



Consolidated Financial Statements of
GREENLIGHT CAPITAL RE, LTD.

December 31, 2022 and 2021

GREENLIGHT CAPITAL RE, LTD.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Greenlight Capital Re, Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Greenlight Capital Re, Ltd. (the "Company") as of December 31, 2022, the related consolidated statement of operations, changes in shareholders' equity, and cash flows, for the year ended December 31, 2022, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

We did not audit the financial statements of Solasglas Investments, LP, an equity method investment of the Company, as of December 31, 2022 and for the year ended December 31, 2022. The Company's investment in Solasglas Investments, LP as of December 31, 2022 was \$178.2 million, and its equity in net income of Solasglas Investments, LP was \$54.8 million for the year ended December 31, 2022. The financial statements of Solasglas Investments, LP were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Solasglas Investments, LP, is based solely on the report of the other auditors.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Loss and loss adjustment expense reserves - Refer to Notes 2 and 7 to the consolidated financial statements

Critical Audit Matter Description

The Company's estimate of loss and loss adjustment expense reserves is derived using expected trends in claim severity and frequency and other factors that may vary significantly as claims are settled. The estimate is sensitive to significant assumptions, including the initial expected loss ratio and loss development factors. The estimate is also sensitive to the selection of actuarial methods and weighting of these methods applied to project the ultimate losses, the estimation of ultimate reserves associated with catastrophic events, and other factors. Further, not all catastrophic events can be modeled using traditional actuarial methodologies, which increases the degree of judgment needed in estimating loss reserves for such events.

Auditing the Company's methods, assumptions and best estimate of the cost of the ultimate settlement and administration of claims represented by the incurred but not reported ("IBNR") claims included in recorded Loss and loss adjustment expense reserves involved especially subjective auditor judgment and an increased extent of effort, including the involvement of our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to loss and loss adjustment expense reserves included the following, among others:

- We tested the effectiveness of controls over the valuation of the recorded loss and loss adjustment expense reserves, including the review and approval process that management has in place for significant actuarial methods and assumptions used and the approval of management's best estimate of loss and loss adjustment expense reserves.
- We tested the completeness and accuracy of the underlying data that served as the basis for the Company's actuarial analysis, including historical claims data, to test the reasonableness of key inputs to the actuarial estimate.
- With the assistance of our actuarial specialists:
 - We independently developed an estimate of the reserves for selected contracts, compared our estimates to those booked by the Company, and evaluated the differences.
 - We evaluated the Company's methodologies against recognized actuarial practices for the remaining contracts. We also evaluated the assumptions used by the Company using our industry knowledge and experience and other analytical procedures.

- We compared the results of the quarterly reserve studies prepared by independent external actuaries to management's best estimate and evaluated the differences.

Deloitte Ltd.

Hamilton, Bermuda

March 8, 2023

We have served as the Company's auditor since 2022.



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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors Greenlight
Capital Re, Ltd.
Grand Cayman, Cayman Islands

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Greenlight Capital Re, Ltd. (the "Company") as of December 31, 2021, the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2021 and the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Solasglas Investments, LP, an equity method investment of the Company, as of December 31, 2021, and for the two years in the period ended December 31, 2021. The Company's investment in Solasglas Investments, LP as of December 31, 2021 was \$183.6 million, and its equity in net income of Solasglas Investments, LP was \$18.1 million and \$4.4 million for the years ended December 31, 2021 and 2020, respectively. The financial statements of Solasglas Investments, LP were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Solasglas Investments, LP, is based solely on the report of the other auditors.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.



Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

BDO USA, LLP

We have served as the Company's auditor from 2006 to 2022.
Grand Rapids, Michigan, U.S.A.
March 8, 2022

Report of Independent Registered Public Accounting Firm

The General Partner
Solasglas Investments, LP

Opinion on the Financial Statements

We have audited the accompanying statements of assets, liabilities and partners' capital of Solasglas Investments, LP (the "Partnership"), including the condensed schedules of investments, as of December 31, 2022 and 2021, the related statements of operations, changes in partners' capital and cash flows for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2022 and 2021, and the results of its operations, changes in its partners' capital and its cash flows for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 in conformity with U.S. generally accepted accounting principles.

Basis of Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.



We have served as the Partnership's auditor since 2018.
March 8, 2023

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021
(expressed in thousands of U.S. dollars, except per share and share amounts)

	December 31, 2022	December 31, 2021
Assets		
Investments		
Investment in related party investment fund	\$ 178,197	\$ 183,591
Other investments	70,279	47,384
Total investments	248,476	230,975
Cash and cash equivalents	38,238	76,307
Restricted cash and cash equivalents	668,310	634,794
Reinsurance balances receivable (net of allowance for expected credit losses of \$356 and \$89)	505,555	405,365
Loss and loss adjustment expenses recoverable (net of allowance for expected credit losses of \$62 and \$47)	13,239	11,100
Deferred acquisition costs	82,391	63,026
Unearned premiums ceded	18,153	42
Other assets	6,019	5,885
Total assets	\$ 1,580,381	\$ 1,427,494
Liabilities and equity		
Liabilities		
Loss and loss adjustment expense reserves	\$ 555,468	\$ 524,010
Unearned premium reserves	307,820	227,584
Reinsurance balances payable	105,135	91,224
Funds withheld	21,907	3,792
Other liabilities	6,397	7,164
Convertible senior notes payable	80,534	98,057
Total liabilities	1,077,261	951,831
Commitments and Contingencies (Note 15)		
Shareholders' equity		
Preferred share capital (par value \$0.10; authorized, 50,000,000; none issued)	—	—
Ordinary share capital (Class A: par value \$0.10; authorized, 100,000,000; issued and outstanding, 28,569,346 (2021: 27,589,731); Class B: par value \$0.10; authorized, 25,000,000; issued and outstanding, 6,254,715 (2021: 6,254,715))	3,482	3,384
Additional paid-in capital	478,439	481,784
Retained earnings (deficit)	21,199	(9,505)
Total shareholders' equity	503,120	475,663
Total liabilities and equity	\$ 1,580,381	\$ 1,427,494

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2022, 2021, and 2020
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2022	2021	2020
Revenues			
Gross premiums written	\$ 563,171	\$ 565,393	\$ 479,791
Gross premiums ceded	(33,429)	(41)	(2,268)
Net premiums written	529,742	565,352	477,523
Change in net unearned premium reserves	(60,265)	(26,073)	(22,112)
Net premiums earned	469,477	539,279	455,411
Income (loss) from investment in related party investment fund (net of related party expenses of \$9,674, \$5,502, and \$3,251, respectively)	54,844	18,087	4,431
Net investment income (loss)	14,139	32,065	21,101
Other income (expense), net	(11,777)	(880)	3,149
Total revenues	526,683	588,551	484,092
Expenses			
Net loss and loss adjustment expenses incurred	316,485	374,980	337,833
Acquisition costs	143,148	144,960	109,288
General and administrative expenses	31,606	29,369	26,401
Deposit interest expense	6,717	11,655	—
Interest expense	4,201	6,263	6,280
Total expenses	502,157	567,227	479,802
Income (loss) before income tax	24,526	21,324	4,290
Income tax (expense) benefit	816	(3,746)	(424)
Net income (loss)	\$ 25,342	\$ 17,578	\$ 3,866
Earnings (loss) per share (Class A and Class B) (Note 2)			
Basic	\$ 0.75	\$ 0.51	\$ 0.11
Diluted	\$ 0.73	\$ 0.51	\$ 0.11
Weighted average number of ordinary shares used in the determination of earnings and loss per share (Note 2)			
Basic	33,908,156	34,204,364	36,172,216
Diluted	39,769,790	34,351,016	36,278,028

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2022, 2021, and 2020
(expressed in thousands of U.S. dollars)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Ordinary share capital			
Balance - beginning of period	\$ 3,384	\$ 3,452	\$ 3,699
Issue of Class A ordinary shares, net of forfeitures	99	41	8
Repurchase of Class A ordinary shares	(1)	(109)	(255)
Balance - end of period	<u>3,482</u>	<u>3,384</u>	<u>3,452</u>
Additional paid-in capital			
Balance - beginning of period	481,784	488,488	503,547
Cumulative effect of adoption of accounting guidance for convertible debt at January 1, 2022	(7,896)	—	—
Repurchase of Class A ordinary shares	(34)	(9,891)	(17,526)
Share-based compensation expense	4,585	3,187	2,467
Balance - end of period	<u>478,439</u>	<u>481,784</u>	<u>488,488</u>
Retained earnings (deficit)			
Balance - beginning of period	(9,505)	(27,083)	(30,063)
Cumulative effect of adoption of accounting guidance for convertible debt at January 1, 2022	5,362	—	—
Cumulative effect of adoption of accounting guidance for expected credit losses at January 1, 2020	—	—	(886)
Net income (loss)	25,342	17,578	3,866
Balance - end of period	<u>21,199</u>	<u>(9,505)</u>	<u>(27,083)</u>
Total shareholders' equity	<u>\$ 503,120</u>	<u>\$ 475,663</u>	<u>\$ 464,857</u>

The accompanying Notes to the Consolidated Financial Statements are an
integral part of the Consolidated Financial Statements.

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022, 2021, and 2020
(expressed in thousands of U.S. dollars)

	2022	2021	2020
Cash provided by (used in) operating activities			
Net income (loss)	\$ 25,342	\$ 17,578	\$ 3,866
Adjustments to reconcile net income or loss to net cash provided by (used in) operating activities			
Loss (income) from investments in related party investment fund	(54,844)	(18,087)	(4,431)
Net realized gain on repurchase of convertible senior notes payable	(343)	—	—
Loss (income) from investment accounted for under the equity method	—	—	(843)
Net change in unrealized gains and losses on investments and notes receivable	(9,858)	(19,560)	(25,159)
Net realized (gains) losses on investments and notes receivable	—	(14,210)	9,234
Foreign exchange (gains) losses	6,174	45	83
Current expected credit losses recognized on notes receivable and reinsurance assets	282	—	(750)
Share-based compensation expense	4,684	3,228	2,475
Amortization and interest expense, net of change in accruals	79	2,263	2,280
Depreciation expense	—	16	21
Net change in			
Reinsurance balances receivable	(114,819)	(75,133)	(99,937)
Loss and loss adjustment expenses recoverable	(2,155)	5,751	10,633
Deferred acquisition costs	(19,365)	(12,012)	(1,349)
Unearned premiums ceded	(18,111)	(42)	901
Other assets, excluding depreciation	(134)	(2,908)	(850)
Loss and loss adjustment expense reserves	39,774	29,831	23,591
Unearned premium reserves	80,236	26,495	21,629
Reinsurance balances payable	13,911	(1,023)	(30,418)
Funds withheld	18,115	(683)	(483)
Other liabilities	(767)	2,155	(1,816)
Net cash provided by (used in) operating activities	<u>(31,799)</u>	<u>(56,296)</u>	<u>(91,323)</u>
Investing activities			
Proceeds from redemptions from related party investment fund	125,365	115,835	158,347
Contributions to related party investment fund	(65,127)	(114,604)	(80,595)
Purchases of investments	(13,223)	(4,996)	(1,993)
Proceeds from sales of investments	—	20,755	—
Change in notes receivable	—	6,101	19,867
Net cash provided by (used in) investing activities	<u>47,015</u>	<u>23,091</u>	<u>95,626</u>
Financing activities			
Repurchases of convertible senior notes payable	(19,793)	—	—
Repurchase of Class A ordinary shares	(35)	(10,000)	(17,781)
Net cash provided by (used in) financing activities	<u>(19,828)</u>	<u>(10,000)</u>	<u>(17,781)</u>
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	59	—	(122)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>(4,553)</u>	<u>(43,205)</u>	<u>(13,600)</u>
Cash, cash equivalents and restricted cash at beginning of the period	711,101	754,306	767,906
Cash, cash equivalents and restricted cash at end of the period	<u><u>\$ 706,548</u></u>	<u><u>\$ 711,101</u></u>	<u><u>\$ 754,306</u></u>
Supplementary information			
Interest paid in cash	\$ 4,124	\$ 4,000	\$ 4,000
Income tax paid in cash	664	3,703	—

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022, 2021, and 2020

1. ORGANIZATION AND BASIS OF PRESENTATION

Greenlight Capital Re, Ltd. (“GLRE”) was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2004. GLRE’s wholly-owned subsidiary, Greenlight Reinsurance, Ltd. (“Greenlight Re”), provides global specialty property and casualty reinsurance. Greenlight Re has a Class D insurer license issued in accordance with the terms of The Insurance Act, 2010 (as amended) and underlying regulations thereto (the “Act”) and is subject to regulation by the Cayman Islands Monetary Authority. Greenlight Re commenced underwriting in April 2006. Verdant Holding Company, Ltd. (“Verdant”), a wholly-owned subsidiary of GLRE, was incorporated in 2008 in the state of Delaware. During 2010, GLRE established Greenlight Reinsurance Ireland, Designated Activity Company (“GRIL”), a wholly-owned reinsurance subsidiary based in Dublin, Ireland. GRIL is authorized as a non-life reinsurance undertaking in accordance with the provisions of the European Union (Insurance and Reinsurance) Regulations 2015. GRIL provides multi-line property and casualty reinsurance capacity to the European broker market and provides GLRE with an additional platform to serve clients located in Europe and North America. In 2020, GLRE established Greenlight Re Marketing (UK) Limited (“Greenlight Re UK”) as a wholly-owned subsidiary to increase the Company’s presence in the London market. In 2022, Greenlight Innovation Syndicate 3456 (“Syndicate 3456”) commenced underwriting under the Lloyd’s syndicate-in-a-box model, with Greenlight Re as the sole capital provider. As used herein, the “Company” refers collectively to GLRE and its consolidated subsidiaries.

The Class A ordinary shares of GLRE are listed on Nasdaq Global Select Market under the symbol “GLRE.”

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The consolidated financial statements include the accounts of GLRE and the consolidated financial statements of its wholly-owned subsidiaries, Greenlight Re, GRIL, Verdant, and Greenlight Re UK, as well as Syndicate 3456. All significant intercompany transactions and balances have been eliminated on consolidation.

Significant estimates used to prepare the Company’s consolidated financial statements, including those associated with premiums and the estimations of loss and loss adjustment expense reserves, may be subject to significant adjustments in future periods.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. The significant estimates reflected in the Company’s consolidated financial statements include, but are not limited to, loss and loss adjustment expense reserves, premiums written, earned and receivable, variability underlying risk transfer assessments, allowances for credit losses, share-based compensation, valuation allowances associated with deferred tax assets and investment impairments.

Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

Cash and cash equivalents consist of cash and short-term, highly liquid investments and certificates of deposit with original maturity dates of three months or less. Certificates of deposit with original maturities greater than three months are included under the caption “Other investments” on the consolidated balance sheets.

The Company maintains cash and cash equivalent balances to collateralize regulatory trusts and letters of credit issued to cedents (see Notes 6 and 15).

The following table reconciles the cash, cash equivalents, and restricted cash reported within the consolidated balance sheets to the total presented in the consolidated statements of cash flows:

	December 31, 2022	December 31, 2021
	(\$ in thousands)	
Cash and cash equivalents	\$ 38,238	\$ 76,307
Restricted cash and cash equivalents	668,310	634,794
Total cash, cash equivalents, and restricted cash presented in the consolidated statements of cash flows	<u>\$ 706,548</u>	<u>\$ 711,101</u>

Premium Revenue Recognition

The Company writes excess of loss contracts and quota share contracts and estimates the ultimate premiums for the contract period. The Company bases these estimates on actuarial pricing models and information received from ceding companies. For excess of loss contracts, the Company writes the total ultimate estimated premiums at the contract's inception. For quota share contracts, the Company writes premiums in the same periods in which the underlying insurance contracts are written, based on cession statements from cedents. The Company typically receives these statements monthly or quarterly, depending on the terms specified in each contract. For any reporting lag, the Company estimates premiums written based on the portion of the estimated ultimate premiums relating to the risks bound during the lag period.

The Company's management reviews premium estimates at least quarterly. Such review includes a comparison of reported premiums to expected ultimate premiums, along with a review of the aging and collection of premiums. Management evaluates the appropriateness of the premium estimates on the basis of these reviews and records any adjustments to these estimates in the period in which they are determined. Changes in premium estimates, including premium receivable on both excess of loss and quota share contracts, are not unusual and may result in significant adjustments in any period. A portion of amounts included in the caption "Reinsurance balances receivable" in the Company's consolidated balance sheets represent estimated premiums written, net of commissions and brokerage, that are not currently due based on the terms of the underlying contracts. Additional premiums due on a contract with no remaining coverage period are earned in full when written.

Certain contracts allow for reinstatement premiums in the event of a loss. Reinstatement premiums are written and earned when a triggering loss event occurs.

Premiums written are generally recognized as earned over the contract period in proportion to the risk covered. Unearned premiums represent the unexpired portion of reinsurance provided.

Funds Held by Cedents

The caption "Reinsurance balances receivable" in the Company's consolidated balance sheets includes financial assets held by cedents. At December 31, 2022, funds held by cedents were \$337.4 million (December 31, 2021: \$246.9 million). Such amounts include premiums withheld by Lloyd's syndicates and funds contributed by the Company to Lloyd's as security for members' underwriting activities. The Lloyd's syndicates invest a portion of the premiums withheld in investment funds and fixed-maturity securities. The Company records its share of income (or expense) from these assets, when reported by the syndicates, in its consolidated statements of operations under the caption "Other income (expense)."

Reinsurance Premiums Ceded

The Company reduces the risk of future losses on business assumed by reinsuring certain risks and exposures with other reinsurers (referred to as "retrocessionaires"). The Company remains liable to the extent that any retrocessionaire fails to meet its obligations and to the extent the Company does not hold sufficient security for its unpaid obligations.

Ceded premiums are written during the period in which the risks incept and the associated expense is recognized over the contract period in proportion to the protection provided. Unearned premiums ceded represent the unexpired portion of reinsurance obtained.

Acquisition Costs

Policy acquisition costs vary with, and are directly related to, the successful production of new and renewal business and consist principally of commissions, taxes, and brokerage expenses. The Company presents acquisition costs incurred on reinsurance assumed net of commissions earned on reinsurance ceded. However, if the sum of a contract's expected losses and loss expenses and deferred acquisition costs exceeds associated unearned premiums and expected investment income, a

premium deficiency is determined to exist. In this event, the Company writes off deferred acquisition costs to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs, the Company accrues a liability for the deficiency. The Company did not recognize any premium deficiency adjustments during the periods presented.

Policy acquisition costs also include profit commissions, which the Company recognized on a basis consistent with its estimate of losses and loss expenses. At December 31, 2022, \$1.6 million of profit commission reserves were recoverable, net of profit commissions payable (December 31, 2021: \$8.3 million). For the year ended December 31, 2022, net profit commission expense (income) of \$16.0 million, (2021: \$8.6 million, 2020: \$(7.7) million) was included in the caption "Acquisition costs" in the Company's consolidated statements of operations.

Funds Withheld

Funds withheld represent reinsurance balances retained as collateral by the Company on retroceded contracts. Any interest expense that the Company incurs while these funds are withheld is included under the caption "Net investment income (loss)" in the consolidated statements of operations.

Loss and Loss Adjustment Expense Reserves and Recoverable

The Company's loss and loss adjustment expense reserves are composed of:

- case reserves for loss and loss adjustment expenses resulting from claims notified to the Company by its clients; and
- reserves for estimated loss and loss adjustment expenses incurred by insureds and reinsureds but not yet reported to the insurer or reinsurer ("IBNR"), including unknown future developments on loss and loss adjustment expenses that are known to the insurer or reinsurer.

The Company estimates these reserves based on reports from ceding companies, industry data, and historical experience analyzed using standard actuarial and statistical techniques.

The analysis includes assessing currently available data, predictions of future developments, estimates of future trends, and other factors. These estimates are reviewed by the Company's reserving committee at least quarterly and adjusted as necessary.

The final settlement of losses may vary, perhaps materially, from the reserves recorded. The Company recognizes all adjustments to the estimates in the period they are determined. U.S. GAAP does not permit establishing loss reserves, which include case reserves and IBNR loss reserves, until the occurrence of an event that may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date are established. There is no allowance for the establishment of loss reserves to account for expected future loss events.

The caption, "Loss and loss adjustment expenses recoverable" in the Company's consolidated balance sheets represents the amounts due from retrocessionaires for unpaid loss and loss adjustment expenses on retrocession agreements. Ceded IBNR recoverable amounts are estimated based on the Company's actuarial estimates. These estimates are reviewed periodically and adjusted when deemed necessary. The Company may be unable to recover the loss and loss adjustment expense recoverable amounts due as a result of the retrocessionaires' inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and calculates an allowance for expected credit losses (see "*Reinsurance Assets*" below).

For losses stemming from exposure to natural perils, loss reserves are generally established based on loss payments and case reserves reported by clients when, and if, received. Estimates for IBNR losses are added to the case reserves as the Company deems appropriate. To establish catastrophe IBNR loss estimates, the Company uses estimates communicated by ceding companies, industry data and information, knowledge of the business written, and management's judgment.

For contracts without significant exposure to natural perils, initial reserves for each contract are determined based on a combination of (i) the pricing analysis performed prior to binding the contract; (ii) the underwriter's detailed knowledge of the cedent, its operations and future business plans; and (iii) the professional judgment and recommendation of the Chief Actuary. In the pricing analysis, the Company utilizes information from the client and industry data. This information typically includes, but is not limited to, data related to premiums, losses, exposure, business mix, industry performance, and associated trends covering as much history as deemed appropriate. The level of detail within the data obtained varies greatly depending on the underlying contract, line of business, client, and coverage provided. In all cases, the Company requests each client to provide data for each reporting period, which, depending on the contract, could be on a monthly or quarterly basis. The terms and conditions of each contract specify the data reporting requirements.

Generally, the Company obtains regular updates of premium and loss-related information for the current and historical periods and utilizes them to update the initially expected loss ratio. There may be a lag between (i) claims being reported by the underlying insured to the Company's cedent and (ii) claims being reported by the Company's cedent to the Company. This lag may impact the Company's loss reserve estimates. Client reports have pre-determined due dates (for example, fifteen days after each month-end). The timing of the reporting requirements is designed so that the Company receives premium and loss information as soon as practicable once the client has closed its books. Accordingly, there should be a short lag in such reporting. Additionally, most contracts that have the potential for large single-event losses have provisions that such loss notifications are provided to the Company immediately upon the occurrence of an event.

Once the updated information is received, the Company uses various standard actuarial methods for its quarterly analysis. Such methods typically include the following:

- ***Paid loss development method:*** Ultimate losses are estimated by calculating past paid loss development factors and applying them to exposure periods with further expected paid loss development. This method assumes that losses are paid in a consistent pattern. It provides an objective test of reported loss projections because paid losses contain no reserve estimates.
- ***Reported loss development method:*** Ultimate losses are estimated by calculating past reported loss development factors and applying them to exposure periods with further expected reported loss development. This method incorporates changes in payments and case reserves.
- ***Expected loss ratio method:*** Ultimate losses are estimated by multiplying earned premiums by an expected loss ratio. The expected loss ratio is often determined using industry data, historical company data, past pricing or reserving analysis performed, and actuarial judgment. This method is typically used for lines of business and contracts where there are no (or insignificant) historical losses or where past loss experience is not considered applicable to the current period.
- ***Bornhuetter-Ferguson paid loss method:*** Ultimate losses are estimated by modifying expected loss ratios to the extent losses paid to date differ from what would have been expected based upon the selected paid loss development pattern. This method avoids some distortions that could result from a large development factor being applied to a small base of paid losses to calculate ultimate losses.
- ***Bornhuetter-Ferguson reported loss method:*** Ultimate losses are estimated by modifying expected loss ratios to the extent losses reported to date differ from what would have been expected based upon the selected reported loss development pattern. This method avoids some distortions that could result from a large development factor being applied to a small base of reported losses to calculate ultimate losses.
- ***Frequency / Severity method:*** Ultimate losses are estimated by multiplying the ultimate number of claims (i.e., the frequency multiplied by the exposure base) by the estimated average cost per claim (i.e., the severity). This approach enables trends and patterns in the rates of claims emergence (i.e., reporting) and settlement (i.e., closure) and the average cost of claims to be analyzed separately.

In addition, the Company may supplement its analysis with other reserving methodologies that it deems relevant to specific contracts.

For each contract, the Company utilizes reserving methodologies it considers appropriate to calculate a best estimate of reserves. Whether the Company uses a single methodology or a combination depends upon the portfolio segment being analyzed and the actuary's judgment. The Company's reserving methodology does not require a fixed weighting of the various methods used. Certain methods are considered more appropriate than others depending on the type, structure, age, maturity, and duration of the expected losses on the contract. For example, the Bornhuetter-Ferguson reported loss method might be more appropriate than a paid loss development method for relatively new contracts that have experienced little paid loss development.

The Company's gross aggregate reserves are the sum of the best estimate reserves of all portfolio exposures. Generally, IBNR loss reserves are calculated by estimating the ultimate incurred losses and subtracting cumulative paid claims and case reserves. Each quarter, the Company's Reserving Committee, led by the Chief Actuary, meets to assess the adequacy of our loss reserves based on the reserve analysis and recommendations prepared by the Company's reserving department.

The Company does not typically experience significant claims processing backlogs, although such backlogs may occur following a major catastrophic event. At December 31, 2022, and 2021, the Company did not have a significant backlog in our claims processing.

The Company did not make any significant changes to the actuarial methodology or assumptions relating to its loss and loss adjustment expense reserves during the years ended December 31, 2022, and 2021.

Reinsurance Assets

The Company calculates an allowance for expected credit losses for its reinsurance balances receivable and loss and loss adjustment expenses recoverable by applying a Probability of Default (“PD”) / Loss Given Default (“LGD”) model. The PD / LGD approach considers the Company’s collectibility history on its reinsurance assets and representative external loss history. In calculating the probability of default, the Company also considers the estimated duration of its reinsurance assets.

The Company evaluates each counterparty’s creditworthiness based on credit ratings that independent agencies assign to the counterparty. The Company manages its credit risk in its reinsurance assets by transacting only with insurers and reinsurers that it considers financially sound. Credit ratings of the counterparties are forward-looking and consider various economic scenarios. The Company’s evaluation of the required allowance for reinsurance balances receivable and loss and loss adjustment expenses recoverable considers the current economic environment as well as potential macroeconomic developments.

For its retrocessional counterparties that are unrated, the Company may hold collateral in the form of funds withheld, trust accounts, or irrevocable letters of credit. In evaluating credit risk associated with reinsurance balances receivable, the Company considers its right to offset loss obligations against premiums receivable. The Company regularly evaluates its net credit exposure to assess the ability of cedents and retrocessionaires to honor their respective obligations.

At December 31, 2022, the Company has recorded an allowance for expected credit loss on its Reinsurance Assets of \$0.4 million (December 31, 2021, \$0.1 million).

Deposit Assets and Liabilities

The Company applies deposit accounting to reinsurance contracts that do not transfer sufficient insurance risk to merit reinsurance accounting. Under deposit accounting, the Company recognizes an asset or liability based on its paid or received consideration. The deposit asset or liability balance is subsequently adjusted using the interest method with the corresponding income and expense recorded in the Company’s consolidated statements of operations under the captions “Other income (expense)” and “Deposit interest expense,” respectively. The Company records deposit assets and liabilities in its consolidated balance sheets in the caption “Reinsurance balances receivable” and “Reinsurance balances payable,” respectively. At December 31, 2022, deposit assets and liabilities were \$3.1 million and \$10.7 million, respectively (December 31, 2021: \$3.5 million and \$18.6 million, respectively). For the years ended December 31, 2022, 2021, and 2020, the interest income and (expense) on deposit-accounted contracts were as follows:

	2022	2021	2020
		(\$ in thousands)	
Deposit interest income	\$ —	\$ —	\$ 1,711
Deposit interest expense	(6,717)	(11,655)	—
Deposit interest income (expense), net	<u>\$ (6,717)</u>	<u>\$ (11,655)</u>	<u>\$ 1,711</u>

Financial Instruments

The Company purchases “other investments,” which may include investments in private and unlisted equity securities, limited partnerships, and commodities. Private investments and unlisted equities include securities that do not have readily determinable fair values. The carrying values of these holdings are determined based on their original cost minus impairment, if any, plus or minus changes resulting from observable price changes.

For securities classified as “other investments,” any realized and unrealized gains or losses are determined on the basis of the specific identification method (by reference to cost or amortized cost, as appropriate) and included in the caption “Net investment income (loss)” in the Company’s consolidated statements of operations.

The Company records interest income and interest expense on an accrual basis.

Share-Based Compensation

The Company has established a stock incentive plan for directors, employees, and consultants.

The Company recognizes share-based compensation costs based on the fair value at the award's grant date. The Company measures compensation for restricted shares and restricted stock units ("RSUs") based on the price of the Company's common shares at the grant date. For restricted shares and RSUs with service and performance vesting conditions, the expense is recognized based on management's estimate of the probability of the performance conditions being achieved based on historical results and expectations of future results. If the Company expects to meet the performance conditions, it attributes the expense to the period the requisite service is rendered. For restricted shares and RSUs with only service vesting conditions, the Company recognizes the associated expense on a straight-line basis over the vesting period, net of any estimated or expected forfeitures.

The forfeiture rate is estimated based on the Company's historical actual forfeitures relating to restricted shares and RSUs granted to employees. The forfeiture rate is reviewed annually and adjusted as necessary. The Company applies no forfeiture rate to restricted shares granted to directors, which vest over a maximum twelve-month period.

Determining the fair value of share purchase options at the grant date requires significant estimation and judgment. The Company uses the Black-Scholes option-pricing model to assist in the calculation of fair value for share purchase options. The model requires estimating various inputs such as the term, forfeiture and dividend rates, and expected volatility. In determining the grant date fair value, the Company uses the entire ten-year life of the options as the estimated term and assumes no forfeitures and no dividends paid during the life of the options. The Company bases its estimate of expected volatility on the daily historical trading data of the Company's Class A ordinary shares from the date they commenced trading (May 24, 2007) to the grant date.

For share purchase options issued under the employee stock incentive plan, the compensation cost is calculated and recognized over the vesting periods on a graded vesting basis (see Note 11).

Convertible Notes

Prior to the adoption of Accounting Standards Update ("ASU") 2020-06 in January 2022, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06")," the Company determined that the senior convertible notes' cash conversion option represented an embedded derivative and bifurcated it from the underlying contract for financial reporting purposes. For the debt component, the Company recorded a liability equivalent to the present value of comparable debt without the conversion features at the time of issuance. The remainder of the proceeds, which represented the embedded derivative, was included in the caption "Additional paid-in capital" in the Company's consolidated balance sheets.

Upon adoption of ASU 2020-06, U.S. GAAP no longer permits entities to bifurcate embedded conversion features from the underlying contract. Therefore, effective January 1, 2022, the Company no longer presents the embedded conversion features separately in equity; instead, the Company's senior convertible debt is presented as a single liability in the Company's consolidated balance sheet. See the below section captioned "Recently Issued Accounting Standards Adopted" for the impact of the new accounting standard on the Company's accounting of its senior convertible notes.

Costs incurred in issuing the convertible notes consisted primarily of underwriting, legal, accounting, and printing fees. These costs are amortized over the term of the debt and are included in the caption "Interest expense" in the Company's consolidated statements of operations.

Foreign Exchange

The reporting and functional currency of the Company and all its significant subsidiaries is the U.S. dollar. The Company records foreign currency transactions at the exchange rates in effect on the transaction date. Monetary assets and liabilities in foreign currencies are converted at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are carried at their historical exchange rates. The Company includes any foreign exchange gains and losses under the caption "Other income (expense), net" in the Company's consolidated statements of operations.

For the years ended December 31, 2022, 2021, and 2020, \$(6.2) million, \$(1.6) million, and \$0.3 million, respectively, of foreign exchange gains (losses) were included in the Company's net income in the consolidated statements of operations.

Derivative instruments

The Company recognizes derivative financial instruments in the consolidated balance sheets at their fair values. It includes any realized gains and losses and changes in unrealized gains and losses in the caption “Net investment income (loss)” in the consolidated statements of operations.

The Company’s derivatives do not qualify as hedges for financial reporting purposes. The Company records the associated assets and liabilities in its consolidated balance sheets on a gross basis. The Company does not offset these balances against collateral pledged or received.

Other Assets

The caption “Other assets” in the Company’s consolidated balance sheets consists primarily of prepaid expenses, right-of-use lease assets, other receivables, taxes recoverable, and deferred tax assets.

Other Liabilities

The caption “Other liabilities” in the Company’s consolidated balance sheets consists primarily of accruals for legal and other professional fees, employee bonuses, taxes payable, and lease liabilities.

Comprehensive Income (Loss)

The Company has no comprehensive income or loss other than the net income or loss disclosed in the consolidated statements of operations.

Earnings (Loss) Per Share

The Company has issued unvested restricted stock awards, some of which contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid. These awards are considered “participating securities” for the purposes of calculating earnings (loss) per share. Basic earnings per share is calculated on the basis of the weighted average number of ordinary shares and participating securities outstanding during the period. Diluted earnings (or loss) per share includes the dilutive effect, if any, of the following:

- Restricted Stock Units (“RSUs”) issued that convert to ordinary shares upon vesting;
- Unvested restricted share awards which are not considered “participating securities”;
- Additional potential ordinary shares issuable when in-the-money stock options are exercised, determined using the treasury stock method;
- For periods prior to January 1, 2022, those ordinary shares with the potential to be issued in connection with convertible notes and other such convertible instruments, determined using the treasury stock method; and
- Effective January 1, 2022, the dilutive effect of the convertible notes calculated using the if-converted method. Under the if-converted method, the convertible notes are assumed to be converted at the beginning of the period. The resulting common shares are included in the denominator of the diluted net income per common share calculation. Interest expense related to the convertible notes incurred in the period is added back to the numerator for purposes of the if-converted calculation.

Diluted earnings (or loss) per share contemplates a conversion to ordinary shares of all convertible instruments only if they are dilutive. In the event of a net loss, all RSUs, stock options, shares potentially issuable in connection with convertible notes, and participating securities are excluded from the calculation of both basic and diluted loss per share as their inclusion would be anti-dilutive.

The following table reconciles net income (loss) and weighted average shares used in computing basic and diluted net income per share for the years ended December 31, 2022, 2021, and 2020 (expressed in thousands of U.S. dollars, except per share and share amounts):

	2022	2021	2020
Numerator for earnings per share			
Net income (loss) - basic	\$ 25,342	\$ 17,578	\$ 3,866
Add: interest on convertible notes	4,201	—	—
Less: gain on debt repurchases	(343)	—	—
Net income (loss) - diluted	<u>\$ 29,200</u>	<u>\$ 17,578</u>	<u>\$ 3,866</u>
Denominator for earnings per share			
Weighted average shares outstanding - basic	33,908,156	34,204,364	36,172,216
Effect of dilutive employee and director share-based awards	368,096	146,652	105,812
Shares potentially issuable in connection with convertible notes	5,493,538	—	—
Weighted average shares outstanding - diluted	<u>39,769,790</u>	<u>34,351,016</u>	<u>36,278,028</u>
Anti-dilutive stock options outstanding	690,337	735,627	835,627
Earnings (loss) per share (Class A and Class B)			
Basic	\$ 0.75	\$ 0.51	\$ 0.11
Diluted	0.73	0.51	0.11

Taxation

Under current Cayman Islands law, no corporate entity, including GLRE and Greenlight Re, is obligated to pay taxes in the Cayman Islands on either income or capital gains. The Company has an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the provisions of the Tax Concessions Act, as amended, that, in the event that the Cayman Islands enacts any legislation that imposes a tax on profits, income, gains, or appreciations, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to GLRE, Greenlight Re nor their respective operations, or to the Class A or Class B ordinary shares or related obligations, before February 1, 2025.

Verdant is incorporated in Delaware and therefore is subject to taxes in accordance with the U.S. federal rates and regulations prescribed by the U.S. Internal Revenue Service (“IRS”). Verdant’s taxable income is generally expected to be taxed at a marginal rate of 21% (2021: 21%). Verdant’s tax years 2018 and beyond remain open and may be subject to examination by the IRS.

GRIL is incorporated in Ireland and therefore is subject to the Irish corporation tax rate of 12.5% on its trading income and 25% on its non-trading income.

Greenlight Re UK is incorporated in the United Kingdom and therefore is subject to the U.K. corporate tax rate of 19% on its profits.

The Company records a valuation allowance to the extent that the Company considers it more likely than not that all or a portion of the deferred tax asset will not be realized in the future. Other than this valuation allowance, the Company has not taken any income tax positions subject to significant uncertainty that is reasonably likely to have a material impact on the Company.

Segment Information

The Company has one operating segment, Property and Casualty Reinsurance.

Recent Accounting Pronouncements

Recently Issued Accounting Standards Not Yet Adopted

In June 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2022-03 “Fair Value Measurements (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.” (“ASU 2022-03”). ASU 2022-03 clarifies the guidance for measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. ASU 2022-03 is effective for public business entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted. The Company does not expect ASU 2022-03 to have a material impact on its financial position, results of operations, or cash flows.

Recently Issued Accounting Standards Adopted

In August 2020, the FASB issued ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (“ASU 2020-06”). ASU 2020-06 is designed to simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments. The amendments remove the separation models in Subtopic 470-20 for certain contracts. As a result, entities will no longer present embedded conversion features separately in equity; instead, the convertible debt instrument will be accounted for as a single liability measured at its amortized cost. ASU 2020-06 also addresses the computation of earnings per share for convertible debt instruments, requiring the application of the if-converted method when calculating diluted earnings per share. Under the if-converted method, the shares potentially issuable in connection with convertible debt are assumed to be converted at the beginning of the period. The resulting ordinary shares are included in the denominator of the diluted earnings per share calculation for the period presented.

The Company adopted ASU 2020-06 during the first quarter of 2022, using the “modified retrospective” transition method. The adoption of ASU 2020-06 resulted in a decrease in the Company’s opening shareholders’ equity of approximately \$2.5 million, with a corresponding increase in the carrying value of the senior convertible notes (see Note 9). The adoption of ASU 2020-06 did not have a material impact on the Company’s net income, cash flows, or any other balances.

3. INVESTMENT IN RELATED PARTY INVESTMENT FUND

The Company has entered into the Second Amended and Restated Exempted Limited Partnership Agreement (the “SILP LPA”) of Solasglas Investments, LP (“SILP”), with DME Advisors II, LLC (“DME II”), as General Partner, Greenlight Re, and GRIL, (together, the “GLRE Limited Partners”). SILP has entered into a SILP investment advisory agreement (“IAA”) with DME Advisors, LP (“DME Advisors”), pursuant to which DME Advisors is the investment manager for SILP. DME II and DME Advisors are related to the Company, and each is an affiliate of David Einhorn, Chairman of the Company’s Board of Directors (the “Chairman”).

At December 31, 2022, the SILP LPA included the following proviso: “The Investment Portfolio of each Partner will not exceed the product of (a) such Partner’s surplus (Greenlight Re Surplus or GRIL Surplus, as the case may be) multiplied by (b) the Investment Cap (50%), and the General Partner will designate any portion of a Partner’s Investment Portfolio as Designated Securities to effectuate such limit.” Effective January 1, 2023, the Investment Cap was amended to 60%.

The Company has concluded that SILP qualifies as a variable interest entity (“VIE”) under U.S. GAAP. In assessing its interest in SILP, the Company noted the following:

- DME II serves as SILP’s general partner and has the power to appoint the investment manager. The Company does not have the power to appoint, change or replace the investment manager or the general partner except “for cause.” Neither of the GLRE Limited Partners can participate in the investment decisions of SILP as long as SILP adheres to the investment guidelines provided within the SILP LPA. For these reasons, the GLRE Limited Partners are not considered to have substantive participating rights or kick-out rights.
- DME II holds an interest in excess of 10% of SILP’s net assets, which the Company considers to represent an obligation to absorb losses and a right to receive benefits of SILP that are significant to SILP.

Consequently, the Company has concluded that DME II's interests, not the Company's, meet both the "power" and "benefits" criteria associated with VIE accounting guidance. Therefore DME II is SILP's primary beneficiary. The Company presents its investment in SILP in its consolidated balance sheets in the caption "Investment in related party investment fund."

The Company's maximum exposure to loss relating to SILP is limited to the net asset value of the GLRE Limited Partners' investment in SILP. At December 31, 2022, the net asset value of the GLRE Limited Partners' investment in SILP was \$178.2 million (December 31, 2021: \$183.6 million), representing 69.3% (December 31, 2021: 78.2%) of SILP's total net assets. DME II held the remaining 30.7% (December 31, 2021: 21.8%) of SILP's total net assets. The investment in SILP is recorded at the GLRE Limited Partners' share of the net asset value of SILP as reported by SILP's third-party administrator. The GLRE Limited Partners can redeem their assets from SILP for operational purposes by providing 3 business days' notice to DME II. At December 31, 2022, the majority of SILP's long investments were composed of cash and publicly-traded equity securities, which could be readily liquidated to meet the GLRE Limited Partners' redemption requests.

The Company's share of the change in the net asset value of SILP for the years ended December 31, 2022, 2021, and 2020, was \$54.8 million, \$18.1 million, and \$4.4 million, respectively, and shown in the caption "Income (loss) from investment in related party investment fund" in the Company's consolidated statements of operations.

At December 31, 2022, the Company's investments in SILP exceeded 10% of the Company's total shareholders' equity, with a fair value of \$178.2 million (December 31, 2021: \$183.6 million), representing 35.4% (December 31, 2021: 38.6%), of total shareholders' equity.

The Company has determined that for its fiscal year ended December 31, 2022, the Company's investment in SILP met at least one of the conditions of a significant subsidiary under SEC's Regulation S-X, Rule 3-09. Accordingly, the audited financial statements for SILP have been attached as an exhibit (Exhibit 99.1) to this Form 10-K.

The summarized financial statements of SILP are presented below.

Summarized Statement of Assets and Liabilities of Solasglas Investments, LP

	December 31, 2022	December 31, 2021
	(\$ in thousands)	
Assets		
Investments, at fair value	\$ 304,806	\$ 297,937
Derivative contracts, at fair value	17,547	2,542
Due from brokers	109,169	84,775
Interest and dividends receivable	527	28
Total assets	432,049	385,282
Liabilities and partners' capital		
Liabilities		
Investments sold short, at fair value	(159,382)	(132,360)
Derivative contracts, at fair value	(12,443)	(7,253)
Due to brokers	(2,050)	—
Capital withdrawals payable	(75)	(10,000)
Interest and dividends payable	(760)	(580)
Other liabilities	(159)	(358)
Total liabilities	(174,869)	(150,551)
Net Assets	\$ 257,180	\$ 234,731
GLRE Limited Partners' share of Net Assets	\$ 178,197	\$ 183,591

Summarized Statement of Operations of Solasglas Investments, LP

	Year ended December 31		
	2022	2021	2020
	(\$ in thousands)		
Investment income			
Dividend income (net of withholding taxes)	\$ 1,586	\$ 641	\$ 1,365
Interest income	2,390	228	654
Total Investment income	3,976	869	2,019
Expenses			
Management fee	(3,580)	(3,492)	(2,808)
Interest	(1,950)	(1,055)	(798)
Dividends	(1,374)	(1,147)	(861)
Professional fees and other	(988)	(1,221)	(949)
Total expenses	(7,892)	(6,915)	(5,416)
Net investment income (loss)	(3,916)	(6,046)	(3,397)
Realized and change in unrealized gains (losses)			
Net realized gain (loss)	75,172	(3,420)	(61,616)
Net change in unrealized appreciation (depreciation)	11,886	35,482	71,948
Net gain (loss) on investment transactions	87,058	32,062	10,332
Net income (loss)	\$ 83,142	\$ 26,016	\$ 6,935
GLRE Limited Partners' share of net income (loss) ⁽¹⁾	\$ 54,844	\$ 18,087	\$ 4,431

¹ Net income (loss) is net of management fees and performance allocation presented below:

	Year ended December 31		
	2022	2021	2020
	(\$ in thousands)		
Management fees	\$ 3,580	\$ 3,492	\$ 2,808
Performance allocation	6,094	2,010	443
Total	\$ 9,674	\$ 5,502	\$ 3,251

See Note 14 for further details on management fees and performance allocation.

4. FINANCIAL INSTRUMENTS

Purchases and sales of financial instruments are disclosed in the Company's consolidated statements of cash flows. The following table summarizes the change in unrealized gains and losses and the realized gains and losses on financial instruments included in the caption "Net investment income (loss)" in the Company's consolidated statements of operations for the years ended December 31, 2022, 2021, and 2020:

	Year ended December 31		
	2022	2021	2020
	(\$ in thousands)		
Gross realized gains	\$ —	\$ 14,210	\$ 5,766
Gross realized losses	—	—	(15,000)
Net realized gains (losses)	\$ —	\$ 14,210	\$ (9,234)
Change in unrealized gains and losses	\$ 9,858	\$ 19,560	\$ 25,909

Investments

Other Investments

The Company's "Other investments" are composed of the following:

- Private investments, unlisted equities, and debt and convertible debt instruments, which consist primarily of Innovations-related investments supporting technology innovators in the (re)insurance market; and
- Certificates of deposit with original maturities greater than three months.

At December 31, 2022, the Company included the following securities in the caption "Other investments":

	Cost	Unrealized gains	Unrealized losses	Fair value / carrying value
	(\$ in thousands)			
Private investments and unlisted equities	\$ 22,787	\$ 42,461	\$ (2,815)	\$ 62,433
Debt and convertible debt securities	1,846	—	—	1,846
Certificates of deposit	6,000	—	—	6,000
Total other investments	<u>\$ 30,633</u>	<u>\$ 42,461</u>	<u>\$ (2,815)</u>	<u>\$ 70,279</u>

At December 31, 2021, the Company included the following securities in the caption "Other investments":

	Cost	Unrealized gains	Unrealized losses	Fair value / carrying value
	(\$ in thousands)			
Private investments and unlisted equities	\$ 17,411	\$ 31,438	\$ (1,800)	\$ 47,049
Derivative financial instruments (not designated as hedging instruments)	—	335	—	335
Total other investments	<u>\$ 17,411</u>	<u>\$ 31,773</u>	<u>\$ (1,800)</u>	<u>\$ 47,384</u>

At December 31, 2021, Company's derivative financial instruments were composed of warrants granting the Company the right, but not the obligation, to purchase shares at a specified price on or before the maturity date. The Company has not designated any of its derivative financial instruments as hedging instruments. The Company's maximum exposure to loss relating to these warrants is limited to the warrants' carrying amount.

Private investments and unlisted equity securities without readily determinable fair values

The Company measures its private investments and unlisted equity securities without readily determinable fair values at cost less impairment (if any), plus or minus observable price changes from identical or similar investments of the same issuers (the "measurement alternative"), with such changes recognized in the caption "Net investment income (loss)" in the consolidated statements of operations. The Company considers the need for impairment on a by-investment basis based on certain indicators. Under the measurement alternative, the Company makes two types of valuation adjustments:

- When the Company observes an orderly transaction of an investee's identical or similar equity securities, the Company adjusts the carrying value based on the observable price as of the transaction date. Once the Company

records such an adjustment, the investment is considered an “asset measured at fair value on a nonrecurring basis.”

- If the Company determines that the investment is impaired and the fair value is less than its carrying value, it writes down the investment to its fair value. Once the Company records such an adjustment, the investment is considered an “asset measured at fair value on a nonrecurring basis.”

The following table presents the carrying values of the private investments and unlisted equity securities carried under the measurement alternative at December 31, 2022, 2021, and 2020, and the related adjustments recorded during the years then ended.

	Year ended December 31		
	2022	2021	2020
	(\$ in thousands)		
Carrying value ⁽¹⁾	\$ 62,433	\$ 47,049	\$ 21,793
Upward carrying value changes ⁽²⁾	\$ 11,277	\$ 20,814	\$ 10,576
Downward carrying value changes and impairment ⁽³⁾	\$ (1,073)	\$ (500)	\$ (1,500)

⁽¹⁾ The period-end carrying values reflect cumulative purchases and sales in addition to upward and downward carrying value changes.

⁽²⁾ The cumulative upward carrying value changes from inception to December 31, 2022, totaled \$42.9 million.

⁽³⁾ The cumulative downward carrying value changes and impairments from inception to December 31, 2022, totaled \$3.1 million.

Fair Value Hierarchy

The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on the extent to which the inputs are observable in the market. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.
- Level 3: Unobservable inputs supported by little or no market activity and significant to the fair value of the assets and liabilities. The term “unobservable inputs” includes certain pricing models, discounted cash flow methodologies, and similar techniques.

Assets measured at fair value on a nonrecurring basis

At December 31, 2022, and December 31, 2021, the Company held \$53.6 million and \$40.5 million, respectively, of private investments and unlisted equities measured at fair value on a nonrecurring basis. The Company classifies these assets as Level 3 within the fair value hierarchy. The following table summarizes the periods between the most recent fair value measurement dates and December 31, 2022, for the private and unlisted equities measured at fair value on a nonrecurring basis:

	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
	(\$ in thousands)			
Fair values measured on a nonrecurring basis	\$ 599	\$ 33,028	\$ 19,929	\$ 53,556

At December 31, 2022, and December 31, 2021, the Company held \$8.9 million and \$6.5 million, respectively, of private investments and unlisted equities measured at cost.

Assets measured at fair value on a recurring basis

In accordance with ASC 320, “Investments - Debt Securities,” the Company has classified debt and convertible debt securities as “trading” measured at estimated fair value with unrealized gains and losses reported in net income. The Company classifies these securities as Level 3 within the fair value hierarchy. It estimates their fair values primarily based on third-party quotes, issuers’ book value, market multiples, and other inputs. Valuation of these securities is subjective as the markets’ illiquidity may increase the likelihood that the estimated fair value of an investment is not reflective of the price at which an actual transaction could occur.

The carrying value of certificates of deposit with original maturities of one year or less approximates their fair values. The Company classifies these assets as Level 2 within the fair value hierarchy.

At December 31, 2022, and December 31, 2021, the Company did not carry any other investments at fair value with an assigned Level within the fair value hierarchy. The Company’s investment in the related party investment fund is measured at fair value using the net asset value practical expedient. Therefore, this investment is not classified within the fair value hierarchy. (See Note 3 for further details on the related party investment fund.)

During the year ended December 31, 2022, and 2021, there were no transfers between Level 2 and Level 3 of the fair value hierarchy.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The caption “Convertible senior notes payable” represents financial instruments that the Company carries at amortized cost. The fair value of the convertible senior notes payable is estimated based on the bid price observed in an inactive market for the identical instrument (Level 2 input) (see Note 9).

5. CASH AND CASH EQUIVALENTS

The Company’s cash and cash equivalents at December 31, 2022, and 2021 were composed of cash at banks.

Due to the short-term nature of cash and cash equivalents, the carrying values of cash at banks approximate their fair value. Cash at banks includes cash held at non-U.S. financial institutions not insured by the Federal Deposit Insurance Corporation or other deposit insurance programs.

6. RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS

Restricted cash and restricted cash equivalents include amounts held by the Company but pledged as security to provide collateral required by the cedents in the form of trust accounts and letters of credit (see Note 15). At December 31, 2022, and 2021, the restricted cash and cash equivalents were composed of the following:

	December 31, 2022	December 31, 2021
	(\$ in thousands)	
Cash held as collateral in trust accounts	\$ 463,659	\$ 497,149
Cash collateral relating to letters of credit issued	204,651	137,645
Total restricted cash and restricted cash equivalents	<u>\$ 668,310</u>	<u>\$ 634,794</u>

7. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

At December 31, 2022, the Company’s loss and loss adjustment expense reserves included estimated amounts for several catastrophe events. For significant catastrophe events, including, but not limited to, hurricanes, tornados, typhoons, floods, earthquakes, wildfires, war and pandemics, loss reserves are generally established based on loss payments and case reserves reported by clients when received. To establish IBNR loss estimates, the Company makes use of, among other things, the following information:

- estimates communicated by ceding companies;
- information received from clients, brokers, and loss adjusters;
- an understanding of the underlying business written and its exposures to catastrophe event-related losses;

- industry data;
- catastrophe scenario modeling software; and
- management's judgment.

At December 31, 2022, the Company's loss and loss adjustment expense reserves included \$13.6 million from the Russian-Ukrainian conflict and \$19.5 million from Hurricane Ian. Additional information the Company considered in estimating its loss reserves included the following:

- a review of in-force treaties that may provide coverage and incur losses;
- catastrophe and scenario modeling analyses and results shared by cedents;
- preliminary loss estimates received from clients, brokers, and loss adjusters;
- reviews of industry insured loss estimates and market share analyses; and
- management's judgment.

The Company's Russian-Ukrainian conflict loss estimates include actuarial assumptions, including:

- the areas within the affected regions that have incurred losses;
- the scope of coverage provided by the underlying policies;
- the interpretation of contract terms;
- the determination of loss-triggering events;
- regulatory, legislative, and judicial actions that could influence contract interpretations across the insurance industry; and
- the ability of the cedents and insured to mitigate some or all of their losses.

Due to the uncertainty associated with the foregoing assumptions, the Company's loss estimates are subject to significant variability, and actual losses may ultimately differ materially from the Company's current estimates. The Company will evaluate its assumptions as new information becomes available and may adjust its loss estimates in future periods. Such adjustments may be material to the Company's results of operations and financial condition.

Additionally, if the Russian-Ukrainian conflict is prolonged, the Company may incur additional losses in subsequent periods.

At December 31, 2022 and 2021, loss and loss adjustment expense reserves were composed of the following:

	December 31, 2022	December 31, 2021
	(\$ in thousands)	
Case reserves	\$ 184,756	\$ 190,220
IBNR	370,712	333,790
Total	<u>\$ 555,468</u>	<u>\$ 524,010</u>

A summary of changes in outstanding loss and loss adjustment expense reserves for all lines of business consolidated for the years ended December 31, 2022, 2021, and 2020 is as follows:

Consolidated	2022	2021	2020
	(\$ in thousands)		
Gross balance at January 1	\$ 524,010	\$ 494,179	\$ 470,588
Less: Losses recoverable	(11,100)	(16,851)	(27,531)
Net balance at January 1	512,910	477,328	443,057
Incurred losses related to:			
Current year	316,367	389,080	333,096
Prior years	118	(14,100)	4,737
Total incurred	316,485	374,980	337,833
Paid losses related to:			
Current year	(78,517)	(152,214)	(109,509)
Prior years	(198,897)	(185,549)	(195,726)
Total paid	(277,414)	(337,763)	(305,235)
Foreign currency revaluation	(9,752)	(1,635)	1,673
Net balance at December 31	542,229	512,910	477,328
Add: Losses recoverable	13,239	11,100	16,851
Gross balance at December 31	\$ 555,468	\$ 524,010	\$ 494,179

Loss development

Year ended December 31, 2022

During the year ended December 31, 2022, the Company experienced \$0.1 million in net adverse development on prior year loss and LAE reserves. This net adverse development resulted primarily from the following:

- \$8.1 million of adverse development on motor and health business attributed to inflation-driven increases in claims costs;
- \$7.1 million of adverse development on multi-line business driven by worse than expected claims experience on whole account contracts written from 2014-2018;
- \$3.7 million of adverse development on professional liability contracts written from 2014 to 2017;
- \$3.0 million of adverse development on workers' compensation contracts driven by poor claims experience across several states in the U.S.; and
- \$2.0 million of adverse development on general liability contracts due to reported claims being settled above expected levels.

The adverse developments were partially offset by favorable developments relating to prior accident years primarily due to the following:

- \$9.8 million of favorable experience on mortgage business. On a financial-impact basis, the favorable loss development on these contracts was offset by increased profit commissions, which are included in the caption "Acquisition costs" in the Company's consolidated statements of operations;
- \$9.2 million of favorable development on multi-line business driven primarily by a loss portfolio transfer on a whole account contract and better than anticipated claims experience on a combined workers' compensation and commercial packages account across multiple years; and
- \$7.2 million of loss reserves released relating to catastrophe events, COVID-19, and property covers based on updated claims reporting received from cedents.

The remaining development on prior year loss and LAE reserves recognized in 2022 related to several smaller adjustments made across various lines of business.

Year ended December 31, 2021

During the year ended December 31, 2021, the Company experienced \$14.1 million in net favorable development on prior year loss and LAE reserves. This net favorable development resulted primarily from the following:

- \$14.7 million of better-than-expected claims reporting on motor contracts, primarily relating to contracts that inceptioned in 2015 and 2016;
- \$8.9 million favorable loss development on various specialty lines of business, including crop, space, and marine and energy, as actual losses reported were better than expected;
- \$5.0 million of favorable loss development on mortgage contracts resulting from lower delinquencies and fewer reported claims than initially anticipated. On a financial-impact basis, the favorable loss development on these contracts was offset by increased profit commissions, which are included in the caption “Acquisition costs” in the Company’s consolidated statements of operations; and
- \$3.5 million favorable loss development on a multi-line contract that inceptioned in 2019.

The favorable developments were partially offset by adverse developments relating to prior accident years primarily due to the following:

- \$14.4 million of adverse development on multi-line casualty contracts primarily relating to contracts that inceptioned in 2014 and 2015, resulting from unfavorable development in reported claims;
- \$2.9 million of adverse development on a general liability contract resulting from unfavorable development in reported claims; and
- \$1.2 million of adverse development on workers’ compensation contracts resulting from higher than anticipated losses.

The remaining development on prior year loss and LAE reserves recognized in 2021 related to several smaller adjustments made across various lines of business.

Year ended December 31, 2020

During the year ended December 31, 2020, the Company experienced \$4.7 million in net adverse development on prior year loss and LAE reserves. This net adverse development resulted primarily from the following:

- \$7.6 million of adverse loss development on multi-line contracts that inceptioned from 2015 to 2018, resulting from unfavorable development in reported claims;
- \$1.9 million of adverse loss development on general liability contracts, primarily relating to unfavorable development in reported claims on a contract that inceptioned in 2019;
- \$1.9 million of adverse loss development on specialty health contracts primarily arising from a few large medical claims reported on a contract that inceptioned in 2019; and
- \$1.5 million of adverse loss development on motor contracts relating to the 2018 and 2019 treaty years, partially offset by favorable loss development on contracts that inceptioned from 2015 to 2017.

The adverse developments were partially offset by favorable developments relating to prior accident years primarily due to the following:

- \$4.5 million of favorable development on property contracts primarily resulting from lower than anticipated losses relating to the 2017 and 2018 catastrophe events, partially offset by adverse loss development on 2019 contracts;
- \$2.2 million of favorable loss development on solicitors’ professional indemnity contracts resulting primarily from lower than expected claims on prior accident years.
- \$1.9 million of favorable loss development on a professional liability contract relating to a contract that inceptioned in 2008 where the reported claims have been lower than those previously anticipated.

The remaining development on prior year loss and LAE reserves recognized in 2020 related to several smaller adjustments made across various lines of business.

The changes in the outstanding loss and loss adjustment expense reserves for health claims for the years ended December 31, 2022, 2021, and 2020 are as follows:

Health	2022	2021	2020
	(\$ in thousands)		
Gross balance at January 1	\$ 11,894	\$ 18,629	\$ 19,306
Less: Losses recoverable	—	—	—
Net balance at January 1	11,894	18,629	19,306
Incurred losses related to:			
Current year	8,667	38,109	37,064
Prior years	2,822	(780)	870
Total incurred	11,489	37,329	37,934
Paid losses related to:			
Current year	(5,219)	(28,896)	(21,313)
Prior years	(11,532)	(15,168)	(17,298)
Total paid	(16,751)	(44,064)	(38,611)
Foreign currency revaluation	—	—	—
Net balance at December 31	6,632	11,894	18,629
Add: Losses recoverable	665	—	—
Gross balance at December 31	\$ 7,297	\$ 11,894	\$ 18,629

Disclosures about Short-Duration Contracts

The Company has one operating segment, Property & Casualty Reinsurance, and categorizes its business as Property, Casualty, and Other. The Company's loss development tables presented below have been disaggregated by lines of business for the years ended from December 31, 2013, through 2022.

For purposes of the loss development tables, the property business has been further disaggregated into "Property" and "Motor - Physical Damage." The casualty category has been disaggregated into "General Liability," "Motor Liability," "Professional Liability," and "Workers' Compensation." Contracts that cover more than one line of business, including Lloyd's business, are grouped as "Multi-line." In addition, the incurred and paid claims relating to accident and health business have been presented separately as "Health." Other specialty business, including aviation, crop, cyber, energy, and marine, which are individually insignificant to our overall business, have been grouped as "Other." As the Company's financial lines business has grown recently, the Company has elected to present the loss development table for financial business separately. During 2022, the Company revised its line-of-business allocation for certain contracts and disaggregated the "Financial" line from the "Other" loss development table. As a result, the historical incurred and paid claims development presented in the tables below differ from those disclosed in previously issued financial statements. Conforming changes were also made to the table above presenting the changes in the outstanding loss and loss adjustment expense reserves for health claims for the years ended December 31, 2021, and 2020. The amounts shown in the caption "Net loss and loss adjustment expenses incurred" in the Company's Consolidated Statements of Operations and the allocation between "Current year" and "Prior years" are unaffected by these revisions.

For each category, the following tables present the incurred and paid claims development at December 31, 2022, net of retrocession, and the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amount. Health claims have been disaggregated and presented separately.

The tables below present incurred and paid claims development for the years ended December 31, 2013 to 2021. They are presented as unaudited supplementary information. Totals may not sum due to rounding.

Health											
Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2022
	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 31,293	\$ 34,612	\$ 34,759	\$ 34,518	\$ 34,490	\$ 34,458	\$ 34,457	\$ 34,437	\$ 34,437	\$ 34,429	\$ —
2014		33,755	30,844	30,163	29,722	29,475	29,407	29,397	29,397	29,393	—
2015			35,082	34,514	35,099	34,549	34,498	34,535	34,493	34,535	100
2016				38,768	41,910	41,969	42,049	41,999	41,833	41,833	66
2017					45,911	47,349	47,834	47,682	47,600	47,531	46
2018						57,925	61,365	60,911	60,598	60,372	10
2019							34,623	36,168	35,755	35,670	1,135
2020								37,064	37,275	37,558	1,245
2021									38,109	41,028	670
2022										8,667	3,448
									Total	\$ 371,016	\$ 6,721

Health											
Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance										
	For the years ended December 31,										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 21,674	\$ 34,353	\$ 34,537	\$ 34,470	\$ 34,457	\$ 34,457	\$ 34,457	\$ 34,437	\$ 34,437	\$ 34,429	
2014		19,329	28,919	29,532	29,453	29,446	29,407	29,397	29,397	29,393	
2015			14,778	32,331	34,631	34,481	34,441	34,440	34,440	34,435	
2016				22,126	40,554	41,881	41,806	41,788	41,788	41,767	
2017					24,105	44,980	47,582	47,507	47,502	47,485	
2018						35,134	59,499	60,521	60,436	60,362	
2019							17,677	34,077	34,551	34,535	
2020								21,313	36,096	36,313	
2021									28,896	40,358	
2022										5,219	
									Total	364,295	
All outstanding liabilities before 2013, net of reinsurance										(89)	
Liabilities for claims and claims adjustment expenses, net of reinsurance (Health)										\$ 6,632	

Multiline

Incurring claims and allocated claim adjustment expenses, net of reinsurance												December 31, 2022
Accident year	For the years ended December 31,											Total IBNR plus expected development on reported claims
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
	(Unaudited - Supplementary Information)											
	(\$ in thousands)											
2013	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (7)	\$ (7)	\$ —	
2014		2,390	2,390	2,390	2,609	2,625	2,586	2,653	3,010	3,256	710	
2015			27,826	27,957	30,361	31,850	30,753	32,154	34,877	36,683	6,702	
2016				55,471	59,668	60,363	59,398	61,858	67,267	70,133	14,265	
2017					82,815	78,969	82,725	84,552	89,056	91,056	19,786	
2018						58,143	50,404	53,405	53,665	54,135	11,006	
2019							45,299	48,696	47,914	46,553	10,092	
2020								52,665	51,777	46,363	11,936	
2021									77,944	75,552	43,084	
2022										121,725	103,130	
	Total										\$ 545,449	\$ 220,711

Multiline

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance																			
	For the years ended December 31,																			
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022										
	(Unaudited - Supplementary Information)																			
	(\$ in thousands)																			
2013	\$	—	\$	—	\$	—	\$	—	\$	—	(7)	\$	(7)							
2014				—		145		566		1,092		1,413		1,995		2,281		2,546		
2015						25		2,788		9,836		15,917		18,868		24,580		27,212		29,981
2016								5,825		16,391		26,746		32,594		42,308		48,616		55,868
2017										9,498		27,107		39,188		53,535		63,449		71,269
2018												8,070		20,480		31,912		38,512		43,129
2019														10,948		23,182		29,966		36,461
2020																12,327		23,943		34,428
2021																		13,440		32,468
2022																				18,595
																		Total		324,738
																			All outstanding liabilities before 2013, net of reinsurance	—
																			Liabilities for claims and claims adjustment expenses, net of reinsurance (Multiline)	\$ 220,711

General Liability

Incurred claims and allocated claim adjustment expenses, net of reinsurance											December 31, 2022
For the years ended December 31,											Total IBNR plus expected development on reported claims
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 3,018	\$ 2,689	\$ 4,666	\$ 4,511	\$ 4,510	\$ 4,916	\$ 4,770	\$ 4,648	\$ 4,980	\$ 5,198	\$ —
2014		1,238	1,229	1,174	1,033	1,355	1,000	1,000	3,606	1,144	78
2015			1,699	1,690	1,756	1,979	2,152	2,190	2,294	1,866	172
2016				6,203	6,519	7,124	7,867	8,095	8,444	9,389	198
2017					5,425	6,519	7,374	8,444	9,951	7,533	133
2018						2,874	3,411	3,921	4,585	4,097	1,417
2019							1,000	986	1,031	649	361
2020								1,812	1,776	1,633	1,507
2021									5,141	12,059	11,957
2022										16,229	15,821
									Total	\$ 59,797	\$ 31,644

General Liability

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance											
For the years ended December 31,											
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 1,371	\$ 1,917	\$ 2,298	\$ 4,191	\$ 4,274	\$ 4,652	\$ 4,770	\$ 4,648	\$ 4,980	\$ 5,198	
2014		18	146	413	548	492	762	473	1,014	1,066	
2015			69	293	532	548	926	945	1,431	1,694	
2016				122	1,589	3,276	4,670	6,109	6,565	9,191	
2017					136	1,412	2,823	4,381	5,703	7,400	
2018						165	1,286	2,275	2,790	2,680	
2019							26	226	306	288	
2020								71	71	126	
2021									—	102	
2022										408	
									Total	28,153	
											All outstanding liabilities before 2013, net of reinsurance
											28
											Liabilities for claims and claims adjustment expenses, net of reinsurance (General Liability)
											\$ 31,672

Motor Casualty

Incurring claims and allocated claim adjustment expenses, net of reinsurance											December 31, 2022
For the years ended December 31,											Total IBNR plus expected development on reported claims
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$182,833	\$179,930	\$174,744	\$175,094	\$175,161	\$175,233	\$175,177	\$175,206	\$175,180	\$ 175,205	\$ 12
2014		93,718	92,844	94,688	94,131	94,147	94,192	94,230	94,226	94,230	77
2015			128,199	130,410	129,745	132,853	134,951	133,632	128,536	128,567	258
2016				166,389	169,789	174,037	183,801	180,118	180,003	180,045	414
2017					187,109	188,754	199,258	191,064	188,718	188,207	937
2018						150,700	162,016	149,467	148,830	147,369	5,452
2019							168,154	193,242	189,971	190,477	3,799
2020								98,243	97,356	99,091	6,838
2021									102,415	104,647	13,861
2022										21,973	1,451
								Total		\$1,329,809	\$ 33,099

Motor Casualty

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance											
For the years ended December 31,											
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 86,558	\$ 159,200	\$ 171,855	\$ 174,997	\$ 175,187	\$ 175,187	\$ 175,193	\$ 175,192	\$ 175,193	\$ 175,193	
2014		49,994	86,297	89,348	94,046	94,105	94,151	94,150	94,153	94,153	
2015			81,093	125,645	129,174	129,351	129,454	128,121	128,280	128,309	
2016				97,325	157,948	170,658	182,800	179,033	179,540	179,631	
2017					115,204	170,157	188,225	186,105	187,047	187,270	
2018						83,652	143,267	141,593	141,764	141,918	
2019							99,043	170,331	184,519	186,678	
2020								42,778	87,180	92,252	
2021									56,700	90,786	
2022										20,522	
								Total		1,296,710	
	All outstanding liabilities before 2013, net of reinsurance										—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Motor Casualty)										\$ 33,099

Motor Property

Incurring claims and allocated claim adjustment expenses, net of reinsurance											December 31, 2022
For the years ended December 31,											Total IBNR plus expected development on reported claims
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 46,189	\$ 45,629	\$ 44,728	\$ 44,656	\$ 44,695	\$ 44,719	\$ 44,719	\$ 44,724	\$ 44,729	\$ 44,724	\$ 3
2014		18,870	18,797	19,056	19,000	19,006	19,004	19,020	19,036	19,020	47
2015			22,035	22,516	23,005	23,263	23,396	23,246	22,901	22,712	67
2016				27,853	28,279	29,090	30,367	29,822	29,858	29,835	95
2017					39,486	39,621	41,394	39,720	39,643	39,334	202
2018						42,336	45,209	43,266	41,122	40,753	430
2019							43,103	48,007	49,140	48,782	901
2020								23,785	23,837	24,310	1,546
2021									25,743	28,845	2,241
2022										3,726	640
	Total										\$302,042 \$ 6,172

Motor Property

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance											
For the years ended December 31,											
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 21,112	\$ 41,066	\$ 44,387	\$ 44,675	\$ 44,719	\$ 44,719	\$ 44,721	\$ 44,721	\$ 44,721	\$ 44,721	
2014		10,305	17,621	18,370	18,951	18,957	18,972	18,972	18,973	18,973	
2015			13,859	22,123	22,615	22,705	22,749	22,625	22,642	22,646	
2016				16,707	27,005	28,591	30,033	29,647	29,726	29,740	
2017					23,091	37,058	39,711	38,971	39,115	39,132	
2018						23,576	40,118	40,086	40,246	40,323	
2019							25,103	43,672	47,346	47,881	
2020								10,880	21,684	22,764	
2021									14,955	26,605	
2022										3,087	
	Total										295,870
	All outstanding liabilities before 2013, net of reinsurance										(19)
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Motor Property)										\$ 6,152

Property

Incurred claims and allocated claim adjustment expenses, net of reinsurance											December 31, 2022
Accident year	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
(\$ in thousands)											
2013	\$ 60,949	\$ 58,994	\$ 61,778	\$ 62,496	\$ 62,484	\$ 62,423	\$ 62,766	\$ 62,649	\$ 62,727	\$ 62,521	\$ 67
2014		41,737	45,151	46,842	47,082	46,871	47,027	46,994	46,952	46,930	262
2015			27,839	30,321	31,719	30,920	30,581	30,521	30,392	30,436	223
2016				25,603	26,058	23,932	23,404	23,140	22,962	23,018	273
2017					81,378	76,605	67,409	67,858	67,665	67,033	1,656
2018						27,888	29,761	24,491	23,794	23,229	3,374
2019							22,247	14,571	13,979	12,176	2,375
2020								29,139	25,196	21,643	6,540
2021									26,720	27,018	13,824
2022										41,248	22,098
								Total	\$355,251	\$	50,690

Property

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance												
For the years ended December 31,												
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
(Unaudited - Supplementary Information)												
(\$ in thousands)												
2013	\$ 34,807	\$ 55,669	\$ 58,526	\$ 60,345	\$ 61,075	\$ 61,988	\$ 62,229	\$ 62,305	\$ 62,368	\$ 62,454		
2014		20,230	40,172	43,638	45,208	46,298	46,518	46,615	46,632	46,668		
2015			12,941	25,441	28,825	29,790	29,996	30,099	30,121	30,214		
2016				9,937	18,162	20,991	21,974	22,321	22,654	22,745		
2017					43,261	55,529	62,869	64,100	65,267	65,377		
2018						5,192	15,414	18,134	18,848	19,855		
2019							4,046	6,937	8,327	9,801		
2020								6,011	11,289	15,103		
2021									4,953	13,194		
2022										19,150		
									Total		304,561	
											All outstanding liabilities before 2013, net of reinsurance	(42)
											Liabilities for claims and claims adjustment expenses, net of reinsurance (Property)	\$ 50,648

Professional Liability

Incurred claims and allocated claim adjustment expenses, net of reinsurance											December 31, 2022
Accident year	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 11,357	\$ 12,165	\$ 13,557	\$ 15,065	\$ 15,814	\$ 15,973	\$ 15,791	\$ 15,471	\$ 15,257	\$ 15,264	\$ 329
2014		17,564	17,016	16,982	19,317	20,232	20,528	20,289	19,770	19,768	916
2015			17,567	17,549	19,999	21,271	21,434	20,771	20,607	21,466	2,563
2016				13,432	16,521	16,855	16,451	16,273	16,713	17,528	4,213
2017					10,176	9,863	9,685	9,904	10,272	11,146	2,849
2018						4,471	4,458	4,578	5,171	6,167	1,593
2019							586	611	762	922	264
2020								66	62	62	63
2021									158	165	165
2022										464	464
	Total										\$ 92,954 \$ 13,419

Professional Liability

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance																					
For the years ended December 31,																					
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022											
(Unaudited - Supplementary Information)																					
(\$ in thousands)																					
2013	\$	649	\$	3,180	\$	7,097	\$	10,207	\$	12,871	\$	13,575	\$	13,404	\$	14,795	\$	14,726	\$	14,935	
2014				1,251		4,969		8,874		12,945		15,023		15,032		18,336		18,300		18,852	
2015						1,084		3,065		8,343		11,113		11,937		16,452		17,915		18,903	
2016								325		2,079		4,687		7,552		10,191		11,287		13,315	
2017										222		1,418		3,062		4,821		5,783		8,297	
2018												240		1,139		1,979		3,229		4,574	
2019														145		266		544		658	
2020																—		—		—	
2021																		—		—	
2022																				—	
																		Total		79,536	
																				All outstanding liabilities before 2013, net of reinsurance	425
																				Liabilities for claims and claims adjustment expenses, net of reinsurance (Professional Liability)	\$ 13,844

Workers' Compensation

Incurred claims and allocated claim adjustment expenses, net of reinsurance											December 31, 2022
Accident year	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ —
2014		—	—	—	3	—	—	—	160	—	—
2015			1,014	1,010	948	950	951	919	919	889	20
2016				4,342	4,275	4,266	3,975	3,778	3,716	3,646	81
2017					10,879	10,343	9,600	9,060	8,756	8,977	426
2018						13,595	13,485	13,039	12,544	12,909	800
2019							22,926	23,311	22,612	23,955	3,808
2020								44,845	40,826	43,633	11,525
2021									64,679	63,398	20,544
2022										33,284	24,219
								Total		\$195,443	\$ 61,421

Workers' Compensation

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance											
Accident year	For the years ended December 31,										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751	\$ 4,751
2014		—	—	—	—	—	—	—	—	—	—
2015			28	251	564	688	777	832	851	870	
2016				613	1,920	2,782	3,274	3,459	3,521	3,565	
2017					2,028	5,356	7,399	8,003	8,379	8,551	
2018						4,213	8,321	10,773	11,806	12,109	
2019							5,473	13,600	17,655	20,148	
2020								11,288	23,463	32,108	
2021									23,210	42,854	
2022										9,066	
									Total	134,021	
	All outstanding liabilities before 2013, net of reinsurance										—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Workers' Compensation)										\$ 61,421

Financial Lines

Incurred claims and allocated claim adjustment expenses, net of reinsurance											December 31, 2022
For the years ended December 31,											Total IBNR plus expected development on reported claims
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
(Unaudited - Supplementary Information)											
(\$ in thousands)											
2013	\$ 285	\$ 644	\$ 754	\$ 752	\$ 741	\$ 728	\$ 686	\$ 661	\$ 98	\$ 172	\$ 428
2014		500	503	580	506	1,096	2,063	2,228	1,668	1,959	(257)
2015			1,947	2,206	3,025	3,010	3,121	3,087	3,034	3,035	220
2016				4,820	6,670	6,289	7,470	7,470	6,694	6,676	254
2017					9,006	5,865	6,277	8,339	6,789	6,068	75
2018						4,069	4,429	6,646	4,838	4,775	568
2019							7,741	12,319	10,509	8,521	2,396
2020								18,647	19,825	17,615	8,490
2021									17,700	16,397	14,201
2022										23,978	23,158
									Total	\$ 89,198	\$ 49,534

Financial Lines

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance										
For the years ended December 31,										
Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
(Unaudited - Supplementary Information)										
(\$ in thousands)										
2013	\$ —	\$ 209	\$ 244	\$ 87	\$ 72	\$ 326	\$ 289	\$ 300	\$ (336)	\$ (256)
2014		90	347	429	587	1,210	2,279	2,483	1,896	2,216
2015			223	851	1,399	1,964	2,477	2,651	2,746	2,815
2016				1,193	2,426	4,726	6,340	6,279	6,295	6,423
2017					187	2,894	4,603	5,584	5,683	5,993
2018						671	3,931	3,655	3,807	4,207
2019							2,949	4,009	4,760	6,125
2020								2,705	5,017	9,125
2021									500	2,196
2022										820
									Total	39,664
All outstanding liabilities before 2013, net of reinsurance										9
Liabilities for claims and claims adjustment expenses, net of reinsurance (Other)										\$ 49,543

Other

Incurred claims and allocated claim adjustment expenses, net of reinsurance											December 31, 2022
Accident year	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(Unaudited - Supplementary Information)										
	(\$ in thousands)										
2013	\$ 1,458	\$ 1,461	\$ 1,531	\$ 1,511	\$ 1,514	\$ 1,514	\$ 1,511	\$ 1,511	\$ 1,514	\$ 1,511	\$ —
2014		3,388	2,369	545	546	544	491	491	680	491	1
2015			1,861	3,579	2,890	853	854	177	179	174	41
2016				2,509	2,697	1,126	954	973	1,004	1,017	263
2017					993	994	569	1,023	1,093	1,111	358
2018						1,311	2,369	2,433	2,295	2,435	497
2019							9,136	7,874	6,950	7,065	949
2020								24,491	17,478	20,953	5,666
2021									30,020	24,410	13,162
2022										44,170	43,077
									Total	\$103,336	\$ 64,013

Other

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance										
Accident year	For the years ended December 31,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	(Unaudited - Supplementary Information)									
	(\$ in thousands)									
2013	\$ (3)	\$ 878	\$ 1,511	\$ 1,511	\$ 1,511	\$ 1,511	\$ 1,511	\$ 1,511	\$ 1,511	\$ 1,511
2014		101	174	545	546	519	491	491	491	491
2015			—	8	24	55	73	100	106	133
2016				35	111	285	389	559	610	754
2017					24	163	284	458	547	754
2018						26	1,168	1,409	1,776	1,938
2019							2,141	4,374	5,490	6,116
2020								2,631	12,927	15,287
2021									8,838	11,248
2022										1,093
									Total	39,323
All outstanding liabilities before 2013, net of reinsurance										—
Liabilities for claims and claims adjustment expenses, net of reinsurance (Other)										\$ 64,013

For incurred and paid claims denominated in currencies other than U.S. dollars, the above tables are presented using the foreign exchange rate in effect at the current year-end date. As a result, all prior year information has been restated to reflect December 31, 2022, foreign exchange rates. This treatment prevents changes in foreign currency exchange rates from distorting the claims development between the years presented.

For assumed contracts, the Company does not generally receive claims information by accident year from the ceding insurers but instead receives claims information by the treaty year of the contract. Claims reported by the ceding insurer to the Company may have the covered losses occurring in an accident year other than the treaty year. Some incurred and paid claims have been allocated to the accident years for the loss development tables based on the proportion of premiums earned for each contract during such accident year.

For example, a one-year quota-share reinsurance treaty incepting on October 1, 2020 (with underlying policies each having a one-year duration) would have a 24-month period over which the premiums would be earned. Therefore, claims would be allocated to accident years 2020, 2021 and 2022 based on the proportion of the premiums earned during each accident year. For illustration of this contract, any claims reported during 2020 would be allocated to the 2020 accident year. For losses reported during 2021, the claims would be allocated between 2020 and 2021 based on the percentage of premiums earned during 2020 and 2021. Similarly, for losses reported during 2022 and thereafter, the losses would be allocated to the 2020, 2021 and 2022 accident years based on the proportion of premiums earned during each of those years. However, natural catastrophes and certain other large losses are addressed separately and are assigned to the accident year in which they occurred.

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated balance sheet is as follows:

	December 31, 2022
	(\$ in thousands)
Net outstanding liabilities	
Health	\$ 6,632
Multiline	220,711
General Liability	31,672
Motor Casualty	33,099
Motor Property	6,152
Property	50,648
Professional Liability	13,844
Workers' Compensation	61,421
Financial Lines	49,543
Other	64,013
Liabilities for claims and claims adjustment expenses, net of reinsurance	537,735
Add: Reinsurance recoverable on unpaid claims	13,239
Add: Unallocated claims adjustment expenses	4,432
Add: Allowance for credit losses	62
Total gross liabilities for unpaid claims and claim adjustment expense	<u>\$ 555,468</u>

The average historical annual percentage payout of net incurred claims (excluding health) at December 31, 2022, is as follows:

Years	1	2	3	4	5	6	7	8	9	10
(Unaudited - Supplementary Information)										
Multiline	11.2 %	16.1 %	14.0 %	11.9 %	10.5 %	10.2 %	10.4 %	8.8 %	4.7 %	2.2 %
General Liability	4.7 %	13.6 %	12.9 %	12.2 %	18.1 %	27.6 %	7.2 %	2.9 %	0.5 %	0.3 %
Motor Casualty	49.0 %	35.8 %	7.8 %	3.7 %	1.7 %	1.0 %	0.8 %	0.2 %	— %	— %
Motor Property	53.3 %	40.8 %	4.9 %	1.0 %	— %	— %	— %	— %	— %	— %
Property	49.5 %	34.7 %	8.0 %	2.9 %	2.5 %	0.8 %	1.0 %	0.5 %	0.1 %	— %
Professional Liability	2.9 %	10.4 %	15.2 %	13.5 %	9.4 %	7.9 %	5.8 %	2.2 %	3.2 %	29.5 %
Workers' Compensation	30.9 %	36.5 %	22.4 %	7.6 %	1.6 %	0.8 %	0.1 %	0.1 %	— %	— %
Financial Lines	20.9 %	34.3 %	21.2 %	11.3 %	4.5 %	3.7 %	1.8 %	1.0 %	— %	1.3 %
Other	20.6 %	27.2 %	11.2 %	10.0 %	8.3 %	7.7 %	7.6 %	7.4 %	— %	— %

The historical annual percentage payout pattern for health claims is excluded from the table above because health claims have short settlement periods, and including it would skew the results presented.

As a reinsurance entity, the Company generally does not receive detailed claims frequency information or claims counts from ceding insurers and third-party claim handlers. Due to the nature of the reinsurance contracts, the underlying insured reports claims to the insurer who cedes losses to the Company. The Company is contractually obligated to reimburse the ceding insurer for its share of the losses. While the Company has the right to conduct audits of the ceding insurer's claims files, the insurer is generally not obligated to provide a detailed listing of claims counts or other claims frequency information. Therefore it is impracticable for the Company to present the cumulative number of reported claims by accident year.

8. RETROCESSION

From time to time, the Company purchases retrocessional coverage for one or more of the following reasons: to manage its overall exposure, reduce its net liability on individual risks, obtain additional underwriting capacity, and balance its underwriting portfolio. The Company records loss and loss adjustment expenses recoverable from retrocessionaires as assets.

For the year ended December 31, 2022, the Company's earned ceded premiums were \$15.3 million (2021: \$0.0 million and 2020: \$3.2 million). For the year ended December 31, 2022, loss and loss adjustment expenses recovered and changes in losses recoverable were \$6.6 million (2021: \$(0.0) million and 2020: \$5.9 million).

Retrocession contracts do not relieve the Company from its obligations to its cedents. Failure of retrocessionaires to honor their obligations could result in losses to the Company. At December 31, 2022, the Company's loss reserves recoverable of \$13.2 million (December 31, 2021: \$11.1 million) consisted of (i) \$9.5 million (December 31, 2021: \$8.4 million) recoverable from unrated retrocessionaires, of which \$9.2 million (December 31, 2021: \$8.2 million) were secured by cash, letters of credit and collateral held in trust accounts for the benefit of the Company and (ii) \$3.8 million (December 31, 2021: \$2.8 million) recoverable from retrocessionaires rated A- or above by A.M. Best.

The Company regularly evaluates its net credit exposure to assess the ability of the retrocessionaires to honor their respective obligations. At December 31, 2022, the Company had recorded an allowance for expected credit losses of \$0.1 million (December 31, 2021: \$0.1 million).

9. SENIOR CONVERTIBLE NOTES

On August 7, 2018, the Company issued \$100.0 million of senior unsecured convertible notes (the "Notes"), which mature on August 1, 2023. The Notes bear interest at 4.0%, payable semiannually on February 1 and August 1 of each year beginning February 1, 2019.

Noteholders have the option, under certain conditions, to redeem the Notes prior to maturity. At December 31, 2022, the Company's share price was lower than the conversion price of \$17.19 per share.

If a holder redeems the Notes, the Company shall have the option to settle the conversion obligation in cash, ordinary shares of the Company, or a combination thereof pursuant to the terms of the indenture governing the Notes. Prior to January 1, 2022, the Company bifurcated the Notes into liability and equity components. Effective January 1, 2022, upon adoption of ASU 2020-06, the Company no longer bifurcates the Notes and presents the entire balance as a single liability on the Company's consolidated balance sheets (see Note 2 for recently issued accounting standards adopted).

The Company's effective borrowing rate for non-convertible debt at the time of issuance of the Notes was estimated to be 6.0%. The Company incurred issuance costs in connection with the issuance of the Notes. At December 31, 2022, the unamortized portion of these costs was \$0.4 million (December 31, 2021: \$1.0 million), which the Company expects to amortize through the maturity date.

During the year ended December 31, 2022, the Company repurchased and canceled \$20.4 million of the Notes. The carrying value of the Notes outstanding at December 31, 2022, including accrued interest of \$1.3 million, was \$80.5 million (December 31, 2021: \$98.1 million). At December 31, 2022, the Company estimated the fair value of the Notes (excluding accrued interest) to be \$77.1 million (December 31, 2021: \$97.5 million) (see Note 4 Financial Instruments).

For the year ended December 31, 2022, the Company recognized interest expenses of \$4.2 million (2021: \$6.3 million; 2020: \$6.3 million), which included the interest coupon and the amortization of issuance costs. The comparative amounts for 2021 and 2020 also included the amortization of the discount.

The Company was in compliance with all covenants relating to the Notes at December 31, 2022, and December 31, 2021. At December 31, 2022, the Company had a remaining obligation for interest and principal payments of \$82.8 million during 2023.

Subsequent to December 31, 2022, the Company repurchased and canceled \$13.8 million of the Notes.

10. SHARE CAPITAL

The holders of all ordinary shares are entitled to share equally in dividends declared by the Board of Directors. In the event of a winding-up or dissolution of the Company, the ordinary shareholders share equally and ratably in the Company's assets after payment of all debts and liabilities and after the liquidation of any issued and outstanding preferred shares. The Board of Directors is authorized to establish the rights and restrictions for preferred shares as they deem appropriate. At December 31, 2022, no preferred shares were issued or outstanding.

The Third Amended and Restated Memorandum and Articles of Association, as revised by special resolution on July 10, 2008 (the "Articles"), provide that the holders of Class A ordinary shares generally are entitled to one vote per share. However, except upon unanimous consent of the Board of Directors, no Class A shareholder is permitted to vote a number of shares that would cause any United States person to own (directly, indirectly, or constructively under applicable United States tax attribution and constructive ownership rules) 9.9% or more of the total voting power of all issued and outstanding ordinary shares. The Articles further provide that the holders of Class B ordinary shares generally are entitled to ten votes per share. However, holders of Class B ordinary shares, together with their affiliates, are limited to voting that number of Class B ordinary shares equal to 9.5% of the total voting power of the total issued and outstanding ordinary shares.

Pursuant to the Shareholders' Agreement, dated August 11, 2004, by and among the Company and certain of its shareholders (the "Shareholders' Agreement"), the holders of at least 50% of the outstanding Registrable Securities (as defined in the Shareholders' Agreement), may, subject to certain conditions, request to have all or part of their Registrable Securities to be registered. The Shareholders' Agreement requires, among other things, that the Company use its commercially reasonable best efforts to have a registration statement covering such Registrable Securities to be declared effective. The registration rights granted pursuant to the Shareholders' Agreement are not deemed to be liabilities; therefore, there has been no recognition in the Company's consolidated financial statements of the registration rights granted pursuant to the Shareholders' Agreement.

At December 31, 2022, the Company has an effective Form S-3 registration statement on file with the SEC for an aggregate principal amount of \$200.0 million in securities.

Under the Company's stock incentive plan, the number of Class A ordinary shares authorized for issuance is 8.0 million shares. At December 31, 2022, 2,011,426 (December 31, 2021: 3,128,276) Class A ordinary shares remained available for future issuance under the Company's stock incentive plan. The Compensation Committee of the Board of Directors administers the stock incentive plan.

The Board has adopted a share repurchase plan. The timing of such repurchases and the actual number of shares repurchased will depend on various factors, including price, market conditions, and applicable regulatory and corporate requirements. The Board of Directors has approved a share repurchase plan, which expires on June 30, 2023, authorizing the Company to repurchase up to \$25.0 million of Class A ordinary shares or securities convertible into Class A ordinary shares in the open market through privately negotiated transactions or Rule 10b5-1 stock trading plans. The Company is not required to repurchase any of the Class A ordinary shares. The repurchase plan may be modified, suspended, or terminated at the election of our Board of Directors at any time without prior notice.

The Company repurchased 4,933 Class A ordinary shares at an average price of \$7.04 per share during the year ended December 31, 2022 (2021: 1,079,544 at an average price of \$9.26 per share). All Class A ordinary shares repurchased are canceled immediately upon repurchase.

The following table is a summary of ordinary shares issued and outstanding:

	2022		2021		2020	
	Class A	Class B	Class A	Class B	Class A	Class B
Balance – beginning of year	27,589,731	6,254,715	28,260,075	6,254,715	30,739,395	6,254,715
Issue of ordinary shares, net of forfeitures	984,548	—	409,200	—	67,777	—
Repurchase of ordinary shares	(4,933)	—	(1,079,544)	—	(2,547,097)	—
Balance – end of year	<u>28,569,346</u>	<u>6,254,715</u>	<u>27,589,731</u>	<u>6,254,715</u>	<u>28,260,075</u>	<u>6,254,715</u>

Additional paid-in capital includes the premium per share paid by the subscribing shareholders for Class A and B ordinary shares, which have a par value of \$0.10 each. It also includes the earned portion of the grant-date fair value of share-based awards that have not yet vested.

Statutory Capital and Surplus

Greenlight Re is subject to the Cayman Islands’ Insurance (Capital and Solvency) (Classes B, C, and D Insurers) Regulations, (2018 Revision) (the “Insurance Regulations”). The Insurance Regulations impose a Minimum Capital Requirement (“MCR”) of \$50.0 million and a Prescribed Capital Requirement (“PCR”) on Greenlight Re which was \$226.5 million at December 31, 2022 (2021: \$222.6 million). At December 31, 2022, Greenlight Re’s statutory capital and surplus of \$475.0 million exceeded the MCR and PCR. For the years ended December 31, 2022, 2021, and 2020, Greenlight Re’s net income was \$32.3 million, \$15.9 million, and \$12.6 million, respectively.

Greenlight Re is not required to prepare separate statutory financial statements for filing with CIMA. There were no material differences between Greenlight Re’s GAAP capital, surplus, and net income and its statutory capital, surplus, and net income at December 31, 2022 and 2021, and for the years then ended.

At December 31, 2022, the Company was not restricted from payment of dividends to the Company’s shareholders. However, since most of the Company’s capital and retained earnings are invested in its subsidiaries, a dividend from one or more of the Company’s subsidiaries would likely be required to fund a dividend to the Company’s shareholders. Any dividends declared and paid from Greenlight Re to the Company would require CIMA’s approval.

During the year ended December 31, 2022, \$60.1 million of dividends (2021: \$4.0 million, 2020: \$39.5 million) were declared or paid by Greenlight Re to the Company. The dividends were approved by CIMA and resulted in the return of additional share capital to the Company. The dividends were used primarily to repurchase the Company’s Notes and pay interest on them. At December 31, 2022 and 2021, \$248.5 million and \$281.3 million, respectively, of Greenlight Re’s capital and surplus was available for distribution as dividends.

GRIL is obligated to maintain a minimum level of statutory capital. At December 31, 2022 and 2021, GRIL met such requirements. At December 31, 2022 and 2021, GRIL’s statutory capital was \$68.9 million and \$65.2 million, respectively. At December 31, 2022, GRIL’s statutory minimum capital required under Solvency II was approximately \$10.5 million (2021: \$10.6 million). GRIL’s statutory net income (loss) was \$4.6 million, \$3.8 million and \$(2.6) million for the years ended December 31, 2022, 2021, and 2020, respectively. The amount of dividends that GRIL is permitted to distribute is limited to its retained earnings. The Central Bank of Ireland has powers to intervene if a dividend payment were to breach regulatory capital requirements. At December 31, 2022 and 2021, none of GRIL’s capital and surplus was available for distribution as dividends.

11. SHARE-BASED COMPENSATION

The Company has a stock incentive plan for directors, employees, and consultants administered by the Compensation Committee of the Board of Directors.

Employee and Director Restricted Shares

The restricted shares issued to certain employees contain restrictions relating to vesting, forfeiture in the event of termination of employment, transferability, and other matters.

For the year ended December 31, 2022, the Company issued to non-employee directors an aggregate of 107,763 (2021: 74,769, 2020: 71,330) restricted Class A ordinary shares as part of their remuneration for services to the Company. These restricted shares contain similar restrictions to those issued to employees. They will vest on the earlier of (i) the first anniversary of the date of the share issuance and (ii) the Company's next annual general meeting, subject to the grantee's continued service with the Company. During the vesting period, non-employee directors holding these restricted shares retain voting rights and are entitled to any dividends declared by the Company.

For the year ended December 31, 2022, the Company issued 849,872 (2021: 334,312, 2020: 306,264) Class A ordinary shares to employees pursuant to the Company's stock incentive plan. The restricted shares granted to employees in 2022 include (i) restricted shares with both performance and service-based vesting conditions ("Performance RSs") and (ii) restricted shares with only service-based vesting conditions ("Service RSs"). The Service RSs vest evenly each year on January 1, subject to the grantee's continued service with the Company. If performance goals are achieved, the Performance RSs will cliff vest at the end of a three-year performance period within a range of 25% and 100% of the awarded Performance RSs, with a target of 50%. During the vesting period, the holder of the Service RSs and Performance RSs retains voting rights but is entitled to any dividends declared by the Company only upon vesting.

Prior to fiscal year 2022, the restricted shares granted to employees cliff vested three years after the date of issuance, subject to the grantee's continued service with the Company. During the vesting period, the holder of the restricted shares retains voting rights and is entitled to any dividends declared by the Company.

Prior to fiscal year 2021, the Company issued Class A ordinary shares to the Chief Executive Officer ("CEO") pursuant to the Company's stock incentive plan ("CEO RSs"). These shares contain performance and service conditions and certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of the CEO's employment, and transferability. The CEO RSs cliff vest five years after the date of issuance, subject to the performance condition being met and the CEO's continued service with the Company. At December 31, 2022, there were 193,149 non-vested CEO RSs with a weighted average grant date fair value of \$10.10 per share. As the performance conditions associated with these restricted shares have not been met, the Company recognized no compensation cost relating to the unvested CEO RSs for the years ended December 31, 2022, 2021, and 2020.

The Company recognizes compensation expense associated with Performance RSs and Service RSs based on the fair value of the Company's Class A ordinary shares measured at the grant date. For Service RSs, the Company recognizes this expense on a straight-line basis over the requisite service period. For Performance RSs, the Company recognizes the associated compensation expense based on achieving established performance criteria during the performance period.

For the year ended December 31, 2022, grantees forfeited 8,476 (2021: 20,592, 2020: 462,388) restricted shares. For the year ended December 31, 2022, the Company reversed a nominal amount of stock compensation expense (2021: \$0.1 million, 2020: \$0.7 million) in relation to the forfeited restricted shares.

The Company recorded \$3.8 million of share-based compensation expense, net of forfeiture reversals, relating to restricted shares for the year ended December 31, 2022 (2021: \$2.4 million, 2020: \$1.0 million). At December 31, 2022, there was \$3.3 million (2021: \$2.7 million, 2020: \$1.9 million) of unrecognized compensation cost relating to non-vested restricted shares (excluding CEO RSs), which the Company expects to recognize over a weighted-average period of 1.4 years (2021: 1.8 years, 2020: 1.5 years). For the year ended December 31, 2022, the total fair value of restricted shares vested was \$2.5 million (2021: \$1.6 million, 2020: \$3.3 million).

The following table summarizes the activity for unvested outstanding restricted share awards during the years ended December 31, 2022, and 2021:

	Performance Restricted Shares		Service Restricted Shares	
	Number of non-vested restricted shares	Weighted average grant date fair value	Number of non-vested restricted shares	Weighted average grant date fair value
Balance at December 31, 2020	193,149	\$ 10.10	504,400	\$ 9.11
Granted	—	—	409,081	9.11
Vested	—	—	(139,482)	11.53
Forfeited	—	—	(20,592)	8.35
Balance at December 31, 2021	193,149	\$ 10.10	753,407	8.68
Granted	601,213	6.82	356,422	7.02
Vested	—	—	(268,457)	9.38
Forfeited	—	—	(8,476)	7.67
Balance at December 31, 2022	794,362	\$ 7.62	832,896	\$ 7.76

Employee Restricted Stock Units

The Company issues RSUs to certain employees as part of the stock incentive plan. Such RSUs contain restrictions relating to vesting, forfeiture in the event of termination of employment, transferability, and other matters. On the vesting date, the Company converts each RSU into one Class A ordinary share and issues new Class A ordinary shares from the shares authorized for issuance as part of the Company's stock incentive plan.

The RSUs granted to employees in 2022 include (i) RSUs with both performance and service-based vesting conditions ("Performance RSUs") and (ii) RSUs with only service-based vesting conditions ("Service RSUs"). The Service RSUs vest evenly each year on January 1, subject to the grantee's continued service with the Company. If performance goals are achieved, the Performance RSUs will cliff vest at the end of a three-year performance period within a range of 25% and 100% of the awarded Performance RSUs, with a target of 50%.

The Company recognizes compensation expense associated with Performance RSUs and Service RSUs based on the fair value of the Company's Class A ordinary shares measured at the grant date. For Service RSUs, the Company recognizes this expense on a straight-line basis over the requisite service period. For Performance RSUs, the Company recognizes the associated compensation expense based on achieving established performance criteria during the performance period.

Prior to 2022, the RSUs issued to employees cliff vested three years after the date of issuance, subject to the grantee's continued service with the Company. For the year ended December 31, 2022, the Company issued 159,215 (2021: 58,123, 2020: 60,622) RSUs to employees pursuant to the Company's stock incentive plan. For the year ended December 31, 2022, no RSUs were forfeited (2021: nil; 2020: nil).

The Company recorded \$0.7 million of share-based compensation expense relating to RSUs for the year ended December 31, 2022 (2021: \$0.4 million, 2020: \$0.4 million). At December 31, 2022, the total compensation cost related to non-vested RSUs not yet recognized was \$0.6 million (2021: \$0.5 million), which the Company expects to recognize over a weighted-average period of 1.6 years (2021: 1.8 years).

Employee RSU activity during the years ended December 31, 2022, and 2021 was as follows:

	Performance Restricted Stock Units		Service Restricted Stock Units	
	Number of non-vested RSUs	Weighted average grant date fair value	Number of non-vested RSUs	Weighted average grant date fair value
Balance at December 31, 2020	—	\$ —	116,722	\$ 9.60
Granted	—	—	58,123	9.18
Vested	—	—	(20,711)	15.90
Forfeited	—	—	—	—
Balance at December 31, 2021	—	\$ —	154,134	8.59
Granted	105,008	6.82	54,207	6.82
Vested	—	—	(35,389)	10.84
Forfeited	—	—	—	—
Balance at December 31, 2022	105,008	\$ 6.82	172,952	\$ 7.58

Employee and Director Stock Options

For the years ended December 31, 2022, 2021, and 2020, no Class A ordinary share purchase options were granted or exercised by directors or employees. For the year ended December 31, 2022, 45,290 (2021: 100,000) Class A ordinary share purchase options expired, and 80,000 (2021: 80,000) stock options vested. When the Company grants stock options, it reduces the corresponding number from the shares authorized for issuance as part of the Company's stock incentive plan.

The Board of Directors does not currently anticipate that the Company will declare any dividends during the expected term of the options. The Company uses graded vesting for expensing employee stock options. The total compensation cost expensed relating to stock options for the year ended December 31, 2022, was \$0.2 million (2021: \$0.4 million, 2020: \$0.6 million). At December 31, 2022, the total compensation cost related to non-vested options not yet recognized was \$0.1 million (2021: \$0.3 million), which will be recognized over a weighted-average period of 0.5 years (2021: 1.2 years), assuming the grantee completes the service period for vesting of the options.

Employee and director stock option activity during the years ended December 31, 2022, 2021, and 2020 was as follows:

	Number of options outstanding	Weighted average exercise price	Weighted average grant date fair value	Intrinsic value (\$ in millions)	Weighted average remaining contractual term
Balance at December 31, 2019	875,627	\$ 22.68	\$ 10.25	\$ —	5.8 years
Expired	(40,000)	32.42	10.39	—	—
Balance at December 31, 2020	835,627	22.22	10.25	—	5.1 years
Expired	(100,000)	21.25	10.32	—	—
Balance at December 31, 2021	735,627	22.35	10.23	—	4.7 years
Expired	(45,290)	23.80	11.04	—	—
Balance at December 31, 2022	690,337	\$ 22.25	\$ 10.18	\$ —	4.0 years

The following table summarizes information about options exercisable for the periods indicated:

	December 31, 2022	December 31, 2021	December 31, 2020
Number of options exercisable	610,337	575,627	595,627
Weighted-average exercise price	\$ 22.39	\$ 22.67	\$ 22.63
Weighted-average remaining contractual term	3.9	4.5	4.5
Intrinsic value (\$ in millions)	\$ —	\$ —	\$ —

During the year ended December 31, 2022, 80,000 (2021: 80,000, 2020: 80,000) options vested. They had a weighted average grant date fair value of \$9.60 (2021: \$9.60, 2020: \$9.60).

Stock Compensation Expense

For the years ended December 31, 2022, 2021, and 2020, the combined stock compensation expense (net of forfeitures), which was included in the caption “General and administrative expenses” in the Company’s consolidated statements of operations, was \$4.7 million, \$3.2 million and \$2.5 million, respectively.

12. NET INVESTMENT INCOME (LOSS)

A summary of net investment income (loss) for the years ended December 31, 2022, 2021, and 2020 is as follows:

	2022	2021	2020
	(\$ in thousands)		
Interest and dividend income, net of withholding taxes	\$ 10,865	\$ 200	\$ 5,419
Change in unrealized gains and losses	9,858	19,560	25,909
Investment-related foreign exchange gains (losses)	(185)	(45)	39
Interest, dividend, and other expenses	(6,399)	(1,860)	(1,875)
Realized gains (losses)	—	14,210	(9,234)
Income (loss) from equity method investment	—	—	843
Net investment-related income (loss)	14,139	32,065	21,101
Income (loss) from investments in related party investment fund	54,844	18,087	4,431
Total investment income (loss)	<u>\$ 68,983</u>	<u>\$ 50,152</u>	<u>\$ 25,532</u>

“Income (loss) from investments in related party investment fund” reflects the equity in earnings (loss) of SILP (see Note 3).

“Change in unrealized gains and losses” for the year ended December 31, 2022, includes net unrealized gains of \$9.9 million (2021: \$19.5 million, 2020: \$10.2 million) on Innovations-related investments. For the year ended December 31, 2021, the realized gains of \$14.2 million related to the sale of a strategic investment.

13. TAXATION

Each of the Company and Greenlight Re intends to conduct all of its operations in a manner that will not cause it to be treated as engaging in a trade or business within the United States and will not cause it to be subject to current U.S. federal income taxation on its net income. However, because there are no definitive standards provided by the Internal Revenue Code, regulations, or court decisions as to the specific activities that constitute “engaged in the conduct of a trade or business within the United States,” and as any such determination is essentially factual in nature, there can be no assurance that the IRS will not successfully assert that the Company or Greenlight Re is engaged in a trade or business within the U.S.

At December 31, 2022, the Company recorded a gross deferred tax asset of \$2.8 million (2021: \$3.2 million) and a deferred tax asset valuation allowance of \$2.3 million (2021: \$2.7 million). The net deferred tax asset is included in the caption “Other assets” in the Company’s consolidated balance sheets. The Company has determined that it is more likely than not that it will fully realize the recorded deferred tax asset (net of the valuation allowance) in the future. The Company has based this determination on the expected timing of the reversal of the temporary differences and the likelihood of generating sufficient taxable income to realize the future tax benefit.

At December 31, 2022, GRIL had a net operating loss carryforward of \$20.4 million (2021: \$25.8 million) which can be carried forward indefinitely.

The following table sets forth our current and deferred income tax benefit (expense) on a consolidated basis for the years ended December 31, 2022, 2021, and 2020:

	2022	2021	2020
	(\$ in thousands)		
Current tax (expense) benefit	\$ (671)	\$ (3,997)	\$ (48)
Tax recovered	1,487	—	—
Deferred tax (expense) benefit	(442)	(3)	5
Decrease (increase) in deferred tax valuation allowance	442	254	(381)
Income tax (expense) benefit	<u>\$ 816</u>	<u>\$ (3,746)</u>	<u>\$ (424)</u>

Federal Excise Taxes

The United States imposes an excise tax on reinsurance premiums paid to non-U.S. insurers or reinsurers with respect to risks located in the United States. Unless exempted or reduced by an applicable U.S. tax treaty, the tax rate is 1.0% for all reinsurance premiums. The Company incurs federal excise taxes on certain reinsurance transactions, including amounts ceded through intercompany transactions. For the years ended 2022, 2021, and 2020, the Company incurred approximately \$2.4 million, \$3.3 million, and \$3.6 million, respectively, of federal excise taxes, net of any refunds received. These amounts are included in the caption “Acquisition costs” in the Company’s consolidated statements of operations.

14. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

Each of DME, DME II, and DME Advisors is an affiliate of the Chairman and, therefore, is a related party to the Company.

The Company has entered into the SILP LPA (as described in Note 3 of the consolidated financial statements). DME II receives a performance allocation equal to (with capitalized terms having the meaning provided under the SILP LPA) (a) 10% of the portion of the Positive Performance Change for each limited partner’s capital account that is less than or equal to the positive balance in such limited partner’s Carryforward Account, plus (b) 20% of the portion of the Positive Performance Change for each limited partner’s capital account that exceeds the positive balance in such limited partner’s Carryforward Account. The Carryforward Account for Greenlight Re and GRIL includes the amount of investment losses to be recouped, including any loss generated on the assets invested in SILP, subject to adjustments for redemptions. The loss carry-forward provision in the SILP LPA allows DME II to earn a reduced performance allocation of 10% of profits in years subsequent to any year in which SILP has incurred a loss until all losses are recouped, and an additional amount equal to 150% of the loss is earned.

In accordance with the SILP LPA, DME Advisors constructs a levered investment portfolio as agreed by the Company (the “Investment Portfolio” as defined in the SILP LPA). On September 1, 2018, SILP entered into the IAA with DME Advisors, which entitles DME Advisors to a monthly management fee equal to 0.125% (1.5% on an annual basis) of each limited partner’s Investment Portfolio. The IAA has an initial term ending on August 31, 2023, subject to an automatic extension for successive three-year terms.

For a detailed breakdown of management fees and performance compensation for the years ended December 31, 2022, 2021, and 2020, refer to Note 3 of the consolidated financial statements.

Pursuant to the SILP LPA and the IAA, the Company has agreed to indemnify DME, DME II, and DME Advisors for any expense, loss, liability, or damage arising out of any claim asserted or threatened in connection with DME Advisors serving as the Company’s or SILP’s investment advisor. The Company will reimburse DME, DME II, and DME Advisors for reasonable costs and expenses of investigating and defending such claims provided such claims were not caused due to gross negligence, breach of contract, or misrepresentation by DME, DME II, or DME Advisors. The Company incurred no indemnification amounts during the periods presented.

Green Brick Partners, Inc.

David Einhorn also serves as the Chairman of the Board of Directors of Green Brick Partners, Inc. (“GRBK”), a publicly-traded company. At December 31, 2022, SILP, along with certain affiliates of DME Advisors, collectively owned 37.2% of the issued and outstanding common shares of GRBK. Under applicable securities laws, DME Advisors may sometimes be limited in its ability to trade GRBK shares held in SILP. At December 31, 2022, SILP held 2.7 million shares of GRBK.

Service Agreement

The Company has entered into a service agreement with DME Advisors, pursuant to which DME Advisors provides certain investor relations services to the Company for compensation of five thousand dollars per month (plus expenses). The agreement automatically renews annually until terminated by either the Company or DME Advisors for any reason with 30 days prior written notice to the other party.

Collateral Assets Investment Management Agreement

Effective January 1, 2019, the Company (and its subsidiaries) entered into a collateral assets investment management agreement (the “CMA”) with DME Advisors, pursuant to which DME Advisors manages certain assets of the Company that are not subject to the SILP LPA and are held by the Company to provide collateral required by the cedents in the form of trust accounts and letters of credit. In accordance with the CMA, DME Advisors receives no fees and is required to comply with the collateral investment guidelines. The CMA can be terminated by any of the parties upon 30 days’ prior written notice to the other parties.

15. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Trusts

At December 31, 2022, the Company had one letter of credit facility, which automatically renews each year unless terminated by either party in accordance with the applicable required notice period:

	Maximum Facility Limit	Termination Date	Notice period required for termination
	(\$ in thousands)		
Citibank Europe plc	\$ 275,000	August 20, 2023	120 days before the termination date

At December 31, 2022, an aggregate amount of \$203.9 million (December 31, 2021: \$136.8 million) in letters of credit was issued under the credit facility. At December 31, 2022, the Company had pledged total cash and cash equivalents with a fair value in the aggregate of \$204.7 million (December 31, 2021: \$137.6 million) as collateral against the letters of credit issued and included in the caption “Restricted cash and cash equivalents” in the Company’s consolidated balance sheets. The credit facility contains customary events of default and restrictive covenants, including but not limited to limitations on liens on collateral, transactions with affiliates, mergers, and sales of assets, as well as solvency and maintenance of certain minimum pledged equity requirements. It also restricts the issuance of any debt without the consent of the letter of credit provider. Additionally, if an event of default exists, as defined in the letter of credit facility, Greenlight Re will be prohibited from paying dividends to its parent company. The Company was in compliance with all the credit facility covenants at December 31, 2022 and 2021.

The Company has also established regulatory trust arrangements for certain cedents. At December 31, 2022, collateral of \$463.7 million (December 31, 2021: \$497.1 million) was provided to cedents in the form of regulatory trust accounts and included in the caption “Restricted cash and cash equivalents” in the Company’s consolidated balance sheets.

Lease Obligations

The Company has determined that its lease agreements for office space qualify as operating lease arrangements. At the commencement date, the Company determined the lease term by assuming the exercise of those renewal options deemed reasonably certain. The exercise of lease renewal options is at the Company’s sole discretion, and these options do not contain any material residual value guarantees or material restrictive covenants. The Company’s weighted-average remaining operating lease term is approximately 4.0 years at December 31, 2022.

As the lease contracts generally do not provide an implicit discount rate, the Company used the weighted-average discount rate of 6.0% to determine the present value of lease payments. This discount rate represents the Company's incremental borrowing rate for a term similar to that of the associated lease based on information available at the commencement date. The Company has made an accounting policy election not to include renewal, termination, or purchase options that are not reasonably certain of exercise when determining the borrowing term.

At December 31, 2022, the right-of-use assets and lease liabilities relating to the operating leases were \$1.9 million and \$2.0 million, respectively (2021: \$2.4 million and \$2.5 million, respectively). The operating expense for the year ended December 31, 2022, was \$0.6 million (2021: \$0.4 million, 2020: \$0.2 million).

At December 31, 2022, the commitment for operating lease liabilities for future annual periods was as follows:

Year ending December 31,	(\$ in thousands)	
2023	\$	618
2024		634
2025		651
2026		350
2027		—
Thereafter		—
Total lease payments		2,253
Less Imputed Interest		(254)
Present value of lease liabilities	\$	1,999

Litigation

From time to time, in the ordinary course of business, the Company may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation. The outcomes of these procedures determine the rights and obligations under the Company's reinsurance contracts and other contractual agreements. In some disputes, the Company may seek to enforce its rights under an agreement or collect funds owed. In other matters, the Company may resist attempts by others to collect funds or enforce alleged rights. While the Company cannot predict the outcome of legal disputes with certainty, the Company does not believe that any existing dispute, when finally resolved, will have a material adverse effect on the Company's business, financial condition, or operating results.

16. SEGMENT REPORTING

The Company has one operating segment, Property & Casualty Reinsurance.

A significant portion of the Company's business is sourced through reinsurance brokers. The following table sets forth the brokers and their subsidiaries that generated more than 10% of our premiums for the years ended December 31, 2022, 2021 and 2020:

Year ended December 31,	Broker	(\$ in thousands)	
2022			
	Aon Benfield	\$ 159,421	28.3 %
	Gallagher Re	91,239	16.2 %
			<u>44.5 %</u>
2021			
	Guy Carpenter (Marsh)	\$ 178,336	31.5 %
	Aon Benfield	139,044	24.6 %
	BMS Group	63,958	11.3 %
			<u>67.4 %</u>
2020			
	Guy Carpenter (Marsh)	\$ 195,274	40.7 %
	Trean Re	112,659	23.5 %
			<u>64.2 %</u>

The following tables provide a breakdown of the Company's gross premiums written by line and class of business, and by geographic area of risks insured for the periods indicated:

Gross Premiums Written by Line of Business

	Year ended December 31					
	2022		2021		2020	
	(\$ in thousands)					
Property						
Commercial	\$ 14,750	2.6 %	\$ 10,853	1.9 %	\$ 11,190	2.3 %
Motor	2,346	0.4	29,953	5.3	33,054	6.9
Personal	68,227	12.2	12,141	2.1	14,219	3.0
Total Property	85,323	15.2	52,947	9.4	58,463	12.2
Casualty						
General Liability	60,276	10.7	18,037	3.2	4,228	0.9
Motor Liability	8,601	1.6	118,251	20.9	127,379	26.5
Professional Liability	1,921	0.3	316	0.1	204	—
Workers' Compensation	28,381	5.0	62,188	11.0	82,189	17.1
Multi-line	225,924	40.1	180,321	31.9	88,237	18.4
Total Casualty	325,103	57.7	379,113	67.1	302,237	63.0
Other						
Accident & Health	8,947	1.6	31,612	5.6	56,284	11.7
Financial	66,528	11.8	66,612	11.8	23,231	4.8
Marine	22,700	4.0	10,652	1.9	770	0.2
Other Specialty	54,570	9.7	24,457	4.3	38,806	8.1
Total Other	152,745	27.1	133,333	23.6	119,091	24.8
	\$ 563,171	100.0 %	\$ 565,393	100.0 %	\$ 479,791	100.0 %

Gross Premiums Written by Geographic Area of Risks Insured

	Year ended December 31					
	2022		2021		2020	
	(\$ in thousands)					
U.S. and Caribbean	\$ 295,428	52.4 %	\$ 316,015	55.9 %	\$ 390,000	81.3 %
Worldwide ⁽¹⁾	242,561	43.1	240,285	42.5	84,204	17.5
Asia	20,334	3.6	4,609	0.8	5,587	1.2
Europe	4,848	0.9	4,484	0.8	—	—
	\$ 563,171	100.0 %	\$ 565,393	100.0 %	\$ 479,791	100.0 %

⁽¹⁾ "Worldwide" is composed of contracts that reinsure risks in more than one geographic area and may include risks in the U.S.

GREENLIGHT CAPITAL RE, LTD.
SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 2022

(expressed in thousands of U.S. dollars)

Type of Investment	Cost	Fair Value	Balance Sheet Value
		(\$ in thousands)	
Other investments			
Private investments and unlisted equities	\$ 22,787	\$ 62,433	\$ 62,433
Debt and convertible debt securities	1,846	1,846	1,846
Certificates of deposit	6,000	6,000	6,000
Total other investments	30,633	70,279	70,279
Total investments	<u>\$ 30,633</u>	<u>\$ 70,279</u>	<u>\$ 70,279</u>

GREENLIGHT CAPITAL RE, LTD.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED BALANCE SHEETS — PARENT COMPANY ONLY

(expressed in thousands of U.S. dollars)

	December 31, 2022	December 31, 2021
	(\$ in thousands)	
Assets		
Cash and cash equivalents	\$ 975	\$ 485
Investment in subsidiaries	554,438	576,287
Due from subsidiaries	28,400	—
Other assets	753	—
Total assets	<u>\$ 584,566</u>	<u>\$ 576,772</u>
Liabilities and equity		
Liabilities		
Convertible senior notes payable	\$ 80,534	\$ 98,057
Other liabilities	81	150
Due to subsidiaries	831	2,902
Total liabilities	<u>81,446</u>	<u>101,109</u>
Shareholders' equity		
Share capital	3,482	3,384
Additional paid-in capital	478,439	481,784
Retained earnings (deficit)	21,199	(9,505)
Total shareholders' equity	<u>503,120</u>	<u>475,663</u>
Total liabilities and equity	<u>\$ 584,566</u>	<u>\$ 576,772</u>

GREENLIGHT CAPITAL RE, LTD.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENT OF OPERATIONS — PARENT COMPANY ONLY

(expressed in thousands of U.S. dollars)

	Year ended December 31		
	2022	2021	2020
	(\$ in thousands)		
Revenue			
Net investment income	\$ 1	\$ 22	\$ 141
Other income (expense)	366	—	—
Total revenues	<u>367</u>	<u>22</u>	<u>141</u>
Expenses			
General and administrative expenses	6,887	4,263	3,485
Interest expense	4,201	6,263	6,280
Total expenses	<u>11,088</u>	<u>10,526</u>	<u>9,765</u>
Net income (loss) before equity in earnings of consolidated subsidiaries	(10,721)	(10,504)	(9,624)
Equity in earnings of consolidated subsidiaries	36,063	28,082	13,490
Consolidated net income (loss)	<u>\$ 25,342</u>	<u>\$ 17,578</u>	<u>\$ 3,866</u>
Comprehensive income (loss)	<u>\$ 25,342</u>	<u>\$ 17,578</u>	<u>\$ 3,866</u>

GREENLIGHT CAPITAL RE, LTD.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENTS OF CASH FLOWS — PARENT COMPANY ONLY

(expressed in thousands of U.S. dollars)

	Year ended December 31		
	2022	2021	2020
	(\$ in thousands)		
Cash provided by (used in) operating activities			
Net income (loss)	\$ 25,342	\$ 17,578	\$ 3,866
Adjustments to reconcile net income or loss to net cash provided by (used in) operating activities			
Equity in earnings of consolidated subsidiaries	(36,063)	(28,082)	(13,490)
Net realized gain on repurchase of convertible senior notes payable	(343)	—	—
Net change in unrealized gains and losses on investments	—	—	—
Share-based compensation expense	4,028	2,813	2,124
Amortization and interest expense, net of change in accruals	79	2,263	2,280
Net change in			
Due from subsidiaries	(28,400)	—	8,200
Other assets	(753)	—	—
Other liabilities	(69)	150	(1,611)
Due to subsidiaries	(2,071)	1,050	(3,346)
Net cash provided by (used in) operating activities	<u>(38,250)</u>	<u>(4,228)</u>	<u>(1,977)</u>
Investing activities			
Sale of investments	—	—	1,000
Change in note receivable	—	10,706	(237)
Contributed surplus to subsidiaries, net	58,568	4,000	19,000
Net cash provided by (used in) investing activities	<u>58,568</u>	<u>14,706</u>	<u>19,763</u>
Financing activities			
Repurchases of convertible senior notes payable	(19,793)	—	—
Repurchase of Class A ordinary shares	(35)	(10,000)	(17,781)
Net cash provided by (used in) financing activities	<u>(19,828)</u>	<u>(10,000)</u>	<u>(17,781)</u>
Net increase (decrease) in cash and cash equivalents	490	478	5
Cash and cash equivalents at beginning of the year	485	7	2
Cash and cash equivalents at end of the year	<u>\$ 975</u>	<u>\$ 485</u>	<u>\$ 7</u>
Supplementary information			
Non cash consideration from (to) subsidiaries, net	\$ (656)	\$ (415)	\$ (351)

SCHEDULE III

**GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY INSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020**

(expressed in thousands of U.S. dollars)

Year	Segment	Deferred acquisition costs, net	Reserves for losses and loss adjustment expenses – gross	Unearned premiums – gross	Net premiums earned	Total investment related income (loss)	Net losses, and loss adjustment expenses	Amortization of deferred acquisition costs	Other operating expenses	Gross premiums written
2022	Property & Casualty	\$ 82,391	\$ 555,468	\$ 307,820	\$ 469,477	\$ 68,983	\$ 316,485	\$ 143,148	\$ 31,606	\$ 563,171
2021	Property & Casualty	\$ 63,026	\$ 524,010	\$ 227,584	\$ 539,279	\$ 50,152	\$ 374,980	\$ 144,960	\$ 29,369	\$ 565,393
2020	Property & Casualty	\$ 51,014	\$ 494,179	\$ 201,089	\$ 455,411	\$ 25,532	\$ 337,833	\$ 109,288	\$ 26,401	\$ 479,791

SCHEDULE IV

**GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY REINSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020**

(expressed in thousands of U.S. dollars)

Year	Segment	Direct gross premiums	Premiums ceded to other companies	Premiums assumed from other companies	Net written premiums	Percentage of amount assumed to net
2022	Property & Casualty	\$ —	\$ 33,429	\$ 563,171	\$ 529,742	106 %
2021	Property & Casualty	\$ —	\$ 41	\$ 565,393	\$ 565,352	100 %
2020	Property & Casualty	\$ —	\$ 2,268	\$ 479,791	\$ 477,523	100 %