and which directly relate to the successful effort of acquiring such new reinsurance contracts, are typically expensed in full at inception, consistent with how the related premium is earned.

2. Summary of significant accounting policies, continued

(h) Loss and loss adjustment expenses

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

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

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

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

(i) Commutations

As the Company actively runs off its insurance and reinsurance subsidiaries, it seeks to mitigate its exposures through early settlement of all its obligations to policyholders or ceding companies by entering into commutations.

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

(j) Cash and cash equivalents

Cash equivalents include highly liquid instruments, such as money market funds and other time deposits with commercial banks and financial institutions which have maturities of less than three months from the date of purchase.

2. Summary of significant accounting policies, continued

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

(k) Investments and net investment income

The Company's investment portfolio is comprised of short-term and fixed maturity securities classified as available-for-sale as well as equities and other investments. Short-term investments comprise securities with maturities greater than three months up to one year from their date of purchase while fixed maturity investments are comprised of securities with maturities greater than one year from their date of purchase. The Company's available-for-sale investments are carried at their estimated fair value with the changes in fair value recorded as an unrealized gain or loss component of accumulated other comprehensive income (loss) in shareholders' equity.

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

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

Realized gains and losses on sales of investments are determined on a first-in, first-out basis and are included in net gains (losses) on investments in the consolidated statements of operations. Investment income is recognized when earned and includes interest and dividend income net of investment management and custody fees, third party investment accounting fees and sponsor oversight fees. The costs of the Company's fixed maturity investments are adjusted for the amortization of premiums and accretion of discounts, which are determined using the effective yield method and included in net investment income.

The Company performs a quarterly review of its fixed maturity investments to determine whether declines in fair value below the amortized cost basis are considered other-than-temporary in accordance with applicable accounting guidance regarding the recognition and the presentation of other-than-temporary impairments ("OTTI"). This process includes reviewing each fixed maturity investment whose fair value is below amortized cost and: (1) determining if the Company has the intent to sell the fixed maturity investment; (2) determining if it is more likely than not that the Company would be required to sell the fixed maturity investment before its anticipated recovery; and (3) assessing whether a credit loss exists, that is, whether it is anticipated if the present value of the cash flows expected to be collected from the fixed maturity investment would be less than the amortized cost basis of the investment. The discount rate used to calculate the estimated present value of the cash flows expected to be collected is the effective interest rate implicit for the security at the date of purchase.

2. Summary of significant accounting policies, continued

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

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

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

(l) Fair value measurement

The Company uses pricing services to obtain the fair value measurements for the majority of its investment securities. Based on management’s understanding of the methodologies used, these pricing services only produce an estimate of fair value if there is observable market information that would allow them to make a fair market value estimate. The Company does not adjust prices from pricing services.

Below is a description of the valuation techniques and inputs used to determine the fair values for the financial instruments carried at fair value, as well as the general classification of these instruments within the fair value hierarchy. The Company’s pricing services determine fair value in accordance with current accounting guidance, which defines fair value and establishes a three level fair value hierarchy based upon the transparency of inputs used in the valuation of an asset or liability.

Fair value is defined as the price that the Company would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgement associated with the inputs used to measure their fair value. An asset or liability’s categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

2. Summary of significant accounting policies, continued

The hierarchy is broken down into three levels as follows:

- **a.** Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgement.
- **b.** Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- **c.** Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally Company generated inputs and are not market based inputs.

Fair values for alternative investments, including investments in funds and limited partnerships are based on their respective NAV and are excluded from the fair value hierarchy.

Other assets and liabilities

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

(m) Variable interest entities

The Company has investments in certain limited partnership funds which are deemed to be variable interest entities ("VIEs") and which are included in other investments at the reported NAV. Determining whether to consolidate a VIE may require judgment in assessing (i) whether an entity is a VIE, and (ii) if the Company is the entity's primary beneficiary and thus required to consolidate the entity. To determine if the Company is the primary beneficiary of a VIE, management evaluates whether the Company has (i) the power to direct the activities that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Management's evaluation includes identification of the activities that most significantly impact the VIE's economic performance and an assessment of the Company's ability to direct those activities based on governance provisions, contractual arrangements to provide or receive certain services, funding commitments and other applicable agreements and circumstances. Management's assessment of whether the Company is the primary beneficiary of its VIEs requires significant assumptions and judgment.

(n) Property and equipment

Property and equipment, which consist of land and building, vehicles, leasehold improvements, office furniture, computer software and computer equipment, are stated at cost less accumulated depreciation.

Depreciation is computed using a straight-line method over the estimated useful lives of the assets, ranging from three to thirty five years. Net property and equipment are included in other assets on the consolidated balance sheets.

2. Summary of significant accounting policies, continued

(o) Foreign currency revaluation

The functional currency of the Company and its subsidiaries is the US dollar. For these companies, all foreign currency asset and liability amounts are revalued into US dollar at the year-end exchange rates with the resulting foreign exchange gains and losses recognized in the consolidated statements of operations. Foreign currency income and expenses are revalued at average rates in effect during the period in which they are earned or incurred, respectively.

New Accounting Standards Adopted in 2021

Accounting Standards Update ("ASU") 2020-04 and ASU 2021-01 – Reference Rate Reform

In January 2020, the FASB issued ASU 2020-04 which is codified in ASC 848 – *Reference Rate Reform* and which provides temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting, to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates ("IBORs") to alternative reference rates, such as the Secured Overnight Financing Rate ("SOFR"), if certain criteria are met.

Subsequently, in January 2021, the FASB issued ASU 2021-01 to clarify that all derivative instruments affected by changes to the interest rates used for discounting, margining or contract price alignment (commonly referred to as the discounting transition) are within the scope of ASC 848. The amendments in ASU 2021-01 also clarify other aspects of the guidance in ASC 848.

The original guidance in ASU 2020-04 which is codified in ASC 848 as well as ASU 2021-01 are effective as of their issuance dates and the relief provided is temporary and generally cannot be applied to contract modifications that occur after December 31, 2022 or hedging relationships entered into or evaluated after that date. The adoption of both ASU 2020-04 (as codified in ASC 848) and ASU 2021-01 did not have a material impact on the Company's consolidated financial statements and disclosures.

ASU 2018-17 – Consolidation – Targeted Improvements to Related Party Guidance for Variable Interest Entities

In October 2018, the FASB issued ASU 2018-17 which allows private companies to make an accounting policy election to not apply the variable interest entity guidance to certain arrangements between entities under common control in which the reporting entity, the legal entity being evaluated for consolidation and the common control parent are not public business entities. In addition, through ASU 2018-17, the FASB amended the variable interest entity guidance to require an entity to consider a decision maker's indirect interests held through related parties under common control on a proportionate basis when determining whether decision-making fees are variable interests.

ASU 2018-17 was effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021 with early adoption permitted. The adoption of ASU 2018-17 did not have an impact on the Company's consolidated financial statements and disclosures.

2. Summary of significant accounting policies, continued

ASU 2018-15 - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the FASB issued ASU 2018-15 which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The amendments in ASU 2018-15 also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The entity is also required to apply the existing impairment guidance in ASC 350-40 to the capitalized implementation costs as if the costs were long-lived assets.

The amendments in ASU 2018-15 are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021, with early adoption permitted, including adoption within any interim period. The amendments in ASU 2018-15 should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The adoption of ASU 2018-15 did not have a material impact on the Company's consolidated financial statements and disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU 2020-08 – Codification Improvements to Subtopic 310-20 - Receivables - Nonrefundable Fees and Other Costs

In October 2020, the FASB issued ASU 2020-08 to clarify that an entity should re-evaluate whether a callable debt security is within the scope of ASC 310-20-35-33 during each reporting period and accelerate the amortization of the premium associated with the callable debt to the earliest call date. All entities are required to apply the amendments in ASU 2020-08 on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities.

The amendments in ASU 2020-08 are effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The adoption of ASU 2020-08 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

ASU 2016 -13 and ASU 2019-04 - Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13 which is codified in ASC 326 - *Financial Instruments - Credit Losses*, amending the guidance on the impairment of financial instruments and significantly changing how entities measure credit losses for most financial assets and certain other financial instruments including reinsurance balances recoverable on paid and unpaid losses that are not measured at fair value through net income. ASU 2016-13 will replace the existing *"incurred loss"* approach, with an *"expected loss"* model for instruments measured at amortized cost and require entities to record allowances for available-for-sale ("AFS") debt securities rather than reduce the carrying amount under the existing OTTI model. ASU 2016-13 also simplifies the accounting model for purchased credit-impaired debt ("PCD") securities and loans.

2. Summary of significant accounting policies, continued

In April 2019, the FASB issued ASU 2019-04, which amends ASU 2016-13 as codified in ASC 326 to clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments. The guidance in ASU 2016-13 and the related amendments are effective for interim and annual reporting periods beginning after December 15, 2022 and the Company is currently evaluating the impact of adopting the guidance on its consolidated financial statements and disclosures.

ASUs 2016-02, 2018-11 and 2021-09 - Leases

In February 2016, FASB issued ASU 2016-02 which is codified in ASC 842 - *Leases*, amending the guidance on the classification, measurement and disclosure of leases for both lessors and lessees. ASU 2016-02 requires lessees to recognize a right-of-use asset and an offsetting lease liability on the balance sheet and to disclose qualitative and quantitative information about leasing arrangements.

In July 2018, the FASB also issued ASU 2018-11, which adds a transition option that allows entities not to apply the new leases standard in the comparative periods they present in their financial statements in the year of adoption. Under the transition option, entities can instead opt to continue to apply the legacy guidance in ASC 840 - *Leases*, including its disclosure requirements, in the comparative periods presented in the year they adopt the new leases standard.

This means that entities that elect this option will only provide annual disclosures for the comparative periods because ASC 840 does not require interim disclosures. Entities that elect this transition option are still required to adopt the new leases standard using the modified retrospective transition method, but they will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented.

Subsequently in November 2021, the FASB issued ASU 2021-09 which amended ASC 842 to allow a lessee that is not a public business entity to elect to use a risk-free rate as its discount rate by class of underlying asset, rather than for all leases as originally required by ASC 842. ASU 2021-09 also requires lessees to use the rate implicit in the lease when it is readily determinable, even if they make the risk-free rate election.

The guidance in ASU 2016-02 and all the related amendments are effective for annual periods beginning after December 15, 2021. The Company does not anticipate the adoption of ASU 2016-02 and the related amendments to have a material impact on its consolidated financial statements and disclosures.

3. Investments

a) The following tables summarize the Company's investments as at December 31, 2021 and 2020. Commercial and residential mortgage-backed securities include securities issued by US government-sponsored enterprises and US government agencies.

	2021			
(in thousands of US dollars)	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Fixed maturity and short-term investments, available-for-sale				
Corporate bonds	$ 406,256	$ 16,653	$ (3,878)	$ 419,031
Non-agency mortgage-backed securities	264,158	12,129	(7,891)	268,396
U.S. government and govt agency bonds	33,159	180	(519)	32,820
Non-U.S. governments	3,995	304	(149)	4,150
Municipals	17,963	1,879	(30)	19,812
Agency mortgage-backed securities	27,007	148	(715)	26,440
Asset backed securities	157,820	1,502	(1,931)	157,391
Term loans	197,662	2,763	(3,045)	197,380
Total fixed maturity and short-term investments, available-for-sale	1,108,020	35,558	(18,158)	1,125,420
Other investments	185,183	29,344	(2,306)	212,221
Equity investments	2,080	182	(553)	1,709
Total investments	$ 1,295,283	$ 65,084	$ (21,017)	$ 1,339,350

3. Investments, continued

(in thousands of US dollars)	2020 Amortized cost	2020 Gross unrealized holding gains	2020 Gross unrealized holding losses	2020 Fair value
Fixed maturity and short-term investments, available-for-sale				
Corporate bonds	$ 378,287	$ 36,982	$ (92)	$ 415,177
Non-agency mortgage-backed securities	272,769	10,486	(10,763)	272,492
U.S. government and govt agency bonds	51,912	577	(192)	52,297
Non-U.S. governments	4,812	426	(128)	5,110
Municipals	23,039	2,470	(1)	25,508
Agency mortgage-backed securities	92,987	1,557	(591)	93,953
Asset backed securities	182,654	1,461	(5,083)	179,032
Term loans	153,943	3,623	(5,438)	152,128
Total fixed maturity and short-term investments, available-for-sale	1,160,403	57,582	(22,288)	1,195,697
Other investments	164,860	13,235	(2,436)	175,659
Equity investments	2,080	45	(406)	1,719
Total investments	$ 1,327,343	$ 70,862	$ (25,130)	$ 1,373,075

b) The fair values of the underlying asset categories comprising fixed maturity and short-term investments classified as available-for-sale were as follows as of December 31, 2021 and 2020:

(in thousands of US dollars)	2021 Short-term investments, available-for-sale	2021 Fixed maturities, available-for-sale	2021 Total fixed maturity and short-term investments, available-for-sale
Corporate bonds	$ —	$ 419,031	$ 419,031
Non-agency mortgage-backed securities	—	268,396	268,396
U.S. government and govt agency bonds	2,500	30,320	32,820
Non-U.S. governments	—	4,150	4,150
Municipals	—	19,812	19,812
Agency mortgage-backed securities	—	26,440	26,440
Asset backed securities	982	156,409	157,391
Term loans	23,504	173,876	197,380
Total	$ 26,986	$ 1,098,434	$ 1,125,420

3. Investments, continued

(in thousands of US dollars)	2020 Short-term investments, available-for-sale	2020 Fixed maturities, available-for-sale	2020 Total fixed maturity and short-term investments, available-for-sale
Corporate bonds	$ 1,000	$ 414,177	$ 415,177
Non-agency mortgage-backed securities	1,217	271,275	272,492
U.S. government and govt agency bonds	—	52,297	52,297
Non-U.S. governments	—	5,110	5,110
Municipals	—	25,508	25,508
Agency mortgage-backed securities	—	93,953	93,953
Asset backed securities	—	179,032	179,032
Term loans	4,306	147,822	152,128
Total	$ 6,523	$ 1,189,174	$ 1,195,697

The following table summarizes the Company's other investments carried at fair value as of December 31, 2021 and 2020. The valuation of other investments is described in Note 4 - "Fair Value Measurements".

(in thousands of US dollars)	2021	2020
Other investments		
Private credit investment funds	$ 99,619	$ 110,005
Real assets and intellectual property funds	23,956	19,407
Residential real estate funds	17,186	19,492
Commercial real estate funds	17,586	7,291
Financial funds	17,466	10,957
Credit funds	20,571	2,561
Traditional private equity funds	15,837	5,946
Total other investments	$ 212,221	$ 175,659

3. Investments, continued

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

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

Equity investments represent privately held preferred shares.

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

	2021					
(in thousands of US dollars)	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Fixed maturity and short-term investments, available-for-sale						
Corporate bonds	$ 173,656	$ (3,534)	$ 7,782	$ (344)	$ 181,438	$ (3,878)
Non-agency mortgage-backed securities	70,200	(3,049)	32,717	(4,842)	102,917	(7,891)
U.S. government and govt agency bonds	9,554	(162)	10,275	(357)	19,829	(519)
Non-U.S. governments	890	(22)	706	(127)	1,596	(149)
Municipals	1,201	(25)	95	(5)	1,296	(30)
Agency mortgage-backed securities	21,458	(597)	3,214	(118)	24,672	(715)
Asset backed securities	70,918	(609)	19,056	(1,322)	89,974	(1,931)
Term loans	16,141	(525)	17,005	(2,520)	33,146	(3,045)
Total fixed maturity and short-term investments, available-for-sale	$ 364,018	$ (8,523)	$ 90,850	$ (9,635)	$ 454,868	$ (18,158)

3. Investments, continued

(in thousands of US dollars)	2020					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Fixed maturity and short-term investments, available-for-sale						
Corporate bonds	$ 12,152	$ (86)	$ 510	$ (6)	$ 12,662	$ (92)
Non-agency mortgage-backed securities	85,226	(7,480)	23,298	(3,283)	108,524	(10,763)
U.S. government and govt agency bonds	21,341	(192)	—	—	21,341	(192)
Non-U.S. governments	1,286	(17)	939	(111)	2,225	(128)
Municipals	99	(1)	—	—	99	(1)
Agency mortgage-backed securities	19,168	(351)	296	(240)	19,464	(591)
Asset backed securities	66,818	(2,491)	38,779	(2,592)	105,597	(5,083)
Term loans	26,438	(2,982)	20,373	(2,456)	46,811	(5,438)
Total fixed maturity and short-term investments, available-for-sale	$ 232,528	$ (13,600)	$ 84,195	$ (8,688)	$ 316,723	$ (22,288)

At December 31, 2021 the Company was in an overall net unrealized holding gain position of $17.40 million (2020: $35.294 million) on fixed maturity and short-term investments classified as available-for-sale. Gross unrealized holding gains on fixed maturity and short-term investments were $35.558 million (2020: $57.582 million) which were partially offset by gross unrealized losses of $18.158 million (2020: $22.288 million). At December 31, 2021 there were 1,174 (2020: 879) securities in an unrealized loss position, of which 264 (2020: 196) had been in a continuous unrealized loss position for one year or longer. For the fixed maturity and short-term investments in an unrealized loss position as of December 31, 2021 whose fair values have declined below their amortized cost basis, these declines are primarily attributable to widening credit spreads subsequent to their purchase. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for the anticipated recovery of their fair values.

At December 31, 2021 the Company completed a detailed analysis to assess whether the decline in the fair value of any investment below its amortized cost basis is deemed other-than-temporary. 16 securities were deemed impaired resulting in a total impairment of $2.663 million (2020: $4.566 million). An impairment was recorded where it was concluded that based on the analysis performed, the expected future cash flows were estimated to be less than the security's current amortized cost basis. All securities with unrealized losses are reviewed quarterly. The company considers many factors in completing its review of securities with unrealized losses for other-than-temporary impairment, including the length of time and the extent to which fair value has been below cost and the financial condition and near-term prospects of the issuer.

3. Investments, continued

d) The following table sets forth certain information regarding the investment ratings of the Company's fixed maturity and short-term investments classified as available-for-sale as of December 31, 2021 and 2020.

(in thousands of US dollars)	2021		2020	
	Fair value	%	Fair value	%
AAA	$ 103,635	9.2 %	$ 200,742	16.8 %
AA	60,193	5.3 %	59,821	5.0 %
A	324,812	28.9 %	315,390	26.4 %
BBB	212,070	18.8 %	223,102	18.7 %
BB	38,445	3.4 %	53,872	4.5 %
B	54,109	4.8 %	41,631	3.5 %
CCC or lower	190,880	17.0 %	173,842	14.5 %
Not rated	141,276	12.6 %	127,297	10.6 %
Total fixed maturity and short-term investments, available-for-sale	$ 1,125,420	100 %	$ 1,195,697	100 %

Mortgage loans represent $90.201 million (2020: $70.257 million) of the Company's not rated nationally recognized statistical rating organization ("NRSRO") classification, since they do not receive NRSRO ratings. The Company assesses the credit quality of the company's mortgage loan portfolio against the National Association of Insurance Commissioners' ("NAIC") commercial mortgage designation methodology.

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

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

3. Investments, continued

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

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

(in thousands of US dollars)	2021		2020	
	Fair value	%	Fair value	%
NAIC 1	$ 639,310	56.8 %	$ 733,407	61.4 %
NAIC 2	232,771	20.7 %	258,768	21.6 %
NAIC 3	108,261	9.6 %	79,289	6.6 %
NAIC 4	55,580	4.9 %	36,630	3.1 %
NAIC 5	52,591	4.7 %	45,159	3.8 %
NAIC 6	36,907	3.3 %	42,444	3.5 %
Total fixed maturity and short-term investments, available-for-sale	$ 1,125,420	100 %	$ 1,195,697	100 %

e) The amortized cost and estimated fair value of fixed maturity and short-term investments classified as available-for-sale at December 31, 2021 and 2020 are shown below by contractual maturity.

	2021		2020	
(in thousands of US dollars)	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 80,485	$ 80,499	$ 24,937	$ 25,028
Due after one year through five years	275,349	273,826	204,483	206,167
Due after five years through ten years	157,856	160,427	145,054	152,880
Due after 10 years	145,345	158,441	237,519	266,145
Agency mortgage-backed securities	27,007	26,440	92,987	93,953
Asset backed securities	157,820	157,391	182,654	179,032
Non-agency mortgage-backed securities	264,158	268,396	272,769	272,492
Total fixed maturity and short-term investments, available-for-sale	$ 1,108,020	$ 1,125,420	$ 1,160,403	$ 1,195,697

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, and the lenders may have the right to put the securities back to the borrower. Based on expected maturities, the estimated duration of fixed maturity securities, excluding cash and cash equivalents, at December 31, 2021 was 3.1 years (2020: 4.3 years).

3. Investments, continued

f) Major categories of net investment income are summarized as follows:

(in thousands of US dollars)	2021	2020
Fixed maturity and short-term investments	$ 42,382	$ 45,146
Equities and Other investments	8,489	8,073
Funds held - directly managed	3,532	4,626
Funds held - fixed crediting rate	6,775	3,206
Gross investment income	61,178	61,051
Investment expenses	(20,864)	(18,505)
Net investment income	$ 40,314	$ 42,546

Components of net realized and unrealized gains (losses) were as follows:

(in thousands of US dollars)	2021	2020
Net realized gains (losses) on sales:		
Gross realized gains on fixed maturity and short-term investments, available-for-sale	$ 16,185	$ 7,202
Gross realized losses on fixed maturity and short-term investments, available-for-sale	(9,416)	(15,421)
Gross realized (losses) gains on funds held - directly managed	(4,557)	901
Gross realized gains on funds held - fixed crediting rate	956	—
Gross realized gains on Equities and Other investments	3,275	815
Total net realized gains (losses) on sales	6,443	(6,503)
Net unrealized gains (losses) on investments measured at fair value:		
Unrealized (losses) on funds held - directly managed	(1,250)	(465)
Equities and Other investments	16,229	4,392
Total net unrealized gains	14,979	3,927
Net realized and unrealized gains (losses)	$ 21,422	$ (2,576)

3. Investments, continued

g) The following table presents net realized investment gains (losses) and the change in net unrealized gains (losses) on investments.

(in thousands of US dollars)	2021	2020
Net realized gains on fixed maturity and short-term investments, available-for-sale		
Cash and cash equivalents	$ —	$ 2
Corporate bonds	8,915	3,010
Non-agency mortgage-backed securities	3,381	1,364
U.S. government and govt agency bonds	68	562
Non-U.S. governments	—	1
Municipals	1,304	676
Agency mortgage-backed securities	379	645
Asset backed securities	934	224
Term loans	1,204	718
Total net realized gains	16,185	7,202
Net realized losses on fixed maturity and short-term investments, available-for-sale		
Corporate bonds	(1,128)	(1,910)
Non-agency mortgage-backed securities	(3,410)	(3,474)
U.S. government and govt agency bonds	(455)	(113)
Non-U.S. governments	(113)	—
Agency mortgage-backed securities	(557)	(1,015)
Asset backed securities	(537)	(3,134)
Term loans	(553)	(1,209)
OTTI charge recognized in net income	(2,663)	(4,566)
Total net realized losses	(9,416)	(15,421)
Net realized (losses) gains on funds held - directly managed	(4,557)	901
Net realized gains on funds held - fixed crediting rate	956	—
Net realized gains on Equities and Other investments measured at fair value	3,275	815
Total net realized gains (losses) on all securities	$ 6,443	$ (6,503)
Unrealized gains on Equities and Other investments measured at fair value	$ 14,979	$ 3,927
Change in net unrealized gain (loss) on investments included in other comprehensive income (loss)		
Fixed maturities, available-for-sale	$ (17,894)	$ 9,805
Net (decrease) increase in other comprehensive income	$ (17,894)	$ 9,805

4. Fair value measurements

As of December 31, 2021 and 2020, the Company's financial instruments have been measured at fair value and classified as either Level 1, 2, and 3 within the fair value hierarchy. Other investments are measured at fair value using NAV as a practical expedient and have not been classified within the fair value hierarchy summarized below:

(in thousands of US dollars)	2021				
	Level 1	Level 2	Level 3	NAV	Fair value
Fixed maturity and short-term investments, available-for-sale					
Corporate bonds	$ —	$ 419,031	$ —	$ —	$ 419,031
Non-agency mortgage-backed securities	—	266,373	2,023	—	268,396
U.S. government and govt agency bonds	32,820	—	—	—	32,820
Non-U.S. governments	—	4,150	—	—	4,150
Municipals	—	19,812	—	—	19,812
Agency mortgage-backed securities	—	26,440	—	—	26,440
Asset backed securities	—	157,391	—	—	157,391
Term loans	—	—	197,380	—	197,380
Total fixed maturity and short-term investments, available-for-sale	32,820	893,197	199,403	—	1,125,420
Other investments	—	—	—	212,221	212,221
Equity investments	—	—	1,709	—	1,709
Total investments	$ 32,820	$ 893,197	$ 201,112	$ 212,221	$ 1,339,350

(in thousands of US dollars)	2020				
	Level 1	Level 2	Level 3	NAV	Fair value
Fixed maturity and short-term investments, available-for-sale					
Corporate bonds	$ —	$ 415,177	$ —	$ —	$ 415,177
Non-agency mortgage-backed securities	—	270,346	2,146	—	272,492
U.S. government and govt agency bonds	48,471	3,826	—	—	52,297
Non-U.S. governments	—	5,110	—	—	5,110
Municipals	—	25,508	—	—	25,508
Agency mortgage-backed securities	—	93,953	—	—	93,953
Asset backed securities	—	179,032	—	—	179,032
Term loans	—	—	152,128	—	152,128
Total fixed maturity and short-term investments, available-for-sale	48,471	992,952	154,274	—	1,195,697
Other investments	—	—	—	175,659	175,659
Equity investments	—	—	1,719	—	1,719
Total investments	$ 48,471	$ 992,952	$ 155,993	$ 175,659	$ 1,373,075

4. Fair value measurements, continued

During the years ended December 31, 2021 and 2020, the company did not transfer any securities from level 2 into level 3. The Company purchased $160.858 million of level 3 securities during the year ended December 31, 2021 (2020: $56.694 million). All level 3 purchases during 2021 were term loans.

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

(in thousands of US dollars)	Redemption period remaining until liquidation of underlying assets	2021 Fair value	2021 Unfunded capital commitments
Private credit investment funds	Quarterly	$ 99,619	$ —
Real assets and intellectual property funds	1 to 12 years	23,956	26,204
Residential real estate funds	3 to 8 years	17,186	8,040
Commercial real estate funds	6 to 9 years	17,586	14,513
Financial funds	4 to 8 years	17,466	4,605
Credit funds	4 to 9 years	20,571	36,824
Traditional private equity funds	7 to 10 years	15,837	3,884
Total other investments		$ 212,221	$ 94,070

(in thousands of US dollars)	Redemption period remaining until liquidation of underlying assets	2020 Fair value	2020 Unfunded capital commitments
Private credit investment funds	Quarterly	$ 110,005	$ —
Real assets and intellectual property funds	6 to 8 years	19,407	17,320
Residential real estate funds	4 to 5 years	19,492	—
Commercial real estate funds	7 to 10 years	7,291	22,010
Financial funds	5 to 8 years	10,957	7,187
Credit funds	7 to 10 years	2,561	21,800
Traditional private equity funds	8 to 11 years	5,946	9,348
Total other investments		$ 175,659	$ 77,665

For private credit investment funds, the Company's investment in the fund can be redeemed subject to notifying the fund of the Company's intention to redeem prior to the next redemption date. Notice periods for the Company's private credit investment funds range between 65 to 180 days. The Company’s private credit investment funds at December 31, 2021 include approximately $15.816 million (2020: $24.913 million) of funds where a full or partial redemption notice has been submitted to the manager.

4. Fair value measurements, continued

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

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

5. Outstanding losses and loss adjustment expenses

The reserve for losses and loss adjustment expenses ("L&LAE" or "loss reserves"), represents our gross estimates before reinsurance for unpaid reported losses (Outstanding Loss Reserves, or "OSLR") and includes losses that have been incurred but not yet reported ("IBNR") determined using a variety of actuarial methods. We recognize an asset for the portion of the liability that we expect to recover from reinsurers. Loss adjustment expenses ("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.

The following table presents a breakdown of the reserve for losses and LAE as of December 31, 2021 and 2020:

(in thousands of US dollars)	2021	2020
OSLR	$ 330,840	$ 298,278
IBNR	153,959	393,441
ULAE	7,790	11,970
Reserve for losses and loss adjustment expenses, end of year	$ 492,589	$ 703,689

5. Outstanding losses and loss adjustment expenses, continued

The table below provides a reconciliation of the beginning and ending reserves for losses and LAE as of December 31, 2021 and 2020:

(in thousands of US dollars)	2021	2020
Reserve for losses and loss adjustment expenses, beginning of year	$ 703,689	$ 829,446
(-) Reinsurance recoverable on unpaid losses, beginning of year	(22,587)	(35,005)
Net balance, beginning of year	681,102	794,441
Net incurred losses and loss adjustment expenses		
Current accident year	22,748	46,334
Prior accident years	(6,015)	(13,621)
Total net incurred losses and loss adjustment expenses	16,733	32,713
Net paid losses and loss adjustment expenses		
Current accident year	(5,447)	(14,326)
Prior accident years	(194,741)	(233,087)
Total net paid losses and loss adjustment expenses	(200,188)	(247,413)
Other changes		
Assumed business	497,269	87,043
Commutations	(518,715)	—
Net foreign exchange (gain) loss	—	14,318
Net balance, end of year	476,201	681,102
(+) Reinsurance recoverable on unpaid losses, end of year	16,388	22,587
Reserve for losses and loss adjustment expenses, end of year	$ 492,589	$ 703,689

For the year ended December 31, 2021, the incurred losses and LAE included $6.015 million (2020: $13.621 million) in net favorable loss development on prior years' loss reserves, which was comprised of $4.699 million in gross favorable development on prior years' loss reserves (2020: $18.979 million) and $1.316 million in ceded adverse development on prior years' reinsurance recoverables (2020: $5.358 million in ceded favorable development). Also included within incurred losses and LAE during the year ended December 31, 2021 is $2.014 million in net losses related to the coronavirus (or "COVID-19") pandemic (2020: $7.758 million).

For the year ended December 31, 2021, the net favorable loss development of $6.015 million on prior years' loss reserves was primarily attributable to the Company's property exposures which accounted for $8.599 million of net favorable loss development. This net favorable loss development was however partially offset by adverse net loss development of $1.871 million attributable to the Company's liability exposures.

5. Outstanding losses and loss adjustment expenses, continued

For the year ended December 31, 2020, the net favorable loss development of $13.621 million was primarily attributable to the Company's liability and workers' compensation exposures which accounted for $12.674 million and $1.469 million of net favorable loss development, respectively.

For the year ended December 31, 2021, the current year net incurred losses and LAE of $22.748 million (2020: $46.334 million), were primarily attributable to losses related to net earned premiums.

During 2019, Premia Re agreed to amend and restate an existing retroactive reinsurance agreement. Management assessed that the amended agreement should be accounted for as a deposit liability and was recognized on the consolidated balance sheet as such. As at December 31, 2021 the deposit liability recognized on the consolidated balance sheets was $769.176 million (2020: $739.099 million).

The following tables present a reconciliation of the DCA and DGL for the years ended December 31, 2021 and 2020:

(in thousands of US dollars)		2021		2020
Deferred charge asset, beginning of year	$	16,311	$	12,947
Deferred charge asset recognized during the year		31,538		7,127
Deferred charge asset de-recognized during the year		(19,080)		(188)
Amortization of deferred charge asset		(7,918)		(3,575)
Deferred charge asset, end of year	$	20,851	$	16,311

(in thousands of US dollars)		2021		2020
Deferred gain liability, beginning of year	$	10,562	$	8,435
Deferred gain liability recognized during the year		(494)		4,341
Deferred gain liability de-recognized during the year		(9,487)		—
Amortization of deferred gain liability		(404)		(2,214)
Deferred gain liability, end of year	$	177	$	10,562

Reserving methodologies

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

5. Outstanding losses and loss adjustment expenses, continued

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

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

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

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

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

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

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

5. Outstanding losses and loss adjustment expenses, continued

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

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

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

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

Management believes that the assumptions used represent an appropriate basis for estimating the outstanding loss and loss adjustment expenses as at December 31, 2021 and 2020; however, these assumptions are subject to change and the Company regularly reviews its loss reserves estimates and reserving methodologies taking into account all currently known information and updated assumptions related to unknown information.

Incurred and paid development tables by accident year

The information presented below includes net incurred loss and loss adjustment expenses ("L&LAE, net") and net losses incurred but not reported ("IBNR, net"), by accident year for the Company's retroactive reinsurance contracts. The Company's retroactive reinsurance contracts incepting in the year ended December 31, 2018 and prior have been presented in aggregate as these contracts share similar characteristics and as a result, have not been disaggregated further. The Company's retroactive reinsurance contracts incepting in 2019 and 2021 have been presented in aggregate for the following lines of business - Workers' Compensation ("Workers' Comp"), Liability and Property. It should however be noted that the Company's APH exposures which were acquired during the year-ended December 31, 2020 have been excluded from the loss development tables presented below since the related accident years are all older than 2012 and therefore their disclosure is not required. The Company has presented the loss development tables below for all accident years shown using the year-end exchange rates as of December 31, 2021. Therefore, all accident years prior to the current year have been restated and presented using the current year-end exchange rates. The information related to the net incurred L&LAE and net paid loss and LAE for the years ended December 31, 2012 through 2020 is presented as supplementary information and is therefore unaudited.

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

5. Outstanding losses and loss adjustment expenses, continued

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

All information for acquisitions and retroactive reinsurance agreements is presented prospectively. Since the loss reserves are effectively re-underwritten at the date they are acquired or assumed, management believes that the historical loss development of the loss reserves prior to being acquired or assumed is not relevant to the Company's own experience managing the acquired or assumed loss reserves. In addition, the information required to prepare the loss development on a retrospective basis is not always available to the Company.

For the retroactive reinsurance agreement accounted for as a deposit liability contract during 2019, claims information related to this contract was retrospectively removed from the 2018 & Prior - All lines loss development table, given the change in accounting treatment, to ensure that the prior loss development related to the contract is not retained within the 2018 & Prior - All lines loss development table, as that would distort the prospective loss development trend. In addition, two retroactive reinsurance agreements were commuted effective January 1, 2021 impacting the 2019 - Liability and 2019 - Property loss development tables. The original business underlying these commuted contracts was then subsequently accepted into the 2021 YoA of Premia Holdings' Syndicate 1884 ("s1884"), through two Reinsurance-to-Close ("RITC") transactions, with quota share cessions of the liabilities assumed by s1884 being concurrently reinsured by the Company. As a result, the claims information for these ceded exposures is now included within the Company's 2021 - Liability and 2021 - Property loss development tables. As described within the loss and LAE reserves roll forward section above, changes in the Company's loss and LAE reserves results from the re-estimation of loss reserves as well as changes in premium estimates.

5. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted prior to the year ended December 31, 2018 - All lines ("2018 & Prior - All lines")

Losses and loss adjustment expenses incurred, net

(in thousands of US dollars)		2017	2018	2019	2020	2021	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2012	$ 3,236	$ 3,236	$ 3,390	$ 3,172	$ 3,385	$ 3,190	$ 736
2013	8,239	8,239	10,102	7,332	7,099	7,666	1,400
2014	19,064	19,064	21,272	14,675	12,356	11,683	1,679
2015	35,988	35,988	37,443	31,256	24,012	23,574	3,144
2016	58,297	58,297	49,495	44,676	37,489	41,224	3,722
2017	—	—	—	—	—	—	—
2018			—	—	—	—	—
2019				—	—	—	—
2020					—	—	—
2021						—	—
Total						$ 87,337	$ 10,681

Cumulative paid losses and loss adjustment expenses, net

(in thousands of US dollars) Accident year	2017	2018	2019	2020	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2012	$ 4	$ 201	$ 622	$ 1,039	$ 1,069
2013	628	1,159	2,380	3,151	3,920
2014	4,480	7,882	7,169	8,762	9,559
2015	5,328	10,433	18,260	21,912	23,765
2016	2,823	7,384	21,990	30,924	35,896
2017	—	—	—	—	—
2018	—	—	—	—	—
2019	—	—	—	—	—
2020	—	—	—	—	—
2021	—	—	—	—	—
Total					$ 74,209
Net reserves for losses and loss adjustment expenses from 2012 to 2021					13,128
Net reserves for losses and loss adjustment expenses prior to 2012					26,912
Net reserves for losses and loss adjustment expenses, end of year					$ 40,040

5. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net
(in thousands of US dollars)

		2019	2020	2021	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)	(unaudited)		
2012	$ —	$ —	$ —	$ —	$ —
2013	—	—	—	—	—
2014	—	—	—	—	—
2015	—	—	—	—	—
2016	9,223	8,682	8,529	8,529	—
2017	2,623	2,469	1,948	1,948	—
2018	—	—	—	—	—
2019	—	—	—	—	—
2020	—	—	—	—	—
2021	—	—	—	—	—
Total				$ 10,477	$ —

Cumulative paid losses and loss adjustment expenses, net
(in thousands of US dollars)

Accident year	2019	2020	2021
	(unaudited)	(unaudited)	
2012	$ —	$ —	$ —
2013	—	—	—
2014	—	—	—
2015	—	—	—
2016	793	1,856	8,529
2017	210	345	1,948
2018	—	—	—
2019	—	—	—
2020	—	—	—
2021	—	—	—
Total			$ 10,477
Net reserves for losses and loss adjustment expenses from 2012 to 2021			—
Net reserves for losses and loss adjustment expenses prior to 2012			—
Net reserves for losses and loss adjustment expenses, end of year			$ —

5. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net
(in thousands of US dollars)

Accident year	Acquired Reserves, net	2019 L&LAE, net	2020 L&LAE, net	2021 L&LAE, net	2021 IBNR, net
	(unaudited)	(unaudited)	(unaudited)		
2012	$ 9,546	$ 9,662	$ 9,148	$ 8,489	$ 202
2013	12,204	12,347	11,805	11,941	176
2014	14,475	14,674	14,722	14,636	179
2015	22,708	23,046	23,057	23,010	141
2016	50,079	49,733	50,703	48,246	932
2017	116,167	129,249	130,455	129,989	2,603
2018	187,338	211,821	213,406	212,657	5,319
2019	85,592	98,833	102,756	102,756	—
2020	—	—	25,220	25,220	—
2021	—	—	—	—	—
Total				$ 576,944	$ 9,552

Cumulative paid losses and loss adjustment expenses, net
(in thousands of US dollars)

Accident year	2019	2020	2021
	(unaudited)	(unaudited)	
2012	$ 1,726	$ 2,514	$ 8,129
2013	1,781	3,991	12,442
2014	2,031	5,210	15,027
2015	3,109	8,265	23,096
2016	6,251	18,854	47,501
2017	22,002	50,816	122,654
2018	32,504	77,811	200,507
2019	15,833	38,545	102,756
2020	—	5,594	25,220
2021	—	—	—
Total			$ 557,332

Net reserves for losses and loss adjustment expenses from 2012 to 2021	19,612
Net reserves for losses and loss adjustment expenses prior to 2012	1,678
Net reserves for losses and loss adjustment expenses, end of year	$ 21,290

5. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net
(in thousands of US dollars)

Accident year	Acquired Reserves, net	2019 L&LAE, net	2020 L&LAE, net	2021 L&LAE, net	2021 IBNR, net
	(unaudited)	(unaudited)	(unaudited)		
2012	$ 373	$ 380	$ 260	$ 260	$ —
2013	271	276	392	392	—
2014	965	984	841	841	—
2015	1,920	1,958	1,879	1,879	—
2016	6,222	6,320	3,426	3,426	—
2017	77,282	91,903	80,290	80,290	—
2018	137,272	162,075	163,286	163,286	—
2019	71,615	83,935	96,911	96,911	—
2020	—	—	28,073	28,073	—
2021	—	—	—	—	—
Total				$ 375,358	$ —

Cumulative paid losses and loss adjustment expenses, net
(in thousands of US dollars)

Accident year	2019	2020	2021
	(unaudited)	(unaudited)	
2012	$ 132	$ 149	$ 260
2013	10	17	392
2014	114	139	841
2015	288	508	1,879
2016	1,455	1,902	3,426
2017	37,543	58,028	80,290
2018	49,128	92,784	163,286
2019	23,048	50,978	96,911
2020	—	8,732	28,073
2021	—	—	—
Total			$ 375,358
Net reserves for losses and loss adjustment expenses from 2012 to 2021			—
Net reserves for losses and loss adjustment expenses prior to 2012			—
Net reserves for losses and loss adjustment expenses, end of year			$ —

5. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net
(in thousands of US dollars)

Accident year	Acquired Reserves, net (unaudited)	2021 L&LAE, net	2021 IBNR, net
2012	$ 11,545	$ 10,382	$ 1,926
2013	14,623	14,314	2,386
2014	20,365	21,442	4,323
2015	28,077	29,908	6,869
2016	57,904	53,228	11,280
2017	81,191	78,105	25,437
2018	40,075	39,573	14,378
2019	9,666	9,476	3,372
2020	2,734	2,701	999
2021	4,867	4,763	1,314
Total		$ 263,892	$ 72,284

Cumulative paid losses and loss adjustment expenses, net
(in thousands of US dollars)

Accident year	2021
2012	$ 2,291
2013	3,294
2014	5,153
2015	7,124
2016	18,690
2017	20,623
2018	9,006
2019	2,238
2020	605
2021	1,184
Total	$ 70,208
Net reserves for losses and loss adjustment expenses from 2012 to 2021	193,684
Net reserves for losses and loss adjustment expenses prior to 2012	20,534
Net reserves for losses and loss adjustment expenses, end of year	$ 214,218

5. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net
(in thousands of US dollars)

Accident year	Acquired Reserves, net (unaudited)	2021 L&LAE, net	2021 IBNR, net
2012	$ 2,601	$ 3,389	$ (734)
2013	2,994	3,728	(424)
2014	3,806	4,103	(70)
2015	6,424	6,738	733
2016	14,523	14,394	278
2017	32,070	41,389	6,787
2018	79,789	88,691	2,067
2019	45,505	48,682	(618)
2020	10,682	11,529	(55)
2021	6,809	7,391	37
Total		$ 230,034	$ 8,001

Cumulative paid losses and loss adjustment expenses, net
(in thousands of US dollars)

Accident year	2021
2012	$ 1,377
2013	1,250
2014	799
2015	910
2016	3,769
2017	12,888
2018	49,133
2019	29,472
2020	6,866
2021	4,035
Total	$ 110,499
Net reserves for losses and loss adjustment expenses from 2012 to 2021	119,535
Net reserves for losses and loss adjustment expenses prior to 2012	1,052
Net reserves for losses and loss adjustment expenses, end of year	$ 120,587

5. Outstanding losses and loss adjustment expenses, continued

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

The reconciliation of the net incurred and paid loss development tables to the reserves for losses and loss adjustment expenses in the consolidated balance sheet as of December 31, 2021 is as follows:

(in thousands of US dollars)		2021
2018 & Prior - All lines	$	40,040
2019 - Workers' Comp		—
2019 - Liability		21,290
2019 - Property		—
2021 - Liability		214,218
2021 - Property		120,587
Total net reserve for losses and loss adjustment expenses (Included within the loss development tables)		396,135
2020 - APH (Not included within the loss development tables above)		80,066
Total net reserve for losses and loss adjustment expenses		476,201
Reinsurance recoverable on unpaid losses		16,388
Reserve for losses and loss adjustment expenses, end of year	$	492,589

Cumulative claims frequency

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

5. Outstanding losses and loss adjustment expenses, continued

Claims duration

The following table is presented as supplementary information and presents the Company's historical average annual percentage payout of loss and loss adjustment expenses incurred, net by age, as of December 31, 2021 (unaudited).

	Year 1	Year 2	Year 3	Year 4	Year 5
2018 & Prior - All lines	7.37%	13.45%	20.45%	12.08%	11.61%
2019 - Workers' Comp	78.99%	11.43%	9.57%	n/a	n/a
2019 - Liability	60.17%	21.60%	14.65%	n/a	n/a
2019 - Property	43.35%	26.97%	29.68%	n/a	n/a
2021 - Liability	25.40%	n/a	n/a	n/a	n/a
2021 - Property	46.54%	n/a	n/a	n/a	n/a

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

The increase in the Year 1 payout percentages for the 2019 - Workers' Comp line of business is driven by the commutation of the retroactive reinsurance agreement with Western Select. This commutation was presented within the respective loss development table as paid losses since the associated liabilities were legally extinguished effective September 1, 2021.

6. Reinsurance

The Company uses reinsurance and retrocessional reinsurance agreements to manage its net retention on individual risks and overall exposure to losses while providing it with the ability to offer policies with sufficient limits to meet policyholder needs. In a reinsurance transaction, an insurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. In a retrocessional reinsurance transaction, a reinsurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. The ceding of insurance does not legally discharge the Company from its primary liability for the full amount of the policies, and the Company will be required to pay the loss and bear the collection risk if the reinsurer fails to meet its obligations under the reinsurance or retrocessional agreement.

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

As of December 31, 2021 and 2020, the Company had reinsurance recoverable balances on unpaid losses amounting to \$16.388 million and \$22.587 million, respectively. The Company did not have any reinsurance recoverable balances on paid losses as of December 31, 2021 and 2020.

6. Reinsurance, continued

As of December 31, 2021 and 2020, 100.0% of the Company's reinsurance recoverable on unpaid losses was with Arch Reinsurance Limited ("Arch Re") which is rated “A+” by A.M. Best Company. The Company has not recorded any allowance for uncollectible balances on its reinsurance recoverable balance due from Arch Re.

7. Share capital

The authorized share capital of the Company at December 31, 2021 and 2020 consisted of 1,000,000 common shares, of par value $1.00 per share.

8. Concentrations and contingencies

The Company’s investment portfolio is managed by external investment advisors in accordance with the Company’s investment guidelines. The Company's investment guidelines limit maximum issuer concentration at 2% of assets. US government and agency securities are excluded from this guideline. There are no significant concentrations of credit risk in excess of the Company's concentration guidelines as at December 31, 2021. As at December 31, 2021 approximately 68.1% (2020: 73.8%) of the Company’s total investments including cash and cash equivalents and restricted cash and cash equivalents is rated as either NAIC 1 or NAIC 2.

Reinsurance recoverable includes outstanding loss and LAE recoverable. The Company is subject to credit risk with respect to reinsurance ceded as the ceding of risk does not relieve the Company from its primary obligations to its policyholders. Failure of the Company’s reinsurers to honor their obligations could result in the Company incurring credit losses. The Company has not recorded a provision for credit losses against its reinsurance recoverable balances and no amounts were written off during the year.

The Company utilizes trust funds where the trust funds are set up for the benefit of the ceding companies. The fair value of these restricted assets is $1.286 billion (2020: $1.354 billion), of which $1.203 billion (2020: $1.284 billion) relates to investments and $82.985 million relates to cash and cash equivalents from investments, as at December 31, 2021 (2020: $70.840 million).

The Company makes contributions to and receives distributions from investment funds measured at fair value. During the year ended December 31, 2021, the Company made a net contribution of $12.652 million (2020: $26.435 million) to its investment funds. The Company is committed to make additional contributions of $94.071 million (2020: $77.665 million) to its investment funds over time.

The Company from time to time is involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation are included in the reserve for losses and LAE in the consolidated balance sheets. In addition to claims litigation, the Company may be subject to other lawsuits and regulatory actions, which may involve, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity.

8. Concentrations and contingencies, continued

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

9. Income taxes

Premia Re and its parent company, Premia Holdings, are incorporated under the laws of Bermuda and, under current Bermuda law, they are not obligated to pay any taxes in Bermuda based upon income or capital gains. The Company has received a written undertaking from the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits, income, gain or appreciation on any capital asset, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to Premia Holdings or any of its operations until March 31, 2035. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation.

10. Related party transactions

The following table presents the components of the receivable from related party balance at December 31, 2021 and 2020 respectively.

(in thousands of US dollars)	2021	2020
Loans to fund business combinations	$ 111,217	$ 87,897
Loans to support Bermuda operations	58,728	6,305
Loan to PCN3	22,644	—
Loans to support US operations	22,523	18,070
Loans to support European operations	11,984	7,621
Total receivable from related party	$ 227,096	$ 119,893

During the period ending December 31, 2021, a US domiciled related party invoiced the Company a sum of $1.557 million (2020: $1.343 million) in relation to claims administration and due diligence services provided.

Arch Re, along with certain members of senior management, has a 25% equity ownership in Premia Re's parent company. Premia Re has retrocession agreements with Arch Re in which varying percentages of contracts written by Premia Re are ceded to Arch Re on a pro rata basis between 12.5% and 25%.

10. Related party transactions, continued

As at December 31, 2021 and 2020 the Company's consolidated balance sheets and statements of operations included the following amounts ceded by Premia Re to Arch Re:

(in thousands of US dollars)	2021	2020
Balance sheets		
Reinsurance recoverable on paid and unpaid losses	$ 16,387	$ 22,587
Ceded deferred gain liability (included in Deferred charge asset)	—	1,070
Ceded commutation receivable (included in Other assets)	2,743	4,540
Receivable from related party (included in Other assets)	3,689	2,967
Ceded accrued investment income (included in Other liabilities)	4,277	3,462
Payable to related party (included in Other liabilities)	2,824	1,181
Ceded funds held	23,844	32,650
Statements of operations		
Ceded net investment income (included in Net investment income)	862	989
Ceded loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	1,551	819
Ceded operating expenses (included in Operating expenses)	748	1,077

Premia Re has a service agreement with Arch Underwriters Ltd. specifying that Arch will provide to Premia Re services including technical support, consulting services, office space and other miscellaneous services as requested. For the year ending December 31, 2021 Arch invoiced Premia Re $0.352 million (2020: $0.383 million) in relation to the service agreement. Included in other liabilities is $2.824 million (2020: $1.181 million) payable to Arch in relation to the service contract.

Prior to its sale by Public Service to a third party, Western Select had a retrocession agreement with Arch US and Premia Re in which Western Select ceded 25% and 75% quota share interests in certain net retained liabilities to Arch US and Premia Re, respectively, on a pro rata basis.

As the sale of Western Select by Public Service to a third party closed on September 1, 2021 the cession to Premia Re and Arch US ceased to be a related party transaction and therefore the table below reflects operating results through to the close of the sale. As at December 31, 2021, the Company recognized $2.989 million of net loss and loss adjustment expenses as a result of accelerating the amortization of the deferred gain liability that had been recorded at the inception of the cession assumed from Western Select, and a $1.291 million commutation payable to Arch Re within Other liabilities.

10. Related party transactions, continued

As at December 31, 2021 and 2020 the consolidated balance sheets and statements of operations included the following amounts ceded to the Company by Western Select:

(in thousands of US dollars)	2021	2020
Balance sheets		
Reserve for losses and loss adjustment expenses	$ —	$ 15,647
Deferred gain liability	—	4,281
Statements of operations		
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	(4,189)	1,031

On December 31, 2019, Premia Re entered into a retroactive reinsurance transaction with a wholly owned subsidiary of Arch, pursuant to which Premia Re assumed a transfer of liability for the 2018 and prior years of account as of July 1, 2019.

As at December 31, 2021 and 2020 the Company's consolidated balance sheets and statements of operations included the following amounts ceded to Premia Re:

(in thousands of US dollars)	2021	2020
Balance sheets		
Premiums receivable	$ —	$ 49,077
Funds held by ceding companies	—	182,963
Deferred charge asset	—	11,396
Reserve for losses and loss adjustment expenses	—	228,032
Unearned premiums	—	5,000
Managing agency fees payable (included in Other liabilities)	—	683
Statements of operations		
Gross written premiums	$ 5,000	$ (4,932)
Change in unearned premiums	(5,000)	(7,471)
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	9,295	12,725
Managing agency fees (included in Net loss and loss adjustment expenses)	(2,734)	(2,590)

10. Related party transactions, continued

Immediately following the acquisition of Dominion, the Company entered into a retroactive reinsurance agreement. As at December 31, 2021 and 2020 the consolidated balance sheets and statements of operations included the following amounts ceded by Dominion to the Company:

(in thousands of US dollars)	2021	2020
Balance sheets		
Deferred charge asset	$ —	$ 3,845
Reserve for losses and loss adjustment expenses	80,066	85,123
Statements of operations		
Gross written premiums	$ —	$ (82,898)
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	(304)	83,006

The Company entered into a quota share reinsurance agreement on a funds withheld basis with Premia Corporate Name (3) Limited ("PCN3") effective January 1, 2021, in which PCN3 cedes 65% of the risks attaching to the 2018 YoA of s1884, the 2018 YoA of s1955, and the 2018 YoA of s1861 as reinsured into the 2021 YoA of s1884, except for net losses arising from the Covid-19 pandemic on the 2018 YoA of s1861's contingency class of business where the ceded percentage is 87.5%. The reinsurance premium consideration payable to the Company was equal to the relevant share of the RITC premium consideration received by s1884.

As at December 31, 2021, the consolidated balance sheets and statements of operations include the following amounts ceded by PCN3 to the Company:

(in thousands of US dollars)	2021
Balance sheets	
Deferred charge asset	$ 17,309
Funds held by ceding companies	402,438
Interco debtor	22,644
Reserve for losses and loss adjustment expenses	334,807
Unearned premiums	18,448
Statements of operations	
Gross written premiums	$ 528,320
Change in unearned premiums	(18,448)
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	(495,433)

11. Statutory financial information and dividend restrictions

Under the Insurance Act 1978, as amended, and related regulations of Bermuda (the "Insurance Act"), Premia Re is registered as a Class 4 insurer, and is required to annually prepare and file statutory financial statements and a statutory financial return with the BMA. The Insurance Act requires Premia Re to maintain statutory economic capital and surplus at a level at least equal to its Eligible Capital Requirement ("ECR"), which is the greater of its Minimum Solvency Margin ("MSM") and the required capital calculated by reference to the BSCR model. At December 31, 2021 all such requirements were met. Premia Re is also required under its Class 4 license to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. As of December 31, 2021 Premia Re met the minimum liquidity ratio.

The Company is currently completing its 2021 statutory filings for Premia Re, which must be filed with the BMA by April 30, 2022, and at this time, the Company believes it will exceed the target level of required statutory economic capital and surplus.

The actual statutory capital and surplus, required statutory capital and surplus and statutory net income for the Company at December 31, 2021 and 2020 was as follows:

(in thousands of US dollars)	2021	2020
Actual capital and surplus	$ 823,718	$ 630,424
Required capital and surplus	171,067	238,249
Statutory net income	37,227	12,585

Premia Re may declare dividends subject to it continuing to meet its solvency and capital requirements, which includes continuing to hold statutory capital and surplus equal to or exceeding its ECR. Premia Re is prohibited from declaring or paying in any fiscal year, dividends of more than 25% of its prior year's statutory capital and surplus unless Premia Re files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause the Company to fail to meet its relevant margins. While Premia Re's capital is in excess of its ECR, no dividends were paid for the years ended December 31, 2021 or 2020.

12. Subsequent events

The Company performed a review of events subsequent to the balance sheet date through to the date the consolidated financial statements were issued and determined that there were no such events requiring recognition or disclosure in the consolidated financial statements.