



Nuclear Electric Insurance Limited and Subsidiaries

*Consolidated Financial Statements
As of and for the Years Ended
December 31, 2023 and 2022,
and Independent Auditor's Report*

NUCLEAR ELECTRIC INSURANCE LIMITED AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Policyholders of
Nuclear Electric Insurance Limited
Hamilton, Bermuda

Opinion

We have audited the consolidated financial statements of Nuclear Electric Insurance Limited and Subsidiaries (the "Company"), which comprise of the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive earnings (losses), cash flows, changes in policyholders' surplus for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 9 to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Touche LLP

March 22, 2024

NUCLEAR ELECTRIC INSURANCE LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of U.S. Dollars)

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Investments:		
Fixed maturities, at fair value	\$ 1,406,617	\$ 1,299,592
Equity securities, at fair value	2,366,677	2,029,220
Derivatives Options, at fair value	360	3,755
Short-term investments	275,236	141,013
Alternative investments	894,592	907,560
Total investments	<u>4,943,482</u>	<u>4,381,140</u>
Cash	17,098	30,348
Accrued interest and distribution receivable	13,025	10,563
Amounts due from policyholders	48,313	27,586
Reinsurance receivable	18,318	8,370
Income taxes receivable	123,337	122,233
Prepaid reinsurance premiums	10,978	10,798
Prepaid expenses and other assets	14,924	16,234
Total assets	<u>5,189,475</u>	<u>4,607,272</u>
<u>LIABILITIES AND POLICYHOLDERS' SURPLUS</u>		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 473,153	\$ 425,118
Unearned premiums	148,188	122,572
Income taxes payable	202	-
Amounts due to policyholders	83	78
Deferred income taxes, net	135,013	71,975
Distribution payable to policyholders	300,000	150,000
Accounts payable, accrued expenses and other liabilities	83,422	46,646
Total liabilities	<u>1,140,061</u>	<u>816,389</u>
Policyholders' surplus:		
Reserve fund	\$ 250	\$ 250
Accumulated other comprehensive earnings (loss)	(3,304)	(21,532)
Surplus	<u>4,052,468</u>	<u>3,812,165</u>
Total policyholders' surplus	<u>4,049,414</u>	<u>3,790,883</u>
Total liabilities and policyholders' surplus	<u>\$ 5,189,475</u>	<u>\$ 4,607,272</u>

See notes to Consolidated Financial Statements.

NUCLEAR ELECTRIC INSURANCE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSSES)

YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands of U.S. Dollars)

	<u>2023</u>	<u>2022</u>
Direct premiums earned	\$ 294,704	\$ 277,089
Reinsurance premiums assumed	40,933	48,024
Reinsurance premiums ceded, net	(47,476)	(45,130)
Net Premiums Earned	<u>288,161</u>	<u>279,983</u>
Losses and loss adjustment expenses	167,295	135,980
Administrative expenses	39,379	39,279
Commissions expense	8,819	4,342
Total underwriting expenses	<u>215,493</u>	<u>179,601</u>
Earnings From Underwriting Operations	<u>72,668</u>	<u>100,382</u>
Investment income, net	105,336	69,269
Gains on derivative instruments, net	2,577	6,830
Gains on alternative investments, net	20,470	73,655
Net realized investment gains / (losses)	413,456	(721,218)
Investment expenses	(12,341)	(12,037)
Earnings (Losses) From Investments	<u>529,498</u>	<u>(583,501)</u>
Earnings (Losses) Before Distribution To Policyholders And Income Taxes	<u>602,166</u>	<u>(483,119)</u>
Distribution to policyholders	300,000	150,000
Earnings (Losses) Before Income Taxes	<u>302,166</u>	<u>(633,119)</u>
Income tax (benefit) expense	61,863	(129,290)
Net Earnings (Losses)	<u>240,303</u>	<u>(503,829)</u>
Other Comprehensive Earnings (Losses), Net Of Income Taxes		
Foreign currency translation adjustment (net of income taxes of \$3,413 in 2023 and \$(6,582) in 2022)	12,837	(24,760)
Total net unrealized gain arising during the period (net of income taxes of \$14,272 in 2023 and \$3,357 in 2022)	53,688	12,629
Less: Reclassification adjustments for net investment gains included in net earnings (net of income taxes of \$12,839 in 2023 and \$518 in 2022)	48,297	1,948
Total net unrealized losses arising during the period	<u>5,391</u>	<u>10,682</u>
Other Comprehensive Earnings (Losses), Net Of Income Taxes	<u>18,228</u>	<u>(14,078)</u>
Comprehensive Earnings (Losses)	<u>\$ 258,531</u>	<u>\$ (517,907)</u>

See notes to Consolidated Financial Statements.

NUCLEAR ELECTRIC INSURANCE LIMITED AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2023 AND 2022
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. Dollars)

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 240,303	\$ (503,829)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Net realized investment (gains) losses	(413,457)	721,202
Amortization/accretion of premiums and discounts on investments	(4,376)	5,033
Equity in earnings of alternative investments, net of expenses	(24,285)	(69,778)
Alternative investments return on capital distributions	40,365	25,501
Increase (Decrease) in deferred income taxes, net	58,298	(130,808)
Distribution to policyholders - declared	300,000	150,000
Payment of policyholders' distribution	(150,000)	(600,000)
Changes in assets and liabilities which provided (used) cash:		
Accrued Interest and distribution receivable	(2,462)	(1,579)
Amounts due from policyholders	(20,727)	(439)
Reinsurance receivable	(9,929)	-
Income taxes receivable	(902)	11,667
Foreign currency contract receivable	-	77,151
Prepaid reinsurance	(180)	3,023
Prepaid expenses and other assets	(1,186)	(4,280)
Unpaid losses and loss adjustment expenses	48,035	(13,503)
Unearned premiums	25,616	594
Ceded premiums payable	(19)	(2,276)
Amounts due to policyholders'	5	-
Foreign currency contract payable	-	(77,520)
Accounts payable and accrued expenses	9,236	(6,801)
Net cash provided (used) by operating activities	<u>94,335</u>	<u>(416,642)</u>
INVESTING ACTIVITIES:		
Proceeds from sales and distributions of investments:		
Fixed maturities	1,248,451	1,450,738
Equity securities	820,896	625,965
Alternative investments	104,660	65,525
Short-term investments	1,393,325	747,397
Maturities of investment - fixed maturities	70,532	118,179
Maturities of investments - short-term	176,321	372,430
Purchases of investments:		
Fixed maturities	(1,389,646)	(1,526,391)
Equity securities	(719,929)	(605,560)
Alternative investments	(111,550)	(118,813)
Short-term investments	(1,700,645)	(706,790)
Net cash (used) provided in investing activities	<u>(107,585)</u>	<u>422,680</u>
NET (DECREASE) INCREASE IN CASH	(13,250)	6,038
CASH:		
Beginning of year	30,348	24,310
End of year	<u>\$ 17,098</u>	<u>\$ 30,348</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Net cash (paid) received during the year for income tax	<u>\$ (5,530)</u>	<u>\$ 9,963</u>

See notes to Consolidated Financial Statements.

NUCLEAR ELECTRIC INSURANCE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN POLICYHOLDERS' SURPLUS
 YEARS ENDED DECEMBER 31, 2023 AND 2022
 (In thousands of U.S. Dollars)

	Accumulated Other <u>Comprehensive Earnings (Loss)</u>				
	Total	Surplus	Foreign Currency Translation	Unrealized Gains (Losses) and Benefit Obligations	Reserve Fund
Balance, January 1, 2022	\$ 4,308,791	\$ 4,315,994	\$ 2,466	\$ (9,919)	\$ 250
Comprehensive Earnings (Loss):					
Net Earnings (Loss)	(503,829)	(503,829)	-	-	-
Other comprehensive earnings (loss), (net of income taxes)	(14,079)	-	(24,760)	10,681	-
Comprehensive Earnings (Loss):	<u>(517,908)</u>	<u>(503,829)</u>	<u>(24,760)</u>	<u>10,681</u>	<u>-</u>
Balance, December 31, 2022	<u>\$ 3,790,883</u>	<u>\$ 3,812,165</u>	<u>\$ (22,294)</u>	<u>\$ 762</u>	<u>\$ 250</u>
Comprehensive Earnings (Loss):					
Net Earnings	240,303	240,303	-	-	-
Other comprehensive earnings, (net of income taxes)	18,228	-	12,837	5,391	-
Comprehensive Earnings:	<u>258,531</u>	<u>240,303</u>	<u>12,837</u>	<u>5,391</u>	<u>-</u>
Balance, December 31, 2023	<u>\$ 4,049,414</u>	<u>\$ 4,052,468</u>	<u>\$ (9,457)</u>	<u>\$ 6,153</u>	<u>\$ 250</u>

See notes to Consolidated Financial Statements.

1. NATURE OF BUSINESS

Nuclear Electric Insurance Limited (the "Company" or "NEIL") is incorporated under the laws of Bermuda, has its place of business in Delaware, and is a registered insurer under the Bermuda Insurance Act of 1978 and the Captive Insurance Companies Act of Delaware. The Company traces its roots to 1973 and the formation of Nuclear Mutual Limited ("NML") in Bermuda, as a mutual insurance company. NML and the Company, which was formed as a mutual insurance company in 1980, were formed by groups of U.S. electric utilities as alternatives to the commercial nuclear insurance market. NML was merged into the Company in 1997. Each utility and energy company that is a Member of the Company today has, or had at the time of becoming a Member, an insurable interest in a commercial nuclear power generation plant.

The Company insures nuclear plants and their generating units, owned by electric utilities and independent power producers (the "Members"). The Company currently provides property insurance coverage to all the commercial nuclear power generating facilities in the United States, Belgium, and Spain. The European coverage is offered through NEIL's wholly owned subsidiary NEIL Overseas dac ("NEIL Overseas"). NEIL Overseas is an Irish designated activities company based in Dublin, Ireland. It is licensed in Ireland and thus able to conduct business in European Union countries. NEIL provides reinsurance to NEIL Overseas to support the insurance provided to the Insureds in Belgium and Spain, and the NEIL Overseas Insureds are Members of NEIL.

The coverage for the plants in United States and Europe includes: 1) the costs associated with certain long-term interruptions of electric generation, due to accidental physical damage under the Accidental Outage programs, 2) decontamination expenses incurred at such sites arising from accidental nuclear contamination under the Property Insurance program, 3) other risks of direct physical loss at such sites, including certain premature decommissioning costs under the Property Insurance program, and 4) risks associated with the construction of new nuclear power plants through the Company's Builders' Risk program.

The Accidental Outage program pays a maximum weekly indemnity limit of \$4.5 million resulting from an accidental outage at any one unit. The Company's loss exposure on any single incident caused by nuclear perils at a unit is limited to 100% of the weekly indemnity for 52 weeks and 80% for the subsequent 110 weeks, up to a maximum of \$490 million. For a single incident caused by non-nuclear perils, the Company's loss exposure is limited to 100% of the weekly indemnity for 52 weeks and 80% for the subsequent 52 weeks, up to a maximum of \$327.6 million. Deductibles of 8, 12, 20, or 26 weeks are available as part of this program.

The Property Insurance program provides property insurance coverage of up to \$1.5 billion per occurrence for nuclear and non-nuclear perils, plus up to an additional \$1.25 billion per occurrence for nuclear peril only. The program features an optional blanket limit structure that allows multiple nuclear sites to share limits at reduced rates above \$1.5 billion.

In 2014, NEIL organized a subsidiary named NEIL Specialty Insurance Company (“NSIC”), a Delaware Corporation that is licensed in Delaware as an industrial insured captive insurer, to provide property insurance coverage (non-nuclear peril only) of up to \$750 million in excess of \$1.5 billion per occurrence. Effective April 1, 2023, due to low take up of this layer of coverage, the Company replaced NSIC and became the insurer on the policies. It is expected that in 2024, the Company will file with the Delaware Department of Insurance to change NSIC’s license status to dormant.

The Builders’ Risk program provides property insurance coverage of up to \$2.75 billion with a sublimit for delay in start-up, natural hazards, and other perils. Policy periods vary as a result of the complexity and uniqueness of each project.

Since 2000, the Company has also provided certain non-nuclear property, cyber, and liability coverage to existing Members. This coverage is provided in conformity with specialty property and liability programs, following the terms and conditions underwritten by the program’s lead underwriter(s). Up until 2021, NEIL provided this capacity on a reinsurance basis.

In 2020, NEIL formed a new subsidiary, Cedar Hamilton Limited (“CHL”), under the laws of Bermuda, to provide a direct source of industrial property and excess liability capacity for risks related to or arising out of Member’s business operations (Non-Nuclear Property, Builders’ Risk, Excess Liability, and Cyber insurance coverages). The programs NEIL participated in on a reinsurance basis, were transitioned to CHL throughout 2021 and 2022. CHL started writing specialty insurance business on a surplus & excess lines basis in the second quarter of 2021. This coverage has been offered to European Members through NEIL’s wholly owned subsidiary NEIL Overseas since 2019.

In 2021, NEIL formed Cedar Hamilton Insurance Services LLC (CH Insurance Services) to provide underwriting services to CHL and act as a Producer on behalf of CHL. CH Insurance Services is staffed by NEIL’s Specialty Underwriting team under a service agreement between NEIL and CH Insurance Services. CH Insurance Services is licensed in the states where NEIL’s Specialty Underwriters are based and most of the states where its U.S. Members are headquartered. States

where CH Insurance Services is not licensed are handled through the insured's Surplus & Excess Lines Broker.

CHL has executed an underwriting agreement with CH Insurance Services to manage the underwriting of CHL's accounts and a service agreement with NEIL for all other administrative services.

NEIL, NEIL Overseas, and CHL also provide insurance coverage for Non-Members on a direct basis. The coverage provided by these direct placements is similar in nature to that which is provided to its Members via the programs noted above. The capacity offered to Non-Members is significantly lower than what is offered to Members with the maximum limit dictated by the Bermuda Monetary Authority for NEIL and CH, and follows the risk profile of the Company. The number of direct Non-Member programs written are limited in comparison to the direct Member business written.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation & Basis of Presentation

The Consolidated Financial Statements include the Company, its wholly owned subsidiaries, NEIL Services Inc. ("NSI"), Delaware Risk Management, Inc., Nuclear Electric (Cayman) Limited, NEIL Overseas dac ("NEIL Overseas"), NSIC, CHL, CHIS LLC, and variable interest entities ("VIE") for which the Company is the primary beneficiary. All intercompany transactions have been eliminated in consolidation. The financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America ("US GAAP").

Premiums Written/Unearned Premiums

Net premiums written reflect the premiums the Company retains after purchasing reinsurance protection. Net premiums earned reflect the portion of net premiums written that were recorded as revenues for the period as the exposure period expires, net of discounts. Premiums written and reinsurance premiums assumed and ceded are reflected

in earnings on a pro-rata basis over the term of each policy, or in the case of Builders' Risk, written premiums and reinsurance premiums ceded are recognized over the contract period in proportion to the amount of insurance protection provided. Unearned premiums represent the portion of premiums written which are applicable to the unexpired terms of policies in force. Unearned premiums are recorded at cost, which approximates fair value. The Company records advance payments of reinsurance premiums as Prepaid reinsurance premiums. Premiums ceded under reinsurance agreements are recorded as Ceded premiums payable, to the extent there is no right to offset with Prepaid reinsurance amounts.

Policyholders' Distribution

The Company insures nuclear plants and their generating units owned by the Members, primarily in the United States. The Company provides catastrophic insurance covering low frequency, high severity events and as such requires significant resources to satisfy potential catastrophic claims. To the extent that the full amount of these resources is not required during a given year, distributions to Members may be utilized as a method of sharing favorable financial results. Distributions are determined on an annual basis at the discretion of the Board of Directors, based on the authority approved by the Membership, and allocated to the Members in accordance with NEIL's Bye-Laws. If, for any reason, a Member ceases to maintain an insurance relationship with NEIL, the Member will lose its Membership status. The Member would remain eligible, for the ensuing five-year period only, to participate in future distributions. The Member would not be eligible to participate in any liquidation distributions, even if such distributions occur within the eligibility period. The Board of Directors declared an annual Distribution of \$300 and \$150 million on December 15, 2023, payable to the Members by March 22, 2024 and on December 9, 2022 and paid on March 24, 2023, respectively.

Investments

The Company applies the Fair Value Option for Financial Assets and Liabilities (embodied in Accounting Standards Codification ("ASC") Topic 825, "*Financial Instruments*"), which allows companies to make an election on an individual instrument basis to report financial assets and liabilities at fair value. The election must be made at the inception of a

transaction and may not be reversed. The Company has made the election for fixed maturity purchased on or after January 1, 2010. These securities are included in Fixed maturities at fair value on the Consolidated Balance Sheet, and changes in the fair value of the securities are reported in Net realized investment gains on the Statements of Operations and Comprehensive Earnings (Losses). Dividends on equity securities are recorded when declared, and interest on fixed income securities is recorded on an accrual basis. The Company believes that making the election for its portfolio of investment securities is consistent with its operating principle to manage investments for total return.

Both dividends and interest are reported in Investment income, net on the Statements of Operations and Comprehensive (Loss) Earnings. Amortization and accretion of premiums and discounts on marketable securities are included in Investment income, net. Realized investment gains and losses on sales of equity and fixed maturity securities are computed using the specific identification cost method and are reported in Net realized investment gains on the Statements of Operations and Comprehensive (Loss) Earnings.

The Company has categorized its investments in marketable fixed maturity securities as available for sale. Excluding those securities accounted for under the Fair Value Option, the Company has reported the portfolio at fair value with unrealized gains and losses, which included unrealized gains and losses due to foreign currency translation, net of tax, as a component of Accumulated Other Comprehensive (Loss) Earnings, which is a separate component of Policyholders' Surplus.

Excluding those securities accounted for under the Fair Value Option, declines in the fair value of fixed maturity securities are evaluated by management for impairment. Impairments are bifurcated into the amount attributed to the credit loss, which is recognized in net earnings, and all other causes, which are recognized in Other Comprehensive (Loss) Earnings. The aggregate of unrealized on lots in a loss position was de minimis.

Short-term investments consist of income generating funds with maturities of less than one year in duration held within various externally managed portfolios. The income generated in these funds is included in Investment income, net. These investments are primarily recorded at cost, which approximates fair value.

The Company purchases a variety of derivative financial instruments for risk management and investment purposes. The Company recognizes all derivatives as either assets or liabilities at fair value as prescribed in ASC Topic 815, "*Derivatives and Hedging.*" Gains and losses on derivatives are recorded in Investment income, net on the Statements of Operations and Comprehensive (Loss) Earnings.

Alternative investments consist of investments in real estate, private equity, and hedge funds that are either carried on the equity method of accounting as prescribed in

ASC Topic 323, *"Investments, Equity Method and Joint Ventures,"* or in limited instances are consolidated variable interest entities ("VIEs"), as prescribed in ASC Topic 810, *"Consolidation."* The Company follows ASC Topic 970, *"Real Estate, General,"* in accounting for its real estate investments. For investments in private equity and hedge funds, the Company follows accounting as prescribed in ASC Topic 323, *"Investments, Equity Method and Joint Ventures."* The Company records the activity of its private equity and real estate investments on a one-quarter lag or less and hedge fund investments on a one-month lag or less, based upon the availability of fund financial information. At December 31, the Company's alternative investments are generally reported at the Company's proportional interest per the reporting lag on a fair value basis, consistent with the underlying fund's method of accounting, and adjusted for contributions and distributions through December 31.

The Company also considers fund transactions during the last three months of the year that may indicate a significant change in fair value has occurred. Due to the inherent uncertainty of valuation, the values determined by management may differ significantly from values that would have been used had a ready market for these investments existed, and the differences could be material.

Variable Interest Entities

In the normal course of investment activities, the Company enters into relationships with entities that could be considered VIEs. For most VIEs, the entity that has both the ability to direct the most significant activities of the VIE and the obligation to absorb losses or receive benefits that could be significant to the VIE, is considered the primary beneficiary. The Company's policy is to consolidate those VIEs for which it is deemed to be the primary beneficiary. The accounting guidance for the determination of when an entity is a VIE and when to consolidate a VIE is complex and requires significant management judgment. The determination of the VIEs primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with, or involvement in, the entity, an estimate of the entity's expected losses, and expected residual returns and the allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary.

The Company's VIEs consist of certain interests in hedge funds, real estate funds and private equity limited partnerships. The Company enters into the VIEs purely to

diversify its investment portfolio. The VIEs are primarily financed by capital contributions from equity holders. The Company's involvement in financing the VIE is limited to its equity interest. The Company performed an economic analysis of the rights and obligations of its assets, liabilities, equity, and other contracts to identify its variable interests. On a subsequent basis, and at least annually, the Company has also performed an assessment of reconsideration events. The Company is a limited partner in its partnership investments and, as such, does not participate in the management of the entities. The limited partner agreement and the partnership entity's most current financial statements were also reviewed, to determine if the investment entity required subordinate financial support to permit it to finance its activities, whether there is an obligation to absorb expected losses or receive expected residual returns, and whether there are guaranteed returns on its interest, or its returns are capped.

The following tables are the carrying amount, unfunded commitment, and maximum exposure to loss relating to VIEs for which the Company is not the primary beneficiary, and which have not been consolidated:

December 31, 2023

(In thousands of U.S. Dollars)

	Carrying Value		Remaining Commitment		Maximum Exposure to Loss¹
Hedge Funds	\$ 25,338	\$	-	\$	25,338
Real Estate Partnerships	187,105		60,973		248,078
Private Equity Partnerships	148,723		113,522		262,245
	\$ 361,166	\$	174,495	\$	535,661

¹⁾ The maximum exposure to loss is equal to the carrying amount plus any unfunded commitments of the Company.

December 31, 2022

	Carrying Value		Remaining Commitment		Maximum Exposure to Loss¹
Hedge Funds	\$ 293	\$	-	\$	293
Real Estate Partnerships	199,572		77,108		276,680
Private Equity Partnerships	107,828		79,959		187,787
	\$ 307,693	\$	157,067	\$	464,760

¹⁾ The maximum exposure to loss is equal to the carrying amount plus any unfunded commitments of the Company.

Unpaid Losses and Loss Adjustment Expenses

As an insurance and reinsurance company, the Company is required, by applicable laws and regulations, and by US GAAP, contained in ASC Topic 944, "Financial Services-Insurance," to establish loss and loss expense reserves for the estimated unpaid portion of the ultimate liability for losses and loss expenses, under the terms of policies and agreements with its insured and reinsured Members. The estimate of liabilities includes provision for claims that have been reported but unpaid at the balance sheet date and for future obligations from claims that have been incurred but not reported ("IBNR") at the balance sheet date. The provision for unpaid losses and loss expenses is determined on the basis of management estimates based, where appropriate, on information from claims adjustors, independent consultants, and other evaluations, including estimates for IBNR. The process for establishing loss reserves can be complex and subject to considerable uncertainty and requires the use of informed estimates and judgments based on circumstances known at the date of the accrual. The methods of making such estimates

and establishing resulting liabilities are continually reviewed and updated, and any resultant adjustments are reflected in operations currently.

Contingencies

ASC Topic 450, "*Contingencies*," defines a contingency as any material condition that involves a degree of uncertainty that will ultimately be resolved. Under US GAAP, the Company is required to establish reserves for contingencies when a loss is both probable and can be reasonably estimated. The Company determines the amount of reserves required for contingencies, if any, after carefully analyzing each issue using internal estimates, case level reviews by both inside and outside legal counsel, technical, and claims experts, and other relevant information. In cases where the loss is not both probable and estimable, the Company has not established an accrual at this time. Appropriate disclosures are made in accordance with the requirements of ASC Topic 450. The required reserves may change due to new developments in information, or changes in approach to claim or loss resolution. Any such revision could result in future changes in estimates of losses or reinsurance recoverable and would be reflected in the Company's financial statements in the period in which the estimates are changed.

Income Taxes

The Company accounts for income taxes under the asset and liability method as prescribed by ASC Topic 740, "*Income Taxes*," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date.

The Company records net deferred tax assets, to the extent it believes these assets will more likely than not be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent financial operations. In the event the Company was to determine that it would be able to realize its deferred income tax assets in the future in excess of their net

recorded amount, the Company would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

The Company accounts for its uncertain tax positions in accordance with ASC Topic 740. ASC Topic 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely than not recognition threshold to be recognized. ASC Topic 740 also provides guidance on measurement, de-recognition, classification, interest and penalties, and disclosure. The Company would recognize interest and penalties (if any) related to unrecognized tax benefits within the income tax expense line in the accompanying Statements of Operations and Comprehensive (Loss) Earnings. Accrued interest and penalties (if any) would be included within the related tax liability line in the Consolidated Balance Sheet. There are no material uncertain tax positions reflected in the Company's Consolidated Financial Statements as of December 31, 2023 and 2022.

Cash

Cash includes short-term securities with maturities of three months or less at the time of purchase, primarily deposits with banks, which are generally considered part of the Company's cash management activities rather than the Company's investing activities.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The purpose of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance was effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company implemented ASU 2016-02, *Leases (Topic 842)* on January 1, 2022. The impact to the Consolidated Financial Statements was not material.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, *Measurement of Credit Losses on Financial Instruments*, and subsequently issued 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. The purpose of this update is to introduce a new approach to estimate credit losses

on certain types of financial instruments based on expected losses. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The guidance was effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2021. The Company implemented this update on January 1, 2022. The impact to the Consolidated Financial Statements was not material.

3. INVESTMENTS

The amortized cost, gross unrealized gains and losses, and estimated fair value of available-for-sale fixed maturity securities, excluding those securities accounted for under the Fair Value Option, at December 31, 2023 and 2022 are as follows:

December 31, 2023

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturities:				
Foreign government obligations	\$ 232	41	-	\$ 273
Obligations of state and political subdivisions	315	45	(4)	356
Corporate debt securities	956	272	-	1,228
Mortgage-backed securities	2,324	256	(31)	2,549
Other debt securities	-	-	-	-
	\$ 3,827	\$ 614	\$ (35)	\$ 4,406

December 31, 2022

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturities:				
Foreign government obligations	\$ 234	\$ 34	-	\$ 268
Obligations of state and political subdivisions	316	37	(5)	348
Corporate debt securities	1,140	328	(1)	1,467
Mortgage-backed securities	2,743	254	(32)	2,965
Other debt securities	-	-	-	-
	\$ 4,433	\$ 653	\$ (38)	\$ 5,048

The fixed maturity securities accounted for under the Fair Value Option had an amortized cost of \$1,446,367,000 and \$1,406,584,000 and an estimated fair value of \$1,402,212,000 and \$1,294,544,000, at December 31, 2023 and 2022, respectively.

The Company was required to hold \$70,000,000 and \$43,000,000 of equity securities in trust as collateral for a reinsurance agreement, at December 31, 2023 and 2022, respectively.

Gross realized gains and losses for available-for-sale securities, including fixed income securities accounted for under the Fair Value Option and equity securities accounted for at fair value in accordance with ASU 2016-01, were as follows:

(In thousands of U.S. Dollars)

		2023		2022
Realized gains	\$	233,845	\$	119,221
Realized loss		(176,280)		(193,996)
Net gain (loss) on fair value option securities		355,891		(646,443)
	\$	413,456	\$	(721,218)

Components of Investment income, net for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of U.S. Dollars)

		2023		2022
Interest and dividends	\$	98,350	\$	78,377
Accretion and amortization (losses)		4,376		(5,033)
Other (losses)		2,610		(785)
	\$	105,336	\$	72,559

The amortized cost and estimated fair value of fixed maturity securities by maturity date, at December 31, 2023 are as follows:

(In thousands of U.S. Dollars)

	Cost or Amortized Cost		Estimated Fair Value	
Due in one year or less	\$	59,410	\$	58,235
Due after one year through five years		686,514		679,087
Due after five years through ten years		231,976		225,444
Due after ten years		472,293		443,851
	\$	1,450,193	\$	1,406,617

The Net change in unrealized investment gains (losses) arising during the period, excluding the net change in benefit obligation of (\$905,000) and \$5,052,000 for the years ended December 31, 2023 and 2022, respectively, is as follows:

(In thousands of U.S. Dollars)

		2023		2022
Fixed maturities	\$	452	\$	(1,304)
Foreign currency translation		23,706		(22,904)
Deferred income taxes		(5,024)		5,078
	\$	19,134	\$	(19,130)

The Company maintains specific restrictions on its investment portfolio based on policy guidelines as approved by the Board of Directors. These guidelines include restrictions with respect to diversification and credit quality. For equity and fixed maturity investments, exposure to a single issuer, with the exception of the U.S. Treasury and Government agencies, may not exceed 1.5% of the fair value of the aggregate NEIL portfolio or 1.5 times the weight of the entity in the Policy Benchmark. Asset-Backed Securities, where the credit quality/rating is primarily based on specified collateral and not the issuer, are not subject to these limits. The policy guidelines also require that no less than 90% of the fixed maturity portfolio must be rated investment grade by Fitch, Standard & Poor's, or Moody's bond rating services. As of December 31, 2023, the Company's fixed maturity securities included U.S. Government obligations, Foreign Government obligations, Corporate Debt Securities, Mortgage-backed Securities and Other Debt Securities. Mortgage-backed Securities included Residential Mortgage-backed Securities ("RMBS"), Commercial Mortgage-backed Securities ("CMBS"), and Collateralized Mortgage Obligations ("CMOs"). Other debt securities included Federal Agency debt issues from the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") and Federal Home Loan Bank ("FHLB"). 98.8% and 98.9% of the Company's fixed maturity portfolio was rated as investment grade, at December 31, 2023 and 2022, respectively.

Impairment Evaluation for Fixed Maturity Securities

Government Obligations

Government obligations include U.S. Treasury and agency obligations, Foreign Government obligations, and state and municipality subdivision obligations, which were in an unrealized loss position. These securities are evaluated for credit loss using a combination of quantitative and qualitative assessments of the likelihood of credit loss considering the credit ratings of the issuers and issuer specific information. The quantitative methodology is similar in approach to that described below for Corporate Debt Securities. The Company's holdings in this category are generally investment grade securities.

Corporate Debt Securities

The Company determines its best estimate of projected cash flows and develops these estimates on a security-by-security basis using information based on market observable data, issuer specific information, and available cash flow information. The Company develops its default assumption by using credit rating data and average historical spreads obtained from observable indices.

The Company uses credit ratings as an indicator of the credit quality of fixed maturity issuers, the relative likelihood that the issue may default, and issuer specific current news and other information available in the public domain. The Company identifies the securities that are investment grade, and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade.

The Company generally considers any fixed maturity security with an Aaa to Baa rating for Moody's and with an AAA to BBB- rating for Standards & Poor's as investment grade.

Mortgage-Backed and Asset-Backed Securities

For Mortgage-backed securities, credit impairment is assessed using a similar approach to corporate debt securities. The Company identifies the securities that are investment grade, and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade, in the absence of any issuer specific negative information. The securities that fall below investment grade are analyzed further to calculate the credit and non-credit loss components. The Company determines its best estimate of projected cash flows and develops these estimates on a security-by-security basis.

Other Investments

Within the Company's fixed maturity portfolio, the exposure to subprime and Alt-A Mortgage-backed securities as of December 31, 2023 and 2022 was \$349,000 and \$330,000, respectively.

The Company participates in a securities lending program managed by Northern Trust. The Company receives a fee from Northern Trust for the lending of securities that is shown in the Investment income, net component of the Statements of Operations and Comprehensive (Loss) Earnings. As a requirement of the lending program, the borrower of securities must pledge collateral in excess of 100% of the value of the loaned securities to Northern Trust. The loaned securities are reclassified to securities pledged to creditors. Cash received as collateral is invested in high-quality, short-term instruments and recorded in the Consolidated Balance Sheet as an investment at estimated fair value. Non-cash collateral is not recorded on the Consolidated Balance Sheet, since "effective control" criteria are not met. There were securities with a market value of \$0 on loan under the program, at December 31, 2023 and 2022, as the Company actively works to close the securities lending program at the end of each year. Income earned for securities lending was \$208,000 and \$195,000, at December 31, 2023 and 2022, respectively.

4. FAIR VALUE MEASUREMENTS AND DERIVATIVES

The Company follows ASC Topic 820, "*Fair Value Measurements*," for financial assets and financial liabilities measured at fair value. The Standard defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements about fair value. The Standard also established a hierarchy that prioritizes the input used to measure fair value into three levels.

Level 1 – inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – inputs utilize other than quoted prices included in Level 1 that are observable for similar assets, either directly or indirectly.

Level 3 – inputs are unobservable for the asset, and include situations where there is little, if any, market activity for the asset.

The following table summarizes the Company's financial assets and financial liabilities measured at fair value, at December 31, 2023:

Changes in Fair Values for the Year
Ended December 31, 2023, for Items
Measured at Fair Value Pursuant to
Election of the Fair Value Option

(In thousands of U.S. Dollars) Fair Value Measurements at December 31, 2023

	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Valued at NAV ²	Total Assets/Liabilities Measured at Fair Value	Other net realized investment gains (losses)	Investment Income (Loss)
Assets:							
Fixed Maturities:							
U.S. Government Obligations		\$ 386,643			\$ 386,643	\$ 14,349	\$ 1,781
Foreign Governments Obligations		6,954			6,954	549	(48)
Obligations of State and Political Subdivisions		3,815			3,815	142	10
Corporate Debt Securities		604,530			604,530	39,977	(884)
Mortgage-backed securities		298,605			298,605	6,945	397
Other debt securities		106,070			106,070	5,199	-
Total debt securities	\$ -	\$ 1,406,617	\$ -	\$ -	\$ 1,406,617	\$ 67,161	\$ 1,256
Equities	\$ 2,300,988		\$ 175	\$ 65,514	\$ 2,366,677	\$ -	\$ -
Short-term securities ¹		79,981			79,981	119	3,084
Alternative investments							
Hedge Funds				262,515	262,515		
Real Estate				306,255	306,255		
Private Equity				325,822	325,822		
Warrants	360			-	360		
Foreign currency forward contracts							
Futures	160			11	171		
Total Assets	\$ 2,301,508	\$ 1,486,598	\$ 175	\$ 960,117	\$ 4,748,398	\$ 67,280	\$ 4,340
Liabilities:							
Futures		22			22		
Foreign currency forward contracts							
Total Liabilities	\$ 22	\$ -	\$ -	\$ -	\$ 22	\$ -	\$ -

1) Short-term securities presented in the table above exclude short-term investments (e.g., time deposits, certain money market funds) of \$195,255 which are not measured at fair value

2) Investments valued using Net Asset Value (NAV) as a practical expedient are listed in a separate column

The following table summarizes the Company's financial assets and financial liabilities measured at fair value, at December 31, 2022:

Changes in Fair Values for the Year
Ended December 31, 2022, for Items
Measured at Fair Value Pursuant to
Election of the Fair Value Option

(In thousands of U.S. Dollars) Fair Value Measurements at December 31, 2022

	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Valued at NAV ²	Total Assets/Liabilities Measured at Fair Value	Other net realized investment gains (losses)	Investment Income (Loss)
Assets:							
Fixed Maturities:							
U.S. Government Obligations		\$ 314,136			\$ 314,136	\$ (21,698)	\$ 361
Foreign Governments Obligations		8,138			8,138	4,002	(1,213)
Obligations of State and Political Subdivisions		5,171			5,171	(1,214)	(8)
Corporate Debt Securities		586,741			586,741	(70,887)	(2,767)
Mortgage-backed securities		278,014			278,014	(28,306)	(2,010)
Other debt securities		107,392			107,392	(5,883)	-
Total debt securities	\$ -	\$ 1,299,592	\$ -	\$ -	\$ 1,299,592	\$ (123,986)	\$ (5,637)
Equities	\$ 1,966,043		\$ 175	\$ 63,001	\$ 2,029,220	\$ -	\$ -
Short-term securities ¹		33,599			33,599	(123)	466
Alternative investments							
Hedge Funds				261,383	261,383		
Real Estate				354,780	354,779		
Private Equity				291,398	291,398		
Warrants	3,087			668	3,755		
Foreign currency forward contracts					-		
Futures	403				403		
Total Assets	\$ 1,969,533	\$ 1,333,191	\$ 175	\$ 971,230	\$ 4,274,129	\$ (124,109)	\$ (5,171)
Liabilities:							
Futures		267			267		
Foreign currency forward contracts					-		
Total Liabilities	\$ 267	\$ -	\$ -	\$ -	\$ 267	\$ -	\$ -

¹) Short-term securities presented in the table above exclude short-term investments (e.g., time deposits, certain money market funds) of \$107,414, which are not measured at fair value)

²) Investments valued using Net Asset Value (NAV) as a practical expedient are listed in a separate column

For marketable securities, the Company utilizes the services of its custodian to assist in the pricing of securities for the purpose of assessing fair value. The custodian collects various price types from its pricing providers. Price types include close of business, last traded, and mid-price. The prices are typically on a close of business basis, preferred price types are based on market convention. In most markets, this translates to a "last trade" price. In the event an asset does not receive its preferred price type, the custodian will consider the next highest price type received that exists in the price type hierarchy.

As is the case with all of the Company's held assets, the custodian strives to independently price as many assets as possible. For listed securities, their pricing providers deliver exchange closing prices each day. For those securities that trade over the counter, their pricing providers deliver evaluations (good faith opinion as to what a buyer in the marketplace would pay for a security – typically in an institutional round lot – in a

current sale), based on broker quotes. Depending on the type of asset, those quotes or models may include inputs as supplied by the custodian for the individual issues.

Securities classified as Level 1 consist of actively traded, exchange listed U.S. and international equities, "Futures" and "Corporate Debt Securities." Valuation is based on unadjusted quoted prices for identical assets in active markets.

Securities classified as Level 2 consist of Fixed Maturity Securities, Short-Term Securities, Foreign Currency Forward Contracts, and Put Spread Collar Contracts. The market approach is used to price the Company's U.S. and foreign government obligations, and the primary inputs include bid and offer quotes from market makers or inter-dealer brokers. The Company's Obligation of State and Political Subdivision securities are priced using the matrix market approach where market information is used to derive a price based on similar securities. The primary inputs are spread benchmark curves, prepayment spreads, or spreads and quotes. The Company's Corporate Debt Securities are generally priced using the market approach and the primary inputs include U.S. Treasury curve, benchmark issues and spreads above benchmarks from market sources. Mortgage- and Asset-backed Securities and Other Debt Securities prices are derived using a combination of matrix market approach and discounted cash flow income approach. The primary inputs include discount rates obtained from benchmark yield curves and discount margins, dealer quotes, spreads and prepayment speeds from market participants and benchmark quotes from dealers. The Short-Term Securities consist of U.S. government and corporate debt securities. The Foreign Currency Forward Contracts are priced by the foreign exchange forward rate. Discounts and premiums are taken from various sources to calculate the foreign exchange forward rate, which are added directly to the spot rate.

The valuation of the hedge funds, real estate funds and private equity funds are based on the Company's proportionate interest in the underlying funds' net asset value, which approximates fair value. Private real estate funds are not subject to redemption, and it is estimated that the investments will be liquidated in approximately one to ten years, up to twelve years with extensions, unless specifically structured as an evergreen fund. The investments in hedge funds and open-end real estate funds are redeemable at quarter end or annually with notification periods between 30 days to 6 months, subject to redemption gates. The investment in the private equity funds is not subject to redemption and typically returned through distributions. It is estimated that the investments will be liquidated in approximately one to ten years, up to 15 years with extensions.

If the inputs used to measure the financial instrument fall within different levels of the hierarchy, the categorization is based on the lowest level that is significant to the fair value measurement of the instrument. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

Certain short-term investments do not qualify as securities and are recognized at amortized cost in the Consolidated Balance Sheet. For these instruments, the Company believes that there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. The Company monitors its short-term investments to ensure there is sufficient demand and issuer credit quality has been maintained. Short-term investments that meet the definition of a security are recognized at estimated fair value in the Consolidated Balance Sheet in the same manner described above for similar instruments that are classified within captions of other major investment classes.

Derivative Instruments

The Company uses derivatives in the normal course of business, primarily in an attempt to reduce its exposure to market risks (principally interest rate risk, equity stock price risk, and foreign currency risk) stemming from various assets and liabilities, or as a temporary balancing tool to gain target market exposure. The Company's principle objective under such risk strategies is to achieve the desired reduction in economic risk. The Company does not apply hedge accounting treatment for any of its derivative instruments.

Gains and losses on derivatives are recorded in Gains on derivative instruments, net or Investment income, net as follows:

(In thousands of U.S. Dollars)

		2023		2022
Futures	\$	(891)	\$	(1,222)
Options		3,468		8,031
Foreign exchange forwards		-		(3,271)
	\$	2,577	\$	3,538

The Company uses foreign currency forward contracts to limit the impact of currency fluctuations and exchange rate exposure of future sales and purchases of foreign securities. Foreign currency forward contracts are not used to leverage portfolios or for any speculative purpose.

The Company uses futures contracts to manage equity and U.S. Treasury security exposures pursuant to the Company's Investment Policy. Futures contracts are not used to

leverage portfolios or for any speculative purpose. Total notional exposure to U.S. Treasury securities and equity indices through futures contracts totaled \$44,285,000 and \$63,990,000, at December 31, 2023 and 2022, respectively. The Company recorded a receivable of approximately \$149,002 and payable of \$135,625 at December 31, 2023 and 2022, respectively, as accrued derivatives on the balance sheet.

In 2023, the Company utilized derivative strategies to provide stability to the Company's surplus by hedging against significant equity market declines. The Company used this strategy to minimize its exposure to volatility in the equities markets. These options contracts all expired in 2023. The contracts were not linked to specific assets that appear on the Consolidated Balance Sheet or to a forecasted transaction.

The Company uses deferred settlement mortgages as a cost-efficient way to invest in mortgage-backed securities. In this approach, the investor accepts delayed settlement on the purchase of mortgage-backed securities in return for a modest reduction in the price paid for those mortgage-backed securities. The price differential is directly related to the fact that the investor does not enjoy the higher yield typically offered by mortgage-backed securities relative to the interest rate earned on cash equivalents held for the period between normal settlement and the agreed upon deferred settlement. At December 31, 2023 and 2022, these securities had an amortized cost of \$2,598,633 and \$14,869,205, respectively. At December 31, 2023 and 2022, these securities had a fair value of \$2,598,633 and \$14,869,205, respectively. The net of these amounts is included in fixed maturities on the Company's Consolidated Balance Sheet. Gains (losses) on deferred settlement mortgages in the financial statements were \$173,715 for the year ended 2023 and (\$3,690,977) for 2022.

5. LINE OF CREDIT

The Company has an uncommitted line of credit with its investment custodian for 2023 and 2022. The Company can borrow up to \$125 million during the period March 1 through May 31 in any given year, while up to \$50 million is available for the remainder of the year. Under the arrangement, the investment custodian has agreed to review the Company's Consolidated Financial Statements on a regular basis, so that the Company may borrow funds for general corporate purposes or place letters of credit without the normal lengthy credit review process. The uncommitted nature of the line provides the investment custodian the flexibility to deny use of this line if it is so inclined. The company did not borrow against the line of credit in 2023 and borrowed \$125 million in 2022. The borrowed funds were paid back in full before the end of the prior year.

6. RESERVE FUND, ESCROW DEPOSIT, AND TRUST ASSETS

The Company is required to maintain assets on deposit with various regulatory authorities to support insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. Under the Incorporating Act of Bermuda, the Company must, at all times, maintain a reserve fund. At December 31, 2023 and 2022, the reserve fund was \$250,000. The Company established a trust held by its custodian, Northern Trust, with certain investments, in the event of default of its reinsurance obligation with Energy Insurance Mutual Limited (EIM). The Company is required to maintain sufficient funds to cover 102% of reserves for claims including reported claim loss and loss expense, and unearned premium under its reinsurance agreement with EIM. At December 31, 2023 and 2022, assets held in trust that are required to satisfy claim liabilities with EIM were approximately \$70 million and \$43 million, respectively, and are included in equity securities, at fair value on the Consolidated Balance Sheet.

The Company established a trust fund, on behalf of CHL, in order to provide additional assurance that U.S. policyholders are secure in accordance with the NAIC's requirements for Alien Insurers. The trust fund is held by its custodian, Northern Trust. At establishment, the trust fund minimum amount of \$5.4 million was funded. The required funding is determined annually and is based on the U.S. gross surplus lines liabilities or the direct non-admitted U.S. liabilities, excluding liabilities arising from aviation, ocean marine and transportation insurance, and direct placements on a sliding scale basis. At December 31, 2023 the funded amount was \$26.6 million.

7. RETROSPECTIVE PREMIUM ADJUSTMENT

Upon the sole discretion of the Board of Directors, the Company can call upon the Members for payment of proportionate retrospective premium adjustments, in whole or in part, to cover losses and the related costs incurred by the Company with respect to a policy year to which they have subscribed.

Each Member insured is contingently liable to the Company for retrospective premium adjustments based on losses occurring in each year. Under the Property Insurance and Accidental Outage programs, and inclusive of Builders' Risk, the maximum adjustment is equal to ten times the annualized policy premiums.

The liability of the Members for the retrospective premium adjustment for any

policy year ceases six years after the end of that policy year unless prior demand has been made. If a Member terminates its relationship with NEIL, it will still retain its obligation to respond to a retrospective premium call by the Company pursuant to the terms of any nuclear insurance policy that Member had with NEIL or NEIL Overseas prior to termination.

The maximum potential retrospective premiums, which could be demanded by the Company as of December 31, from the Members is \$2 billion in each of 2023 and 2022.

The Company requires its Members to maintain an investment grade credit rating or to take certain specified actions to ensure collectability of their retrospective premiums. All non-investment grade and unrated Members are required to provide security for their retrospective premium obligations in the form of one of the following mechanisms: Financial Guarantee, Letter of Credit, Deposit Premium, or Retrospective Premium Insurance. In 2023 and 2022, the retrospective premiums for non-investment grade Members represented 7.27% and 7.12% of the total, respectively. Management believes that it is unlikely that any retrospective premium adjustments will be required for policies whose terms have expired. No retrospective premium adjustments were required for the years ended December 31, 2023 and 2022.

8. REINSURANCE

In the normal course of business, the Company seeks to reduce its exposure to losses that may arise by reinsuring certain levels of risk with other insurance enterprises or reinsurers. Such reinsurance does not relieve the Company from its obligations to policyholders.

In 2023, reinsurance coverage for the Member Nuclear program consists of coverage for nuclear events applying to the Property Insurance programs of \$1.45 billion attaching excess of \$750 million. Reinsurance coverage for the same program for non-nuclear events consists of \$1.5 billion attaching excess of \$750 million. Additionally separate reinsurance coverage is procured for Specialty Property and Specialty Excess Liability programs, consisting of \$9 million part of \$50 million attaching excess of \$35 million for Specialty Property and \$12.5 million part of \$50 million attaching excess of \$25 million for Specialty Liability.

Coverage for Builders' Risk programs consists of both facultative and treaty reinsurance participation at various attachment points, with or without the nuclear exposure.

In addition to writing Non-Member business on a direct basis, the Company assumed reinsurance from non-affiliated entities for both Nuclear and Specialties coverages

for a per contract maximum limit of up to \$150,000,000 per occurrence at December 31, 2023 and December 31, 2022. The risks are primarily property damage and third-party liability for facilities involved in the nuclear industry as well as risks that are similar to the Company's direct business. Premiums written in connection with these assumed agreements in 2023 and 2022 were \$21,434,000 and \$26,132,000, respectively. Premiums earned in connection with these assumed agreements were \$21,761,000 in 2023 and \$25,912,000 in 2022.

In 2023, the Company completed the transition to writing Member Specialty programs on a direct basis. In 2022, the Company assumed reinsurance in support of Member Specialty programs with such assumed reinsurance written on a quota share basis or excess of loss basis and the maximum limit was approximately \$300,000,000 per occurrence. Premiums written in connection with these assumed agreements in 2022 were \$13,986,000. Premiums earned in connection with these assumed agreements were \$22,112,000 in 2022.

A breakdown of premiums earned by method of acquisition and program as of December 31, 2023 and 2022 is as follows:

(In thousands of U.S. Dollars)

2023

2022

Direct Earned Premiums

Member Nuclear	\$ 200,784	\$ 203,951
Member Specialty	84,877	65,653
Non-Member	9,043	7,485
	<u>\$ 294,704</u>	<u>\$ 277,089</u>

Assumed Earned Premiums

Member Nuclear	\$ -	\$ -
Member Specialty	19,171	22,112
Non-Member	21,762	25,912
	<u>\$ 40,933</u>	<u>\$ 48,024</u>

Ceded Earned Premiums

Member Nuclear	\$ (43,438)	\$ (43,980)
Member Specialty	(4,038)	(1,150)
Non-Member	-	-
	<u>\$ (47,476)</u>	<u>\$ (45,130)</u>

Net Earned Premiums

	<u>\$ 288,161</u>	<u>\$ 279,983</u>
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9. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in unpaid losses and loss adjustment expenses is summarized as follows:

<i>(In thousands of U.S. Dollars)</i>	2023	2022
Gross Balance at January 1	\$ 425,118	\$ 438,621
Less: reinsurance recoverables	8,370	8,370
Net Balance at January 1	416,748	430,251
Incurred related to:		
Current year	167,582	172,058
Prior years	(287)	(36,078)
Total incurred	167,295	135,980
Paid related to:		
Current year	(3,170)	(8,550)
Prior years	(126,038)	(140,933)
Total paid	(129,208)	(149,483)
Effects of foreign exchange rates	-	-
Net Balance at December 31	\$ 454,835	\$ 416,748
Plus: ceded case and reinsurance recoverables	18,318	8,370
Gross Balance at December 31	\$ 473,153	\$ 425,118

The loss and loss adjustment expenses above include losses on both direct insured and assumed reinsurance business. Based on the Company's current loss reserve position, no material losses were ceded to reinsurers during the 2023 and 2022 calendar years, with respect to any claims for which coverage and reserve determinations have been made. Loss and loss adjustment expenses for the current year were \$167,582,000 as compared with \$172,058,000 in 2022. For the years ended December 31, 2023 and 2022, claims and claim adjustment expenses incurred included favorable development of \$287,000 and \$36,078,000, respectively. The favorable prior-year development experienced in 2023 and 2022 was the result of settlements of large claim liabilities that were less than what was reserved in the prior year and a re-estimation of Incurred But Not Reported (IBNR) on prior-year claims after receiving additional information. Loss payments were \$129,208,000 and \$149,483,000 for 2023 and 2022, respectively.

The following information is presented by significant product lines of business. The lines are aggregated by Member Nuclear, Member Specialty, and Non-Member.

When a Member Nuclear claim is reported, the claim is assigned to NEIL Services for investigation and adjustment. The Company may engage an outside adjuster to assist in the analysis of the claim. In certain instances, involving complex technical issues, outside experts may be retained to help evaluate the extent and value of the loss. Once a claim has been evaluated and believed to be a covered loss, a specific loss reserve based on the best information currently available is booked for the likely loss to be incurred. As new information becomes available or payments are made on a claim, the case reserve is adjusted to reflect the revised estimate of the ultimate amount to be paid out. Estimates and assumptions pertaining to individual claims are based on complex and subjective judgments and are subject to change at any time as new information becomes available.

For claims involving the Member Specialty and Non-Member insurance programs, NEIL establishes reserves based on the loss amount determined by the lead insurer and NEIL's participation percentage on the policy.

In addition to case reserves, IBNR reserves are established to provide for claims which have not been reported to the Company as of the reporting date as well as potential adverse developments on known case reserves. In general, IBNR reserve estimates are derived through a number of analytical techniques. Actuarial data is analyzed by line of business, coverage, and accident year. Qualitative factors are also considered in determining IBNR reserves and include such factors as changes in policy forms and underwriting changes. Reserves are reviewed biannually, and any indicated adjustments are made. While the Company has used its best judgment and the most current information available in recording the reserves, there is significant uncertainty in estimation of the ultimate claims.

Due to the inherent uncertainties in establishing both case and IBNR reserves, ultimate loss experience may prove better or worse than indicated by the combined claim reserves. Adjustments to claim reserves are reflected in the period recognized and could increase or decrease earnings for the period.

The following tables present incurred and paid claims development as of December 31, 2023, net of reinsurance, as well as cumulative claim frequency and the total IBNR liabilities, plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2013 and prior to 2023, is presented as supplementary information and is unaudited. For all significant lines, the number of claims presented below equals the number of occurrences reported to the Company. The number of claims reported during a given year corresponds to the number of claims records opened during the year. Frequency information is maintained on a cumulative basis by line of business.

Member Nuclear

Incurring Claims and Loss Adjustment Expenses, Net of Reinsurance

As of December 31, 2023

(In thousands of U.S. Dollars)

Accident Year	2013 and Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	IBNR Reserves	Cumulative Number of Reported Claims
2013 and Prior	2,817,326	152,512	202,329	(27,781)	(5,409)	12,228	(462)	-	-	-	-	-	-
2014	-	109,810	(40,972)	(2,205)	(4,951)	(375)	-	-	-	-	-	-	7
2015	-	-	52,505	(14,009)	(9,225)	(2,009)	(195)	(34)	(3,579)	(14)	59	-	9
2016	-	-	-	81,616	(31,194)	(6,855)	(2,012)	-	-	-	-	-	7
2017	-	-	-	-	138,953	(20,324)	(13,882)	(2,996)	(2,178)	-	-	-	7
2018	-	-	-	-	-	50,021	(37,644)	(3,232)	(9,111)	(16)	6	-	1
2019	-	-	-	-	-	-	44,835	(38,767)	(3,368)	(1,164)	(17)	-	1
2020	-	-	-	-	-	-	-	246,944	(30,678)	(40,633)	(1,053)	187	5
2021	-	-	-	-	-	-	-	-	105,864	(18,821)	(3,179)	1,154	8
2022	-	-	-	-	-	-	-	-	-	63,752	(48,796)	5,092	5
2023	-	-	-	-	-	-	-	-	-	-	67,458	55,167	1
Total											\$ 14,478		

Member Nuclear

Cumulative Paid Claims and Loss Adjustment Expenses, Net of Reinsurance

(In thousands of U.S. Dollars)

Accident Year	2013 and Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2013 and Prior	2,608,349	86,775	412,173	27,513	3,160	12,492	281	-	-	-	-
2014	-	100	23,211	17,817	20,161	18	-	-	-	-	-
2015	-	-	70	6,903	12,512	-	8	4	-	3,944	-
2016	-	-	-	1	16,051	25,456	47	-	-	-	-
2017	-	-	-	-	46	62,363	29,685	20	7,459	-	-
2018	-	-	-	-	-	-	30	28	15	4	6
2019	-	-	-	-	-	-	1,488	26	5	-	-
2020	-	-	-	-	-	-	-	20,849	91,195	47,166	8,684
2021	-	-	-	-	-	-	-	-	1,189	1,225	23,924
2022	-	-	-	-	-	-	-	-	-	5,610	3,134
2023	-	-	-	-	-	-	-	-	-	-	1,780
Total											\$ 37,528

All outstanding liabilities relating to prior years, net of reinsurance 159,153

Liabilities for claims and claim adjustment expenses, net of reinsurance 136,103

Member Specialty

Incurring Claims and Loss Adjustment Expenses, Net of Reinsurance

As of December 31, 2023

(In thousands of U.S. Dollars)

Accident Year	2013 and Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	IBNR Reserves	Cumulative Number of Reported Claims
2013 and Prior	319,040	3,377	(5,328)	(7,602)	(5,213)	(303)	124	192	-	-	-	-	-
2014	-	11,890	(3,752)	(4,067)	(906)	(167)	(131)	(47)	(3)	326	-	-	20
2015	-	-	14,399	(8,964)	(2,536)	(993)	(26)	(103)	(82)	(3)	-	-	17
2016	-	-	-	15,115	(1,113)	(2,728)	(468)	(313)	(124)	(20)	(42)	-	40
2017	-	-	-	-	14,472	(2,857)	(2,036)	(1,403)	(342)	6,658	1,018	52	41
2018	-	-	-	-	-	30,465	(5,199)	(2,645)	6,681	8,789	256	89	35
2019	-	-	-	-	-	-	12,035	2,215	(2,716)	1,518	(520)	1,009	52
2020	-	-	-	-	-	-	-	40,935	7,941	(1,747)	18,685	5,312	83
2021	-	-	-	-	-	-	-	-	67,742	(10,325)	18,730	14,837	79
2022	-	-	-	-	-	-	-	-	-	95,792	2,378	30,379	61
2023	-	-	-	-	-	-	-	-	-	-	93,368	70,620	29
Total											\$ 133,873		

Member Specialty

Cumulative Paid Claims and Loss Adjustment Expenses, Net of Reinsurance

(In thousands of U.S. Dollars)

Accident Year	2013 and Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2013 and Prior	243,351	21,139	31,270	5,195	2,304	483	335	208	-	-	-
2014	-	660	1,457	475	208	2	0	0	0	341	-
2015	-	-	206	540	129	373	73	51	322	-	-
2016	-	-	-	17	3,748	5,039	1,375	129	0	2	(5)
2017	-	-	-	-	213	1,869	1,989	1,731	518	7,239	174
2018	-	-	-	-	-	2,665	1,735	11,182	2,252	18,750	(492)
2019	-	-	-	-	-	-	120	4,991	2,494	3,778	69
2020	-	-	-	-	-	-	-	4,629	3,938	8,987	3,936
2021	-	-	-	-	-	-	-	-	524	9,497	31,929
2022	-	-	-	-	-	-	-	-	-	3,146	27,070
2023	-	-	-	-	-	-	-	-	-	-	1,387
Total											\$ 64,068

All outstanding liabilities relating to prior years, net of reinsurance 173,763

Liabilities for claims and claim adjustment expenses, net of reinsurance 243,568

Non-Member

Incurred Claims and Loss Adjustment Expenses, Net of Reinsurance

As of December 31, 2023

(In thousands of U.S. Dollars)

Accident Year	2013 and											IBNR Reserves	Cumulative Number of Reported Claims
	Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		
2013 and Prior	172,807	6,295	13,685	(3,175)	(23,795)	(10,095)	(4,025)	(1,494)	(444)	155	(678)	1,926	
2014	-	15,078	5,652	(4,028)	(7,989)	(1,769)	(1,125)	(529)	(6)	(326)	(412)	398	22
2015	-	-	31,349	332	(20,207)	2,102	16,118	(659)	1,588	951	(1,154)	912	42
2016	-	-	-	31,440	(9,666)	190	941	31	(199)	1,589	173	1,425	57
2017	-	-	-	-	24,580	3,648	18,367	6,292	6,544	5,349	(4,253)	2,305	98
2018	-	-	-	-	-	17,218	4,743	644	1,831	(517)	1,436	1,380	109
2019	-	-	-	-	-	-	18,847	1,212	2,404	(49)	16,892	2,115	91
2020	-	-	-	-	-	-	-	30,364	(5,662)	11,181	(3,692)	5,710	121
2021	-	-	-	-	-	-	-	-	17,420	1,042	4,773	5,201	67
2022	-	-	-	-	-	-	-	-	-	12,513	(896)	8,270	11
2023	-	-	-	-	-	-	-	-	-	-	6,755	5,808	5
Total											\$ 18,944		

Non-Member

Cumulative Paid Claims and Loss Adjustment Expenses, Net of Reinsurance

(In thousands of U.S. Dollars)

Accident Year	2013 and										
	Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2013 and Prior	94,667	11,293	7,291	14,238	10,297	5,742	822	201	19	-	31
2014	-	-	1,418	325	1	-	-	-	-	-	-
2015	-	-	0	753	1,623	159	536	20,196	1,551	2,171	225
2016	-	-	-	19	2,750	4,512	3,058	4,701	2,592	609	1,185
2017	-	-	-	-	5	5,477	4,683	31,459	153	8,378	2,670
2018	-	-	-	-	-	1,340	3,398	9,647	1,013	345	3,734
2019	-	-	-	-	-	-	196	3,963	4,492	9,598	16,176
2020	-	-	-	-	-	-	-	3,023	4,869	16,582	1,261
2021	-	-	-	-	-	-	-	-	2,434	2,312	2,095
2022	-	-	-	-	-	-	-	-	-	-	232
2023	-	-	-	-	-	-	-	-	-	-	3
Total											\$ 27,612

All outstanding liabilities relating to prior years, net of reinsurance 83,832

Liabilities for claims and claim adjustment expenses, net of reinsurance 75,164

The reconciliation of the net incurred and paid claims development tables to the liability for loss and loss adjustment expenses in the Consolidated Balance Sheet is as follows:

(In thousands of U.S. Dollars)

	December 31, 2023	December 31, 2022
Net outstanding liabilities		
Member Nuclear	\$ 136,103	\$ 159,153
Member Conventional	243,568	173,763
Non-Member	75,164	83,832
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	454,835	416,748
Ceded Case and Reinsurance recoverable on unpaid claims		
Member Nuclear	18,318	8,370
Member Conventional	-	-
Non-Member	-	-
Total ceded case and reinsurance recoverable on unpaid claims	18,318	8,370
Total gross liability for unpaid claims and claim adjustment expenses	\$ 473,153	\$ 425,118

The following is supplementary information to the Consolidated Financial Statements about average historical claims duration as of December 31, 2023:

Years	1	2	3	4	5	6	7	8	9	10
Member Nuclear	15.1%	41.0%	43.2%	14.3%	4.0%	5.0%	0.0%	5.6%	0.0%	0.0%
Member Conventional	5.6%	24.1%	23.6%	13.6%	9.7%	9.7%	5.0%	0.0%	5.4%	0.0%
Non-Member	2.6%	11.6%	18.6%	13.9%	10.6%	21.1%	3.0%	4.0%	0.4%	0.0%

10. INCOME TAXES

Bermuda presently imposes no income, withholding or capital gains taxes, and the Company is exempted until March 2035 from any such taxes pursuant to the Bermuda Exempted Undertakings Tax Protection Act 1966, Amendment Act 1973. The Company made an election pursuant to Internal Revenue Code Section 953(d) to be taxed as a U.S domestic corporation. CHL filed a 953(d) election for the 2021 tax year to treat the company as a 1120-PC insurance company for US tax purposes, which was approved by the IRS in July, 2022. On December 27, 2023 the Bermuda Monetary Authority passed the Bermuda Corporate Income Tax Act 2023 ("Bermuda Act"). The Bermuda Act imposes a 15% minimum tax on the adjusted taxable income of the Bermuda Constituent Entity Group less applicable tax credits, against the income of Bermuda companies that are part of Multinational Enterprise Groups with annual revenue in excess of EUR 750M. The tax will be effective starting in 2025. Taxes accrued in foreign jurisdictions are creditable against this tax. Under the 953(d) election, the Company will be subject to the US

statutory tax rate of 21% which will be creditable against the Bermuda Minimum tax and result in no Bermuda tax expense. As the NEIL group does not exceed this threshold the Bermuda Act will is not anticipated to apply.

The expense (benefit) for U.S. federal income tax is comprised of the following:

(In thousands of U.S. Dollars)

	2023	2022
Current	\$ 3,681	\$ 1,519
Deferred	\$ 58,182	\$ (130,808)
	\$ 61,863	\$ (129,290)

The components of the net deferred tax liability as of December 31, 2023 and 2022 are as follows:

(In thousands of U.S. Dollars)

	2023	2022
Unearned premium reserve	\$ 5,501	\$ 4,442
Loss Reserve discount	3,580	3,251
Deferred expenses	9,650	6,303
Other investments	40,206	3,388
Foreign Tax Credit	25,350	27,164
NEIL & NEILO operating loss and Other, net	56,398	30,276
Other, net	2,053	10,174
Total Deferred Tax Assets	142,738	84,998
U/R Derivative Income	(721)	(11,777)
Deferred acquisition costs	(392)	(70)
Alternative investments	(37,673)	(14,365)
Bond Amortization	(2,199)	(505)
Gain/losses on fair value option securities	(236,766)	(130,256)
Total Deferred Tax Liabilities	(277,751)	(156,973)
Net Deferred Tax Liability	\$ (135,013)	\$ (71,975)

There was no valuation allowance recorded against the deferred tax assets, at December 31, 2023 and 2022, as the Company believes it is more likely than not that the deferred tax assets would be realized. The company has approximately \$248 million of NOL that will begin to expire in 2041.

A roll forward of the income tax receivable (payable) for the year ended December 31, 2023 and 2022 are as follows:

(In thousands of U.S. Dollars)

	2023		2022	
Current tax receivable, January 1	\$	122,233	\$	133,900
Current federal tax benefit (expense)		(3,681)		(1,519)
Current state tax benefit (expense)		(947)		(310)
Estimated payments		5,530		550
Refunds received and other		-		(10,388)
Current Tax Receivable	\$	123,135	\$	122,233

The provision for income taxes was determined by applying the 21% U.S. statutory federal tax rate to pre-tax net income (loss) adjusted as follows:

(In thousands of U.S. Dollars)

	2023		ETR		2022		ETR	
(Loss) Earnings before income taxes	\$	302,166			\$	(633,118)		
Statutory Tax Rate		21.00%				21.00%		
Statutory Tax/(Benefit)		63,455	21.00%		(132,955)		21.00%	
Dividend received deduction		(1,876)	-0.62%		(1,677)		0.26%	
Foreign tax credits		1,589	0.53%		3,805		-0.60%	
Other		(1,305)	-0.43%		1,537		-0.24%	
Income tax expense (benefit)	\$	61,863	20.47%		\$	(129,290)	20.42%	

The Company determined that all tax positions have been accounted for within these Consolidated Financial Statements, and that all tax positions are more likely than not to be sustained in the event the Company was audited by the federal, state, and international tax authorities, and therefore, the Company does not have any unrecognized tax benefits as of December 31, 2023 and 2022.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. The Internal Revenue Service (“IRS”) has no open audits with the Company. The Company tax years prior to 2020 are no longer open to audit.

11. COMMITMENTS AND CONTINGENCIES

As of December 31, 2023, the Company has committed to 38 private equity limited partnerships in the amount of \$768,611,000. The unfunded portion of these commitments as of December 31, 2023, is \$202,291,000 and is payable over the funds’ life. The Company has committed to 15 real estate partnerships in the amount of \$420,444,000. The unfunded portion of these commitments as of December 31, 2023, is \$64,337,000 payable over the funds’ life.

The Company leases office space under an operating lease. The Company relocated its offices beginning in August 2023. Future lease rental commitments under the current and new leases are as follows:

Year	<i>(In thousands of U.S. Dollars)</i>
2024	378
2025	378
2026	378
2027	378
2028	378
Years thereafter	1,760
Total	\$3,650

The Company is subject to certain legal proceedings and claims that arise in the normal course of business. In the opinion of management, the ultimate outcome of those actions will not have a material impact on the Company’s Consolidated Financial Statements.

12. STATUTORY ACCOUNTING INFORMATION

Policyholders' Surplus and Earnings calculated in accordance with statutory accounting practices prescribed or permitted by the Insurance Department of the State of Delaware, differs from US GAAP in the reporting of investments, unsecured reinsurance recoverable amounts, fixed assets, deferred taxes, and certain other items. These differences include, but are not limited to, the investments in bonds, which the Company holds as available-for-sale and carries at amortized cost for statutory purposes, rather than at fair value, investments in common stocks, which are valued as prescribed by the Securities Valuation Office ("SVO") of the National Association of Insurance Commissioners ("the NAIC"), unsecured reinsurance amounts recoverable from unauthorized and certain authorized reinsurers, which are excluded from net assets by a direct charge to unassigned surplus, certain assets designated as non-admitted, which are excluded from the statutory statements of assets, liabilities, capital, and surplus by direct charge to unassigned surplus; and changes in deferred tax balances, which are recognized as a direct benefit or charge to unassigned surplus.

Differences in statutory Total Assets from that shown on the Consolidated Balance Sheet, at December 31, 2023 and 2022 are as follows:

	(In thousands of U.S. Dollars)			
	2023		2022	
Statutory assets	\$	5,083,701	\$	4,566,735
Investments		95,598		33,613
Non-admitted assets		10,862		7,005
Other receivable and assets		(705)		(81)
Total Assets	\$	5,189,456	\$	4,607,272

Differences in statutory Policyholders' Surplus from that shown on the Consolidated Balance Sheet, at December 31, 2023 and 2022 are as follows:

		(In thousands of U.S. Dollars)	
		2023	2022
Statutory Policyholders' Surplus	\$	3,994,097	\$ 3,763,807
Valuation of fixed maturities		23,871	7,430
Provision for Schedule F		12,745	10,595
Non-admitted assets		10,789	7,005
Miscellaneous		7,912	2,046
Total Policyholders' Surplus	\$	4,049,414	\$ 3,790,883

Differences in statutory Net Earnings from that shown on the Consolidated Statements of Operations and Comprehensive (Loss) Earnings for the years ended December 31, 2023 and 2022 are as follows:

		(In thousands of U.S. Dollars)	
		2023	2022
Statutory net earnings	\$	39,050	\$ (189,718)
Deferred income taxes		(57,284)	122,932
Underwriting income		7,729	(2,935)
Investment income		220,130	(403,558)
Miscellaneous		30,678	(30,550)
Net Earnings	\$	240,303	\$ (503,829)

13. SUBSEQUENT EVENTS

There were no subsequent events to note through March 22, 2024, which is the date the Consolidated Financial Statements were available to be issued.