



FINANCIAL STATEMENTS

Carrick Re Ltd.

For the Years Ended December 31, 2022 and 2021

With Report of Independent Auditors

Carrick Re Ltd.
Financial Statements
For the Years Ended December 31, 2022 and 2021

Contents

Report of Independent Auditors	2
Financial Statements	
Balance Sheets	4
Statements of Income and Comprehensive Income	5
Statements of Changes in Shareholders' Equity.....	6
Statements of Cash Flows	7
Notes to Financial Statements	8



Ernst & Young
725 South Figueroa Street
Suite 600
Los Angeles, CA 90017

Tel: +1 213 977 3200
ey.com

Report of Independent Auditors

Board of Directors and Shareholders
Carrick Re Ltd.

Opinion

We have audited the financial statements of Carrick Re Ltd. (the “Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and other comprehensive income, changes in shareholders’ equity and cash flows for the years then ended, and the related notes (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 at December 31, 2022 and 2021, 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 of 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 one year after the date that the financial statements are available to be issued.



Ernst & Young
725 South Figueroa Street
Suite 600
Los Angeles, CA 90017

Tel: +1 213 977 3200
ey.com

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

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 incurred and paid claims development for periods prior to the most recent period (not to exceed nine prior periods) and the average annual percentage payout of incurred claims disclosed on pages 17 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the



Ernst & Young
725 South Figueroa Street
Suite 600
Los Angeles, CA 90017

Tel: +1 213 977 3200
ey.com

Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Ernst + Young LLP

April 28, 2023

Carrick Re Ltd.
Balance Sheets
As of December 31, 2022 and 2021
(Expressed in U.S. Dollars)

	2022	2021
Assets		
Investment in ZP Utility Insurance Fund II, L.P., at fair value	\$ 17,407,320	\$ 16,767,202
Cash and cash equivalents	9,875,240	26,574
Accrued investment income	28,492	116,710
Premiums receivable	-	1,373,049
Accounts receivable	-	2,896,490
Funds held by reinsured company	11,405,791	34,422,391
Other assets	6,856	30,000
Total assets	\$ 38,723,699	\$ 55,632,416
Liabilities		
Loss and loss adjustment expense reserves	11,182,148	33,747,442
Deferred gain on retroactive reinsurance	758,263	2,288,416
Insurance balances payable	2,219,668	-
Accrued expenses and other liabilities	175,275	97,816
Total liabilities	\$ 14,335,354	\$ 36,133,674
Shareholders' equity		
Common shares (par value \$1.00 each; issued and outstanding 2022 and 2021: 120,000)	120,000	120,000
Additional paid-in capital	16,665,000	16,665,000
Retained earnings	7,603,345	2,713,742
Total Shareholders' Equity	24,388,345	19,498,742
Total liabilities and shareholders' equity	\$ 38,723,699	\$ 55,632,416

See accompanying notes to the financial state

Carrick Re Ltd.
Statements of Income and Other Comprehensive Income
For the Years Ended December 31, 2022 and 2021
(Expressed in U.S. Dollars)

	2022	2021
Income		
Income from investment in ZP Utility Insurance Fund II, L.P.	\$ 640,118	\$ 376,036
Interest income	218,859	116,710
Total income	<u>858,977</u>	<u>492,746</u>
Expenses		
Net incurred loss and loss adjustment expenses	(5,103,982)	(2,656,072)
Management fees	808,647	115,253
Professional fees	207,821	39,380
Other expenses	56,887	7,445
Total expenses	<u>(4,030,627)</u>	<u>(2,493,994)</u>
Net income and other comprehensive income	<u>\$ 4,889,603</u>	<u>\$ 2,986,740</u>

See accompanying notes to the financial statements

Carrick Re Ltd.
Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2022 and 2021
(Expressed in U.S. Dollars)

	Common Shares	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance as at January 1, 2021	\$ 120,000	\$ 1,265,000	- 272,998	\$ 1,112,002
Capital Contributed	-	15,400,000	-	15,400,000
Net income	-	-	2,986,740	2,986,740
Balance as at December 31, 2021	120,000	16,665,000	2,713,742	19,498,742
Capital Contributed	-	-	-	-
Net income	-	-	4,889,603	4,889,603
Balance as at December 31, 2022	\$ 120,000	\$ 16,665,000	\$ 7,603,345	\$ 24,388,345

See accompanying notes to the financial statements

Carrick Re Ltd.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed in U.S. Dollars)

	2022	2021
Operating activities		
Net income	\$ 4,889,603	\$ 2,986,740
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net gains from investment in ZP Utility Insurance Fund II, L.P.	(640,118)	(376,036)
Change in:		
Accrued Investment Income	88,218	(116,710)
Premiums receivable	1,373,049	(1,373,049)
Accounts receivable	2,896,490	(2,896,490)
Funds held by reinsured company	23,016,600	(34,422,391)
Other assets	23,144	(30,000)
Loss and loss adjustment expense reserves	(24,095,447)	36,035,858
Insurance balances payable	2,219,668	
Accrued expenses and other liabilities	77,459	46,889
Net cash provided by (used in) operating activities	<u>9,848,666</u>	<u>(145,189)</u>
Investing activities		
Purchases of ZP Utility Insurance Fund II, L.P.	-	(15,300,000)
Net cash used in investing activities	<u>-</u>	<u>(15,300,000)</u>
Financing activities		
Capital contributions by shareholder	-	15,400,000
Net cash provided by financing activities	<u>-</u>	<u>15,400,000</u>
Net change in cash during the period	9,848,666	(45,189)
Cash and cash equivalents, beginning of year	26,574	71,763
Cash and cash equivalents, end of year	<u>\$ 9,875,240</u>	<u>\$ 26,574</u>

See accompanying notes to the financial statements

Carrick Re Ltd.

Notes to the Financial Statements

1. Organization

Carrick Re Ltd. (the “Company”) was incorporated under the laws of Bermuda on November 21, 2019 and commenced operations on December 1, 2019. The Company is a 100% owned subsidiary of Carrick Holdings (Bermuda) Limited, which is a 100% owned subsidiary of Carrick Specialty Holdings LLC, an intermediate holding company incorporated on November 5, 2019 and domiciled in Delaware. The Company’s aim is to acquire long tailed, non-life, run-off loss portfolios through reinsurance transactions and insurance company acquisitions, as well as provide legacy consultancy and management services.

2. Basis of Presentation and Significant Accounting Policies

Basis of Preparation and Consolidation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The financial statements include the Company’s assets and liabilities at December 31, 2022 and 2021 and results of operations for the years ended December 31, 2022 and 2021. Certain comparative information has been reclassified to conform to the current presentation.

Use of Estimates

The preparation of the Company’s financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the Financial Statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company’s principal estimates include:

- Reserves for losses and loss adjustment expenses (“LAE”);
- Investment valuation of financial assets; and

Carrick Re Ltd.

Notes to the Financial Statements

2. Basis of Presentation and Significant Accounting Policies (continued)

Significant Accounting Policies

The following is a summary of significant accounting policies adopted by the Company:

(a) Losses and LAE

The liability for losses and LAE includes an amount determined from reported claims and an amount, based on historical loss experience and industry statistics, for losses incurred but not reported ("IBNR") determined using a variety of actuarial methods. These estimates are continually reviewed and are necessarily subject to the impact of future changes in factors such as claim severity and frequency, changes in economic conditions including the impact of inflation, legal and judicial developments, and medical cost trends. The Company's estimates, at inception and on an ongoing basis, do not include an estimate for potential future commutations and policy buybacks. Commutations and policy buybacks are often unique and circumstance-based, and each commutation or policy buyback is separately negotiated. Therefore, the successful execution of one commutation or policy buyback does not necessarily impact the likelihood of other commutations or policy buybacks occurring in the future. While we believe that the Company's liability for losses and LAE is adequate, the ultimate amount may be in excess of, or less than, the amounts recorded on the Company's financial statements. Adjustments will be reflected as part of the net increase or reduction in losses and LAE liabilities in the periods in which they become known.

Commutations and policy buybacks provide an opportunity for the Company to exit exposures to certain policies and insureds generally at a discount to the Company's estimate of the ultimate liability and provide the Company with the ability to eliminate exposure to further losses. Commutations and policy buybacks can be beneficial to the Company's as they legally extinguish liabilities in full, reduce the potential for future adverse loss development, and reduce future claims handling costs. Any material acceleration of payout together with the impact of any material loss reserve savings in any period will also accelerate the amortization of fair value adjustments and deferred charge assets and gain liabilities in that period. Commutations are only executed directly with insureds or reinsureds and any gains realized or losses incurred on the settlement of losses and LAE liabilities through commutations or policy buybacks are recognized upon the execution of a commutation or policy buyback with the insured or reinsured.

The Company also establishes provisions for LAE relating to run-off costs for the estimated duration of the run-off, which are included in the liability for losses and LAE. These provisions are assessed at each reporting date, and provisions relating to future periods are adjusted to reflect any changes in estimates of the periodic run-off costs or the duration of the run-off, including the impact of any acceleration of the run-off period that may be caused by commutations. Provisions relating to the current period together with any adjustment to future run-off provisions are included in net incurred losses and LAE in the statements of income.

Carrick Re Ltd.

Notes to the Financial Statements

2. Basis of Presentation and Significant Accounting Policies (continued)

(b) Retroactive Reinsurance

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

Deferred Gain Liabilities

If, at the inception of a retroactive reinsurance contract, the premiums received are in excess of the estimated undiscounted ultimate losses payable, a deferred gain liability is recorded for the excess, such that the Company does not record any gain or loss at the inception of these retroactive reinsurance contracts.

Deferred gain liabilities are amortized over the estimated claim payment period of the related contract with the periodic amortization reflected in earnings as a component of losses and LAE. The amortization of deferred gain liabilities is adjusted at each reporting period to reflect new estimates of the amount and timing of remaining loss and LAE payments. Changes in the estimated amount and the timing of payments of unpaid losses may have an effect on the unamortized deferred gain liabilities and the amount of periodic amortization. When liabilities for losses and LAE are extinguished through commutations and policy buybacks, they are removed from the Company's estimates for the remaining loss and LAE payments, and this will generally result in an acceleration of the amortization of the deferred gain liabilities. These balances are included as part of loss and loss adjustment expense reserves in the balance sheet and any changes are reflected in the income statement as part of net incurred loss and lae.

(c) Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(d) Investments

Investments relate solely to the Company's investment in the ZP Utility Insurance Fund II, L.P. ("the Partnership") and are stated at fair value which ordinarily will be the most recently reported net asset value as advised by the fund manager or administrator who provides the Company this information on a monthly basis. The change in fair value is included in net realized and unrealized gains and losses on investments and recognized in net earnings.

Carrick Re Ltd.
Notes to the Financial Statements

2. Basis of Presentation and Significant Accounting Policies (continued)

(e) Income Tax

The Company is a Bermuda domiciled entity not subject to income taxation in Bermuda. Bermuda does not impose any form of taxation on receipts, dividends, capital gains, gifts, or net income. In the event that such taxes are levied, the Company has received an assurance from the Bermuda government to be exempted from all such taxes until March 31, 2035.

(f) Funds Held by Reinsured Company

Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to the Company. The funds balance is credited with investment income and losses paid are deducted. The investment income earned is recognized as interest income in the Company's Statement of Income and Other Comprehensive Income.

Carrick Re Ltd. Notes to the Financial Statements

3. Significant New Business

On December 30, 2021, the Company closed on two loss portfolio transfer (“LPT”) reinsurance agreements with Ategrity Specialty Insurance Company and Sequentis Reinsurance Company Limited (collectively “Ategrity”) for a portfolios of property business with an effective date of September 30, 2021. On the effective date of the LPT’s the Company recorded the following:

	<u>As of Sep 30, 2021</u>
Assets:	
Premiums receivable	\$ 1,373,049
Funds held by reinsurer	46,683,732
Total Assets	<u>\$ 48,056,781</u>
Liabilities	
Loss and loss adjustment expenses:	
Outstanding loss reserves	\$ 26,490,310
IBNR	19,278,055
	45,768,365
Deferred gain on retroactive reinsurance	2,288,416
Total liabilities	<u>\$ 48,056,781</u>

4. Investments

ZP Utility Insurance Fund II, L.P. (the “Partnership”)

The Partnership was formed on October 3, 2019 under the laws of the State of Delaware and commenced operations on December 1, 2019. The Partnership operates as a feeder fund in a “master-feeder” structure, where the Partnership invests substantially all of its assets in ZP Master Utility Fund, Ltd. (the “Master Fund”), an exempted company incorporated in the Cayman Islands. The Master Fund’s investment objective is to employ an energy and infrastructure-focused, long/short strategy which seeks to deliver absolute returns in all market conditions with minimal correlation to energy sector indices and broader market indices. The Master Fund invests primarily in the equities of electric and gas utilities, integrated utilities, water utilities, telecommunication companies, independent power producers and pipelines, exploration and production companies, oilfield service companies and more broadly in energy and infrastructure-related industries (such as chemicals, materials, transportation infrastructure and real estate equities). The Master Fund’s portfolio is generally managed to be balanced.

Carrick Re Ltd.

Notes to the Financial Statements

4. Investments (continued)

The Master Fund measures its investments, which consist primarily of equities, and its derivative activities, which relate to swap contracts, foreign currency forward contracts and option contracts at fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms-length transaction. As the majority of the Master Fund's investments are exchange-traded securities, such securities are valued at their last sales price as of the close of business on the net asset valuation date. If no sales occurred on such day, the securities are valued at the "bid" or "ask" prices, depending on whether they are held long or sold short. Fair values for derivatives are determined by using quoted market values or quoted market values of the underlying security, based on market observable inputs, when available; otherwise, fair values based on industry-accepted models are utilized. All derivative contracts have been valued based on quoted market values or inputs from quoted market values.

As of December 31, 2022 the fair value of the Company's investment in the Partnership was \$17.4 million (2021: \$16.8 million) which represented approximately 44.5% (2021: 14.3%) of the Partnership. The Company treats its investment in the Partnership as an equity investment recorded at fair value.

The Company measured the fair value of the Partnership by obtaining the most recently available NAV as advised by the external fund manager and used that NAV as a practical expedient measure of fair value. As a result, the Company has not categorized its investment in the Partnership within the fair value hierarchy.

As of December 31, 2022 we recorded income earned from the Company's investment in the Partnership of approximately \$0.6 million (2021: \$0.4 million).

5. Losses and Loss Adjustment Expenses

The liability for losses and LAE, also referred to as loss reserves, represents the Company's gross estimates before reinsurance for unpaid reported losses and includes losses that have been incurred but not reported ("IBNR"). We recognize an asset for the portion of the liability that we expect to recover from reinsurers. LAE reserves include allocated loss adjustment expenses ("ALAE"), and unallocated loss adjustment expenses ("ULAE"). ALAE are linked to the settlement of an individual claim or loss, whereas ULAE are based on the Company's estimates of future costs to administer the claims. IBNR represents reserves for loss and LAE that have been incurred but not yet reported to the Company. This includes amounts for unreported claims, development on known claims and reopened claims.

Carrick Re Ltd.
Notes to the Financial Statements

5. Losses and Loss Adjustment Expenses (continued)

The following table summarizes the liability for losses and LAE:

	2022	2021
Outstanding loss reserves	\$ 8,701,142	\$ 21,479,850
IBNR	2,481,006	12,267,592
Total Loss and LAE Reserves	<u>\$ 11,182,148</u>	<u>\$ 33,747,442</u>

The table below provides a reconciliation of the beginning and ending liability for losses and LAE.

	2022	2021
Balance of Losses and LAE reserves as of January 1,	\$ 33,747,442	\$ -
Add: Deferred gain on retroactive reinsurance	2,288,416	-
Net balance of Losses and LAE reserves as of January 1,	36,035,858	-
<i>Net incurred losses and LAE:</i>		
Current period	-	-
Prior periods	(5,103,982)	(2,656,072)
Total net incurred losses and LAE	(5,103,982)	(2,656,072)
<i>Net paid losses:</i>		
Current period	-	-
Prior periods	(18,991,465)	(9,364,851)
Total net paid losses	(18,991,465)	(9,364,851)
Assumed business	-	48,056,781
Net balance as of December 31,	11,940,411	36,035,858
Less: Deferred gain on retroactive reinsurance	(758,263)	(2,288,416)
Balance of Losses and LAE reserves as of December 31,	<u>\$ 11,182,148</u>	<u>\$ 33,747,442</u>

The tables below provide the components of net incurred losses and LAE for the years ended December 31, 2022 and 2021:

Carrick Re Ltd.

Notes to the Financial Statements

5. Losses and Loss Adjustment Expenses (continued)

	2022	2021
Paid Losses	18,991,465	9,364,851
Outstanding loss reserves	(12,778,708)	(5,010,460)
IBNR	(9,786,586)	(7,010,463)
Amortization of deferred charge	(1,530,153)	0
Net incurred losses and LAE	<u>(\$5,103,982)</u>	<u>(\$2,656,072)</u>

The loss development tables below have been produced relating to Ategrity by accident year:

			Incurred Losses and Loss Expenses, Net of Reinsurance		December 31, 2022	
			Years Ended December 31,			
Acquisition Year	Accident Year	Net Reserves Acquired	2021 (Unaudited)	2022	Total IBNR Reserves	Claim Counts
2021	2019		(407,535)	361,495	176,000	13
2021	2020		12,264,181	15,037,347	698,114	56
2021	2021		31,255,648	24,139,621	1,606,892	73
		<u>45,768,365</u>	Total	\$ 39,538,464	\$ 2,481,006	

			Cumulative Paid Losses and Loss Expenses, Net of Reinsurance	
			Years Ended December 31,	
Acquisition Year	Accident Year		2021 (Unaudited)	2022
2021	2019		175,875	(333,194)
2021	2020		2,349,504	9,795,689
2021	2021		6,839,472	18,893,822
			Total	\$ 28,356,316
		Reserves for losses and lae, net of reinsurance		<u>\$ 11,182,147</u>

The below table summarizes the historic average annual percentage payout of incurred losses by age, net of reinsurance, as of December 31, 2022:

	Average Annual Payout of Incurred Losses Since Year of Acquisition									
	December 31, 2022									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Ategrity	23.7%	48.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Carrick Re Ltd. Notes to the Financial Statements

6. Related Party Transactions

(a) ZP Utility Insurance Fund II, L.P.

The Company is a limited partner of the Partnership and has entered into an Amended and Restated Limited Partnership Agreement with ZP Utility Insurance GP II, LLC, the General Partner of the Partnership. The sole owner of the General Partner is also the controlling shareholder of Carrick Specialty Holdings LLC, the parent (through an intermediate holding company) of the Company.

(b) Ategrity

The Company entered into a LPT with Ategrity as described in “Note 3 – Significant New Business”. Ategrity is wholly-owned by Zimmer Financial Services Group LLC who is also the ultimate beneficial owner of the Company.

The following table summarizes our related balances associated with Ategrity as of December 31, 2022 and 2021:

	2022	2021
Assets:		
Premium balances receivable	\$ -	\$ 1,373,049
Accrued investment income	28,492	116,710
Accounts receivable	-	2,896,490
Funds held by reinsurer	11,405,791	34,422,391
Liabilities		
Loss and loss adjustment expenses	11,940,411	36,035,858
Insurance balances payable	2,219,668	-
Net assets	<u>\$ (2,725,796)</u>	<u>\$ 2,772,782</u>
	2022	2021
Interest income	\$ 218,859	\$ 116,710
Net incurred losses and lae	(5,103,982)	(2,656,072)
Net income	<u>\$ 5,322,841</u>	<u>\$ 2,772,782</u>

Carrick Re Ltd.

Notes to the Financial Statements

7. Commitments and Contingencies

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements cannot be estimated, as this would involve future claims that may be made against the Company that have not yet occurred. However, the Company expects the risk of loss to be remote.

8. Shareholders' Equity

The Company's authorized common stock consists of 120,000 issued shares, \$1.00 par value, all of which were outstanding at December 31, 2022.

For the years ended December 31, 2022 and 2021, Carrick Holdings (Bermuda) Limited, the Company's parent, contributed capital in the amount of \$Nil and \$15,400,000, respectively.

9. Dividend Restrictions and Statutory Financial Information

The Company prepares its statutory financial statements in accordance with statutory accounting practices prescribed or permitted by local regulators. Statutory and local accounting differs from U.S. GAAP, including in the treatment of investments, acquisition costs and deferred income taxes, amongst other items.

For the year ended December 31, 2022 the required and actual statutory capital and surplus amounts for the Company were \$2,209,000 and \$25,291,000 (2021: \$5,062,000 and \$19,499,000), respectively, and the statutory net income amount for the Company was \$4,890,000 (2021: \$2,987,000).

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

The Insurance Act requires that the Company maintain certain solvency and liquidity standards. The minimum liquidity ratio requires that the value of relevant assets not be less than 75% of the amount of relevant liabilities. The minimum solvency margin is determined as a percentage of either net reserves for losses and LAE or premiums.

Carrick Re Ltd.
Notes to the Financial Statements

9. Dividend Restrictions and Statutory Financial Information (continued)

The Company is required to maintain a minimum statutory capital and surplus (Enhanced Capital Requirement or "ECR") at least equal to the greater of a minimum solvency margin or the Bermuda Solvency Capital Requirement ("BSCR"). The BSCR is calculated based on a standardized risk-based capital model as provided by the BMA.

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

As of December 31, 2022 the Company exceeded its minimum solvency and liquidity requirement by \$23,082,000 (2021: \$14,437,000) and was in compliance with its liquidity requirement.

10. Subsequent Events

The Company has evaluated subsequent events through April 27, 2023 the date the consolidated financial statements were available to be issued.



Ernst & Young
725 South Figueroa Street
Suite 600
Los Angeles, CA 90017

Tel: +1 213 977 3200
ey.com

Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Ernst + Young LLP

April 28, 2023