Associated Electric & Gas Insurance Services Limited

Consolidated Financial Statements as of
December 31, 2022 and 2021 and for the
Years Ended December 31, 2022, 2021 and 2020 and
Independent Auditor's Report

Associated Electric & Gas Insurance Services Limited

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Associated Electric & Gas Insurance Services Limited:

Opinion

We have audited the consolidated financial statements of Associated Electric & Gas Insurance Services Limited ("AEGIS" or the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income and comprehensive income, changes in surplus, and cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 one year after the date that the financial statements are issued.

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 from 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 information about incurred and paid claims development prior to 2022 within Note 8 to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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 & Touche LLP

March 31, 2023

Associated Electric & Gas Insurance Services Limited

Consolidated Balance Sheets
As of December 31, 2022 and 2021
(Expressed in thousands of U.S. dollars)

	2022	2021
Assets		
Cash and cash equivalents[1]	$ 925,034	$ 637,953
Investments (fair value: 2022 - $4,772,799; 2021 - $4,706,164)[1]	4,884,144	4,671,555
Mortgage loans, net of valuation allowance	155,414	210,358
Total cash and investments	5,964,592	5,519,866
Due from reinsurers	2,816,962	2,458,817
Due from insureds	9,243	-
Accrued interest[1]	24,462	21,002
Premiums receivable	425,062	417,365
Receivable for securities sold	62,813	39,208
Current income taxes receivable[1]	5,054	-
Unearned continuity and other premium credits	29,953	29,754
Prepaid reinsurance premiums[1]	457,651	454,181
Net deferred tax assets[1]	36,517	50,229
Deferred acquisition costs	111,623	93,610
Deposit assets	132,709	134,140
Other assets[1]	231,250	221,864
Total Assets	$10,307,891	$ 9,440,036
Liabilities and Surplus		
Liabilities:		
Reserve for losses and loss expenses	$ 5,525,263	$ 4,863,806
Unearned premiums	1,413,329	1,289,512
Due to insureds	-	8,395
Current income taxes payable[1]	-	1,482
Fair value of insurance and reinsurance contracts	396,913	537,232
Due to reinsurers[1]	288,917	253,511
Payable for securities purchased	112,735	49,468
Deposit liabilities	132,709	134,140
Accrued expenses and other liabilities[1]	207,689	195,099
Total liabilities	8,077,555	7,332,645
Commitments and Contingencies		
Surplus:		
Statutory surplus fund	250	250
Policyholders' surplus[1]	2,225,056	2,086,538
Accumulated other comprehensive income	5,030	20,603
Total surplus	2,230,336	2,107,391
Total Liabilities and Surplus	$10,307,891	$ 9,440,036

[1] *See Note 6 for details of balances associated with variable interest entities.*

See notes to the consolidated financial statements.

Associated Electric & Gas Insurance Services Limited

Consolidated Statements of Income and Comprehensive Income
For Years Ended December 31, 2022, 2021 and 2020
(Expressed in thousands of U.S. dollars)

	2022	2021	2020
Revenue:			
Gross premiums written	$2,649,521	$2,377,763	$2,092,383
Net premiums written	1,650,250	1,469,532	1,322,551
Net premiums earned	1,534,450	1,403,317	1,213,640
Net investment (loss) income	(75,898)	174,346	112,999
Change in fair value of insurance and reinsurance contracts	149,793	47,442	(45,684)
Total revenue	1,608,345	1,625,105	1,280,955
Expenses:			
Losses and loss expenses incurred	997,313	925,254	795,950
Commission expenses	163,413	157,670	149,883
Other underwriting expenses	188,476	188,271	131,122
Total expenses	1,349,202	1,271,195	1,076,955
Income before continuity and other premium credits and income taxes	259,143	353,910	204,000
Continuity and other premium credits	71,235	67,600	63,346
Income before income taxes	187,908	286,310	140,654
Income Taxes:			
Current provision	30,679	49,864	33,855
Deferred provision (benefit)	18,444	6,662	(5,468)
Total income tax provision	49,123	56,526	28,387
Net Income	$ 138,785	$ 229,784	$ 112,267
Other Comprehensive (Loss) Income:			
Unrealized (losses) gains on securities:			
Unrealized holding (losses) gains arising during the year from available-for-sale securities (net of income tax benefit of $32,330, $7,381 and $248, respectively)	(121,623)	(27,767)	(934)
Unrealized holding gains, on held-to-maturity securities reclassified from available-for-sale, arising during the year (net of income tax (expense) of ($289), ($271) and ($287), respectively)	1,085	1,019	1,078
Reclassification adjustment for amounts included in net income (loss) (net of income tax (expense) ($27,902), ($1,578) and ($715), respectively)	104,965	5,937	2,690
Other comprehensive (loss) income	(15,573)	(20,811)	2,834
Comprehensive Income	$ 123,212	$ 208,973	$ 115,101

See notes to the consolidated financial statements.

Associated Electric & Gas Insurance Services Limited

Consolidated Statements of Changes in Surplus
For Years Ended December 31, 2022, 2021 and 2020
(Expressed in thousands of U.S. dollars)

	2022	2021	2020
Statutory Surplus Fund	$ 250	$ 250	$ 250
Policyholders' Surplus:			
Balance at January 1	2,086,538	1,858,570	1,743,723
Other surplus adjustments	(267)	(1,816)	2,580
Net income	138,785	229,784	112,267
Balance at December 31	2,225,056	2,086,538	1,858,570
Accumulated Other Comprehensive Income:			
Balance at January 1	20,603	41,414	38,580
Other comprehensive (loss) income	(15,573)	(20,811)	2,834
Balance at December 31	5,030	20,603	41,414
Total Surplus at December 31	$ 2,230,336	$ 2,107,391	$ 1,900,234

See notes to the consolidated financial statements.

Associated Electric & Gas Insurance Services Limited

Consolidated Statements of Cash Flows
For Years Ended December 31, 2022, 2021 and 2020
(Expressed in thousands of U.S. dollars)

	2022	2021	2020
Cash Flows From Operating Activities:			
Net income	$ 138,785	$ 229,784	$ 112,267
Net investment losses (gains) on securities	174,647	(78,457)	(14,236)
Net investment foreign exchange losses (gains) losses	13,830	(2,126)	2,200
Amortization of securities	3,383	25,664	9,852
Depreciation, capitalization and other charges	2,043	2,534	1,811
Deferred income tax expense	18,444	6,662	(5,468)
Change in variable interest entities	(267)	(1,816)	2,580
Change in allowance for loans	2,969	73	110
Changes in assets and liabilities:			
Due from reinsurers	(358,145)	(350,472)	(165,139)
Due from (to) insureds	(17,638)	9,957	10,039
Accrued interest	(3,460)	(902)	4,985
Premiums receivable	(7,697)	(41,163)	(52,196)
Current income taxes (receivable) payable	(6,536)	5,089	19,788
Unearned continuity and other premium credits	(199)	(251)	1,967
Prepaid reinsurance premiums	(3,470)	(67,157)	(39,195)
Deferred acquisition costs	(18,013)	(1,546)	3,850
Deposit assets	1,431	(4,903)	(5,257)
Other assets	(13,247)	(30,609)	(33,568)
Reserve for losses and loss expenses	661,457	511,984	323,335
Unearned premiums	123,817	122,446	145,619
Fair value of insurance and reinsurance contracts	(140,319)	(44,197)	48,801
Due to reinsurers	35,406	(1,043)	35,855
Deposit liabilities	(1,431)	4,903	5,257
Accrued expenses and other liabilities	12,009	31,027	16,638
Net cash provided by operating activities	617,799	325,481	429,895
Cash Flows From Investing Activities:			
Purchases of available-for-sale debt securities, equity securities, and other investments	(4,543,268)	(5,360,904)	(8,201,213)
Purchases of mortgage loans	(25,472)	(49,438)	(19,698)
Purchases of held-to-maturity investments	(240,510)	(349,314)	(296,554)
Proceeds from sales or redemptions of available-for-sale debt securities, equity securities, and other investments	4,218,513	5,238,388	7,834,619
Proceeds from sales of mortgage loans	77,561	27,077	30,131
Proceeds from maturities and mandatory redemptions of held-to-maturity investments	188,669	292,505	344,786
Net cash utilized in investing activities	(324,507)	(201,686)	(307,929)
Effect of Exchange Rate Changes on Cash	(6,211)	367	2,351
Increase in Cash and Cash Equivalents	287,081	124,162	124,317
Cash and Cash Equivalents, Beginning of Year	637,953	513,791	389,474
Cash and Cash Equivalents, End of Year	$ 925,034	$ 637,953	$ 513,791
Supplemental disclosures of cash flow information:			
Income tax (payments) receipts	$ (35,941)	$ (45,026)	$ (13,870)

See notes to the consolidated financial statements.

1. The Company and its Principal Activity

Associated Electric & Gas Insurance Services Limited ("AEGIS" or the "Company") was incorporated in Bermuda in 1971 and commenced underwriting activities in 1975. AEGIS is registered as a non-assessable mutual insurance company in Bermuda, is regulated under that country's Insurance Act of 1978, and is a Class 3 insurer under the Insurance Amendment Act of 1995. The Bermuda Monetary Authority approved AEGIS' change in designation from a Class 2 insurer to a Class 3 insurer, effective January 1, 2015.

The principal activity of the Company is to provide, directly and through alliances and affiliates, a full array of liability and property coverages. AEGIS writes Excess Liability, Employers Liability, Employment Practices Liability, Professional Liability, Property including renewables, Boiler and Machinery, Cyber and Generation Outage coverage. AEGIS also writes Directors and Officers Liability, Fiduciary and Employee Benefits Liability, and Excess Workers' Compensation coverages. Through strategic alliance partners, which it reinsures, AEGIS offers General Liability, Commercial Automobile Liability, Directors and Officers Liability, Umbrella Liability and Workers' Compensation coverages. The Company operates a federally licensed Canadian branch offering Excess Liability, Directors and Officers Liability, Property, and Boiler and Machinery and Cyber coverages.

AEGIS Electric & Gas International Services Limited ("AISL") is the capital provider for Syndicate 1225 ("AEGIS London") at Lloyd's of London ("Lloyd's"). AISL underwrites primarily Property, Casualty, Specialty Lines, Marine and Energy insurance. AISL is wholly owned by AEGIS through its subsidiary, AEGIS London Holding Limited ("AEGIS London Holding"). For the years ended December 31, 2022, 2021 and 2020, the Company provided a net capacity for AEGIS London of 100, 97 and 97 percent, respectively.

Recent Developments

In 2022, almost all restrictions have been lifted across the U.S. and globally related to the novel coronavirus (COVID-19) and its related variants. The disease has moved from a pandemic to being endemic. While the effects of COVID-19 have lessened with time, the global impact of the uncertainty associated with the Russia-Ukraine conflict, inflationary conditions, and monetary policy responses continue to plague the global economy. It is unknown the impact this uncertainty will have on the Company's investment performance, claims and claim liabilities, and reinsurance availability and pricing. Estimates used in the preparation of the financial statements are subject to change, particularly those associated with insurance and reinsurance contracts and assumptions used in the pricing of securities. While management cannot estimate the financial impact of these risks at this time, management believes that the Company is in a strong liquidity and capital position. However, with the continually changing business environment, as new risk factors are identified they will be evaluated by the Company accordingly.

2. Significant Accounting Policies

a. Basis of Presentation

The consolidated financial statements include the accounts of AEGIS, its wholly owned subsidiaries, and entities over which the Company exercises control and where the Company is considered the primary beneficiary of the entities' activities (these entities are known as variable interest entities ("VIE")). See Note 6 for more information on the Company's consolidated VIEs. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant inter-company transactions are eliminated in consolidation.

b. Use of Estimates

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, in particular investments, reserves for losses and loss expenses, the allowance for uncollectible reinsurance, the fair value of excess workers' compensation direct insurance and related reinsurance contracts, deferred tax assets and liabilities, the disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash and Cash Equivalents

Cash and cash equivalents generally include demand deposits, money market funds and short-term investments with an original maturity of less than three months from the purchase date. Cash equivalents are carried at amortized cost, which approximates fair value.

d. Investments and Mortgage Loans

Investments

The Company invests in a variety of financial instruments and vehicles including debt and equity securities, 144A registered and unregistered debt issuances, mutual funds, syndicated bank loans, direct lending, fund of fund investments, convertible debt securities, limited partnership investments, real estate investment trusts ("REIT") and mortgage loans. The Company records its purchases and sales of equity and debt securities and mutual funds on a trade date basis, and all other investments on the contractual effective date. The Company classifies its financial instruments as either Available-for-Sale ("AFS"), Held-to-Maturity ("HTM"), equity securities or other invested assets.

Investment income, net of investment-related expenses, is recognized when earned. Realized investment gains or losses on sales of investments, generally determined on a first-in, first-out basis, are included in net investment income.

Net investment income also includes unrealized gains and losses from convertible debt securities, the change in reported asset value for investments accounted for under the equity method of accounting, and unrealized gains and losses from equity securities.

Available-for-Sale/Held-to-Maturity Investments

The Company's AFS securities are carried at fair value, with unrealized holding gains and losses, net of income tax effects, included in accumulated other comprehensive income ("AOCI") and the related changes in unrealized gains and losses included in Other Comprehensive Income ("OCI"). The amortized cost of debt securities includes both the amortization of premium and the accretion of discounts.

AFS securities include mortgage and asset-backed securities ("MBS" and "ABS", respectively). Amortization of the premium or accretion of the discount from the purchase of these securities is recognized after considering the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received and currently anticipated. The recognition of income on MBS and ABS is dependent upon market conditions, which could result in prepayments and changes in amounts to be earned.

Securities classified as HTM are carried at amortized cost. The Company's intent is to hold its HTM securities to maturity. The HTM portfolio is comprised of various types of securities including U.S. treasury securities, domestic and foreign corporate debt instruments, MBS, and ABS.

Securities carried at amortized cost are adjusted for the amortization of premiums and accretion of discounts to maturity using the effective yield method. This amortization and accretion is included in net investment income.

Equity Securities

The Company identifies its equity investments as equity securities, REITs, and mutual funds. Equity investments are carried at fair value with changes in fair value recognized in net investment income.

Other-Than-Temporary-Impairment

The Company periodically reviews its AFS investment portfolios for impairment, which describes a condition where individual holdings have experienced a decline in fair value below their respective amortized cost. The Company considers a number of factors in evaluating whether a decline in fair value below amortized cost is other-than-temporary, including: (a) the present value of expected future cash flows; (b) the financial condition and near-term prospects of the issuer; (c) the period and degree to which the fair value has been below amortized cost; and (d) with respect to AFS debt securities, whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers. A security is considered other-than-temporarily impaired when it becomes apparent that the present value of the expected cash flows over the expected holding period is less than its amortized cost basis. HTM securities are also periodically reviewed for impairment. Future cash flows and the financial condition of the issuer are the key elements in determining HTM impairment.

Where the decline in fair value of an AFS debt security is deemed to be other-than-temporary and the Company neither intends to sell, nor is it more likely than not that the Company will be required to sell the security, a charge is recorded to net investment income for the credit-related impairments and a new cost basis is established. A decline in fair value for non-credit related impairments is recorded as other comprehensive loss. In periods subsequent to the recognition of an other-than-temporarily impaired loss for debt securities, the discount or reduced premium recorded for the debt security, based on the new cost basis, is amortized over the remaining life of the debt security in a prospective manner based on the amount and timing of future estimated cash flows at the balance sheet date.

The Company's investments are externally managed by professional investment managers who have the discretion to buy and sell securities subject to certain Company-imposed guidelines. Management does not assess, on a security-by-security basis, whether its investment managers had the intent to sell impaired debt securities. Therefore, all impairments of AFS securities as of December 31, 2022 and 2021 were considered other-than-temporary and recorded as a charge to net investment income.

Syndicated Bank Loans

The Company invests in syndicated bank loans. The initial investment in a bank loan is inclusive of the value of the loans plus or minus any fees paid or received which are directly attributable to the investment. The difference between the initial investment and the related loans principal amount at the date of purchase is recognized as an adjustment to yield over the life of the loan. All other costs incurred in committing to purchase and acquire the loans are expensed as incurred. Syndicated bank loans are classified and treated as AFS securities. As of December 31, 2022 and 2021, the Company's net traded but unsettled syndicated bank loans totaled $1,309 and $2,045, respectively, with a corresponding payable for securities purchased.

REIT Investments

The Company invests in both exchange traded and privately issued REIT investments, both of which are considered equity securities and are classified and accounted for accordingly.

Other Invested Assets

Convertible Debt Securities

The Company invests in convertible debt securities, and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825, *Financial Instruments,* has elected to apply the fair value option ("FVO") to its portfolio of convertible debt securities. Management elected the FVO as a practical expedient, in order to eliminate the requirement to bifurcate and value the embedded options separately from the host contracts. Convertible securities are carried at fair value and are classified as other invested assets and reported as investments in the consolidated balance sheets. The changes in fair value of these securities are recorded in net investment income in the period the change occurs.

Investments Accounted for Under the Equity Method

When the Company does not have a controlling financial interest in an entity but can exert what is deemed as significant influence, generally based on percentage of ownership, the entity is accounted for under the equity method of accounting. The following investments are accounted for under the equity method and are included in investments in the consolidated balance sheets with income recorded as net investment income.

Fund of Funds

The Company invests in fund of funds investments and these investments are accounted for using the equity method of accounting. Under the equity method of accounting, the carrying value of these holdings approximates fair value.

Limited Partnership Investments

The Company invests in limited partnerships whose underlying investments are comprised of various types of instruments, such as senior secured term loans, senior floating rate debt and syndicated bank loans. The ownership interest in each of the limited partnerships exceeded 5% but was less than 50% at December 31, 2022 and 2021. Based on its percentage of ownership, the Company is accounting for these investments using the equity method of accounting, in accordance with ASC 323, *Investments—Equity Method and Joint Ventures*.

Under the equity method of accounting, the carrying value of these instruments approximates fair value. These limited partnership investments would be classified as Level 3 investments, as determined based on the Company's fair value measurement framework.

Mortgage Loans

The Company participates in residential and commercial mortgage loans by investing in a pro-rata interest in loans originated by a third party. Residential loans are comprised mostly of apartment complexes, while commercial loans consist largely of malls and commercial buildings. Mortgage loans are stated at the unpaid principal balance adjusted for deferred fees and are net of a valuation allowance. Commitment and other deferred fees are recognized as income on a straight-line basis over the life of the loan. Interest income is recognized as earned and management fees are expensed as incurred, with both reflected in net investment income. Valuation allowances are recorded as a reduction in the carrying value of the loan and are recognized in net investment income.

Security Lending Agreements

The Company participates in securities lending arrangements whereby specific securities are loaned to other institutions, primarily banks and brokerage firms, for short periods of time. Collateral is held by our custodian and is monitored and maintained by the lending agent. Company policy requires the borrower to provide a minimum of 102% up to 105% of the fair value of the domestic and foreign loaned securities, respectively, as collateral. Securities loaned are recorded in accrued expenses and other liabilities, while cash collateral held by our custodian and monitored and maintained by the lending agent is recorded in other assets on the consolidated balance sheets. The Company receives interest income on the invested collateral, which is included in net investment income. The Company monitors the fair value of the underlying securities to ensure such transactions are adequately collateralized.

e. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk include cash balances in excess of government-insured limits, amounts due from reinsurers and marketable debt securities. Although the Company places its temporary cash investments with creditworthy financial institutions and purchases reinsurance contracts from highly rated reinsurers, the Company is exposed to a concentration of credit risk with respect to cash and temporary cash investments held at financial institutions and amounts due from its reinsurers. Management monitors the credit standing of the relevant financial institutions and the financial condition of the Company's reinsurers.

The Company holds bonds and notes issued by U.S. and foreign corporations, the United States government and foreign governments. By policy, these investments are kept within limits designed to prevent risks caused by concentration. As of December 31, 2022 and 2021, there were no known significant concentrations of credit risk with regard to invested assets.

f. Deferred Acquisition Costs

The Company incurs brokers' commissions and premium taxes in acquiring insurance premiums for executed contracts. These costs are deferred and amortized over the lives of the policies to which they relate, excluding contracts measured at fair value, where such costs are included in the change in fair value. The amortization of deferred acquisition costs is included in commission expenses. The recoverability of these deferred costs is reviewed periodically and includes the consideration of future investment income.

g. Derivative Financial Instruments

The Company enters into foreign currency forward contracts, generally with terms of 90 days or less. The primary objective of investing in foreign currency forward contracts is to protect the U.S. dollar value of foreign currency-denominated monetary assets and liabilities from the effects of volatility in foreign exchange rates that might occur prior to their receipt or settlement in U.S. dollars. These forward contracts are not designated as hedges and are marked to fair value through net investment income and substantially offset the change in spot value of the underlying foreign currency-denominated monetary asset or liability.

The Company's foreign currency forward contracts are traded in the over-the-counter derivative market. These contracts are valued by models that utilize actively quoted or observable market input values from external market data providers, third party pricing vendors and/or recent trading activity.

As of December 31, 2022, 2021 and 2020, the Company invested in foreign currency forward contracts with a notional balance of $0, $45,000 and $25,000, respectively, denominated in Canadian dollars. The unrealized gain (loss) recorded from foreign currency forward contracts for 2022, 2021 and 2020 was ($427), ($130), and $175, respectively, which is reflected in net investment income. The realized gain (loss) associated with foreign currency forward contracts for 2022, 2021 and 2020 was $63, $335, and ($532), respectively, which is reflected in net investment income.

h. Foreign Operations and Foreign Currency Translation

The functional and reporting currency of the Company is U.S. dollars. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate prevailing during the year. Any resulting operating foreign exchange gain or loss is included in other underwriting expenses. The Company recorded net operating foreign exchange gains (losses) of ($1,451), ($5,259), and $6,959 for the years ended December 31, 2022, 2021 and 2020, respectively. Unrealized gains and losses resulting from changes in the foreign currency exchange rates on AFS securities are recorded in the consolidated balance sheets in AOCI. Realized foreign currency gains and losses resulting from the sale of securities are recorded in net investment income.

AISL's assets, liabilities, revenues and expenses are recorded after making certain adjustments to convert U.K. GAAP accounting to U.S. GAAP. The most significant U.S. GAAP adjustments relate to timing of investment income recognition and loss reserve estimates.

The Canadian branch files statutory financial statements based upon International Financial Reporting Standards. The most significant U.S. GAAP adjustments to the Canadian branch's financial results relate to the method of estimation of loss reserves.

i. Leases

A lease is defined when a party obtains the right to use an asset that is legally owned by another party. The Company determines if an arrangement is a lease at inception. Right of use ("ROU") assets and lease liabilities are recorded at the commencement date of the lease. Lease liabilities are recognized at the present value of the contractual fixed lease payments. The Company has elected to utilize risk free discount rates to determine the present value of the lease payments. ROU assets are recognized equal to lease liabilities adjusted for prepaid lease payments, initial direct costs and lease incentives. The operating lease expense is recognized on a straight line basis over the lease term, while variable lease payments are expensed as incurred. ROU assets and lease liabilities are recorded in other assets and accrued expenses and other liabilities on the consolidated balance sheet, respectively.

j. Income Taxes

The Company's provision for income taxes represents management's best estimate of various events and transactions and includes the impact of reserve provisions and changes to reserves that are considered appropriate. The Company reflects interest and penalties attributable to income taxes, to the extent they arise, as a component of its income tax provision or benefit as well as its outstanding income tax assets and liabilities.

Deferred tax assets ("DTA") and liabilities ("DTL") resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. A valuation allowance is established when it is more likely than not that some portion of the Company's deferred tax assets will not be realized.

Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes, as there are many transactions and calculations for which the ultimate tax determination is uncertain. The assessment to determine whether a valuation allowance is required and the amount of any allowance requires significant judgment and includes the long-range forecast of future taxable income and the evaluation of tax planning initiatives. Adjustments to the deferred tax valuation allowances are recorded in earnings in the period such management assessments are made.

The Company recognizes a tax benefit relating to uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when the Company believes that certain positions might be challenged despite its belief that the Company's tax return positions are fully supportable. The Company adjusts these reserves in light of changing facts and circumstances, such as the outcome of tax audits.

k. Written and Unearned Premiums

Premiums are earned as income ratably over the period covered by the policies. Unearned premium reserves are established relative to the unexpired contract period. It is the Company's practice to price certain of its policies at amounts that are not expected to fully recover anticipated losses, loss expenses and underwriting expenses. Such practice anticipates that sufficient investment income will be earned over the period in which underwriting losses are settled.

l. Reserve for Losses and Loss Expenses

The reserve for losses and loss expenses represents the Company's best estimate, based on its latest studies, of the gross amount of losses and loss expenses to be paid on ultimate settlement of all incurred insurance claims, reported and unreported, as of the respective balance sheet dates. These estimates are periodically reviewed by the Company's management and independent actuaries, and are adjusted in accordance with the latest available information. Any adjustments in estimates are reflected in earnings in the period the adjustment is recorded. Management believes that an adequate provision has been made for the Company's losses and loss expenses.

m. Fair Value Measurements

The Company measures certain assets and liabilities using fair value. Fair value is a market-based measurement and not an entity-specific measurement, and requires the use of a fair value hierarchy with the highest priority given to quoted prices in active markets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1—Quoted prices available in active markets for identical investments as of the reporting date are used to determine fair value. Assets measured at fair value and classified as Level 1 include publicly traded equity securities.

Level 2—Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, are used to determine fair value through the use of models or other valuation methodologies. Assets measured at fair value and classified as Level 2 include certain domestic and foreign government and agency securities, domestic and foreign corporate bonds, MBS, ABS, syndicated bank loans/direct lending, commercial paper, secured notes, mutual funds, and certain private placements. Since many debt securities do not trade on a daily basis, independent pricing services estimate fair value through processes such as bid evaluation using observable inputs and matrix pricing of similar securities to calculate the fair value of domestic and foreign government and agency securities. For domestic and foreign corporate bonds and commercial paper, the pricing provider considers credit spreads, interest rate data and market analysis in the valuation of each security. For MBS and ABS, the pricing provider applies models including observable inputs such as dealer quotes and other available trade information as well as prepayment speeds, yield curves and credit spreads. Syndicated bank loans are priced using dealer quotes relying on available market data.

Level 3—Significant pricing inputs are unobservable and include situations where there is little, if any, observable market activity for the investment, asset or obligation. The liability for the fair value of excess workers' compensation insurance and reinsurance contracts is classified as Level 3. Management must make assumptions about inputs that a market participant would use to value the liability. If quoted market prices are not available, fair value is based upon vendor or internally developed valuation models that use, where possible, current market-based or independently sourced market parameters. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy is determined based on the lowest-level input that is significant to the fair value measurement in its entirety. There have been no material changes in the Company's valuation techniques during the periods presented. The Company also considers its own nonperformance risk when measuring the fair value of liability positions and the counterparty's nonperformance risk when measuring the fair value of asset positions.

Fair Value Option for Insurance and Reinsurance Contracts

Effective January 1, 2008, the Company elected the FVO for all direct insurance contracts classified as excess workers' compensation, as well as the related reinsurance contracts.

The Company records these contracts at fair value to reflect the significant elapsed time between the issuance of the contracts and final settlement of the obligations, adjusted for the risk of variation in the amount and timing of future cash flows. These contracts are recorded at fair value, with changes in fair value recorded in the consolidated statements of income and comprehensive income in the period of change. As such, reported premiums and incurred losses do not include activity related to the Company's excess workers' compensation insurance and reinsurance contracts.

Cash flows from the underlying insurance and reinsurance contracts are reported in cash flows from operating activities. Management reevaluates, on an annual basis, its fair value election for future insurance and reinsurance contracts.

n. Continuity and Other Premium Credits

Continuity credits are based on each respective member's proportionate share of premiums and total surplus. Other premium credits are based on each eligible policyholders' proportionate share of its premiums for the given measurement period. Continuity and other premium credits are declared by the Company's Board of Directors. Such credits are provided only to eligible members and other policyholders renewing coverage with the Company and are subject to certain restrictions. The application of continuity and other premium credits to policy renewal premiums is limited to the amount of premium charged. Excess credits are carried forward for potential use in future periods; such credits are forfeited when a member chooses not to renew its policy with the Company. Issued credits are earned over the periods covered by the underlying policies.

o. Reinsurance

The Company cedes a portion of its insurance risk by utilizing various reinsurance contracts in order to provide additional capacity for future growth and limit the maximum net loss potential arising from the severity or frequency of insurance claims. These contracts do not relieve the Company from its obligation to policyholders. The amounts recoverable from reinsurers are estimated in a manner consistent with the reserve for losses associated with the related reinsurance contract.

p. Deposit Assets and Liabilities

The Company enters into certain contracts that do not meet U.S. GAAP risk transfer provisions requiring that a transaction contain a significant assumption of insurance risk and a reasonable possibility that the Company may realize a significant loss from the contract. These contracts are accounted for using the deposit method of accounting. For these contracts, the Company records deposit liabilities for an amount equivalent to the assets received with any differences due to the timing of receipts and payments. In some cases, the Company transfers assets to another insurer or reinsurer and records a deposit asset for the amount paid.

(Expressed in thousands of U.S. dollars)

q. Property and Equipment

Property, equipment, and leasehold improvements are stated at cost less accumulated depreciation/amortization and are included in other assets. Depreciation/amortization are provided, beginning at the inception of the asset's use, under the straight-line method based upon the following estimated useful lives:

	Estimated Life (Years)
Property and leasehold improvements	(*)
Furniture and fixtures	5–15
Information technology equipment and software	3–5

(*) *Amortized over the lesser of the useful life or the remaining life of the lease from the date placed in service*

A summary of property and equipment at December 31 is as follows:

	2022	2021
Property and leasehold improvements	$ 9,608	$ 8,954
Furniture and fixtures	9,443	9,425
Information technology equipment and software	21,694	21,706
Total cost	40,745	40,085
Accumulated depreciation/capitalization	(32,168)	(30,202)
Net property and equipment	$ 8,577	$ 9,883

Depreciation and capitalization expense amounted to $2,043, $2,534, and $1,811 for the years ended December 31, 2022, 2021 and 2020, respectively. There were no gains or losses related to the disposal of the Company's property and equipment during the years ended 2022, 2021 and 2020.

r. Retirement Benefit Plans

Prior to January 1, 1998, the Company maintained a qualified defined benefit pension plan for eligible employees of AEGIS Insurance Services, Inc., a wholly owned subsidiary of the Company, through membership in the Pension Plan for Employees of AEGIS Insurance Services, Inc. ("AISI") (the "Pension Plan"). Benefits are based on a participant's credited service ending no later than December 31, 2011, as defined by the Pension Plan. On January 1, 1998, the Pension Plan was frozen to new participants.

Effective December 31, 2011, the Pension Plan was amended to discontinue the accrual of additional participant benefits after December 31, 2011. On July 15, 2012, the Pension Plan was amended for a one-time adjustment, which increased frozen Participant's accrued benefit base by 10% provided the participant was an active employee on July 31, 2012. The Company also has a non-qualified supplemental defined benefit plan for certain employees. The non-qualified plan is funded from the general assets of the Company, including corporate-owned life insurance policies purchased to provide for the benefits earned by eligible employees; however, these policies cannot be considered in the determination of the funded status of the non-qualified plan.

The Company's funding policy is to contribute funds to the Pension Plan, as necessary, to provide for any unfunded projected benefit obligation over a reasonable period. To the extent that these requirements are fully covered by assets in the Pension Plan, the Company may elect not to make any contributions in a particular year. As of December 31, 2022 and 2021, the total projected benefit obligation for the Pension Plan and the non-qualified plan was $29,043 and $38,037, respectively. The fair value of Pension Plan assets as of December 31, 2022 and 2021 was $23,505 and $28,255, respectively, and the total unfunded balance was $5,538 and $9,782, respectively. The Company's projected benefit obligation for the Pension Plan was based on a 2.75% discount rate in 2022, and on a 2.50% discount rate in 2021. The projected benefit obligation for the non-qualified plan was based on a discount rate of 5.00% in 2022 and a 2.25% discount rate for 2021, with a 3.00% rate of compensation increase for the non-qualified Plan in 2022 and 2021. The expected rate of return on Pension Plan assets was 3.50% for 2022 and 2021, and is determined based on historical and expected future returns of the Pension Plan's asset classes.

The Company currently maintains a post-retirement medical benefit plan for eligible employees of the Company, and benefits are based on a participant's age and credited service. In 2012, the Plan was amended to reduce the Company's share of the costs if the annual premium increase exceeds 3.00%. The Plan benefits are funded from the general assets of the Company, including corporate-owned life insurance policies purchased to provide for the benefits earned by eligible employees. These policies cannot be considered in the determination of the funded status of the plan. As of December 31, 2022 and 2021, the unfunded balance related to this plan was $7,430 and $9,236, respectively. The Company's obligations under the plan were based upon a discount rate of 5.25% for 2022 and 3.00% for 2021. All unfunded balances for the plans above are recorded within accrued expenses and other liabilities within the consolidated balance sheets.

s. Reclassifications

The Company has reclassified certain prior year amounts to conform to the current year's presentation.

t. New Accounting Pronouncements

Adoption of New Accounting Pronouncements

In August 2018, the FASB issued new guidance on defined benefit pension or other postretirement plans ASU 2018-14*, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. The new guidance adds, modifies and clarifies certain disclosure requirements relevant to sponsored defined benefit pension or other postretirement plans on a retrospective basis to all periods presented. The Company adopted this ASU in 2022, which had no material impact on the consolidated financial statements.

In February 2016, the FASB issued a new accounting standard ASU 2016-02, *Leases (Topic 842),* which supersedes prior 'lease accounting' guidance under *Topic 840 Leases*. *Topic 842* was amended and clarified since ASU 2016-02 was first issued. The following are the most recent changes that impact the Company.

In June 2020, the FASB issued ASU 2020-05, *Leases (Topic 842),* which provided new effective dates for the implementation of *Leases*. For nonpublic entities, it is effective for annual reporting periods beginning after December 15, 2022. Additionally, in November 2021, the FASB issued ASU 2021-09, *Discount Rate for Lessees That Are Not Public Business Entities, Leases (Topic 842)*. The update enabled lessees to make a risk-free rate election by class of underlying assets rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The update requires that when the rate implicit in the lease is readily determinable for an individual lease, the lessee use that rate regardless of whether it has made a prior risk-free rate election.

The most significant change under the new standard is that a lessee is required to recognize in the consolidated balance sheet liabilities related to the present value of future lease payments and an ROU asset representing the Company's right to use the underlying leased assets for the lease term. Expenses for minimum lease payments are recognized on a straight line basis. The recognition, measurement, timing, and presentation of expenses and cash flows arising from a lease by a lessee did not significantly change from the implementation.

The Company adopted the new standard as of January 1, 2022, using the modified retrospective approach for all leases existing at, or entered into after, the period of adoption. Under this approach, prior periods were not restated. Rather, lease balances and other disclosures for prior periods were provided in the Notes to consolidated financial statements as previously reported, and the cumulative effect of initially applying the guidance was recognized in the consolidated balance sheet as of December 31, 2022.

The modified retrospective approach included several optional practical expedients available that entities could elect to apply upon transition. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allow a lessee to carry forward their population of existing leases, the classification of each lease, as well as the treatment of initial direct costs as of the period of adoption.

Additionally, upon adoption, the Company utilized a discount rate to determine the present value of the lease payments based on information available as of January 1, 2022. The discount rate chosen was the 5-year U.S. Treasury for the Meadowlands Plaza NJ property lease and the 10-year GILT for the property lease at 25 Fenchurch Ave, in London.

Upon adoption, the Company recognized ROU assets and lease liabilities of $24,118 and $25,288, respectively, on the consolidated balance sheet. The standard had no material impact on the consolidated statement of income and other comprehensive income and no impact on the consolidated statement of cash flows. Refer to Note 11 for further information including significant assumptions and judgements made.

In March 2020, the FASB issued ASU 2020-04*, Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The new guidance reduces the operational and financial impacts of contract modifications that replace a reference rate, such as London Interbank Offered Rate (LIBOR). It applies to contracts and hedging relationships, and other transactions affected, provided certain criteria are met. The expedients and exceptions in the guidance do not apply to contract modifications made and hedging relationships entered into and evaluated after December 31, 2022, with certain exceptions. As of January 1, 2022, the Company adopted this ASU, which had no material impact on the consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In June 2016, the FASB issued guidance ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial* Instruments, which was clarified and amended by associated ASU's. Collectively, this ASU replaces the incurred loss accounting framework for financial instrument credit losses with one that employs a current expected credit loss ("CECL") methodology.

The new guidance requires an allowance for credit losses ("ACL") to be established based on the expected lifetime of credit losses on certain financial assets and off-balance sheet exposures, including, but not limited to, loans held for investment, debt securities held-to-maturity, premium receivables, reinsurance receivables, leases other than operating leases and loan commitments. The model for determining the expected credit losses must consider details about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount over the asset's lifetime. Expected credit losses will be recorded as a valuation allowance which when deducted from the asset's carrying value would represent that amount expected to be collected. Financial assets may be evaluated individually or on a pooled basis when they share similar risk characteristics.

The current model for OTTI on AFS debt securities has been modified and requires the recording of an ACL instead of a reduction of the amortized cost. Any improvements in expected future cash flows will no longer be reflected as a prospective yield adjustment, but instead will be reflected as a reduction in the ACL. The new guidance also requires enhanced disclosures and is effective for fiscal years beginning after December 15, 2022. The Company will utilize a modified retrospective method, which will include a cumulative effect adjustment on the balance sheet at the beginning of the fiscal year of adoption, which is January 1, 2023. However, prospective adoption is required for previously impaired AFS debt securities.

The Company's implementation activities are in the process of being finalized, and include a review and validation of models, methodologies, data inputs and assumptions to be used to estimate expected credit losses. Adoption of this guidance will result in 1) the recognition of an ACL based on the current expected credit loss model for financial assets carried at amortized cost and certain off-balance sheet credit exposures; and 2) related adjustments to retained earnings. The cumulative effect, net of tax, associated with the adoption of this standard is expected to reduce surplus by approximately 0.3%. This impact is largely attributable to the allowance for losses related to mortgage loans partially offset by a resulting deferred tax liability.

(Expressed in thousands of U.S. dollars)

3. Investments

The fair value of the Company's investments compared with their cost or amortized cost were:

	December 31, 2022				
	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (*)	Fair Value	Value on Balance Sheet
Held-to-maturity:					
Debt securities:					
U.S. Treasury securities and U.S. corporate debt securities	$ 595,098	$ 461	$ (44,036)	$ 551,523	$ 595,098
Foreign corporate debt securities	175,792	-	(12,031)	163,761	175,792
Agency MBS	378,170	122	(44,064)	334,228	378,170
Non-agency MBS and ABS	129,528	-	(11,797)	117,731	129,528
Total HTM investments	1,278,588	583	(111,928)	1,167,243	1,278,588
Available-for-sale:					
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	711,443	95	-	711,538	711,538
Debt securities issued by foreign governments	318,572	326	-	318,898	318,898
U.S. corporate debt securities	715,284	587	-	715,871	715,871
Foreign corporate debt securities	194,194	129	-	194,323	194,323
Agency MBS	67,761	18	-	67,779	67,779
Non-agency MBS and ABS	263,309	180	-	263,489	263,489
Syndicated bank loans/Direct lending	97,221	219	(1,350)	96,090	96,090
Total AFS investments	2,367,784	1,554	(1,350)	2,367,988	2,367,988
Equity securities(**):					
Equity securities/REITs	416,780	72,843	(29,369)	460,254	460,254
Mutual funds:					
Equity	179,168	11	(22,181)	156,998	156,998
Bonds	363,364	3,621	(8,202)	358,783	358,783
Total mutual funds	542,532	3,632	(30,383)	515,781	515,781
Total equity securities	959,312	76,475	(59,752)	976,035	976,035
Other invested assets(**):					
Limited partnership/Direct lending	215,121	1,237	(6,380)	209,978	209,978
Convertible securities	54,319	1,438	(5,536)	50,221	50,221
Fund of funds	1,334	-	-	1,334	1,334
Total other invested assets	270,774	2,675	(11,916)	261,533	261,533
Total investments	$ 4,876,458	$ 81,287	$ (184,946)	$ 4,772,799	$ 4,884,144
Mortgage loans, net of valuation allowance	$ 155,414	$ N/A	$ N/A	$ 152,419	$ 155,414
Cash and cash equivalents	$ 925,034	$ N/A	$ N/A	$ 925,034	$ 925,034

(*) As of December 31, 2022, no gross unrealized losses are reported for AFS investments excluding direct lending losses, as these unrealized losses are treated as other-than-temporary impairment adjustments and are recorded as a deduction in net investment income and the amortized cost of investments. HTM securities are held at cost/amortized cost.

(**) All gains and losses associated with equity securities and other invested assets are recorded in net investment income.

N/A—Not Applicable

(Expressed in thousands of U.S. dollars)

	December 31, 2021				
	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (*)	Fair Value	Value on Balance Sheet
Held-to-maturity:					
Debt securities:					
U.S. corporate debt securities	$ 561,707	$ 33,039	$ (2,366)	$ 592,380	$ 561,707
Foreign corporate debt securities	183,118	1,846	(1,180)	183,784	183,118
Agency MBS	367,225	6,852	(2,959)	371,118	367,225
Non-agency MBS and ABS	122,607	1,680	(2,303)	121,984	122,607
Total HTM investments	1,234,657	43,417	(8,808)	1,269,266	1,234,657
Available-for-sale:					
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	459,584	47	-	459,631	459,631
Debt securities issued by foreign governments	267,736	6,361	-	274,097	274,097
U.S. corporate debt securities	664,759	6,392	-	671,151	671,151
Foreign corporate debt securities	208,106	687	-	208,793	208,793
Agency MBS	397,176	4,496	-	401,672	401,672
Non-agency MBS and ABS	287,981	1,751	-	289,732	289,732
Syndicated bank loans/Direct lending	104,433	658	(969)	104,122	104,122
Total AFS investments	2,389,775	20,392	(969)	2,409,198	2,409,198
Equity securities(**):					
Equity securities/REITs	418,946	73,525	-	492,471	492,471
Mutual fund bonds	301,126	7,126	-	308,252	308,252
Total equity securities	720,072	80,651	-	800,723	800,723
Other invested assets(**):					
Limited partnership/Direct lending	172,613	135	(3,009)	169,739	169,739
Convertible securities	54,111	5,139	(2,605)	56,645	56,645
Fund of funds	593	3	(3)	593	593
Total other invested assets	227,317	5,277	(5,617)	226,977	226,977
Total investments	$ 4,571,821	$ 149,737	$ (15,394)	$ 4,706,164	$ 4,671,555
Mortgage loans, net of valuation allowance	$ 210,358	$ N/A	$ N/A	$ 213,517	$ 210,358
Cash and cash equivalents	$ 637,953	$ N/A	$ N/A	$ 637,953	$ 637,953

(*) As of December 31, 2021, no gross unrealized losses are reported for AFS investments excluding direct lending losses, as these unrealized losses are treated as other-than-temporary impairment adjustments and are recorded as a deduction in net investment income and the amortized cost of investments. HTM securities are held at cost/amortized cost.

(**) All gains and losses associated with equity securities and other invested assets are recorded in net investment income.

N/A—Not Applicable

(Expressed in thousands of U.S. dollars)

Available-for-Sale Investments and Equity Securities

The Company's AFS and equity securities activities for the years ended December 31, were as follows:

	2022	2021	2020
Purchases	$ 4,440,454	$ 5,258,896	$ 8,087,952
Proceeds from sales	2,230,229	3,477,841	5,707,907
Gross gains	32,316	51,389	34,165
Gross losses(*)	139,800	23,843	49,394
Other-than-temporary impairment recognized	90,957	15,219	1,918

(*) Gross losses includes other-than-temporary impairments recognized.

Held-to-Maturity Investments

Proceeds from maturities of HTM investments were $68,045, $86,196 and $118,317 for the years ended December 31, 2022, 2021 and 2020, respectively. As these proceeds resulted from the maturity of securities, there were no gains or losses recognized related to these HTM investments.

Other-Than-Temporary Impairments

The evaluation for other-than-temporary impairments is a quantitative and qualitative process that is subject to risks and uncertainties in the determination of whether declines in the fair value of investments are other-than-temporary. The risks and uncertainties include changes in general economic conditions, the issuer's financial condition or near-term recovery prospects, and the effects of changes in interest rates over the period of time the investment is expected to be held. As of December 31, 2022, 2021 and 2020, the Company evaluated all securities for credit-related impairment and concluded all unrealized losses were included in the other-than-temporary impairment charge for AFS securities. As of December 31, 2022 and 2021, none of the Company's HTM securities were impaired.

Maturities of Debt Securities

The amortized cost and fair value of AFS and HTM debt securities at December 31, 2022, by contractual maturity, are shown in the following table. As MBS and ABS are generally more likely to be prepaid than other fixed maturity securities, MBS and ABS are shown separately.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 826,378	$ 826,709	$ 71,586	$ 70,544
Due after one year through five years	1,070,570	1,071,485	457,964	428,976
Due after five years through ten years	118,306	118,415	100,758	92,341
Due after ten years	21,460	20,111	140,582	123,423
Subtotal	2,036,714	2,036,720	770,890	715,284
Agency MBS	67,761	67,779	378,170	334,228
Non-agency MBS and ABS	263,309	263,489	129,528	117,731
Total debt securities	$ 2,367,784	$ 2,367,988	$ 1,278,588	$ 1,167,243

Expected maturities will differ from contractual maturities because underlying borrowers have the right to call or prepay certain obligations with or without prepayment penalties.

(Expressed in thousands of U.S. dollars)

The Company's participation in securities lending arrangements as of December 31, 2022 and 2021 was comprised of investment securities on loan having a fair value of $20,917 and $6,926, respectively, while the cash collateral from borrowers was $21,488 and $7,126 as of the same respective dates. The Company receives interest income on the invested collateral, which is included in net investment income.

Other Invested Assets

Other invested assets are comprised of investments accounted for in accordance with the equity method of accounting, namely fund of funds and limited partnership interests, as well as convertible securities, which are carried at fair value.

The other invested assets activities for the years ended December 31, are as follows:

	2022	2021	2020
Purchases	$ 102,814	$ 102,008	$ 113,261
Proceeds from sales	58,036	173,558	100,731
Net recognized (losses) gains	(1,685)	17,730	23,853

Net investment income (loss) for the years ended December 31, are as follows:

	2022	2021	2020
Interest and dividend income	$ 123,872	$ 93,355	$ 118,193
Net realized investment (losses) gains	(112,323)	45,479	13
Net realized foreign currency (losses) gains	(7,559)	6,854	(2,200)
Net unrealized investment (losses) gains	(59,579)	48,526	14,061
Net unrealized gains (losses) on foreign currency forward contracts	427	(130)	175
Total investment (loss) income	(55,162)	194,084	130,242
Investment expenses	(20,736)	(19,738)	(17,243)
Net investment (loss) income	$ (75,898)	$ 174,346	$ 112,999

(Expressed in thousands of U.S. dollars)

4. Fair Value Measurements

The following tables present information about assets and liabilities carried at fair value:

	December 31, 2022				
	Level 1	Level 2	Level 3	Investments Valued at NAV (*)	Total
Assets:					
Investments:					
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ -	$ 711,538	$ -	$ -	$ 711,538
Debt securities issued by foreign governments	-	318,898	-	-	318,898
U.S. corporate debt securities	-	715,871	-	-	715,871
Foreign corporate debt securities	-	194,323	-	-	194,323
Agency MBS	-	67,779	-	-	67,779
Non-Agency MBS and ABS	-	263,489	-	-	263,489
Syndicated bank loans/Direct lending	-	82,572	13,518	-	96,090
Total AFS investments	-	2,354,470	13,518	-	2,367,988
Equity securities:					
Equity securities/REITs	206,186	-	-	254,068	460,254
Mutual funds:					
Mutual fund equities	122,456	34,542	-	-	156,998
Mutual fund bonds	-	358,783	-	-	358,783
Total mutual funds	122,456	393,325	-	-	515,781
Total equity securities	328,642	393,325	-	254,068	976,035
Cash equivalents including money market funds and short-term debt securities (**)	6,266	619,593	-	-	625,859
Total	$ 334,908	$ 3,367,388	$ 13,518	$ 254,068	$ 3,969,882
Liabilities:					
Fair value of insurance and reinsurance contracts	-	-	396,913	-	396,913
Total	$ -	$ -	$ 396,913	$ -	$ 396,913

(*) Investments valued using NAV as a practical expedient are listed in a separate column, as they are excluded from the Fair Value Measurement tables.

(**) Cash equivalents with a maturity of less than three months from purchase date are carried at amortized cost in the table above which approximates fair value. Excludes operating cash.

Investments in the Fair Value Measurement table above exclude HTM securities and mortgage loans as these are carried at cost/amortized cost. Also excluded are other invested assets, which are comprised of investments accounted for in accordance with the equity method of accounting, namely fund of fund and limited partnership interests, as well as convertible securities, which are carried at fair value. Convertible securities utilize the same valuation techniques as corporate debt securities, and therefore would be classified as Level 2 securities.

(Expressed in thousands of U.S. dollars)

	December 31, 2021				
	Level 1	**Level 2**	**Level 3**	**Investments Valued at NAV (*)**	**Total**
Assets:					
Investments:					
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ -	$ 459,631	$ -	$ -	$ 459,631
Debt securities issued by foreign governments	-	274,097	-	-	274,097
U.S. corporate debt securities	-	671,151	-	-	671,151
Foreign corporate debt securities	1,862	206,931	-	-	208,793
Agency MBS	-	401,672	-	-	401,672
Non-Agency MBS and ABS	-	289,732	-	-	289,732
Syndicated bank loans/Direct lending	-	85,521	18,601	-	104,122
Total AFS investments	1,862	2,388,735	18,601	-	2,409,198
Equity securities:					
Equity securities/REITs	220,066	5	-	272,400	492,471
Mutual fund bonds	125,458	182,794	-	-	308,252
Total equity securities	345,524	182,799	-	272,400	800,723
Cash equivalents including money market funds and short-term debt securities (**)	11,318	372,570	-	-	383,888
Total	$ 358,704	$ 2,944,104	$ 18,601	$ 272,400	$ 3,593,809
Liabilities:					
Fair value of insurance and reinsurance contracts	-	-	537,232	-	537,232
Total	$ -	$ -	$ 537,232	$ -	$ 537,232

(*) Investments valued using NAV as a practical expedient are listed in a separate column, as they are excluded from the Fair Value Measurement tables.

(**) Cash equivalents with a maturity of less than three months from purchase date are carried at amortized cost in the table above which approximates fair value. Excludes operating cash.

Investments in the Fair Value Measurement table above exclude HTM securities and mortgage loans as these are carried at cost/amortized cost. Also excluded are other invested assets, which are comprised of investments accounted for in accordance with the equity method of accounting, namely fund of fund and limited partnership interests, as well as convertible securities, which are carried at fair value. Convertible securities utilize the same valuation techniques as corporate debt securities, and therefore would be classified as Level 2 securities.

(Expressed in thousands of U.S. dollars)

Transfers of Assets and Liabilities between Fair Value Levels

The Company's policy is to transfer assets and liabilities into and out of Level 3 at their fair values at the end of each reporting period, consistent with the date of the determination of fair value.

The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis at December 31:

	Insurance and Reinsurance Contracts			Direct Lending Investments		
	2022	2021	2020	2022	2021	2020
Balance, January 1	$ (537,232)	$ (581,429)	$ (532,628)	$ 18,601	$ 32,611	$ 16,065
Total gains (losses) realized/unrealized included in earnings	149,793	47,442	(45,684)	(380)	69	(884)
Issuances, purchases, and settlements:						
Issuances	(36,300)	(35,304)	(38,365)	-	-	-
Purchases	984	7,998	13,065	-	-	29,383
Settlements	25,842	24,061	22,183	(4,703)	(14,079)	(11,953)
Balance, December 31	$ (396,913)	$ (537,232)	$ (581,429)	$ 13,518	$ 18,601	$ 32,611
Changes in unrealized gains (losses) included in earnings related to obligations still held at reporting date	$ 149,793	$ 47,442	$ (45,684)	$ (380)	$ 69	$ (884)

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for insurance and reinsurance contracts:

Quantitative Information for Level 3 Fair Value Measurements

Fair Value at December 31, 2022	Valuation Technique	Unobservable Input	Selected Estimate
$ 396,913	Risk-adjusted discounted cash flows	Nominal net value of contracts	$ 658,944
		Effective average discount rate(*)	54.57 %
		Risk margin(**)	9.24 %

Fair Value at December 31, 2021	Valuation Technique	Unobservable Input	Selected Estimate
$ 537,232	Risk-adjusted discounted cash flows	Nominal net value of contracts	$ 664,604
		Effective average discount rate(*)	74.31 %
		Risk margin(**)	8.08 %

(*) *The effective average discount rate reflects the ratio of discounted future obligations over undiscounted payment patterns until final settlement. A decrease in interest rates increases both the effective average discount rate and the fair value of insurance and reinsurance contracts, with a corresponding reduction in net income. Should interest rates rise, both the discount rate and the fair value of the insurance and reinsurance contracts would decline with a corresponding increase to net income.*

(**) *Risk reserve margin is expressed as a percentage of discounted loss liabilities and reflects the risk associated with the timing and amount of future loss payments.*

The Company's insurance and reinsurance contracts do not have observable market prices. The fair value of insurance and reinsurance contracts represents the Company's estimate of the cost to completely transfer its obligations and related reinsurance assets to another party of comparable creditworthiness.

(Expressed in thousands of U.S. dollars)

The fair value of insurance and reinsurance contracts is based on the present value of expected future cash flows and a risk margin that would be payable to transfer the obligation to a third party. Expected future cash flows are comprised primarily of estimated payments to be made by the Company under the insurance contracts net of anticipated future recoveries under the related reinsurance contracts. The Company estimates future cash flows based on expected loss and loss expense payments estimated using accepted actuarial techniques, the timing of related future cash receipts or payments from these contracts and risk-free discount rates. A risk margin is calculated for potential deviations in the amount and timing of those estimated cash flows given the credit rating of the Company as well as additional return on capital a purchaser would require. These estimates are not observable in any marketplace, and actual future cash flows or other inputs could differ materially from these estimates.

The Company also holds an investment in a direct lending limited partnership, managed by a general partner. This investment is consolidated in the Company's financial statements, as it meets the VIE criteria for consolidation. The underlying investments in the partnership are classified as Level 3. The investments are comprised of various types of instruments, such as senior secured term loans, senior floating rate debt, and syndicated bank loans. The Company reviews the leveling techniques applied by the partnership to its investments, but relies on the partnership's specific pricing models, internal assumptions and the weighting of the best available pricing inputs. Standard pricing inputs for the securities held by the limited partnership include, but are not limited to, the financial health of the issuer, place in the capital structure, value of other issuer debt; credit, industry, and market risk and events; interest rates, spreads and yield curves; terms and conditions including a take-out premium; and comparable market transactions. Pricing inputs and weightings may require a subjective determination to arrive at an accurate valuation; therefore, valuations do not necessarily represent the amounts that may eventually be realized from sales or other dispositions of investments.

5. Mortgage Loans

The Company's mortgage loan portfolio consists of both residential and commercial loans. The loans are pro-rata participations in loans originated by a third party, and can be either fixed or floating rate loans.

Mortgage loans at December 31, are summarized as follows:

	2022			2021		
	Carrying Value*	**Fair Value**	**% of Total**	**Carrying Value***	**Fair Value**	**% of Total**
Mortgage loans:						
Commercial	$ 121,777	$ 116,874	78.3%	$ 159,942	$139,643	76.0%
Residential	37,246	35,545	24.0	51,056	73,874	24.3
Subtotal	159,023	152,419	102.3	210,998	213,517	100.3
Valuation allowance	(3,609)	-	(2.3)	(640)	-	(0.3)
Total, net	$155,414	$152,419	100.0%	$ 210,358	$213,517	100.0%

*Carrying value before valuation allowance includes unearned loan commitment fees as of December 31, 2022 and 2021 of $308 and $420, respectively.

Purchases of mortgage loans were $25,472 and $49,438 for the years ended December 31, 2022 and 2021, respectively. The investment in mortgage loans are classified as Level 3 investments, as determined based on the Company's fair value measurement framework. The Company reviews various loan performance metrics and considers the originators' pricing techniques and valuation criteria.

(Expressed in thousands of U.S. dollars)

The changes in the valuation allowance, by portfolio segment, were as follows:

	Commercial	Residential	Total
Balance at December 31, 2020	$ 468	$ 99	$ 567
Provision 2021	26	47	73
Balance at December 31, 2021	494	146	640
Provision 2022	2,716	253	2,969
Balance at December 31, 2022	$ 3,210	$ 399	$ 3,609

Valuation Allowance Methodology

Mortgage loans are considered impaired when it is probable, based upon available information that the Company will not collect amounts due under the loan agreement. In the event that a loan credit rating is downgraded, upgraded or if the loan becomes uncollectible, the Company will adjust its established valuation allowance. The determination of the amount of the Company's valuation allowance is based upon known and inherent risks related to each loan. The valuation allowance is determined based on several factors, including historical defaults, severity of losses, and anticipated losses for loans having similar risk characteristics. Risk factors such as geographic concentration, changes in economic climate and recovery experience are all considered when determining or increasing the Company's valuation allowance. These evaluations and assessments need to be revisited as conditions change and as new information becomes available.

The Company uses a common evaluation framework for its loans to establish a non-specific valuation allowance. For each loan the Company invests in, a related valuation allowance is established at loan origination. The amount of the valuation allowance is based on the type of loan and the associated risk profile, which is determined based on factors noted above. Loans having similar risk attributes are grouped and evaluated both individually, by loan, and collectively by loan portfolio. All commercial and residential loans are monitored on an ongoing basis and non-performing loans receive additional scrutiny.

Loans with similar risk elements are collectively valued for impairment. In order to ensure that the valuation allowance is sufficient to cover impairments the Company monitors both performing and non-performing loans. Non-performing loans are those loans that are 60 days or more past due or non-accruing. These loans are closely monitored as non-performing loans present the greatest risk of experiencing a credit loss. The Company also relies on the debt service coverage ratio, which compares the properties operating income to amounts needed to service the loan's principal and interest. The lower the debt service coverage ratio, the higher the risk the loan will experience a credit loss. The loan-to-value ratio of the real estate portfolio is also closely monitored, as loan-to-value ratios compare the unpaid principal balance of the loan to the fair value of the loan's underlying collateral. The higher the loan-to-value ratio, the higher the risk of experiencing credit loss. All of the above elements are taken into consideration when establishing or evaluating the portfolio's valuation allowance.

Credit Quality of Mortgage Loans

All loans in the Company's mortgage portfolio were performing at December 31, 2022 and 2021.

(Expressed in thousands of U.S. dollars)

The credit quality of mortgage loans as of December 31, was as follows:

	Cost				
	Debt Service Coverage Ratio > 1.2x			Total Estimated	% of
December 31, 2022	**Commercial**	**Residential**	**Total**	**Fair Value**	**Total (*)**
Loan-to-value ratios:					
Less than 65%	$ 70,737	$ 26,375	$ 97,112	$ 94,639	62.1%
65% to 75%	19,556	-	19,556	19,035	12.5
75% to 90%	31,712	10,951	42,663	38,745	25.4
Total	$ 122,005	$ 37,326	$ 159,331	$ 152,419	100.0%

	Cost				
	Debt Service Coverage Ratio > 1.2x			Total Estimated	% of
December 31, 2021	**Commercial**	**Residential**	**Total**	**Fair Value**	**Total (*)**
Loan-to-value ratios:					
Less than 65%	$ 80,843	$ 40,083	$ 120,926	$ 123,134	57.7%
65% to 75%	69,483	-	69,483	69,267	32.4
75% to 90%	10,009	11,000	21,009	21,116	9.9
Total	$ 160,335	$ 51,083	$ 211,418	$ 213,517	100.0%

(*) Percentage of total includes carrying value

6. Variable Interest Entities

The Company, through its subsidiary, AEGIS London Holding, holds investments in two entities that are variable interest entities ("VIEs"). Collectively, the VIEs provide underwriting capacity to AEGIS London and maintain whole account quota share reinsurance contracts with third parties. The Company holds the power to direct the most significant activities of the entities, as well as an economic interest in the entities and, as such, is the primary beneficiary. Therefore, these VIEs are included in the consolidated Company's financial statements.

The Company invests in a limited partnership direct lending investment, and based on its contractual commitment, its economic interest in the partnership and its span of control, the investment is treated as a VIE and included in the consolidated Company's financial statements.

The determination of a VIE's primary beneficiary requires an evaluation of the Company's obligations in relation to other parties' relationship or involvement with the entity, as well as a determination of the allocation of expected residual returns or expected losses to each party involved in the transaction. While a qualitative approach is applied, for VIEs that are investment companies, the primary beneficiary is considered to be the party absorbing a majority of the VIE's expected losses or receiving a majority of the VIE's expected returns.

(Expressed in thousands of U.S. dollars)

The table below reflects the carrying amount and balance sheet caption in which the assets and liabilities of the consolidated VIE's reported as of December 31:

	Reinsurance Contracts		Direct Lending	
	2022	**2021**	**2022**	**2021**
Cash and cash equivalents	$ 1,074	$ 2,143	$ 270	$ 656
Investments	-	-	13,518	18,601
Accrued interest	-	-	12	88
Other assets	-	-	220	65
Prepaid reinsurance premiums	1,595	13,096	-	-
Net deferred tax assets	-	-	253	770
Total Assets of Consolidated VIEs	$ 2,669	$ 15,239	$ 14,273	$ 20,180
Due to reinsurers	$ 7,162	$ 19,961	$ -	$ -
Current income taxes payable	-	-	2,630	2,952
Accrued expenses and other liabilities	45	27	39	102
Total Liabilities of Consolidated VIEs	$ 7,207	$ 19,988	$ 2,669	$ 3,054

7. Premiums

Written and earned premiums are comprised of the following:

	Years Ended December 31,		
	2022	**2021**	**2020**
Written Premiums:			
Direct	$ 2,630,540	$ 2,367,351	$ 2,077,833
Assumed	18,981	10,412	14,550
Subtotal	2,649,521	2,377,763	2,092,383
Ceded	999,271	908,231	769,832
Net	$ 1,650,250	$ 1,469,532	$ 1,322,551
Earned Premiums:			
Direct	$ 2,501,595	$ 2,243,610	$ 1,929,808
Assumed	16,811	11,732	13,510
Subtotal	2,518,406	2,255,342	1,943,318
Ceded	983,956	852,025	729,678
Net	$ 1,534,450	$ 1,403,317	$ 1,213,640

(Expressed in thousands of U.S. dollars)

8. Reserve for Losses, Loss Expenses, and Reinsurance

The Company establishes reserves based on estimated unpaid ultimate liabilities for losses and loss expenses. Reserves include both estimates of reported claims and incurred but not reported ("IBNR") claims, and include estimates of expenses associated with the processing and settlement of the related claims. Reserves are recorded in reserve for losses and loss expenses in the consolidated balance sheets. While the Company believes that its reserves for loss and loss expenses at December 31, 2022 are adequate, new information or trends may lead to future developments, which may result in the need for significantly greater or lesser reserves than were provided. Any such future revisions would result in changes in estimates of losses or reinsurance and would be reflected in the Company's results of operations in the period in which the estimates are adjusted.

Activity in the reserve for losses and loss expenses is summarized as follows:

	Years Ended December 31,		
	2022	**2021**	**2020**
Reserve for losses and loss expenses at January 1	$ 4,863,806	$4,351,822	$4,028,487
Unpaid losses and loss expenses recoverable	(2,199,725)	(1,959,504)	(1,860,929)
Net reserve for losses and loss expenses at January 1	2,664,081	2,392,318	2,167,558
Net incurred losses and loss expenses relating to losses occurring in:			
Current year	1,029,422	919,863	850,491
Prior years	(2,175)	8,245	(64,211)
Subtotal	1,027,247	928,108	786,280
Foreign exchange (gains) losses	(29,934)	(2,854)	9,670
Total net incurred losses and loss expenses	997,313	925,254	795,950
Net paid losses and loss expenses relating to losses occurring in:			
Current year	165,314	129,290	103,196
Prior years	539,391	524,201	467,994
Total net paid losses and loss expenses	704,705	653,491	571,190
Net reserve for losses and loss expenses at December 31	2,956,689	2,664,081	2,392,318
Unpaid losses and loss expenses recoverable	2,568,574	2,199,725	1,959,504
Reserve for losses and loss expenses at December 31	$ 5,525,263	$4,863,806	$4,351,822

For purposes of analysis and reporting, the Company segments its reserve for losses and loss expenses, and related incurred losses, into segments that generally align with insurance products or lines of business that have similar characteristics, trends and development patterns. The following is a description of each reserve-reporting segment:

U.S.—Excess Liability

Excess liability policies cover exposures, which include, but are not limited to, bodily injury, property damage and personal injury arising out of certain hazards. Included within Excess Liability are AEGIS' pollution exposures. The excess liability product is predominately written on a claims first-made basis. The coverage of these policies is triggered only if a claim is made against the insured or a notice of circumstances is provided to the Company within the coverage period.

(Expressed in thousands of U.S. dollars)

U.S.—Property & Renewables

Property policies provide all-risk property coverage for direct physical loss or damage to real and personal property of operational facilities, and under builder's risk policy for the construction and testing of new facilities and upgrading existing facilities. Renewable policies provide property coverage for the renewable energy industry, including solar, battery storage facilities, and onshore and offshore wind assets.

U.S.—Directors & Officers ("D&O")

D&O coverage covers liabilities of the Company including personal liabilities for the directors and officers.

Syndicate

Syndicate covers a wide range of onshore and offshore energy risks, including a number of other classes, traditionally written in the Lloyd's syndicate market. The insurance portfolio is comprised of two main business lines: property and casualty, which includes the marine energy and specialty lines. The Syndicate has diverse insurance portfolios under its property and casualty lines of business, which consists of several classes of underwritten risks.

Syndicate—Property The main risks underwritten include property facilities, property, open market, energy property, marine short hull and war, marine short tail and cargo, property utility, crop and reinsurance.

Syndicate—Casualty The main risks underwritten include U.S. casualty and international casualty, niche errors and omissions, marine casualty and energy casualty.

Other

The Company has assumed business from various third parties and provides coverage on various risk exposures, which include cyber risk, generation outage, railroad protection liability, fiduciary, and employee beneficiary liability and other specialty lines.

Prior Year Loss Development

Changes in actuarial estimates of insured events in the prior years have resulted in a net increase (decrease) for the reserve for losses and loss expenses of $(2,175), $8,245 and ($64,211) for the years ended December 31, 2022, 2021 and 2020, respectively.

The impact of prior accident year development on loss reserves for each of the reserve reporting segments is presented below:

	Years Ended December 31,		
	2022	**2021**	**2020**
US - Excess Liability	$ 64,110	$ 96,220	$ 14,106
US – Property & Renewables	(3,591)	(21,324)	(19,270)
US - Directors & Officers	(7,623)	22,059	(2,364)
Syndicate - Property	(73,258)	(78,045)	(54,853)
Syndicate - Casualty	26,037	811	4,036
Other	(7,850)	(11,476)	(5,866)
Total (favorable)/unfavorable prior year development	$ (2,175)	$ 8,245	$ (64,211)

The following describes the primary factors behind prior year reserve development for the years ended December 31, 2022, 2021 and 2020.

2022

U.S.—Excess Liability	Unfavorable development driven by environmental exposures.
U.S.—Property & Renewables	Favorable development driven by better than expected attritional loss experience.
U.S.—D&O	Favorable development due to decreased large claim activity.
Syndicate—Property	Favorable movement due to better than expected attritional claims experience given the current hard market conditions.
Syndicate—Casualty	Strengthening driven by US Casualty due to increased loss activity over the year as well as increased provisions and an increased inflation allowance for prior years.

2021

U.S.—Excess Liability	Unfavorable development driven by environmental exposures.
U.S.—Property & Renewables	Favorable development driven by better than expected attritional loss experience.
U.S.—D&O	Unfavorable development due to increased large claim activity.
Syndicate—Property	Favorable movement due to better than expected attritional claims experience given the current hard market conditions.
Syndicate—Casualty	Slight strengthening of Errors and Omissions reserves resulting from UK and Australia provisions, offset by better than expected claims experience.

2020

U.S.—Excess Liability	Unfavorable development driven by environmental exposures.
U.S.—Property & Renewables	Attritional loss estimates have come in as expected, while catastrophe losses have been less than expected.
U.S.—D&O	Favorable development due to decreased large claim activity.
Syndicate—Property	Favorable movement due to better than expected attritional claims experience following the recent hardening market.
Syndicate—Casualty	Small deterioration due to strengthening of prior year reserves in the Errors and Omissions line of business.

(Expressed in thousands of U.S. dollars)

Short Duration

The following represents: (I) reconciliation from the claim development tables to the balance sheet liability, (II) methodologies and judgments in estimating claims, and (III) the timing and frequency of claims.

(I) Reconciliation of Reserves by Segment to Balance Sheet Liability—Reserve for losses and loss expenses

The table below presents a reconciliation of the loss development tables to the liability for reserve for losses and loss expenses as of December 31:

	2022
Net reserve for losses and loss expenses	
Presented in the loss development tables:	
US - Excess Liability	$ 1,595,588
US – Property & Renewables	170,289
US - Directors & Officers	118,176
Syndicate - Property	397,211
Syndicate - Casualty	480,194
Syndicate – before 2013	24,160
Other	126,107
Net reserve for losses and loss expenses	$ 2,911,725
Ceded reserve for losses and loss expenses:	
US - Excess Liability	1,215,100
US – Property & Renewables	567,054
US - Directors & Officers	161,158
Syndicate - Property	194,989
Syndicate - Casualty	354,898
Syndicate – before 2013	18,064
Other	57,311
Ceded reserve for losses and loss expenses	2,568,574
Unallocated loss adjustment expenses	44,964
Reserve for losses and loss expenses	$ 5,525,263

Unallocated loss adjustment expenses and the reserve segment Other are excluded from the loss development tables in section (III). "Other" is comprised of the following:

- Business assumed from third parties.
- Minor lines of business mostly consisting of Cyber and Generation Outage products.
- Run-off lines of business.
- Bad debt for reinsurance recoverable.
- Other adjustments.

(II) Description of Reserving Methodology

The Company's reserving process involves the collaboration of our Underwriting, Claims, Actuarial, and Finance divisions, and it culminates with the approval of a single point best estimate by senior management. In selecting this best estimate, management considers actuarial estimates and applies informed judgment regarding qualitative factors that may not be fully captured in these actuarial estimates. Such factors include, but are not limited to:

- The timing of the emergence of claims
- Volume and complexity of claims
- Social and judicial trends
- Potential severity of individual claims

The following factors are also taken into consideration when establishing management's best estimate: exposure trends, rate adequacy on new and renewal business, ceded reinsurance costs, changes in claims emergence, and our underwriters' view of terms and conditions in the insurance and reinsurance market environment. The Company has actuarial staff who analyze loss reserves (including loss expenses), and regularly project estimates of ultimate losses and the corresponding indications of the required IBNR reserves. The reserving approach is a comprehensive ground-up process using data at a detailed level, which reflects the specific lines and sublines. The data presented in this disclosure was prepared on a more aggregated basis and with a focus on changes in incurred loss estimates over time as well as associated cash flows. On no less than an annual basis, the Company uses an independent actuarial firm to provide an actuarial opinion on the reasonableness of our loss reserves for each of our business subsidiaries and statutory reporting entities.

Standard Actuarial Reserving Methods

The Company's reserving process begins with the collection and analysis of paid and incurred claim data for each of the lines of business. This line of business data is disaggregated by reserving class and is further disaggregated by policy year (i.e. the year in which the contract generated premium and losses incepted). Our reserving classes are selected to ensure that the underlying contracts have homogeneous loss development characteristics, while remaining large enough to make the estimation of trends credible. We review our reserving classes on a regular basis and adjust them over time as our business evolves. This data serves as a key input to many of the methods employed by our actuaries.

Actuarial Analysis

Multiple actuarial methods are available to estimate ultimate losses. Each method has its own assumptions and its own advantages and disadvantages, with no single estimation method being better than the others in all situations, and no one set of assumption variables being meaningful for all reserving classes. The relative strengths and weaknesses of the particular estimation methods when applied to a particular group of claims can also change over time.

The following is a description of the reserve estimation methods commonly employed by our actuaries and a discussion of their particular strengths and weaknesses:

Expected Loss and Expected Loss Ratio Method ("*ELR Method*"): Both the Expected Loss and Expected Loss Ratio Method produce an estimate of ultimate losses for a policy year. In the Expected Loss Method, the initial expected losses for each reserving class and policy year are a "proxy" or ex-ante estimate of actual ultimate losses by policy year. The expected losses are based on adequate premiums for the policies that we write and recognize the varying attachment points, limits, changing exposure and term of the underlying policies. This method is a direct calculation of exposure to loss and is reliant on detailed loss information. A similar method, the ELR Method, estimates ultimate losses by applying an expected loss ratio to earned premiums for an accident year, or expected loss ratio to written premiums for policy year. Generally, expected loss ratios are based on one or more of (a) an analysis of historical loss experience to date, (b) pricing information and (c) industry data, adjusted as appropriate, to reflect changes in rates and terms and conditions. This method is insensitive to actual incurred losses for the accident year or underwriting year in question and is, therefore, often useful in the early stages of development when very few losses have been incurred. Conversely, the lack of sensitivity to incurred/paid losses for the policy year in question means that this method is usually inappropriate in later stages of development.

Loss Development Method (also referred to as the *"Chain Ladder Method"* or *"Link Ratio Method"*): The paid and incurred development factor methods analyze historical loss experience to determine a paid and an incurred development pattern that is representative of the underlying experience. The development pattern reflects growth in loss experience from inception date to maturity date, e.g. 6-18 months, 18-30, 30-42, etc. The growth factors are sometimes referred to as age-to-age factors. Selected age-to-age factors are then accumulated multiplicatively to produce age-to-ultimate factors, which measure the growth from the current maturity to ultimate maturity. The selected age-to-ultimate factors are applied to actual paid or incurred dollars for each policy year as of the evaluation date to produce ultimate losses by policy year. This method assumes that losses for each policy year at a particular development stage follow a relatively similar pattern. The percentages incurred and paid are established for each development stage (e.g. 6 months, 18 months, etc.) after examining a number of different averages of actual age-to-age factors in determining selected age-to-age factors. The standard averages reviewed vary and include simple average and dollar volume-weighted averages using all years as well as only 1 through 5 years or 10 to 15 years. Age-to-age factors may also be excluded from the averages described above when actual experience may be producing outlier results, which could skew the results, unless modified or excluded. Prior to selecting the final age-to-age factors, standard curve fitting techniques are applied to the initial selections of age-to-age factors. This allows for potentially more stable factors from age-to-age, particularly for durations where the amount of data upon which the curve fit is based is sparse, as well as for extrapolation of development beyond the oldest maturity age. The final selections of age-to-age factors are based on actuarial judgment as to which loss development pattern best matches their expectation for future development. Ultimate losses are then estimated by multiplying the actual incurred or paid losses by the reciprocal of the established incurred or paid percentage. The strengths of this method are that it reacts to loss emergence/payments and that it makes full use of historical claim emergence or payment experience. However, this method has weaknesses when the underlying assumption of stable loss development/payment patterns is not valid. This could be the consequence of changes in business mix, claim inflation trends or claim reporting practices and/or the presence of large claims, among other things. Furthermore, this method tends to produce volatile estimates of ultimate losses where there is volatility in the underlying incurred or paid patterns. In particular, where the expected percentage of incurred or paid losses is low, small deviations between actual and expected claims can lead to very volatile estimates of ultimate losses. As a result, this method is often unsuitable at early development stages by policy year.

Bornhuetter-Ferguson Method ("BF Method"): This method can be seen as a combination of the ELR and Loss Development Methods, under which the Loss Development Method is given progressively more weight as a policy year matures. The main advantage of the BF Method is that it provides a more stable estimate of ultimate losses than the Loss Development Method at earlier stages of development, while remaining more sensitive to emerging loss development than the ELR Method. In addition, the BF Method allows for the incorporation of expert opinion through the use of expected losses, whereas the Loss Development Method does not incorporate such information. The initial estimate of ultimate losses is based on exposure proxy information by policy year produced by management, or a selected loss ratio. The expected percentage of losses unpaid (or unreported) is based on the paid or incurred loss development patterns selected in the Development Factor Methods, as described above.

Cape Cod Method: The Cape Cod method is a variant of the BF Method. The Cape Cod method applies a formulaic process to determining the initial estimate of ultimate losses based on exposures and claims experience to date, rather than requiring user input of the initial estimate.

Average Cost per Claim Method ("Frequency/Severity Method"): This method develops separate estimates of the expected ultimate claim counts (frequency component) and the expected ultimate average claim cost (severity component). The multiplication of the two components yields the indicated ultimate loss for each policy year. Both frequency and severity components utilize the approach as described in the Loss Development Factor Methods above to determine their ultimate amounts. Ultimate claim counts are based on a review of closed claim count development over time, while ultimate average costs are based on a review of average severity development over time.

As part of our quarterly and semi-annual loss reserve review processes, the selection of ultimate losses by sub-segment (line of business and reserving class) is based on a review of the results of the methods described above, together with management's judgment, where appropriate, as to the most likely outcome. For each policy year, weights that vary between 0% and 100% are applied to each method. The weighting is judgmental and may vary from year to year based on management's knowledge and judgment regarding changes in the mix of business or exposures and operational changes in claims handling.

Reserving for Significant Catastrophic Events

The Company cannot fully estimate losses from widespread catastrophic events, such as hurricanes and earthquakes, using the traditional actuarial methods described above, but it does use supplemental information including output from Risk Management Solutions Models in the determination of estimates. Loss reserves for these events are estimated after a catastrophe occurs by completing an in-depth analysis of individual contracts, which may potentially be impacted by the catastrophic event. This in-depth analysis may rely on several sources of information, including: (1) estimates of the size of insured industry losses from the catastrophic event and our corresponding market share; (2) a review of our portfolio of contracts performed to identify those contracts which may be exposed to the catastrophic event; (3) a review of modeled loss estimates based on information previously reported by insureds, including exposure data obtained during the underwriting process; (4) discussions of the impact of the event with our insureds; and (5) catastrophe bulletins published by various independent statistical reporting agencies. The Company generally utilizes a blend of these information sources to arrive at an aggregate estimate of the ultimate losses arising from the catastrophic event. In subsequent reporting periods, changes in paid and incurred losses in relation to each significant catastrophe are reviewed, and estimates of ultimate losses for each event are adjusted if there are developments that are different from prior expectations. Adjustments are recorded in the period in which they are identified.

There are additional risks affecting the ability to accurately estimate ultimate losses for catastrophic events. For example, estimation of loss reserves related to hurricanes and earthquakes can be affected by factors including, but not limited to, inability to access portions of impacted areas, infrastructure disruptions, the complexity of factors contributing to losses, legal and regulatory uncertainties, complexities involved in estimating business interruption losses, the impact of demand surge, fraud, and the limited nature of information available. For hurricanes, additional complex coverage factors may include determining whether damage was caused by flooding versus wind, evaluating general liability and pollution exposures, and mold damage. The timing of a catastrophe, near the end of a reporting period, can also affect the level of information available to estimate reserves for that reporting period.

Environmental-Related Claims

Included in the reserve for losses and loss expenses are amounts held for losses relating to manufactured gas plant ("MGP"), non-MGP cleanup costs and asbestos exposure. In estimating amounts to be provided, management considers various information, including the number of reported claims, the continually evolving legal environment in each jurisdiction and the trends in remediation and medical costs. Uncertainties exist as to the extent of coverage, the existence of other potentially responsible parties, the likelihood of the Company being liable, and the share of the ultimate cost, if any, that the Company will bear.

(III) Loss Development Tables

The loss development tables provided hereafter, present historical incurred and paid claims development by reserve reporting segment through December 31, 2022, net of reinsurance.

Each table follows a similar format and includes the following:

- An incurred loss triangle, which includes reported and unreported but incurred claims.
- The incurred and paid triangles include allocated loss adjustment expense, but exclude any unallocated loss adjustment expense.
- All information presented in the triangles is net of reinsurance recoverable.
- IBNR reserves as of December 31, 2022 are shown to the right of the incurred loss table.
- Claims counts are cumulative and are reported to the right of the net paid loss tables. Excluded from claims counts are claims closed without payment.
- Net liabilities for loss and loss expenses for accident years prior to those presented in the triangles.

Supplementary information about average annual percentage payout of net incurred claims is presented for both U.S. and Syndicate lines of business.

Portions of the business written by the U.S. and Syndicate reserve reporting segments are denominated in foreign currencies. In order to keep a constant currency basis, the same foreign exchange rate was achieved by assuming constant foreign exchange rates for all periods presented in the triangles. Translation of prior period amounts use the same applicable foreign currency exchange rates as the current year-end rates.

U.S. - Excess Liability (In $000's except claim count)

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Year Ended December 31,

	Unaudited										December 31, 2022
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Net IBNR**
2013	$261,869	$225,547	$237,711	$ 237,180	$ 222,328	$ 212,910	$ 204,985	$ 203,079	$ 209,756	$ 207,957	$ 1,181
2014		288,255	267,496	248,461	241,221	234,770	231,407	230,157	227,091	223,521	20,828
2015			290,683	281,842	224,200	186,852	198,939	181,363	192,272	192,762	28,481
2016				267,526	252,525	242,817	232,333	234,631	230,812	236,248	3,672
2017					297,572	320,270	302,203	296,481	274,757	279,700	8,733
2018						244,324	269,107	248,189	248,140	239,713	15,037
2019							266,160	326,890	335,556	298,605	22,971
2020								302,867	307,042	389,609	81,816
2021									348,360	335,194	199,317
2022										343,207	324,630
Total										$2,746,516	

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

											Cumulative Number of Reported Claims
2013	$ 7,580	$ 42,111	$ 83,996	$103,281	$ 157,322	$ 168,149	$167,796	$ 176,101	$ 189,320	$ 197,836	115
2014		613	32,973	49,103	113,178	143,633	152,573	168,057	168,576	177,865	131
2015			240	73,733	95,177	102,695	122,034	109,742	116,363	134,961	113
2016				260	39,646	83,876	174,838	175,165	188,471	200,964	103
2017					5,383	112,056	166,001	217,338	215,627	249,508	115
2018						3,601	123,955	198,962	227,659	181,709	105
2019							149	37,490	125,923	175,190	87
2020								10,432	37,041	116,210	101
2021									5,901	18,258	85
2022										793	33
Total										$ 1,453,294	

All outstanding liabilities before 2013, net of reinsurance	302,366
Liabilities for losses and loss adjustment expenses, net of reinsurance	$ 1,595,588

U.S.—Property & Renewables (In $000's except claim count)

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Year Ended December 31,

	Unaudited										December 31, 2022
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Net IBNR**
2013	$ 41,011	$ 30,566	$ 29,252	$ 27,900	$ 27,390	$ 27,385	$ 27,390	$ 27,422	$ 27,388	$ 27,388	$ -
2014		42,390	31,064	29,395	28,350	28,122	28,250	28,244	27,656	27,646	-
2015			30,027	24,675	20,390	18,803	18,490	18,469	18,436	18,297	9
2016				32,304	26,190	22,759	20,829	20,272	20,134	19,879	22
2017					36,721	21,001	18,516	18,890	18,623	16,748	315
2018						43,123	39,140	38,347	35,491	33,100	901
2019							47,765	38,203	37,444	36,180	1,212
2020								72,102	57,679	50,417	2,128
2021									74,954	84,036	7,560
2022										151,019	29,750
Total										$ 464,710	

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

											Cumulative Number of Reported Claims
2013	$ 7,794	$ 15,738	$ 26,244	$ 26,907	$ 27,383	$ 27,384	$ 27,388	$ 27,388	$ 27,388	$ 27,388	103
2014		5,627	12,043	24,318	27,419	27,898	28,181	28,192	27,646	27,646	105
2015			4,270	10,196	14,331	17,356	17,374	18,055	18,287	18,287	119
2016				4,446	13,665	18,168	19,029	19,516	19,522	19,857	121
2017					2,864	9,395	14,251	15,636	15,863	16,382	176
2018						2,914	11,471	25,408	29,808	30,447	171
2019							6,124	23,779	31,155	33,936	176
2020								12,810	26,303	38,527	299
2021									7,514	38,005	212
2022										43,946	175
Total										$ 294,421	

All outstanding liabilities before 2013, net of reinsurance	-
Liabilities for losses and loss adjustment expenses, net of reinsurance	$ 170,289

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements
(Expressed in thousands of U.S. dollars)

U.S.—D&O (In $000's except claim count)

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Year Ended December 31,

	Unaudited										December 31, 2022
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Net IBNR**
2013	$ 28,592	$ 31,914	$ 28,226	$ 26,234	$ 25,212	$ 17,222	$ 19,812	$ 24,087	$ 26,112	$ 26,108	$ 6
2014		38,054	31,498	23,596	18,216	12,696	17,031	17,657	16,858	16,948	(357)
2015			27,541	37,515	70,467	77,389	74,886	74,514	65,720	72,914	1,360
2016				30,568	26,973	29,535	33,358	32,219	31,294	27,029	2,765
2017					40,148	51,948	48,454	41,877	47,681	49,686	2,104
2018						20,718	15,857	23,288	19,480	17,976	4,679
2019							29,265	18,399	25,949	13,920	11,897
2020								45,226	66,216	59,353	18,065
2021									22,418	22,780	22,378
2022										32,022	31,999
Total										$ 338,736	

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

											Cumulative Number of Reported Claims
2013	$ 341	$ 4,474	$ 14,470	$ 15,273	$ 15,997	$ 16,617	$ 16,632	$ 16,650	$ 16,658	$ 16,660	20
2014		1,062	3,185	5,477	6,330	6,968	8,865	11,673	12,530	13,699	15
2015			33	11,295	22,514	32,407	62,498	74,620	75,477	73,079	18
2016				1,549	11,031	14,078	14,083	14,429	15,611	23,680	21
2017					335	5,193	12,262	23,128	21,640	36,429	17
2018						60	129	482	814	9,117	20
2019							56	773	1,461	6,767	18
2020								91	16,693	42,508	16
2021									40	309	11
2022										7	3
Total										$ 222,255	
	All outstanding liabilities before 2013, net of reinsurance									1,695	
	Liabilities for losses and loss adjustment expenses, net of reinsurance									$ 118,176	

U.S. - Claims Duration
The following table provides supplementary unaudited information about the percentage payout of incurred losses and loss expenses, net of reinsurance as of December 31, 2022 for the U.S. reserve segments.

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

Age in years	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Excess liability	1%	22%	20%	18%	5%	4%	4%	5%	5%	4%
Property & Renewables	20%	34%	30%	9%	2%	2%	1%	0%	0%	0%
D&O	2%	14%	18%	12%	15%	13%	12%	1%	3%	0%

Syndicate—Property and Casualty ($000's except claim count)
Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Year Ended December 31,

Property

	Unaudited										December 31, 2022
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Net IBNR**
2013	$161,747	$135,414	$137,325	$136,289	$136,196	$135,869	$135,292	$135,215	$ 134,931	$ 134,483	$ 4,441
2014		175,809	160,512	161,077	153,844	154,957	157,344	153,618	166,672	144,990	(5,035)
2015			157,872	128,590	130,996	129,996	128,180	126,758	111,707	122,119	199
2016				167,292	158,613	157,268	160,176	158,360	161,251	160,134	2,020
2017					200,297	183,111	192,103	190,403	200,490	187,620	3,668
2018						205,195	194,757	192,088	177,558	188,312	7,189
2019							235,404	193,180	193,477	198,838	16,757
2020								270,589	152,367	177,488	5,034
2021									335,056	201,239	25,208
2022										326,518	186,057
Total										$1,841,741	

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

											Cumulative Number of Reported Claims
2013	$ 52,622	$100,562	$118,272	$124,537	$127,125	$128,003	$128,760	$129,071	$ 129,130	$ 129,607	6,048
2014		73,897	115,607	132,494	137,943	139,998	143,703	142,571	142,239	148,678	6,226
2015			49,500	90,933	104,923	111,437	115,599	116,722	116,958	120,306	7,012
2016				76,907	125,895	139,909	146,090	148,516	151,930	154,594	8,095
2017					76,733	138,582	162,349	171,277	177,365	178,143	9,186
2018						65,435	139,498	161,925	169,254	174,012	9,271
2019							84,446	144,032	164,675	172,123	7,962
2020								79,864	132,977	157,243	6,747
2021									81,556	134,101	5,387
2022										75,723	3,778
Total										$1,444,530	
			Liabilities for losses and loss adjustment expenses, net of reinsurance							$ 397,211	

(Expressed in thousands of U.S. dollars)

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Year Ended December 31,

Casualty

	Unaudited										December 31, 2022
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Net IBNR**
2013	$ 70,766	$ 68,161	$ 61,354	$ 59,035	$ 53,045	$ 51,255	$ 46,319	$ 44,251	$ 45,692	$ 41,732	$ (8,587)
2014		87,638	82,948	75,107	70,742	68,475	63,700	62,648	60,710	68,764	3,154
2015			81,110	88,127	77,284	72,438	71,158	65,449	64,217	64,788	(5,377)
2016				70,021	70,078	62,003	61,104	57,449	59,035	55,936	(1,821)
2017					89,602	91,568	84,980	82,575	84,597	86,086	8,247
2018						102,269	100,643	102,730	101,590	107,699	16,479
2019							113,533	131,729	122,339	125,385	35,673
2020								129,084	129,322	137,181	62,537
2021									128,632	143,237	95,938
2022										141,611	120,425
Total										$ 972,419	

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

											Cumulative Number of Reported Claims
2013	$ 4,535	$ 11,554	$ 23,383	$ 28,346	$ 33,428	$ 37,982	$ 41,672	$ 43,049	$ 45,692	$ 47,490	3,039
2014		10,795	16,130	31,742	39,517	50,081	54,068	56,213	59,898	61,542	3,250
2015			11,158	21,001	31,073	40,619	45,819	54,469	57,221	59,637	3,242
2016				3,747	13,090	21,554	29,756	37,243	43,647	48,164	3,586
2017					9,625	18,442	29,450	42,736	52,702	61,553	4,142
2018						6,626	21,856	38,009	54,448	69,099	4,252
2019							12,899	29,988	46,508	61,379	4,729
2020								12,128	24,944	48,903	4,547
2021									11,078	24,988	3,551
2022										9,470	1,688
Total										$ 492,225	
	Liabilities for losses and loss adjustment expenses, net of reinsurance									$ 480,194	
	All outstanding liabilities before 2013, net of reinsurance									24,160	
	Liabilities for losses and loss adjustment expenses, net of reinsurance									$ 901,565	

Syndicate - Claims Duration
The following table provides supplementary unaudited information about the percentage payout of incurred losses and loss expenses, net of reinsurance as of December 31, 2022 for the Syndicate business.

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

Age in years	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Property	41%	32%	12%	4%	2%	1%	0%	1%	2%	0%
Casualty	10%	13%	18%	14%	12%	10%	6%	4%	4%	4%

(Expressed in thousands of U.S. dollars)

Reinsurance

The Company cedes a portion of its risk by utilizing various reinsurance contracts in order to provide additional capacity for future growth and limit the maximum net loss potential arising from the severity or frequency of insurance claims. These contracts do not relieve the Company from its obligation to policyholders. The amounts recoverable from reinsurers are estimated in a manner consistent with the reserve for losses associated with the related reinsurance contract.

Reinsurance recoverable activity is presented below:

	Years Ended December 31,		
	2022	2021	2020
Reinsurance recoverable on losses and loss expenses at January 1,	$ 2,199,725	$1,959,504	$ 1,860,929
Incurred losses and loss expenses ceded	1,015,534	700,935	612,316
Paid losses and loss expenses ceded	642,587	460,157	514,812
Effect of foreign exchange rate changes	(4,098)	(557)	1,071
Reinsurance recoverable on losses and loss expenses at December 31,	2,568,574	2,199,725	1,959,504
Amounts currently due from reinsurers	248,388	259,092	148,841
Due from reinsurers	$ 2,816,962	$2,458,817	$ 2,108,345

The Company regularly evaluates the financial condition of its reinsurers and monitors credit risk with respect to amounts recoverable under these contracts. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. In order to minimize this credit risk, the Company seeks to cede business to reinsurers generally rated "A-" or better by accredited rating agencies such as A.M. Best. The Company considers reinsurers that are not rated or do not fall within the prescribed rating categories and may grant exceptions to the general policy on a case-by-case basis. As of December 31, 2022 and 2021, 99 percent of the total reinsurance exposure was due from reinsurers rated "A-" or better.

To estimate the allowance for uncollectible reinsurance, the Company performs a default analysis consisting of a number of factors, including the amounts of ceded losses recoverable from the reinsurer and the credit rating of the reinsurer. As of December 31, 2022 and 2021, such allowance was approximately $71,432 and $53,663, respectively. There were no write-offs of ceded losses for the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, reinsurance recoverables overdue from reinsurers for 90 days or more, net of general allowance, were $125,066 and $17,631, respectively. Of this total in 2022, $95,097 was attributable to one reinsurer.

At December 31, 2022 and 2021, the Company's largest ceded loss recoverable exposure resided with three reinsurers, the largest exposure was with an "A+" rated insurer totaling $398,241 and $323,606 at December 31, 2022 and 2021, respectively. The Company has reinsurance recoverables of $306,281 and $316,625, as of December 31, 2022 and 2021, respectively, from the second largest reinsurer, which has an "A+" rating. The Company has reinsurance recoverables of $285,416 and $258,485, as of December 31, 2022 and 2021, respectively, from the third largest reinsurer which has an "A+" rating.

(Expressed in thousands of U.S. dollars)

9. Income Taxes

The Company has received an undertaking from Bermuda that it will be exempt from any local profits, income or capital gains taxes until the year 2035. No such taxes are presently imposed in Bermuda. As a consolidated group however, the Company and its subsidiaries are subject to such taxes in other tax jurisdictions. The Company files U.S. and Canadian federal income tax returns. Furthermore, certain U.K. subsidiaries are required to file U.K. income tax returns, while certain business sourced in the U.K. are subject to U.S. tax under an Internal Revenue Code Section 953(d) election. The Company's Bermuda-based parent insurance company files a U.S. tax return pursuant to Internal Revenue Code Section 953(d) status. Electing Section 953(d) status allows the Company to combine its taxable income with certain subsidiary taxable income in a consolidated U.S. tax return.

The provision for income taxes for the years ended December 31, was as follows:

	2022	2021	2020
Current provision	$ 30,679	$ 49,864	$ 33,855
Deferred provision/(benefit)	18,444	6,662	(5,468)
Total income tax provision	$ 49,123	$ 56,526	$ 28,387

The reconciliation between the Company's effective tax rate and the statutory tax rate was as follows:

	Tax Effect 2022	Percent of Pre-Tax Income	Tax Effect 2021	Percent of Pre-Tax Income	Tax Effect 2020	Percent of Pre-Tax Income
U.S. federal income tax at statutory rate	$ 39,461	21.0%	$60,125	21.0%	$ 29,537	21.0%
Adjustments:						
Company-owned officers' life insurance	2,567	1.4	(2,891)	(1.0)	(2,132)	(1.5)
Return-to-provision adjustments	(2,310)	(1.2)	381	0.1	905	0.6
Valuation allowance	7,863	4.2	-	-	-	-
Other permanent items	1,542	0.7	(1,089)	(0.4)	77	0.1
Total income tax provision	$ 49,123	26.1%	$56,526	19.7%	$ 28,387	20.2%

(Expressed in thousands of U.S. dollars)

The Company's deferred income tax assets and liabilities as of December 31, are summarized below:

	2022	2021
Deferred tax assets:		
Loss reserves	$ 50,745	$ 49,636
Net operating loss carryforwards	422	1,025
Unearned premiums	26,726	24,223
Anticipatory foreign tax credit	20,150	7,520
Foreign tax credit carryforwards	846	-
Profit commission and other accruals	18,492	14,279
Compensation and benefit accruals	24,297	26,540
Basis differences in investments	4,550	-
Other deferred tax assets	731	751
Deferred tax assets before valuation allowance	146,959	123,974
Less: Valuation allowance	(7,863)	-
Deferred tax assets net of valuation allowance	139,096	123,974
Deferred tax liabilities:		
Unrealized investment gains on securities, net	1,337	5,477
Fair value of insurance and reinsurance contracts	55,027	26,748
Fixed asset basis difference	626	1,169
Deferred acquisition costs	6,481	6,177
TCJA transition adjustment	2,276	3,034
Basis difference in investments	-	11,481
Syndicate technical account	36,832	19,659
Deferred tax liabilities	102,579	73,745
Net deferred tax asset	$ 36,517	$ 50,229

The Company has $422 of tax-effected state net operating loss carryforwards available to offset state taxable income in future years. These net operating losses will expire in 2040. The Company has $846 of foreign tax credit carryforward, which will expire in year 2032. The Company has utilized all of its alternative minimum tax credit carryforward.

The application of U.S. GAAP requires the Company to evaluate the recoverability of deferred tax assets and establish a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not expected to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, the Company considers many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) in which tax jurisdictions they were generated and the timing of their reversal; (4) taxable income in prior carryback years as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that carryovers can be utilized in the various taxing jurisdictions; (6) any unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused. Although realization is not assured, management believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing DTAs. An element of objective negative evidence evaluated was the rising income tax rates in the foreign jurisdictions in which the Company pays income tax. Further, U.S. foreign tax credit law and regulations limit the Company's ability to fully realize its foreign tax credit carryover and anticipatory foreign tax credit DTAs in the future, resulting in another element of objective negative evidence. Accordingly, as of December 31, 2022 a valuation allowance of $7,863 was recorded against deferred tax assets related to federal taxes. Adjustments to the valuation allowance are made to reflect changes in management's assessment of the amount of the deferred tax asset that is realizable and the amount of deferred tax asset actually realized during the year.

(Expressed in thousands of U.S. dollars)

The Internal Revenue Service ("IRS") can examine 2012-2014 tax years with respect to foreign tax credits. The 2019-2021 tax years are open to audit with respect to all income tax matters, including utilization of tax attributes (including net operating loss carryforwards) generated in prior years. The IRS completed its examination of the Company's 2016 U.S. consolidated tax return during 2022. No adjustments were made.

At December 31, 2022, the Company had no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

10. Policyholders' Liability

The liability of each policyholder of the Company is limited to any unpaid premiums due to the Company from such policyholders and for premiums, if any, relating to the Company's retrospective premium plans.

Retrospective premium plans were retroactively discontinued for all policies incepting on or after January 1, 1988. Management is unaware of any events that would cause the application of any of the retrospective premium plans remaining in effect.

11. Commitments and Contingencies

The Company has established reserves for losses and loss expenses for claims that arise in the ordinary course of business. The Company is also subject to legal proceedings and regulatory inquiries, for which there is currently no provision established as management does not believe that the outcome of any of these matters will have a material adverse effect on the Company's financial position, operating results, or cash flows.

Lease Commitments

The Company leases office facilities under non-cancelable operating leases under various operating lease arrangements, which expire at various dates through 2032. The Company evaluates if a leasing arrangement exists upon inception of a contract, conveying the right to control the use of the office space for a period of time in exchange for consideration. The Company's leases expire at various dates and may contain renewal and expansion options through 2032. The exercise of lease renewal and expansion options are typically at the Company's sole discretion and are only included in the determination of the lease term if the Company is reasonably certain to exercise the option.

The ROU assets are included in other assets and the lease liabilities in accrued expenses and other liabilities on the consolidated balance sheet.

	December 31, 2022
Right of use assets	$ 20,954
Lease liabilities	20,702
Weighted average remaining lease term	7 years
Weighted average discount rate	1.15%

(Expressed in thousands of U.S. dollars)

Future minimum lease payments for operating leases:

Year	Amount
2023	$ 3,579
2024	3,613
2025	3,648
2026	3,683
2027	2,180
Years thereafter until 2032	4,754
Total undiscounted lease payments	21,457
Less: imputed interest	755
Present value of lease liabilities	$ 20,702

Rent expense is recorded in other underwriting expenses in the consolidated statements of income and comprehensive income, for the years ended December 31, 2022, 2021 and 2020 and was $5,443, $6,400 and $5,822, respectively. Operating cash outflows from operating leases totaled $4,631 for the period ended December 31, 2022.

Commitments

The Company has entered into investment agreements, and under the terms of the agreements, the Company may be required to invest additional amounts to meet its various unfunded contractual commitments, summarized below:

As of December 31, 2022 and 2021, the Company's limited partnership investments had unfunded direct lending commitments totaling $254,711 and $307,698, respectively.

As of December 31, 2022 and 2021, the Company's mortgage loan investments had unfunded commitments totaling $627 and $16,822, respectively.

Securities on Deposit and Letters of Credit

At December 31, 2022, the Company had securities and cash on deposit of $1,132,469 in order to comply with various U.S., Canadian and U.K. insurance and tax regulatory requirements. The Company also maintained letter of credit facilities with four financial institutions totaling $443,578, of which $355,729 was committed at December 31, 2022. At December 31, 2022, the Company had pledged assets of cash and debt securities, valued at $607,178, as collateral to secure these letters of credit.

At December 31, 2021, the Company had securities and cash on deposit of $999,233 in order to comply with various U.S., Canadian and U.K. insurance and tax regulatory requirements. The Company also maintained letter of credit facilities with four financial institutions totaling $443,578, of which $374,140 was committed at December 31, 2021. At December 31, 2021, the Company had pledged assets of cash and debt securities, valued at $635,864, as collateral to secure these letters of credit.

12. Dividend Restrictions

No dividend transfers occurred in 2022 and 2021. At December 31, 2022 and 2021, there were no significant restrictions on the payment of dividends from AISL to AEGIS London Holding.

In 2022, there was no transfer of capital from AEGIS to AEGIS London Holding.

In 2021, there was a transfer of capital of $15 million from AEGIS to AEGIS London Holding.

In 2020, there was a transfer of capital of $40 million from AEGIS to AEGIS London Holding, which in turn transferred the $40 million to AISL.

13. Subsequent Events

On February 7, 2023, the Board of Directors of AISI approved the termination of the Pension Plan, effective April 30, 2023. No changes will take effect until a favorable determination letter is obtained from the IRS and an asset distribution date is determined, at which time the Company will purchase a group annuity contract that will pay all remaining Pension Plan benefits.

AEGIS has evaluated all events subsequent to December 31, 2022 through the consolidated financial statements issuance date of March 31, 2023, and there are no other events that require disclosure.

14. Margin of Solvency

The Company is registered under the Bermuda Insurance Act of 1978 and related regulations, which require that the Company maintain a minimum solvency margin of approximately $424 million for solvency and liquidity. As a Class 3 insurer, the policyholders' surplus at December 31, 2022 was in excess of the minimum solvency margin required.

15. Operating Results by Line of Business

Management has elected to present its operating results into two lines of business, General Liability and Directors and Officers Liability. General Liability includes excess liability, fiduciary and employee benefits liability, professional liability and excess workers' compensation insurance. Directors & Officers Liability includes directors and officers liability and general partner liability insurance. Operating expenses directly attributable to a given line of business are charged correspondingly; the remainder is allocated based upon their respective share of gross written premiums. Investment results and the results from all other lines of business are allocated to each line of business based upon its proportionate share of unearned premiums, reserve for losses and loss expenses, and total surplus. This presentation is utilized to determine continuity credits, when declared by the Board of Directors of AEGIS, as they are earned by members based upon their individual proportionate shares of premiums and surplus attributable to the Company's General Liability and Directors & Officers Liability lines of business, as defined in the Company's bylaws. Total surplus supports all insurance policies issued by the Company, regardless of type. The amounts of total surplus allocated by line of business are presented solely for informational purposes.

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements
(Expressed in thousands of U.S. dollars)

	General Liability			Directors & Officers Liability			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Revenue:									
Net premiums earned	$ 1,158,030	$1,090,194	$ 930,507	$ 376,420	$ 313,123	$ 283,133	$ 1,534,450	$1,403,317	$1,213,640
Net investment (loss) income	(51,815)	124,834	78,514	(24,083)	49,512	34,485	(75,898)	174,346	112,999
Change in fair value of insurance and reinsurance contracts	149,793	47,442	(45,684)	-	-	-	149,793	47,442	(45,684)
Total revenue	1,256,008	1,262,470	963,337	352,337	362,635	317,618	1,608,345	1,625,105	1,280,955
Expenses:									
Losses and loss expenses incurred	798,310	759,414	622,936	199,003	165,840	173,014	997,313	925,254	795,950
Commission expenses	110,314	111,693	103,074	53,099	45,977	46,809	163,413	157,670	149,883
Other underwriting expenses	134,642	138,216	95,077	53,834	50,055	36,045	188,476	188,271	131,122
Total expenses	1,043,266	1,009,323	821,087	305,936	261,872	255,868	1,349,202	1,271,195	1,076,955
Income before continuity and other premium credits and income taxes	212,742	253,147	142,250	46,401	100,763	61,750	259,143	353,910	204,000
Continuity and other premium credits	45,210	38,885	30,210	26,025	28,715	33,136	71,235	67,600	63,346
Income before income taxes	167,532	214,262	112,040	20,376	72,048	28,614	187,908	286,310	140,654
Income tax provision	42,535	42,301	22,612	6,588	14,225	5,775	49,123	56,526	28,387
Net income	124,997	171,961	89,428	13,788	57,823	22,839	138,785	229,784	112,267
Other comprehensive (loss) income	(10,816)	(14,847)	1,923	(4,757)	(5,964)	911	(15,573)	(20,811)	2,834
Other surplus adjustments	(267)	(1,816)	2,580	-	-	-	(267)	(1,816)	2,580
Total surplus—beginning of year	959,698	804,400	710,469	1,147,693	1,095,834	1,072,084	2,107,391	1,900,234	1,782,553
Total surplus—end of year	$ 1,073,612	$ 959,698	$ 804,400	$ 1,156,724	$ 1,147,693	$ 1,095,834	$ 2,230,336	$2,107,391	$1,900,234