Greenlight Reinsurance Ireland, Designated Activity Company

Reports and Financial Statements

For the financial year ended 31 December 2022

Greenlight Reinsurance Ireland, Designated Activity Company

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Greenlight Reinsurance Ireland, Designated Activity Company

Directors and Other Information

Directors

Bryan Murphy	(Non-Executive Director)
Patrick O'Brien	(Executive Director)
Daniel Roitman (American)	(Non-Executive Director)
Michael Brady	(Independent Non-Executive Director)
Neil Greenspan (American)	(Non-Executive Director)
Brid Quigley	(Independent Non-Executive Director) (Appointed 28/10/2022)
Lesley Caslin	(Independent Non-Executive Director) (Resigned 30/09/2022)

Company Secretary & Registered Office

Edward Brady
50 City Quay
Dublin 2
D02 F588

Company Number: 475022

Independent Auditor

Deloitte Ireland LLP
Deloitte & Touche House
29 Earlsfort Terrace
Dublin 2
Ireland
D02 AY28

Principal Banker

HSBC
Grand Canal Square
Dublin 2
D02 P820

Solicitor

A&L Goodbody
IFSC
North Wall Quay
Dublin 1
D01 H104

Greenlight Reinsurance Ireland, Designated Activity Company

Directors' Report

The directors present their report and the audited financial statements of Greenlight Reinsurance Ireland, Designated Activity Company ("the Company") for the financial year ended 31 December 2022.

Principal activity
The principal activity of the Company is the provision of Property and Casualty reinsurance business.

Business review and future developments
Gross premiums written for the year 2022 were $246.6m (2021: $205.6m). The increase in gross premiums written of $41.0m is primarily driven by the growth in premium in the Funds at Lloyd's and Specialty contracts.

The combined ratio has deteriorated in the year primarily driven by higher Catastrophe losses and losses linked to the Russia Ukraine conflict..

The net investment return of 27.8% for the year 2022 compared to 8.8% for the prior year is driven by strong investment performance throughout the year.

The Company's 2023 plan reflects a significant reduction in gross written premium as the Company's Funds at Lloyds (FAL) business will be renewed by another entity within the Group, effective January 1, 2023. The Company is optimistic about market opportunities in 2023.

Results and dividends
The results for the year were as follows:

	2022	2021
	US$	US$
Profit before taxation	4,612,041	3,978,405
Corporation tax charge *	—	—
Profit brought to reserves	4,612,041	3,978,405

*See note 8

The directors do not recommend the payment of a dividend (2021: nil).

The Statement of Comprehensive income for the Company for the year ended 31 December 2022 is set out on pages 13 and 14. The Statement of Financial Position of the Company at the same due date is set out on page 15. The Statement of Changes in Equity is presented on page 16.

Key Performance Indicators ("KPIs")
The Company monitors the progress of its business by reference to the following KPIs:

	2022	2021
	US$	US$
Gross premiums written	246,636,540	205,607,348
Net premiums written	45,490,547	59,842,148
Earned premiums, net of reinsurance	41,476,350	55,303,727
Loss ratio	79.6%	66.6%
Combined ratio*	97.1%	90.6%
Investment return	27.8%	8.8%

*Excludes corporate expenses or any foreign exchange gain or loss

The Board uses a variety of internal metrics for monitoring the performance of the Company and to evaluate the results against appropriate market benchmarks.

Directors, secretary and their interests
The names of the persons who were directors and secretary at any time during the financial year ended 31 December 2022 are set out below. Unless otherwise indicated they served for the full year.

Bryan Murphy	(Non-Executive Director)
Patrick O'Brien	(Executive Director)
Daniel Roitman (American)	(Non-Executive Director)
Michael Brady	(Independent Non-Executive Director)
Neil Greenspan (American)	(Non-Executive Director)
Brid Quigley	(Independent Non-Executive Director) (Appointed 28/10/2022)
Lesley Caslin	(Independent Non-Executive Director) (Resigned 30/09/2022)
Edward Brady	(Company Secretary)

The beneficial interests of the directors and secretary in the share capital of the parent company Greenlight Capital Re, Ltd (the "Parent") as at 31 December 2022 were as follows:

	Ordinary shares	Restricted shares subject to forfeiture
Bryan Murphy	125,733	14,056
Patrick O'Brien	45,280	156,718
Daniel Roitman	380,000	—
Neil Greenspan	—	160,288

Mr. E. Brady's beneficial interests in the Parent comprised of an insignificant number of common shares of the Parent. Ms. Quigley and Mr. M. Brady do not own common shares in the Parent.

The directors remuneration is disclosed in Note 6.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law and regulations. Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with Companies Act 2014 and Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts". Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the statement of comprehensive income of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and statement of comprehensive income of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and the European Union (Insurance and Reinsurance Undertakings: Financial Statements) Regulations 2016 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The directors have assessed the going concern impact of various risks on the Company's operations through conducting a rigorous assessment of the potential risk outcomes. These factors have been considered by the directors as part of the Company's annual Own Risk and Solvency Assessment process, with the likely financial impact on profitability and solvency assessed in terms of the going concern basis of preparation of the financial statements.

As at year end the Company's net asset position is $62.3m (2021: $57.2m) and a solvency coverage ratio of 164.6% (2021: 154.3%). By virtue of the strength of its net asset position, the directors have concluded that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Political donations

The Company did not make any political donations during the year (2021: nil).

COVID-19

The ongoing coronavirus pandemic ("COVID-19") is a risk that has had an adverse impact on the property and casualty insurance and reinsurance industry over the last three years. The Company continues to monitor the situation closely. The Company has included in the loss and loss adjustment reserves its best estimate of losses arising from the COVID-19 pandemic. The Company has limited direct exposure to some of the classes most impacted by the pandemic including event cancellation, business interruption and directors and officers liability. However, the Company has some exposure to these classes via its Funds at Lloyds book, which is reduced by the inuring reinsurance the Syndicates purchase. Accordingly, estimates used in the preparation of the Company's financial statements, primarily those associated with the estimations of loss and loss adjustment expense reserves may be subject to adjustments in future periods.

Climate change

Climate change has the potential to have a significant impact on weather patterns and loss events. The Company is exposed to climate change primarily from its FAL book and a limited number of natural catastrophe reinsurance contracts it writes. The Company has seen elevated levels of cat activity and unusual weather events in recent years. The Company will continue to closely monitor cat activity and amend its appetite for natural catastrophe business to reflect market conditions and climate change developments. As this business is predominantly short tail in nature, the Company can re-balance the portfolio quickly, if required. The risks associated with climate change were also considered in the Own Risk and Solvency Assessment (ORSA) process. The non renewal of the FAL book, effective January 1, 2023, will significantly reduce the Company's exposure to climate change.

Inflation

We have seen an increase in inflationary pressures. Initially these pressures were linked to supply chain issues and the fallout from Covid-19 and were expected to be temporary. This issue has been escalated by the Russian invasion of Ukraine. It is possible that inflation could remain elevated for some time. Higher than anticipated inflation could lead to an increase in loss costs and the need to strengthen loss reserves. The impact of inflation on loss costs will likely be more pronounced for longer tail business lines, where it takes a period of time to finalise and settle claims. In general, the Company's underwriting book is skewed towards shorter tail classes and therefore the impact should be less pronounced.

Russia Ukraine conflict

The Company has exposure through its FAL and Specialty books to the Russia Ukraine conflict. The Company continues to monitor the situation closely. The Company has included in the loss and loss adjustment reserves its best estimate of losses arising from the conflict. As the conflict is ongoing the situation remains uncertain, accordingly, estimates used in the preparation of the Company's financial statements, primarily those associated with the estimations of loss and loss adjustment expense reserves may be subject to adjustments in future periods.

Events since the year end

There are no events since the statement of financial position date to report.

Corporate Governance

The Company is subject to "Corporate Governance Requirements for Insurance Undertakings 2015" (the "Code") but is not deemed to be a "major institution" under the terms of the Code.

Accounting records
The measures taken by the directors to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the design and implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The accounting records of the Company are located at 50 City Quay, Dublin 2, Ireland, D02 F588 .

Directors' compliance statement
As required by section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in that legislation). The directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company's policies in relation to complying with relevant obligations and have put in place appropriate arrangements and structures that are, in the directors' opinion, designed to secure material compliance with the relevant obligations. These arrangements and structures were reviewed by the directors during the financial year.

Principal risks and uncertainties
The directors consider that the principal risks and uncertainties facing the Company are:

- market risk on financial instruments, including equity price risk, foreign currency risk, interest rate risk and credit risk;
- uncollectibility of loss reserves recoverable;
- risk of a downgrade or withdrawal of the Company's A-(excellent) (Stable Outlook) rating by A.M. Best rating agency;
- risk of final settlement of losses varying significantly from the reserves estimated by the Company; and
- risk of adverse loss development on the reinsurance risks assumed.

As outlined in note 20 to the financial statements, various polices, procedure and controls are utilised by the directors and management to manage and mitigate these risks as necessary.

Statement of disclosure of information to auditors
As far as each person who is a director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with this report, of which the auditor is unaware. Each director has taken all steps that they are obliged to take as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Audit Committee
An Audit Committee has been established by the Company. The purpose of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, the internal control framework and the independence and effectiveness of internal and external audit.

Statutory auditors
The board appointed Deloitte as statutory auditor to the Company on 29 July 2022, for the 2022 financial year end in accordance with the provisions of section 383 (2) of the Companies Act, 2014.

Michael Brady
Director - Michael Brady

Director - Patrick O'Brien

30/3/23
Date

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

Independent auditor's report to the shareholder of Greenlight Reinsurance Ireland, Designated Activity Company

Report on the audit of the financial statements

Opinion on the financial statements of Greenlight Reinsurance Ireland, Designated Activity Company (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2022 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Statement of Comprehensive Income (Technical and Non-Technical Accounts);
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 25, including a summary of significant accounting policies as set out in note 3.

The relevant financial reporting framework that has been applied in their preparation is Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and FRS 103 "Insurance Contracts" (FRS 103) issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • *Valuation of incurred but not reported (IBNR) reserves*
Materiality	We determined materiality for the company to be USD 1.6 million, which is approximately 2.6% of Shareholder's Funds.
Scoping	We determined the scope of our audit by obtaining an understanding of the company and its environment, including the identification of relevant controls. We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As part of our risk assessment, we assessed the control environment in place to the extent relevant to our audit. The risk of material misstatement that had the greatest effect on our audit is identified as the key audit matter in the "*Key Audit Matters"* section of our report.
First year audit transition	This is the first year we have been appointed as auditors to the company. We undertook a number of transitional procedures to prepare for the audit including assessing our independence.

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	We reviewed the former auditor's working papers to gain an understanding of the company's processes, their audit risk assessment, the controls on which they relied for the purposes of issuing their audit opinion, as well as understanding the evidence they obtained on the key complex or significant judgements which they made. We followed a phased approach to the audit commencing with a series of meetings directly with management to determine the changes impacting the business to inform our audit planning and risk assessment. Subsequent strategic meetings were also held as necessary throughout the audit process, with the same participants to take into account any current period updates.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the company's process for assessing the appropriateness of the going concern determination;
- Obtaining an understanding of the annual process to determine Solvency II regulatory capital and the calculation of the company's solvency ratio including an understanding of management's process to complete the Own Risk and Solvency Assessment ('ORSA') report;
- Obtaining the directors' assessment of going concern and challenging the key assumptions used in this assessment;
- Obtaining the annual Solvency Financial Condition Report, the ORSA report 2022 and the Board approved 2023 budget and considering whether the information was consistent with the going concern assessment supporting the going concern conclusion;
- Performing a retrospective assessment of the current year performance and year-end position of the company including profitability, loss ratios and solvency capital required against prior year plans and budgets; and
- Evaluating the adequacy of the relevant disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in
our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of incurred but not reported (IBNR) reserves	
Key audit matter description	Total IBNR reserves as at 31 December 2022 amounted to USD 158.1 million. The methodologies and assumptions used to estimate IBNR reserves involve a significant degree of judgement by management as there is less information available than with reported claims. The estimate is sensitive to significant assumptions, including the initial expected loss ratios and loss development factors. The estimate is also sensitive to the selection of actuarial methods and methods applied to project the ultimate losses, the estimation of ultimate reserves associated with catastrophic events, and other factors. Key assumptions used in the determination of ultimate losses, including initial expected loss ratios and loss development factors, involve significant judgment and estimation and could give rise to a material misstatement due to fraud and error. The estimation and measurement of IBNR reserves is a major determining factor in the results and financial position of the company and, therefore, there is a possibility of management bias. We have, therefore, identified valuation of IBNR reserves as a key audit matter. Refer to the accounting policy in note 3.6 and the disclosures in note 17 and note 20 of the financial statements.
How the scope of our audit responded to the key audit matter	The procedures performed to address the key audit matter included the following: • We evaluated the design, determined the implementation and tested the operating effectiveness of the company's relevant controls over the valuation of the recorded loss 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 as part of our team: o We independently developed an estimate of the reserves for a sample of selected classes of business, compared our estimates to those booked by the company, and evaluated the differences; o We evaluated and challenged the company's methodologies against recognized actuarial practices for the remaining classes. We also evaluated and challenged the assumptions used by the company using our industry knowledge and experience and other analytical procedures; and o We compared the results of the reserve study prepared by third party actuaries to management's best estimate and evaluated the differences. • We also evaluated the adequacy of the IBNR disclosures in the financial statements.
Key observations	Based on the audit procedures performed, we determined the methodologies and assumptions used in the valuation of IBNR reserves to be reasonable. We also determined the valuation of IBNR reserves to be with an acceptable range. We concluded that the related IBNR disclosures in the financial statements are appropriate.

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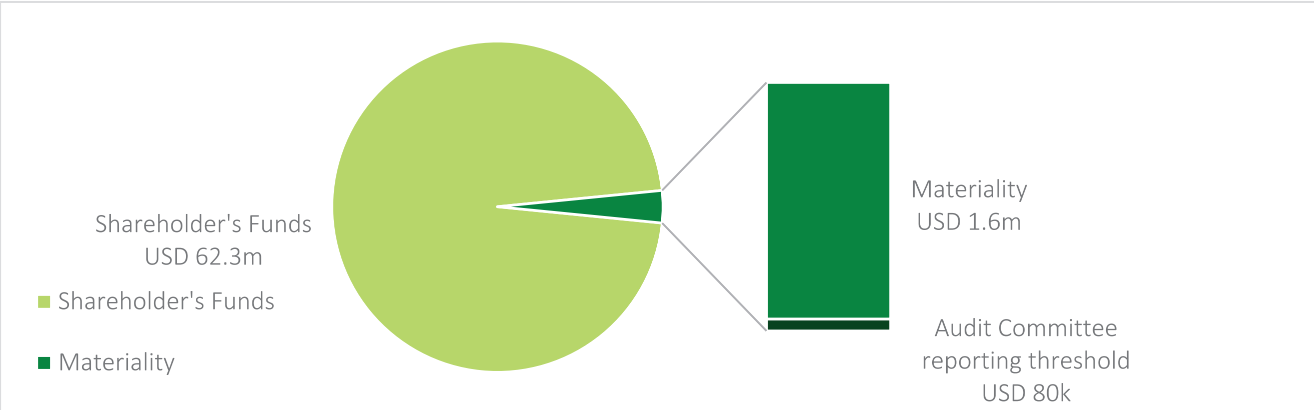
Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	USD 1.6 million
Basis for determining materiality	Approximately 2.6% of Shareholder's Funds
Rationale for the benchmark applied	Deloitte considered various different benchmarks upon which to base materiality. It was concluded that the primary focus for key users of the financial statements, including shareholders, insured entities and regulators, is the capital strength of the company and that the Shareholder's Funds benchmark is the most appropriate metric for capital strength.



The materiality used by the former auditor in the audit of the prior year's financial statements was approximately USD 1.7 million.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 80% of materiality for the 2022 audit. In determining performance materiality, we considered the following factors:

a. Considerations in relation to the effectiveness of the control environment;
b. No fraud risk factors or ineffective entity level controls, with strong governance controls and competent personnel; and
c. There have been no major changes in the business that would affect our ability to forecast potential misstatements.

We agreed with the audit committee that we would report to the committee all audit differences in excess of USD 80k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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Independent auditor's report to the shareholder of
Greenlight Reinsurance Ireland, Designated Activity Company

An overview of the scope of our audit

We determined the scope of our audit by obtaining an understanding of the company and its environment, including the identification of relevant controls. We designed our audit by determining materiality and assessing the risks of material misstatement within the financial statements. The risk of material misstatement that had the greatest effect on our audit is identified as a key audit matter in the *"Key Audit Matters"* section of our report.

The company is a wholly owned subsidiary of Greenlight Capital Reinsurance Limited and as such benefits from certain support services offered by the Greenlight Group. In establishing the overall scope of the audit, we determined the type of work that was needed to be performed by component auditors at group shared service locations for the purposes of our audit. We received clearance from the Deloitte member firm in Bermuda, operating under our instructions, in relation to the testing of financial assets, technical provisions, premium, debtors and creditors. We had regular interaction with the component team in Deloitte member firm in Bermuda including video meetings and in-person review of certain working papers. This, together with the additional procedures performed in Ireland, gave us the evidence we needed to form our opinion on the financial statements as a whole.

Other information

The other information comprises the information included in the Reports and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Reports and Financial Statements.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at:
https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/. This description forms part of our auditor's report.

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Independent auditor's report to the shareholder of
Greenlight Reinsurance Ireland, Designated Activity Company

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of IBNR reserves. In common with all audits under ISAs (Ireland), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Act 2014 and the relevant accounting framework.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Irish insurance laws and regulations and supervisory requirements of the Central Bank of Ireland including the Solvency II Regulations.

Audit response to risks identified

As a result of performing the above, we identified valuation of IBNR reserves as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Central Bank of Ireland; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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Independent auditor's report to the shareholder of
Greenlight Reinsurance Ireland, Designated Activity Company

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- In our opinion, information and returns adequate for our audit have been received from branches of the company not visited by usThe financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Other matters which we are required to address

We were appointed by the Board of Directors on 29 July 2022 to audit the financial statements for the financial year ended 31 December 2022. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, covering the year ended 31 December 2022.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Eimear McCarthy

Eimear McCarthy
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2

31 March 2023

Greenlight Reinsurance Ireland, Designated Activity Company

Statement of Comprehensive Income: Technical Account - general business for the year ended 31 December 2022

CONTINUING OPERATIONS:	Notes	2022	2021
		US$	
Gross premiums written	4	246,636,540	205,607,348
Outward reinsurance premium		(201,145,993)	(145,765,200)
Net premiums written		45,490,547	59,842,148
Change in provision for unearned premium, gross	4	(41,524,722)	(56,204,369)
Change in provision for unearned premium, reinsurers' share		37,510,525	51,665,948
Earned premiums, net of reinsurance		41,476,350	55,303,727
Allocated investment income transferred from the non-technical account		3,395,994	588,196
Total technical income		44,872,344	55,891,923
Claims paid			
Gross amount		(57,131,167)	(48,712,753)
Reinsurers' share		37,288,594	17,120,571
Change in the provision for claims			
Gross amount	17	(85,617,765)	(46,618,910)
Reinsurers' share		72,450,141	41,380,657
Claims incurred net of reinsurance		(33,010,197)	(36,830,435)
Net operating expenses	5	(11,096,059)	(15,786,591)
Total technical expenses		(44,106,256)	(52,617,026)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		766,088	3,274,897

Greenlight Reinsurance Ireland, Designated Activity Company

Statement of Comprehensive Income: Non-technical Account for the year ended 31 December 2022

CONTINUING OPERATIONS:	**Notes**	**2022**	**2021**
		US$	
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		766,088	3,274,897
Net investment income	**16**	7,241,947	1,291,704
Allocated investment income transferred to the technical account		(3,395,994)	(588,196)
Profit on ordinary activities before taxation		4,612,041	3,978,405
Income tax charge	**8**	—	—
Retained profit for the financial year		4,612,041	3,978,405

The Company had no recognised gains or losses other than the profit for the above financial year. All the amounts above are in respect of continuing operations. There are no amounts of other comprehensive income during the financial year and previous financial year.

The notes on pages 17 to 43 form part of these financial statements.

On behalf of the board

Michael Brady

Director - Michael Brady

Director - Patrick O'Brien

30/3/23

Date

Greenlight Reinsurance Ireland, Designated Activity Company

Statement of Financial Position at 31 December 2022	**Notes**	**2022**	**2021**
Assets:		**US$**	**US$**
Fixed assets	**15**	—	—
Financial assets			
Investment in related party investment fund	**11**	28,493,286	11,875,354
Other investments	**12**	511,350	363,600
Deposits with ceding undertakings		68,490,774	67,802,621
Reinsurers' share of technical provisions			
Unearned premiums ceded	**17**	102,581,459	71,847,399
Loss reserves recoverable	**17**	153,331,606	87,608,477
Debtors			
Debtors arising out of reinsurance operations		232,794,664	140,244,487
Amounts owed by group undertakings	**19**	585,116	425,180
Cash at bank and in hand	**13**	11,931,935	19,361,583
Other assets			
Restricted cash and cash equivalents	**14**	11,161,986	14,553,853
Prepayments, general receivables and accrued income		241,916	67,290
Deferred acquisition cost		1,939,901	2,854,724
Deferred tax asset	**8**	500,000	500,000
Total Assets		**612,563,993**	**417,504,568**
Equity and liabilities:			
Capital and reserves			
Called up share capital	**9**	10,000,000	10,000,000
Capital contribution reserve	**10**	70,500,000	70,500,000
Share-based payment reserves	**10**	2,307,441	1,738,740
Retained earnings		(20,461,014)	(25,073,055)
Total equity		62,346,427	57,165,685
Technical Provisions			
Known claims reserves	**17**	36,901,014	25,285,885
IBNR reserves	**17**	158,129,884	92,536,013
Unearned premium reserve	**17**	126,620,578	93,566,436
Total technical provisions		321,651,476	211,388,334
Liabilities			
Accruals and other payables		588,014	831,522
Creditors arising out of reinsurance operations		41,015,231	19,695,915
Amounts due to group undertakings	**19**	79,366	207,176
Funds withheld		186,883,479	128,215,936
Total liabilities		550,217,566	360,338,883
Total equity and liabilities		**612,563,993**	**417,504,568**

The notes on pages 17 to 43form part of these financial statements.

The financial statements were approved and issued for signing on behalf of the board on 30 March 2023.

Michael Brady

Director - Michael Brady

Director - Patrick O'Brien

Greenlight Reinsurance Ireland, Designated Activity Company

Statement of Changes in Equity for the year ended 31 December 2022

	Share capital	Capital contribution reserve	Share-based payment reserves	Retained earnings	Total
			US$		
Balance at January 01, 2021	10,000,000	70,500,000	1,335,550	(29,051,460)	52,784,090
Capital contribution	—	—	—	—	—
Contributed capital adjustment for share based payments	—	—	403,190	—	403,190
Profit for the financial year	—	—		3,978,405	3,978,405
Balance at December 31, 2021	10,000,000	70,500,000	1,738,740	(25,073,055)	57,165,685
Capital contribution	—	—	—	—	—
Contributed capital adjustment for share based payments	—	—	568,701	—	568,701
Profit for the financial year	—	—		4,612,041	4,612,041
Balance at December 31, 2022	10,000,000	70,500,000	2,307,441	(20,461,014)	62,346,427

The notes on pages 17 to 43 form part of these financial statements.

1. REPORTING ENTITY

Greenlight Reinsurance Ireland, Designated Activity Company, (the "Company") was incorporated as a private limited company (registration number 475022) under the Irish Companies Acts on 7 September 2009 and is a licensed reinsurance entity domiciled in Dublin, Ireland. The registered office of the Company is 50 City Quay, Dublin 2, Ireland, D02 F588. The Company provides multi-line property and casualty reinsurance.

The Company is a wholly owned subsidiary of Greenlight Capital Re, Ltd., a company resident in the Cayman Islands. The largest and smallest group in which the financial statements of Greenlight Reinsurance Ireland, Designated Activity Company, are consolidated is that headed by Greenlight Capital Re, Ltd. The consolidated financial statements of Greenlight Capital Re, Ltd. are publicly available on the website www.greenlightre.com.

2. STATEMENT OF COMPLIANCE

These financial statements for the year ended 31 December 2022 are prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103"). The Company's financial statements have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the Company's financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

3.1. Basis of preparation

The financial statements are expressed in United States Dollars (US$) to the nearest dollar, which is the Company's functional currency, and have been prepared on a going concern basis under the historical cost convention except for investment in related party investment fund which is measured at fair value and in accordance with FRS 102 and FRS 103 accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland. The Company is also subject to the requirements of the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statements) (Amendment) Regulations 2016.

3.2. Significant judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 and 103 requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. The estimated and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Actual results could differ from these estimates.

Certain critical accounting judgements in applying the Company's policies are detailed below.

(a) Loss reserves

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported ("IBNR") that are dependent on actuarial judgement and assumptions. These are discussed in more detail in note 3.6.

(b) Estimation of employee bonus

Under the Company's bonus program, an employee's target bonus generally consists of a Group performance bonus and an individual performance bonus. Each of the Group performance bonus and the individual performance bonus may be earned independent of one another.

The Group performance bonus criteria is driven by underwriting profitability and strategic investment income. The Group Compensation Committee, set a threshold, target and maximum level of achievement and the bonus is accrued based on managements best estimate of each employee's likely payment. The ultimate amount paid may differ from the amount accrued.

The individual performance bonus is based on a qualitative assessment of each employee's performance.

Performance and bonus achievement will be measured following the end of each applicable Plan Year.

(c) Premium estimation

The Company estimates the ultimate premiums for the entire contract year. These estimates are based on information received from ceding companies and estimates from actuarial pricing models used by the Company. This is discussed in more detail in note 3.3.

(d) Deferred tax valuation allowance

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 realised in the future. Other than this valuation allowance, the Company has not taken any income tax positions that are subject to significant uncertainty that are reasonably likely to have a material impact on the Company.

3.3. Revenue recognition

In accordance with FRS 103 the Company has applied the existing accounting policies for insurance contracts. The Company's contracts are classified at inception, for accounting purposes, as insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk.

The Company estimates the ultimate premiums for the entire contract year. These estimates are based on information received from ceding companies and estimates from actuarial pricing models used by the Company. For excess of loss contracts, the total ultimate estimated premiums are recorded as premiums written at the inception of the contract. For quota share contracts, the premiums are recorded as written based on cession statements from cedants which typically are received monthly or quarterly depending on terms specified in each contract. For any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Changes in premium estimates, including premium receivable on both excess of loss and quota share contracts are expected and may result in significant adjustments in any period. These estimates change over time as additional information regarding the underlying business volume is obtained. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined. A significant portion of amounts included in the caption "Debtors/Creditors arising out of reinsurance operations" in the Company's statement of financial position represent estimated premiums written, net of commissions and brokerage, and are not currently due based on the terms of the underlying contracts. Additional premiums due on a contract that has no remaining coverage period are earned in full when written. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Premiums written are generally recognised as earned over the contract period in proportion to the period of risk covered. Unearned premiums consist of the unexpired portion of reinsurance provided. The unearned premium reserve is treated as a monetary liability under FRS 103 and revalued at the date of the statement of financial position.

Interest income is included in the statements of comprehensive income on an accrual basis.

3.4 Reinsurance premiums ceded

The Company reduces the risk of future losses on business assumed by reinsuring certain risks and exposures with other reinsurers (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 their unpaid obligations. Ceded premiums are written during the period in which the risks incept and are expensed over the contract period in proportion to the period of protection. Unearned premiums ceded consist of the unexpired portion of reinsurance obtained.

3.5 Deferred acquisition costs

Policy acquisition costs, such as commission and brokerage costs, relate directly to and vary with the writing of reinsurance contracts. Acquisition costs relating solely to bound contracts are deferred subject to ultimate recoverability and are amortised over the related contract term. The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment income is greater than the expected future claims and expenses. If a loss is probable on the unexpired portion of policies in force, a premium deficiency loss is recognised. At 31 December 2022 and 2021, the deferred acquisition costs were considered fully recoverable and no premium deficiency loss was recorded. Deferred acquisition costs are treated as a monetary asset under FRS 103 and revalued at the date of the statement of financial position.

3.6. Insurance losses, reserves and recoverables - technical provisions

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported ("IBNR"). These estimated ultimate reserves are based on the Company's own actuarial estimates derived from reports received from ceding companies, industry data and historical experience. These estimates are reviewed by the Company periodically and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined. Changes in estimates are reflected in the results of operations in the period in which the estimates are changed. The Company does not discount its loss reserves.

Loss reserves recoverable include the amounts due from retrocessionaires for unpaid loss and loss adjustment expenses on retrocession agreements. Ceded losses incurred but not reported are estimated based on the Company's actuarial estimates. These estimates are reviewed periodically and adjusted when deemed necessary. The Company may not be able to ultimately recover the losses recoverable amounts due to the retrocessionaires' inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

While the Company believes its estimate of loss and loss adjustment expense reserves for the COVID-19 pandemic is adequate as of December 31, 2022 based on available information, actual losses may ultimately differ materially from the Company's current estimates. The Company will continue to monitor the appropriateness of its assumptions as new information becomes available and will adjust its estimates accordingly. Such adjustments may be material to the Company's results of operations and financial condition.

3.7. Financial instruments

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of International Accounting Standard 39, Financial Instruments: Recognition and Measurement, ("IAS 39") to account for all of its financial instruments. Financial instruments include listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards, other derivatives and similar instruments sold, not yet purchased. The Company's financial instruments are recognised on the statement of financial position and measured at fair value through the profit or loss account, and all unrealised gains or losses are included in "Income from investment in related party investment fund" in the statements of comprehensive income in accordance with IAS 39.

Financial assets and liabilities
Financial instruments are recognised initially at fair value of the consideration given (in case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Financial assets are derecognised when and only when:
a) the contractual rights to the cash flows from the financial asset expire or are settled;
b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counter parties.

3.8. Employee Benefits

(a) Defined contribution pension plans

The Company operates a defined contribution plan for its staff. Under this plan, the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to the employee service in the current or prior periods. The assets of the scheme are held separately from those of the Company in independently administered funds managed by Irish Life. Pension costs are recognised in the statement of comprehensive income in the period in which they are incurred and are disclosed in note 7. Amounts not paid are shown as accruals in the statement of financial position.

(b) Short term employee benefits

Short term employee benefits including annual leave entitlements, annual bonus arrangements, termination payments, health benefits and group stock compensation are recognised as an expense in the statement of comprehensive income in the financial year in which the employees render the related service.

3.9. Fixed Assets

Fixed assets are included in the statement of financial position and are recorded at cost when acquired, less accumulated depreciation. Fixed assets are comprised of furniture and fixtures and leasehold improvements and are depreciated, using the straight-line method, over their estimated useful lives, which is five years for furniture and fixtures. Leasehold improvements are amortised over the lesser of the estimated useful lives of the assets or remaining lease term.

3.10. Taxation and deferred taxation

The income tax benefit represents the sum of the tax currently receivable and deferred tax. Any tax currently payable is provided on taxable profits at current attributable rates.

Deferred tax is calculated on all timing differences that have originated but not reversed as of the date of the statement of financial position where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the statements of financial position date.

Timing differences are temporary differences between profits as computed for tax purposes, and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax liabilities are recognised in full in respect of net unfavourable timing differences. Deferred tax assets in respect of net favourable timing differences, including taxation losses available for carry forward, are recognised only when it is considered more probable than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statements of financial position date. Deferred tax is not discounted.

3.11. Foreign exchange

The reporting and functional currency of the Company is the U.S. dollar (US$). Transactions in foreign currencies are recorded in U.S. dollars at the exchange rates in effect on the transaction date. Monetary assets and liabilities in foreign currencies at the statements of financial position date are translated at the exchange rate in effect at the statements of financial position date and translation exchange gains and losses, if any, are included in the statements of comprehensive income. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premium and deferred acquisition costs) are monetary items. Non-monetary assets and liabilities in foreign currencies are measured at historical cost and are not retranslated.

3.12. Provisions and Contingencies

The Company does not hold any general provisions in the statement of financial position. Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

3.13. Operating lease

The Company has leased office space which has been classified as an operating lease. Operating leases are not recognised in the Company's statements of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

3.14. Deposits with ceding undertakings

The Company provides collateral in the form of cash and letters of credit to support the Fund's at Lloyd's transactions. The Company earns investment income on the funds held balances based upon prevailing interest rates. However, in certain circumstances, the Company may receive an investment return based upon either the result of a pool of assets held by the cedant, generally used to collateralise the funds held balance, or the investment return earned by the cedant on its entire investment portfolio. In these arrangements, investment returns are included in net investment income in the statement of comprehensive income.

3.15 Cash at bank and in hand

Cash and cash equivalents consist of cash and certain short-term, highly liquid investments with original maturity dates of three months or less.

3.16 Funds withheld

Funds withheld represents cash collateral and reinsurance balances retained as collateral by the Company on retroceded contracts along with net reinsurance payable in respect of those contracts.

3.17 Debtors and creditors arising out of reinsurance operations

Reinsurance receivables are recognised and measured on initial recognition of gross premiums written less acquisition costs and losses payable. The carrying value of reinsurance receivables is reviewed for impairment whenever events of circumstances indicate that the carrying amount may not be recoverable, with the impairment recorded in the statement of comprehensive income. There were no such impairments in 2022 or 2021.

Reinsurance payables are recognised and measured on initial recognition of outwards reinsurance premiums written net of reinsurance commissions and profit participation and losses receivable.

3.18 Restricted cash and cash equivalents

The company maintains cash and cash equivalent balances to collateralise trusts issued to cedants (see note 14).

3.19 Disclosure exemptions for qualifying entities under FRS 102

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to:

(i) disclosing share based payments (FRS 102 sections 26.18(b), 26.19 to 26.21 and 26.23);
(ii) key management personnel compensation in total (FRS 102 section 33.7);
(iii) presentation of a cash flow statement (FRS 102 section 3.20); and
(iv) disclosing intra group transactions and related party disclosures (FRS 102 section 33.1A).

The consolidated financial statements of the Company's immediate and ultimate parent company Greenlight Capital Re, Ltd ("GLRE") for the year ended 31 December 2022 are available to the public on the Group's website, greenlightre.com, and from its registered office as disclosed in note 24.

4. SEGMENTAL INFORMATION

Analysis of gross premium written by geographic location of cedent

	2022	2021
	US$	US$
(a) in the EEA state where its head office is situated	1,682,316	2,522,069
(b) in the other EEA states	5,271,410	832,572
(c) in other countries	239,682,814	202,252,707
	246,636,540	205,607,348

Analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses and reinsurance balances by class of business.

	Gross premiums written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance	Net result
Class of Business			**2022 US$**			
Marine, aviation and transport,	84,737,028	59,589,996	(42,136,859)	(16,069,941)	(5,951,466)	(4,568,270)
Fire and other damage to property,	81,181,848	72,823,914	(51,013,872)	(23,790,480)	8,464,090	6,483,652
General liability insurance,	71,826,838	59,866,577	(38,767,141)	(28,000,020)	(873,877)	(7,774,461)
Medical expense insurance,	4,647,645	4,153,349	(6,141,022)	(1,289,041)	(479,088)	(3,755,802)
Other	4,243,181	8,677,982	(4,690,039)	(2,485,514)	5,482,546	6,984,975
	246,636,540	**205,111,818**	**(142,748,933)**	**(71,634,996)**	**6,642,205**	**(2,629,906)**

	Gross premiums written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance	Net result
Class of Business			**2021 US$**			
Marine, aviation and transport,	35,633,936	24,881,308	(15,090,795)	(6,459,360)	(1,852,230)	1,478,923
Fire and other damage to property,	81,772,480	50,397,472	(33,734,065)	(19,234,783)	1,141,324	(1,430,052)
General liability insurance,	50,252,543	32,777,404	(20,583,250)	(12,031,730)	45,471	207,895
Medical expense insurance,	15,609,811	22,959,443	(17,679,018)	(6,168,934)	(114,893)	(1,003,402)
Other	22,338,578	18,387,352	(8,244,535)	(5,138,603)	(1,570,877)	3,433,337
	205,607,348	**149,402,979**	**(95,331,663)**	**(49,033,410)**	**(2,351,205)**	**2,686,701**

5. NET OPERATING EXPENSES

	2022	2021
	US$	US$
Gross commission and brokerage costs	70,758,632	63,769,434
Reinsurance commission and brokerage	(67,627,021)	(53,919,484)
Gross deferred acquisition income	(10,740,048)	(19,397,430)
Reinsurance deferred acquisition costs	11,411,726	20,145,071
Administration expenses	7,292,770	5,189,000
	11,096,059	15,786,591

Net commission and brokerage costs paid amounted to $3,755,637 (2021: $9,493,047).

6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2022	2021
This is stated after (crediting)/charging:	US$	US$
Loss / (Gain) on foreign currencies	36,276	247,596
Operating lease expense	56,065	64,934
Depreciation expense	—	15,729
Audit of individual financial statements	63,148	40,491
Audit of Solvency II return	27,825	16,831
Tax consultancy	10,321	7,509
Directors' remuneration	1,041,988	1,335,743

The directors' remuneration disclosed represents the total compensation paid to directors. In accordance with note 3.19, the Company meets the definition of a qualifying entity under FRS 102, and has taken an exemption in relation to disclosing key management personnel compensation in total. The statutory auditor remuneration payable by the Company, excluding VAT, to its auditors, Deloitte, in respect of the audit of these financial statements and Solvency II return is included above. There were no other non-audit services provided by the Company's auditors, Deloitte.

7. EMPLOYEE COSTS AND NUMBERS

	2022	2021
	US$	US$
Wages and salaries	1,673,970	2,065,000
Social insurance costs	250,031	251,923
Health benefits	33,297	29,286
Pension benefits	173,601	168,317
Group stock incentive*	568,701	403,190
Life and disability benefit	24,894	17,405
	2,724,494	2,935,121

*Group stock compensation is in the form of restricted share units of the parent.

In accordance with note 3.19, the Company meets the definition of a qualifying entity under FRS 102, and has taken an exemption in relation to disclosing share-based compensation.

The average number of employees for the financial year 2022 was eleven (2021: eight).

	2022	2021
Executive	1	1
Underwriting and Pricing	4	3
Finance and Operations	5	3
Risk and Compliance	1	1
	11	**8**

8. INCOME TAX EXPENSE

(a) Analysis of tax charge

	2022	2021
	US$	US$
Current tax expense	652,989	551,107
Deferred tax (benefit)	(652,989)	(551,107)
Income tax expense	—	—

(b) Reconciliation of effective tax rate

	2022	2021
	US$	US$
Profit / (loss) for financial year after tax	4,612,041	3,978,405
Tax expense for the year	—	—
Profit / (loss) excluding tax	4,612,041	3,978,405
Tax using the standard rate of corporation tax in Ireland of 12.5%	576,505	497,301
Tax effect on deductible temporary differences	—	(805)
Tax effect on non-deductible expenses	76,484	53,806
Valuation allowance on deferred tax asset	(652,989)	(551,107)
Change in deferred taxes	—	805
Tax charge for the year	—	—

(c) Deferred tax balances

	2022	2021
	US$	US$
Deferred tax balance, opening	500,000	500,000
Accelerated capital allowances and other fixed asset differences	—	(805)
Tax losses carried forward in current year	—	—
Other temporary differences	—	805
Deferred tax balance, closing	500,000	500,000

The deferred tax asset of US$500,000 (2021: US$500,000) relates to timing differences arising on retained losses carried forward to be recoverable against future taxable profits. There were no unrecognised deferred tax liabilities at year end 31 December 2022 and 2021.

At 31 December 2022, the Company had an unrecognised deferred tax asset of 2,553,200 (2021: 3,206,190) in respect of a net operating loss carryforward which can only be offset against future taxable profits. This tax loss has no expiry date.

Deferred tax asset (net)

	2022	2021
	US$	US$
Deferred tax asset (gross)	2,553,200	3,206,190
Accumulated Valuation allowance	(2,053,200)	(2,706,190)
Deferred tax asset (net)	500,000	500,000

9. CALLED UP SHARE CAPITAL

	2022	2021
Authorised	US$	US$
1,000,000,000 Ordinary shares of US$ 0.10 each	100,000,000	100,000,000
Allotted, called up and fully paid		
100,000,000 Ordinary shares of US$ 0.10 each	10,000,000	10,000,000

One ordinary share was issued at US$0.10 on 7 September 2009 (the date of incorporation) and an additional 99,999,999 ordinary shares were subsequently issued on 31 August 2010, also at US$0.10.

10. CAPITAL AND RESERVES

Capital management

The Company's policy is to maximise value for its shareholder by ensuring that the Company's financial resources are allocated efficiently. The Company's capital management tools may include, but are not limited to, capital contribution from parent, retrocession transactions, aggregate stop loss contracts, adverse loss development covers, quota share contracts, and re-allocation of invested assets between cash, fixed income and equity securities. The Company also manages its capital and surplus to satisfy statutory, regulatory and rating agency requirements.

The Company is required to report its capital position under Solvency II, an EU-wide insurance regulatory regime. Solvency II is the capital adequacy regime for the European insurance industry. It has established a revised set of EU-wide capital requirements and risk management standards that came into force on 1 January 2016.

The Company uses the standard formula model to calculate the SCR. The SCR represents the Value-at-Risk of basic own funds subject to a confidence level of 99.5 % over a one-year period and covers existing business and all new business expected to be written over the next 24 months.

	2022	2021
	US$	US$
Total Equity	62,346,427	57,165,685
Own Funds	68,881,037	65,217,423
Solvency margin cover	164.6%	154.3%

As of 31 December 2022, the Company has been in compliance with the capital requirements required under the Irish Insurance Acts and Regulations throughout the financial years 2022 and 2021.

Capital contribution

During the year ended 31 December 2022, US$568,701 (2021: US$403,190) of the group share based benefit expense was recognised in the Company's equity as capital contribution from the parent.

No additional capital contributions were received from Greenlight Capital Re, Ltd. in 2022 (2021: US$—).

Reserves

The following table describes the nature and purpose of each reserve within equity:

Reserve	Description and Purpose
Called up share capital	Amount subscribed for share capital at nominal value which remain fully paid up.
Capital contribution reserve	Non-refundable capital introduced by the shareholder of the Company, contributed with no beneficial interest in the debt or equity of the Company.
Contributed capital adjustment for share based payments	Amount of share based benefit contributed by the shareholder of the Company. This is recognised as an expense in the Statement of Comprehensive Income.
Retained earnings	All other net gains and losses and transactions attributable to the shareholder of the Company.

11. INVESTMENT IN RELATED PARTY INVESTMENT FUND

At 31 December 2022 the Company has an investment in Solasglas Investments, LP ("SILP"). The net asset value of the investment was US$28,493,286 (2021: US$11,875,354), which represents 8.81% (2021: 5.06%) of the fund's net assets. The Company can redeem its assets for operational purposes by providing three business days' notice. This investment is measured at fair value through the profit and loss.

12. FINANCIAL INSTRUMENTS

	2022	2021
Financial Assets		
Measured at fair value through profit and loss		
Investment in related party investment fund	28,493,286	11,875,354
Other investments	511,350	363,600
	29,004,636	**12,238,954**
Measured at undiscounted amount receivable		
Reinsurance balances receivable	232,794,664	140,244,487
Reinsurance balances receivable from related party	585,116	425,180
Funds held by cedants	68,490,774	67,802,621
	301,870,554	**208,472,288**
Measured at cost		
Cash and cash equivalents	11,931,935	19,361,583
	11,931,935	**19,361,583**
Financial Liabilities		
Measured at undiscounted amount payable		
Accruals and other payables	588,014	831,522
Reinsurance balances payable	41,015,231	19,695,915
Due to related party	79,366	207,176
Funds withheld	186,883,479	128,215,936
	228,566,090	**148,950,549**

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 categorised based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorisation 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 prioritised 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 that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The following table presents the Company's investments, categorised by the level of the fair value hierarchy.

	Fair Value Measurements as of 31 December 2022			
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
		US$		
Assets:				
Investment in related party investment fund	—	28,493,286	—	28,493,286
Other investments	—	—	511,350	511,350
Total investments	—	28,493,286	511,350	29,004,636

	Fair Value Measurements as of 31 December 2021			
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
		US$		
Assets:				
Investment in related party investment fund	—	11,875,354	—	11,875,354
Other investments	—	—	363,600	363,600
Total investments	—	11,875,354	363,600	12,238,954

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) as of 31 December 2022:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Year ended December 31, 2022	
	Assets	
	Private Investments	Total
	US$	
Beginning balance	363,600	363,600
Purchases	184,071	184,071
Sales	—	—
Total realized and unrealised (losses) included in earnings, net	(36,321)	(36,321)
Ending balance	511,350	511,350

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Year ended December 31, 2021	
	Assets	
	Unlisted equity	Total
	US$	
Beginning balance	—	—
Purchases	369,954	369,954
Sales	—	—
Total realized and unrealized gains (losses) included in earnings, net	(6,354)	(6,354)
Ending balance	363,600	363,600

Private investments consist of innovations-related investments supporting technology innovators in the (re)insurance market. The Company measures its private investments 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, with such changes recognised in the caption "Net investment income" in the statement of comprehensive income. The Company considers the need for impairment on a by-investment basis.

The company held no unobservable inputs (level 3) at the year ended December 31, 2022.

The company made no transfers between levels in this year or the prior year.

13. CASH AT BANK AND IN HAND

	2022	2021
	US$	US$
Cash at bank and in hand	11,931,935	19,361,583

14. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalent balances are held to collateralise regulatory trusts.

	2022	2021
	US$	US$
Cash held as collateral in trust accounts	11,161,986	14,553,853

15. FIXED ASSETS

The following table provides a reconciliation of the carrying amount of fixed assets for the financial year ended 31 December 2022

	Leasehold improvements	Total
Cost		
Opening balance at 1 January 2021	269,645	269,645
Additions	—	—
Disposals	(269,645)	(269,645)
Ending balance at 31 December 2021	—	—
Opening balance at 1 January 2022	—	—
Additions	—	—
Disposals	—	—
Ending balance at 31 December 2022	—	—
Accumulated depreciation		
Opening balance at 1 January 2021	253,916	253,916
Depreciation for the year	15,729	15,729
Disposals	(269,645)	(269,645)
Ending balance at 31 December 2021	—	—
Opening balance at 1 January 2022	—	—
Depreciation for the year	—	—
Disposals	—	—
Ending balance at 31 December 2022	—	—
Carrying amounts		
At 31 December 2021	—	—
At 31 December 2022	—	—

The Company periodically reviews fixed assets that have finite lives, and that are not held for sale, for impairment by comparing the carrying value of the assets to their estimated future undiscounted cash flows.

16. INVESTMENT INCOME

A summary of net investment income for the financial years ended 31 December 2022 and 2021 is as follows:

	2022 US$	2021 US$
Income from investment in related party investment fund	7,744,517	1,719,643
Net Interest Income	672,890	11,554
Net dividend and other expenses	(1,175,460)	(439,493)
Investment income	7,241,947	1,291,704

Investment returns are calculated monthly and compounded to calculate the annual returns. The resulting actual investment income may vary depending on cash flows into or out of the investment account. For the year ended 31 December 2022, investment income, net of all fees and expenses, resulted in a gain of 27.8% on the investment portfolio. This compares to a gain of 8.8% for the year ended 31 December 2021.

17. TECHNICAL PROVISIONS

	Loss reserves	Unearned premiums
	2022 US$	
At start of period	117,821,898	93,566,436
Gross change during the period	85,617,765	41,524,722
Foreign exchange movement	(8,408,765)	(8,470,580)
At end of period	195,030,898	126,620,578
Reinsurance recoverable	(153,331,606)	(102,581,459)
Net	41,699,292	24,039,119
	2021 US$	
At start of period	72,390,061	38,049,223
Gross change during the period	46,618,909	56,204,369
Foreign exchange movement	(1,187,072)	(687,155.28)
At end of period	117,821,898	93,566,436
Reinsurance recoverable	(87,608,477)	(71,847,399)
Net	30,213,421	21,719,037

	2022 US$	2021 US$
Known claims reserves	36,901,014	25,285,885
IBNR reserves	158,129,884	92,536,013
Total loss reserves	195,030,898	117,821,898

Uncertainties and contingencies

The uncertainties arising under insurance contracts are characterised under note 3.3 Revenue recognition and note 3.6 Insurance losses and reserve and recoverables - technical provisions.

Claims development

For the year ended 31 December 2022, net unfavourable loss development on prior year contracts amounted to US$2,789,704 (2021: US$5,184,046.12 favourable) based on updated data received from the cedants and a reassessment in connection with the quarterly reserve analysis conducted by the Company.

18. RETROCESSION

Loss reserves recoverable from the retrocessionaires are recorded as assets. Retrocession contracts do not relieve the Company from its obligations to insureds. Failure of retrocessionaires to honour their obligations could result in losses to the Company. At 31 December 2022, the Company had loss reserves recoverable of US$149,539,220 (2021: US$84,842,458) with an affiliated retrocessionaire, Greenlight Reinsurance, Ltd, rated "A- (Excellent)" by A.M. Best. The Company also had loss reserves recoverable of US$3,792,385 (2021: US$2,765,859) with a non-affiliated retrocessionaires rated "A (Excellent)" by A.M. Best. The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honour their obligations. At 31 December 2022 and 2021, no provision for uncollectible losses recoverable was considered necessary.

Aggregate stop loss retrocession agreement

The Company has entered into a further retrocession agreement with Greenlight Reinsurance, Ltd, whereby Greenlight Reinsurance, Ltd provides an aggregate stop loss protection to the Company in return for premiums ceded by the Company to Greenlight Reinsurance, Ltd. For the year ended 31 December 2022, the Company ceded US$933,006 (2021: US$1,244,051) of written premiums to Greenlight Reinsurance, Ltd. The threshold for coverage was not breached for the 2022 year.

19. OTHER RELATED PARTY TRANSACTIONS

The Company undertakes transactions with other group undertakings. Transactions between the Company and other wholly owned subsidiaries Greenlight Capital Re, Ltd are not disclosed as the Company has taken advantage of the exemption under FRS 102 (section 33) not to disclose transactions between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by the ultimate parent undertaking.

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

INSURANCE RISK

The primary underwriting goal is to build a reinsurance portfolio that maximises profitability, subject to risk and volatility constraints.

The approach to underwriting begins at the class-of-business level. This analysis includes identifying and assessing the structural drivers of risk and emerging loss trends, and understanding the market participants and results, capacity conditions for supply and demand, and other factors. Our underwriting professionals specialise in business lines and our quantitative professionals assist in evaluating all risks we underwrite. Combined with cross-line management, we believe this approach enables us to build and deploy expertise and insight into the business line's risk dynamics and external risk factors that will affect each transaction.

i. *Underwriting risk*

The principal risk to which the Company is exposed is underwriting risk, which is the risk that the total cost of claims, claims adjustment expenses and premium acquisition expenses will exceed premiums received and can arise as a result of numerous factors, including reserving risk, catastrophe risk and pricing risk. Failure to accurately assess underwriting risk and establish adequate premium rates and terms and conditions as a result of market cycle fluctuations, competition, macroeconomic trends, and regulatory/legal issues can result in reduced earnings and capital.

The Board sets parameters for aggregate property catastrophic caps and limits for maximum loss potential under any individual contract. The Board must approve any exceptions to the established limits. The Board may amend the maximum underwriting authorities periodically and to align with our capital base. The Board designs the underwriting authorities to ensure the underwriting portfolio is appropriate on a risk-adjusted basis.

ii. Reserving risk

Reserve risk is the risk that claims and claim expense reserves subsequently prove to be insufficient to cover eventual claims. Deterioration in reserves can originate from frequency of claims being more than expected, severity of claims being higher than expected and difference between timing of claims payments versus expected. Reserving risk relates to all business earned at the valuation date. Risk relating to claims on unearned and future business is considered as part of underwriting risk. The reserve adequacy of the Company is monitored through quarterly review of reserves by the Actuarial Function as well as through an annual assessment performed by our Independent Actuary.

Reserves represent an estimate rather than an exact quantification. Although the methods for establishing reserves are well established, many assumptions about anticipated loss emergence patterns are subject to unanticipated fluctuation. We base our estimates on our assessment of facts and circumstances known at the time of the estimate, as well as estimates of future trends in claim severity and frequency, judicial theories of liability, and other factors, including the actions of third parties, which are beyond our control.

iii. Pricing Risk

We write reinsurance in the property and casualty markets, which are subject to pricing cycles. Primary insurers' underwriting results, prevailing general economic and market conditions, liability retention decisions of companies and primary insurers and reinsurance premium rates influence the demand for property and casualty reinsurance. Prevailing prices and available surplus to support assumed business influence reinsurance supply. Supply may fluctuate in response to changes in return on capital realised in the reinsurance industry, the frequency and severity of losses and prevailing general economic and market conditions.

We utilise modelling tools to facilitate our pricing and manage risks in our reinsurance portfolio.

Greenlight Reinsurance Ireland, Designated Activity Company

Notes to the financial statements for the year ended 31 December 2022 - continued

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

INSURANCE RISK - continued

iv. Claims Development Information

Claims developments on all of the coverages are shown below as at 31 December 2022:

	2013 & prior years	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of cumulative gross claims											
At December 2013	154,593	—	—	—	—	—	—	—	—	—	154,593
At December 2014	140,300	14,592	—	—	—	—	—	—	—	—	154,892
At December 2015	143,395	57,206	16,604	—	—	—	—	—	—	—	217,205
At December 2016	142,376	63,288	48,697	24,423	—	—	—	—	—	—	278,783
At December 2017	141,647	65,909	53,461	70,043	18,598	—	—	—	—	—	349,659
At December 2018	141,598	65,854	54,986	74,622	56,390	13,168	—	—	—	—	406,617
At December 2019	140,486	63,837	51,847	74,634	43,891	70,462	16,085	—	—	—	461,242
At December 2020	140,597	65,445	52,016	76,488	42,207	82,411	39,004	24,068	—	—	522,236
At December 2021	140,590	64,645	52,242	75,258	42,063	78,697	40,450	54,238	67,843	—	616,026
At December 2022	140,590	64,119	53,782	76,003	42,397	79,518	40,065	58,718	114,973	80,201	750,367
Cumulative payments	(140,583)	(63,633)	(51,851)	(72,643)	(40,478)	(75,039)	(35,465)	(41,929)	(30,890)	(2,826)	(555,336)
Reserve at 31 December 2022	8	487	1,931	3,360	1,919	4,479	4,599	16,789	84,084	77,375	195,031
Estimate of cumulative reinsurance recoveries											
At December 2013	(9,910)	—	—	—	—	—	—	—	—	—	(9,910)
At December 2014	(5,726)	(3,272)	—	—	—	—	—	—	—	—	(8,998)
At December 2015	(5,900)	(4,886)	(3,056)	—	—	—	—	—	—	—	(13,841)
At December 2016	(5,466)	(4,406)	(7,870)	(3,338)	—	—	—	—	—	—	(21,080)
At December 2017	(5,494)	(7,024)	(11,196)	(14,046)	(8,896)	—	—	—	—	—	(46,655)
At December 2018	(5,482)	(7,348)	(9,769)	(14,634)	(28,335)	(11,495)	—	—	—	—	(77,062)
At December 2019	(4,714)	(5,873)	(6,009)	(15,339)	(21,951)	(39,341)	(13,820)	—	—	—	(107,047)
At December 2020	(4,815)	(7,152)	(7,193)	(16,764)	(21,108)	(45,357)	(23,695)	(20,089)	—	—	(146,173)
At December 2021	(4,825)	(6,616)	(7,960)	(17,521)	(21,029)	(43,420)	(20,693)	(32,265)	(49,113)	—	(203,441)
At December 2022	(4,825)	(6,198)	(9,191)	(18,117)	(21,288)	(44,469)	(20,681)	(32,120)	(85,094)	(64,470)	(306,453)
Cumulative payments received	4,829	5,818	7,683	15,488	20,189	41,717	17,114	19,344	18,680	2,261	153,122
Reserve at 31 December 2022	4	(380)	(1,508)	(2,629)	(1,099)	(2,752)	(3,567)	(12,776)	(66,415)	(62,208)	(153,332)

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

INSURANCE RISK - continued

	2013 & prior years	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of cumulative net claims											
At December 2013	144,682	—	—	—	—	—	—	—	—	—	144,682
At December 2014	134,574	11,320	—	—	—	—	—	—	—	—	145,895
At December 2015	137,496	52,320	13,548	—	—	—	—	—	—	—	203,364
At December 2016	136,910	58,882	40,827	21,085	—	—	—	—	—	—	257,704
At December 2017	136,153	58,886	42,265	55,997	9,702	—	—	—	—	—	303,004
At December 2018	136,117	58,506	45,217	59,988	28,055	1,673	—	—	—	—	329,555
At December 2019	135,772	57,964	45,839	59,295	21,940	31,121	2,265	—	—	—	354,196
At December 2020	135,783	58,293	44,822	59,724	21,099	37,054	15,310	3,979	—	—	376,063
At December 2021	135,765	58,030	44,283	57,737	21,035	35,276	19,757	21,973	18,731	—	412,585
At December 2022	135,765	57,922	44,591	57,886	21,109	35,050	19,383	26,598	29,879	15,731	443,913
Cumulative net payments	(135,754)	(57,815)	(44,168)	(57,155)	(20,289)	(33,322)	(18,351)	(22,585)	(12,210)	(565)	(402,214)
Total per statement of financial position	11	107	423	731	820	1,727	1,032	4,013	17,669	15,166	41,699

v. Sensitivity to insurance risk

The principal assumption underlying the claims liabilities estimates is that the Company's future claims development will follow similar pattern to past claims development experience. These estimates are based on various quantitative and qualitative factors including:

- average claim costs including claim handling costs;
- trends in claims severity and frequency, and
- other factors such as inflation, expected or in-force government pricing and coverage reforms, and the level of insurance fraud.

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact the Company's ability to accurately assess the risk of the insurance contracts that the Company underwrites. In addition, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company and additional lags between the time of reporting and final settlement of claims.

The company refines its claims liabilities estimates on an ongoing basis as claims are reported and settled. Establishing an appropriate level of claims liabilities is an inherently uncertain process and the policies surrounding this are overseen by the Actuarial department.

REGULATORY RISK

Regulatory risk is the risk of loss and/ or damage to reputation owing to a breach of regulatory requirements or failure to respond to regulatory change. Solvency II was introduced with effect from January 1, 2016 and governs the prudential regulation of insurers and reinsurers, and requires insurers and reinsurers in Europe to meet risk-based solvency requirements. It also imposes group solvency and governance requirements on groups with insurers and/or reinsurers operating in the European Economic Area. A number of European Commission delegated acts and technical standards have been adopted, which set out more detailed requirements based on the overarching provisions of the Solvency II Directive. However, further delegated acts, technical standards and guidance are likely to be published on an ongoing basis.

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

FINANCIAL RISK

Current and non-current assets and liabilities

The following table provides an analysis of non-technical assets that include amounts expected to be settled no more than twelve months after the statement of financial position date (current) and more than twelve months after the statement of financial position date (non-current).

		2022	
Assets	**Current**	**Non-current**	**Total**
	US $	**US $**	**US $**
Fixed assets	—	—	—
Financial assets			
Investment in related party investment fund	28,493,286	—	28,493,286
Other investments	—	511,350	511,350
Deposits with ceding undertakings	68,490,774	—	68,490,774
Debtors			
Debtor arising out reinsurance operations	232,794,664	—	232,794,664
Amounts owned by group undertakings	585,116	—	585,116
Cash at bank and in hand	11,931,935	—	11,931,935
Other assets			
Restricted cash and cash equivalents	11,161,986	—	11,161,986
Prepayments, general receivables and accrued income	241,916	—	241,916
Deferred tax asset	—	500,000	500,000
Total	**353,699,677**	**1,011,350**	**354,711,027**
Liabilities			
Accruals and other payables	588,014	—	588,014
Creditors arising out of reinsurance operations	41,015,231	—	41,015,231
Amounts due to group undertakings	79,366	—	79,366
Funds withheld	186,883,479	—	186,883,479
Total	**228,566,090**	—	**228,566,090**

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

FINANCIAL RISK - continued

		2021	
Assets	**Current**	**Non-current**	**Total**
	US $	**US $**	**US $**
Fixed assets	—	—	—
Financial assets			
Investment in related party investment fund	11,875,354	—	11,875,354
Other investments	—	363,600	363,600
Deposits with ceding undertakings	67,802,621	—	67,802,621
Debtors			
Debtor arising out reinsurance operations	140,244,487	—	140,244,487
Amounts owned by group undertakings	425,180	—	425,180
Cash at bank and in hand	19,361,583	—	19,361,583
Other assets			
Restricted cash and cash equivalents	14,553,853	—	14,553,853
Prepayments, general receivables and accrued income	67,290	—	67,290
Deferred tax asset	—	500,000	500,000
Total	**254,330,368**	**863,600**	**255,193,968**
Liabilities			
Accruals and other payables	831,522	—	831,522
Creditors arising out of reinsurance operations	19,695,915	—	19,695,915
Amounts due to group undertakings	207,176	—	207,176
Funds withheld	128,215,936	—	128,215,936
Total	**148,950,549**	—	**148,950,549**

MARKET RISK

i. Equity Price Risk

As of 31 December 2022, the Company's investment portfolio included an investment in SILP, which holds underlying equity securities and equity-based derivative instruments, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realised upon the closing of the position to differ significantly from the current reported value. This risk is partly mitigated by the presence of both long and short equity securities. As of 31 December 2022, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a US$1,292,600 or 3.5% of the Company's investment portfolio.

Computations of the prospective effects of hypothetical equity price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment securities and should not be relied on as indicative of future results.

ii. Foreign Currency Risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and produce an adverse effect of net income and capital when measured in the Company's functional currency.

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

MARKET RISK - continued

The Company's cash flows and earnings are subject to fluctuations due to exchange rate variations. Foreign currency risk exists by nature of the Company's underwriting and investment strategy. The Company's principal transactions are carried out in US dollars though it has exposure to foreign exchange risk principally with respect to Sterling and Euro.

The Company does not seek to specifically match the liabilities under reinsurance policies that are payable in foreign currencies with investments denominated in such currencies; the Company continually monitors the exposure to potential foreign currency losses and may consider the use of forward foreign currency exchange contracts in an effort to mitigate against adverse foreign currency movements.

The schedule below shows the surplus or deficiency held in each of the main currencies by the Company at the year ended 31 December 2022:

Foreign Currency	Assets	Liabilities and Equity	Surplus / (Deficiency)
	US$	US$	US$
British Pound	352,208,257	348,915,679	3,292,578
Euro	10,515,990	9,566,696	949,294
United States Dollar	246,635,063	251,548,323	(4,912,964)
Other	3,204,683	2,533,295	671,388
Total	612,563,993	612,563,993	—

The schedule below shows the surplus or deficiency held in each of the main currencies by the Company at the year ended 31 December 2021:

Foreign Currency	Assets	Liabilities and Equity	Surplus / (Deficiency)
	US$	US$	US$
British Pound	230,862,361	230,421,603	440,499
Euro	8,966,280	9,139,490	(173,210)
United States Dollar	173,836,635	174,014,430	(177,499)
Other	3,839,292	3,929,045	(89,753)
Total	417,504,568	417,504,568	—

The following table summarises the net impact that a 10% increase and decrease in the value of the United States dollar against foreign currencies would have on the Company as of 31 December 2022:

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

MARKET RISK - continued

	10% increase in U.S. dollar	10% decrease in U.S. dollar
Foreign Currency	**Impact on SOCI/ Equity**	**Impact on SOCI/ Equity**
	US$	**US$**
British Pound	329,258	(329,258)
Euro	94,929	(94,929)
Other	67,139	(67,139)
Total	491,326	(491,326)

Computations of the prospective effects of hypothetical currency price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment in securities denominated in foreign currencies and related hedges, and should not be relied on as indicative of future results.

iii. Interest Rate Risk

The investment in SILP includes interest rate sensitive securities, such as corporate and sovereign debt instruments and interest rate swaps. The primary market risk exposure for any debt instrument is interest rate risk. As interest rates rise, the fair value of a long fixed-income portfolio generally falls. Similarly, falling interest rates generally lead to increases in the fair value of fixed-income securities. Additionally, some of the derivative investments may also be sensitive to interest rates and their value may indirectly fluctuate with changes in interest rates.

The caption "Debtors arising out of reinsurance operations" in our Statement of Financial Position represents amounts held by cedents, including the Lloyd's syndicates in which we participate. These syndicates invest a portion of the premiums withheld in fixed-income and variable-yield securities, which expose us to interest rate risk. At December 31, 2022, a 100 basis points increase or decrease in interest rates would result in an estimated $380k loss or gain, respectively.

Our "Restricted cash and cash equivalents" earn interest at rates that generally follow the movements of the short-term U.S. Treasury rates. At December 31, 2022, a 100 basis points increase or decrease in U.S. Federal Funds Rate would result in approximately a $96k increase or decrease, respectively, in our interest income on an annualised basis.

As of December 31, 2022, a 100 basis points increase or decrease in interest rates would have would result in approximately a $706k increase or a decrease of $779k on the value of our Investment Portfolio.

The Company, along with DME Advisors, monitors the net exposure to interest rate risk and generally do not expect changes in interest rates to have a materially adverse impact on our operations.

CREDIT RISK

The Company is exposed to credit risk primarily from the possibility that counterparties may default on their obligations to it. The amount of the maximum exposure to credit risk is indicated by the carrying value of the Company's financial assets. The Company is exposed to credit risk from its business partners and clients relating to balances receivable under the reinsurance contracts, including premiums receivable, losses recoverable and commission adjustments recoverable. The Company monitors the financial strength of its counterparties and assesses the collectability of these balances on a regular basis and obtains collateral in the form of funds withheld, trusts and letters of credit from its counterparties to mitigate their credit risk.

In addition, the securities, commodities, and cash in SILP's investment portfolio are held with several prime brokers and derivative counterparties, subjecting SILP, and indirectly us, to the related credit risk from the possibility that one or more of them may default on their obligations. While the Company has no direct control over SILP, DME Advisors closely and regularly monitors the concentration of credit risk with each counterparty and, if necessary, transfers cash or securities between counterparties or requests collateral to diversify and mitigate credit risk. Other than the Company's investment in SILP and the fact that SILP's investments and the majority of cash balances are held by prime brokers, the Company has no other significant concentrations of investment credit risk.

The Company retrocedes a significant portion of its reinsurance liabilities via internal reinsurance to its sister Company, Greenlight Reinsurance Ltd., ("GRL") a wholly owned subsidiary of GLRE, which is rated "A-(excellent)" by A.M. Best. The Company closely monitors the financial strength of GRL and while the amount recoverable is material (see note 18) the Company does not regard the recoverability of reinsurance assets as a material credit risk given the financial strength of the group.

The Company holds cash deposits with HSBC Continental Europe which has a A+ credit rating from Standard and Poor's.

20. INSURANCE, REGULATORY AND FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

As of 31 December 2022, the majority of the Company's investments in SILP were valued based on quoted prices in active markets for identical assets. Given the Company's value-oriented long and short investment strategy, if equity markets decline, the obligations for covering short positions would also decline. Any reduction in the short portfolio would reduce the need for restricted cash and thereby cash would be freed up to be used for any purpose. Additionally, since the majority of the Company's investments in SILP are liquid, even in distressed markets, the invested assets can be liquidated to generate cash to pay claims, hence mitigating any liquidity risk.

EFFECTS OF INFLATION

We have seen an increase in inflationary pressures. Initially these pressures were linked to supply chain issues and the fallout from Covid-19 and were expected to be temporary. This issue has been escalated by the Russian invasion of Ukraine. It is possible that inflation could remain elevated for some time. Higher than anticipated inflation could lead to an increase in loss costs and the need to strengthen loss reserves. The impact of inflation on loss costs will likely be more pronounced for longer tail business lines, where it takes a period of time to finalise and settle claims. In general, the Company's underwriting book is skewed towards shorter tail classes and therefore the impact should be less pronounced.

21. LETTERS OF CREDIT AND TRUSTS

The Company's related company, GRL, issues letters of credit on behalf of the Company under various facilities, for the benefit of the Company's insureds. The collateral pledged as security relating to these letters of credit is also provided by GRL. In the event that the Company's insureds draw upon any letters of credit, the Company shall be obligated to reimburse GRL the amount of the letters of credit drawn by the insured. As of 31 December 2022, US$16,707,680 (2021: US$14,983,971) of letters of credit were issued by GRL on behalf of the Company and no letters of credits were drawn by the Company's insureds for the year ended 31 December 2022.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedants. As of 31 December 2022, collateral of US$11,161,986 (2021: US$14,553,853) was provided to cedants in the form of regulatory trust accounts (see note 14).

22. COMMITMENTS - OPERATING LEASE

The Company entered into a new lease agreement for office space in Dublin, Ireland in October 2021. Under the terms of this lease agreement, the Company is committed to minimum annual rent payments denominated in Euros approximating €71,500 per annum until September 2026. The Company has the option to terminate the lease agreement in 2026. Included in the schedule below are the net minimum lease payment obligations for the remaining years relating to this lease as of 31 December 2022.

	2023	2024	2025	2026	Total
Operating lease obligations	76,526	76,526	76,526	57,395	286,973

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events since the statement of financial position date to report.

24. ULTIMATE PARENT UNDERTAKING

The immediate parent and ultimate parent undertaking is GLRE, a company incorporated in the Cayman Islands. The Group financial statements, for which the Company is a member, are available to the public from the registered office at 65 Market Street, Suite 1207 Jasmine Court, Camana Bay, Grand Cayman KY1-1205, Cayman Islands.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the directors on 30 March 2023.