UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 1, 2023

RenaissanceRe Holdings Ltd.
(Exact name of registrant as specified in its charter)

Bermuda	001-14428	98-0141974
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Renaissance House, 12 Crow Lane, Pembroke, Bermuda HM 19
(Address of Principal Executive Office) (Zip Code)

(441) 295-4513
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report).

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Shares, Par Value $1.00 per share	RNR	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a Series F 5.750% Preference Share, Par Value $1.00 per share	RNR PRF	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th interest in a Series G 4.20% Preference Share, Par Value $1.00 per share	RNR PRG	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

On November 1, 2023, RenaissanceRe Holdings Ltd. (the "Company") filed a Current Report on Form 8-K with the Securities and Exchange Commission (the "Original 8-K"), which reported that on November 1, 2023, the Company completed its previously announced acquisition (the "Validus Acquisition") in accordance with the Stock Purchase Agreement, dated May 22, 2023, as amended, between the Company and American International Group, Inc., a Delaware corporation and NYSE-listed company (together with its affiliates and subsidiaries, "AIG"), pursuant to which, upon the terms and subject to the conditions thereof, the Company, or one of its subsidiaries, purchased, acquired and accepted from certain subsidiaries of AIG, all of their right, title and interest in the shares of Validus Holdings, Ltd. ("Validus Holdings") and Validus Specialty, LLC ("Validus Specialty"). Substantially all of the assets of Validus Holdings is comprised of its equity interest in its wholly-owned subsidiary, Validus Reinsurance, Ltd. ("Validus Re"). The Company also acquired the renewal rights, records and customer relationships of the assumed treaty reinsurance business of Talbot Underwriting Limited, an affiliate of AIG, a specialty (re)insurance group operating within the Lloyd's market. This amendment to the Original 8-K ("Amendment No. 1") is being filed for the purpose of satisfying the Company's undertaking to file the financial statements required by Item 9.01 of Form 8-K. This Amendment No. 1 should be read in conjunction with the Original 8-K. Except as set forth herein, no modifications have been made to information contained in the Original 8-K, and the Company has not updated any information therein to reflect events that have occurred since the date of the Original 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

The audited consolidated financial statements of Validus Holdings, Ltd. as at and for the years ended December 31, 2022 and 2021, are filed herewith as Exhibit 99.1 to this 8-K Amendment and are incorporated herein by reference. The unaudited consolidated financial statements of Validus Holdings, Ltd. as at September 30, 2023 and for the nine months ended September 30, 2023 and 2022, are filed herewith as Exhibit 99.2 to this 8-K Amendment and are incorporated herein by reference.

The audited combined financial statements of Validus Specialty, LLC, excluding Validus Specialty Underwriting Services, Inc., an entity previously owned as a subsidiary by Validus Specialty and excluded from the Validus Acquisition ("Specialty Business of Validus Specialty, LLC") as at and for the years ended December 31, 2022 and 2021, are filed herewith as Exhibit 99.3 to this 8-K Amendment and are incorporated herein by reference. The unaudited combined financial statements of the Specialty Business of Validus Specialty, LLC as at September 30, 2023 and for the nine months ended September 30, 2022 and 2021, are filed herewith as Exhibit 99.4 to this 8-K Amendment and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The Unaudited Pro Forma Condensed Combined Balance Sheet of the Company as at September 30, 2023 and the Unaudited Pro Forma Condensed Combined Statements of Operations of the Company for the nine months ended September 30, 2023, and the year ended December 31, 2022, which give effect to the Validus Acquisition, are filed herewith as Exhibit 99.5 to this 8-K Amendment and are incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of PricewaterhouseCoopers Ltd.
23.2	Consent of PricewaterhouseCoopers Ltd.
99.1	Audited consolidated financial statements of Validus Holdings, Ltd. as at and for the years ended December 31, 2022 and 2021.
99.2	Unaudited consolidated financial statements of Validus Holdings, Ltd. as at September 30, 2023 and for the nine months ended September 30, 2023 and 2022.
99.3	Audited combined financial statements of the Specialty Business of Validus Specialty, LLC as at and for the years ended December 31, 2022 and 2021.
99.4	Unaudited combined financial statements of the Specialty Business of Validus Specialty, LLC as at September 30, 2023 and for the nine months ended September 30, 2023 and 2022.
99.5	Unaudited Pro Forma Condensed Combined Balance Sheet of the Company as of September 30, 2023 and Unaudited Pro Forma Condensed Consolidated Statements of Operations of the Company for the nine months ended September 30, 2023 and for the year ended December 31, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RENAISSANCERE HOLDINGS LTD.

Date:
January 11, 2024

By: /s/ Shannon Lowry Bender
Shannon Lowry Bender
Executive Vice President and Group General Counsel and Corporate Secretary

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-272124 and 333-265020) and Form S-8 (Nos. 333-265021 and 333-211398) of RenaissanceRe Holdings Ltd. of our report dated October 27, 2023 relating to the financial statements of Validus Holdings, Ltd., which appears in Exhibit 99.1 of this Current Report on Form 8-K/A.

/s/ PricewaterhouseCoopers Ltd.

Hamilton, Bermuda
January 11, 2024

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-272124 and 333-265020) and Form S-8 (Nos. 333-265021 and 333-211398) of RenaissanceRe Holdings Ltd. of our report dated October 27, 2023 relating to the financial statements of the Specialty Business of Validus Specialty, LLC, which appears in Exhibit 99.3 of this Current Report on Form 8-K/A.

/s/ PricewaterhouseCoopers Ltd.

Hamilton, Bermuda
January 11, 2024

Validus Holdings, Ltd.
Incorporated in Bermuda

Consolidated Financial Statements
As at and for the years ended
December 31, 2022 and 2021

Expressed in thousands of U.S. dollars, except share amounts

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Report of Independent Auditors

To the Board of Directors and Shareholder of Validus Holdings, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Validus Holdings, Ltd. and its subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of (loss) income and comprehensive (loss) income, of shareholder’s equity and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the consolidated financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 the consolidated financial statements are available to be issued.

Auditors’ responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors’ 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 US 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgement, 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 supplemental information

Accounting principles generally accepted in the United States of America require that the required supplemental information pertaining to *Short-Duration Contracts* disclosures labelled as "Unaudited" within Note 10 on pages 36 to 39 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

/s/ PricewaterhouseCoopers Ltd.

Hamilton, Bermuda
October 27, 2023

Validus Holdings, Ltd.

Consolidated Balance Sheets
As at December 31, 2022 and 2021
Expressed in thousands of U.S. dollars, except share amounts

	2022 $	2021 $
Assets		
Fixed maturity investments trading, at fair value (amortized cost: 2022 -$4,611,442; 2021 -$4,098,663)	4,237,877	4,091,386
Short-term investments trading, at fair value	114,117	326,146
Cash and cash equivalents	297,206	265,705
Restricted cash	69,135	138,589
Total investments and cash	4,718,335	4,821,826
Investments in operating affiliates, equity method	4,885	6,800
Premiums receivable	1,559,292	1,227,289
Deferred acquisition costs	393,443	295,290
Prepaid reinsurance premiums	88,554	105,283
Loss reserves recoverable	1,900,032	2,140,746
Paid losses recoverable	81,005	36,151
Income taxes recoverable	10,114	8,316
Deferred tax assets, net	27,630	65,587
Balances due from affiliates	1,011,985	989,548
Accrued investment income	20,644	14,141
Funds withheld	107,175	148,104
Other assets	40,603	27,478
Total assets	**9,963,697**	**9,886,559**
Liabilities		
Reserve for losses and loss expenses	4,968,249	4,733,761
Unearned premiums	1,518,995	1,241,697
Reinsurance balances payable	87,423	263,736
Income taxes payable	3,863	3,520
Deferred tax liabilities	—	213
Balances due to affiliates	25,633	26,808
Senior notes payable	196,397	210,499
Funds withheld liability	2,717	2,807
Accounts payable and accrued expenses	43,262	40,420
Other liabilities	55	5,294
Total liabilities	**6,846,594**	**6,528,755**
Shareholder's equity		
Common shares, 100 authorized, par value $0.01 Issued and outstanding (2022 and 2021 -100)	—	—
Accumulated other comprehensive income	26,672	26,672
Additional paid-in capital	1,008,809	988,977
Retained earnings	2,081,622	2,342,155
Total shareholder's equity	**3,117,103**	**3,357,804**
Total liabilities and shareholder's equity	**9,963,697**	**9,886,559**

The accompanying notes are an integral part of these consolidated financial statements.

Validus Holdings, Ltd.

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
For the years ended December 31, 2022 and 2021
Expressed in thousands of U.S. dollars

	2022 $	2021 $
Revenues		
Gross premiums written	3,080,316	3,171,374
Reinsurance premiums ceded	(551,785)	(719,266)
Net premiums written	2,528,531	2,452,108
Change in unearned premiums	(294,027)	(338,403)
Net premiums earned	2,234,504	2,113,705
Net investment income	128,184	110,711
Net realized (losses) gains on investments	(12,537)	146,603
Net change in unrealized losses on investments	(364,069)	(154,677)
Other insurance-related income and other income	24,021	31,571
Foreign exchange gains, net	17,552	24,824
Total revenues	**2,027,655**	**2,272,737**
Expenses		
Losses and loss expenses	1,403,881	1,521,143
Policy acquisition costs	583,837	487,570
General and administrative expenses	129,529	135,324
Share compensation expenses	4,811	6,116
Finance expenses	31,637	53,119
Transaction expenses	618	159
Total expenses	**2,154,313**	**2,203,431**
(Loss) Income before taxes and before income (loss) from operating affiliates and structured notes	**(126,658)**	**69,306**
Tax (expense) benefit	(34,747)	1,227
Income (loss) from operating affiliates	792	(20,864)
Income (loss) from structured notes receivable from AlphaCat ILS fund	80	(173)
Net (loss) income and comprehensive (loss) income	**(160,533)**	**49,496**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholder's Equity
As at December 31, 2022 and 2021
Expressed in thousands of U.S. dollars

	2022 $	2021 $
Common shares		
Balance, beginning and end of year	—	—
Accumulated other comprehensive income		
Balance, beginning and end of year	**26,672**	**26,672**
Additional paid-in capital		
Balance, beginning of year	988,977	920,679
(Distributions to) contributions from parent company relating to settlement of share-based compensation arrangements	(2,425)	6,257
Contributions from parent company relating to repurchase of debt	22,257	62,041
Balance, end of year	**1,008,809**	**988,977**
Retained earnings		
Balance, beginning of year	2,342,155	2,292,659
Net (loss) income for the year	(160,533)	49,496
Dividends declared and paid	(100,000)	—
Balance, end of year	**2,081,622**	**2,342,155**
Total shareholder's equity	**3,117,103**	**3,357,804**

The accompanying notes are an integral part of these consolidated financial statements.

Validus Holdings, Ltd.

Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
Expressed in thousands of U.S. dollars

	2022 $	2021 $
Cash flows provided by (used in) operating activities		
Net (loss) income	(160,533)	49,496
Adjustments to reconcile net income and comprehensive income to net cash provided by operating activities:		
Amortization of discount on senior notes	166	202
Loss on extinguishment of debt	7,729	25,155
Change in net realized and unrealized losses on investments	376,606	8,074
Change in net asset value of structured notes	(54)	353
(Income) loss from operating affiliates	(792)	20,864
Foreign exchange gains included in net income	(17,552)	(24,824)
Amortization of premium on fixed maturity investments	19,093	18,573
Transaction expenses	618	159
Change in operational balance sheet items:		
Premiums receivable	(359,115)	(355,198)
Deferred acquisition costs	(98,153)	(99,667)
Prepaid reinsurance premiums	16,729	(48,201)
Loss reserves recoverable	240,714	(1,066,129)
Paid losses recoverable	(48,744)	(14,254)
Reserve for losses and loss expenses	279,518	1,573,306
Unearned premiums	277,298	386,604
Reinsurance balances payable	(161,954)	224,084
Funds withheld	40,929	(13,426)
Other operational balance sheet items, net	(2,787)	(2,429)
Net cash provided by operating activities	**409,716**	**682,742**
Cash flows provided by (used in) investing activities		
Proceeds on sales of investments	161,483	2,107,610
Proceeds on maturities of investments	531,081	928,359
Purchases of fixed maturity investments	(1,243,588)	(4,030,439)
Proceeds from sales of (purchases of) short-term investments, net	212,201	(201,485)
Proceeds from sales of other investments, net	—	325,320
Purchase of shares in operating affiliates	(2)	(15,004)
Redemption of shares from operating affiliates	2,709	12,883
Sales of investment in operating affiliates	—	92,947
Redemptions of structured notes from AlphaCat ILS fund	—	10,000
Sales of structured notes from AlphaCat ILS fund	—	10,000
Purchases of structured notes from AlphaCat ILS fund	—	(10,000)
Deployment of investments with AlphaCat ILS fund	—	(12,500)
Net cash used in investment activities	**(336,116)**	**(782,309)**

Consolidated Statements of Cash Flows (continued)
For the years ended December 31, 2022 and 2021
Expressed in thousands of U.S. dollars

	2022 $	2021 $
Cash flow used in financing activity		
Dividends paid	(100,000)	—
Cash flow used in financing activity	**(100,000)**	**—**
Effect of foreign currency rate changes on cash and cash equivalents and restricted cash	**(11,553)**	**(8,015)**
Net decrease in cash and cash equivalents and restricted cash	**(37,953)**	**(107,582)**
Cash and cash equivalents and restricted cash – beginning of year	404,294	511,876
Cash and cash equivalents and restricted cash – end of year	**366,341**	**404,294**
Supplemental information		
Taxes paid during the year	132	673
Interest paid during the year	18,314	22,188
Non-cash information		
Deemed capital contribution from parent for senior notes retirement	22,257	62,041

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of the business

Validus Holdings, Ltd. (together with its wholly and majority owned subsidiaries, the "Company" or "Validus") was incorporated under the laws of Bermuda on October 19, 2005. The Company provides reinsurance coverage and insurance-linked securities ("ILS") management. The Company is wholly owned by American International Group, Inc. ("AIG"), which is a company registered with the United States Securities and Exchange Commission and is incorporated in the state of Delaware, USA.

2. Basis of preparation and consolidation

These Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company consolidates in these Consolidated Financial Statements the results of operations and financial position of all voting interest entities ("VOE") in which the Company has a controlling financial interest and all variable interest entities ("VIE") in which the Company is considered to be the primary beneficiary. The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE, depends on the facts and circumstances surrounding each entity.

All significant intercompany accounts and transactions have been eliminated.

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

- the reserve for losses and loss expenses;
- the premium written on a line slip or proportional basis;
- the loss reserves recoverable, including the provision for uncollectible amounts; and
- the valuation of invested assets and other financial instruments.

The term "ASC" used in these notes refers to Accounting Standard Codification issued by the United States Financial Accounting Standards Board (the "FASB").

3. Significant accounting policies

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

Premiums

Reinsurance contracts can be written on risks attaching or losses occurring basis. Under risks attaching reinsurance contracts, all claims from cedants' underlying policies incepting and attaching during the reinsurance contract period are covered, even if they occur after the expiration date of the reinsurance contract and before the expiration date of the attaching policy. In contrast, losses occurring reinsurance contracts cover all claims occurring during the coverage period of the reinsurance contract, regardless of the inception dates of the underlying policies. Any claims occurring after the expiration of the losses occurring contract are not covered.

Reinsurance premiums written are recorded at the inception of the policy. Premiums are estimated based on information received from brokers, ceding companies and reinsureds, and any subsequent differences arising on such estimates are recorded in the periods in which they are determined.

Premiums written are earned on a pro-rated basis over the term of the related policy or contract. For losses occurring reinsurance contracts, the earnings period is generally the same as the term of the related contract or policy. For reinsurance contracts written on risks attaching basis, the earnings period is based on the terms of the underlying contracts and policies and is generally 24 months. The portion of the premiums written applicable to the unexpired terms of the underlying contracts and policies in force is recorded as unearned premiums.

Reinstatement premiums are recorded and earned at the time a loss event occurs and coverage limits for the remaining life of the contract are reinstated under predefined contract terms. The accrual of reinstatement premiums is based on our estimate of losses and loss expenses, which reflects management's judgment, as described in "*Reserve for losses and loss expenses*" below.

Policy acquisition costs

Policy acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal business, and consist principally of commissions and brokerage expenses. These costs are deferred and amortized over the period in which the related premiums are earned. Acquisition costs are shown net of commissions earned on reinsurance ceded. However, if the sum of a contract's expected losses and loss expenses and deferred acquisition costs exceeds related unearned premiums, a premium deficiency is determined to exist. In this event, deferred acquisition costs are immediately expensed to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs then a liability is accrued for the excess deficiency. There were no premium deficiency adjustments recognized during the periods presented herein.

Policy acquisition costs also include profit commissions, which are recognized on a basis consistent with our estimate of losses and loss expenses.

Reserve for losses and loss expenses

The reserve for losses and loss expenses includes reserves for unpaid reported losses ("case reserves") and for losses incurred but not reported ("IBNR"). Case reserves are established by management based on reports from brokers, ceding companies and insureds and represents the unpaid portion of the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by, the Company. IBNR reserves are established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors, which may vary significantly as claims are settled.

3. Significant accounting policies (continued)

The period of time from the occurrence of a loss to the reporting of a loss to the Company and to the settlement of the Company's liability may be several months or years. During this period, additional facts and trends may be revealed. Accordingly, losses and loss expenses ultimately paid may differ materially from the amounts recorded in the Consolidated Financial Statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. These adjustments can result in an increase or decrease in ultimate losses, and at other times result in a reallocation between IBNR and specific case reserves. Adjustments to ultimate loss estimates, if any, are recorded in earnings in the period in which they become known. Prior period development arises from changes to these estimates recognized in the current year that relate to losses and loss expenses that were incurred in previous calendar years.

Although there is normally a lag in receiving reinsurance data from cedants, the Company currently has adequate procedures in place regarding the timeliness related to the processing of assumed reinsurance information and there is no significant backlog. The Company actively manages its relationships with brokers and clients and considers existing disputes with counterparties to be in the normal course of business.

Reinsurance

The Company enters into retrocession agreements in order to provide greater diversification of business and to mitigate its accumulation of loss, reduce its liability on individual risks, enable it to underwrite policies with higher limits and increase its aggregate capacity. Premiums ceded are recognized over the period of exposure to risk, with the unearned portion being deferred in the Consolidated Balance Sheets as Prepaid reinsurance premiums.

Loss reserves recoverable on unpaid losses represent amounts that will be collectible from reinsurers once the losses are paid. Reinsurance recoverable on paid losses represents amounts currently due from reinsurers. The recognition of reinsurance recoverable requires two key judgments: Firstly, the determination of gross assumed IBNR, and secondly the amount of gross IBNR that can be ceded to retrocessionaires based on the reinsurance agreements in place. The ceded IBNR is developed as part of the Company's loss reserving process and consequently its estimation is subject to risks and uncertainties similar to the estimation of gross IBNR.

Retroactive reinsurance agreements are reinsurance agreements under which the reinsurer agrees to reimburse the Company for liabilities incurred as a result of past insurable events. For these agreements, the excess of the amounts collectible under the agreement over the premium paid is recognized as a deferred gain and is amortized into income over the settlement period of the ceded reserves. The amount of the deferred gain is adjusted each period based on loss payments and updated estimates. If the premium paid exceeds the ultimate losses collectible under the agreement, the net loss is recognized immediately in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

Funds withheld

The Company writes and cedes certain business on a funds withheld basis. Under these contractual arrangements, the Company and the cedants withhold premiums for the purpose of paying claims. The remaining net funds will be remitted to or paid by the Company after all policies have expired and all claims have been settled.

3. Significant accounting policies (continued)

Investments

The Company classifies its fixed maturity and short-term investments as trading and accounts for its other investments in accordance with ASC Topic 825, *"Financial Instruments"*. As such, all investments are carried at fair value. Investments in fixed maturity securities are recorded on a trade-date basis with balances pending settlement reflected as a receivable for investments sold or a payable for investments purchased.

Net investment income includes interest and dividend income along with amortization of premium or accretion of discount. Interest on fixed maturity securities is recorded in Net investment income when earned. Realized gains and losses on the sale of investments are determined on the basis of amortized cost.

For investments in certain structured securities, prepayment assumptions are evaluated and revised as necessary. Any adjustments required due to the resultant change in effective yields and maturities are recognized under the retrospective interest method. Prepayment fees or call premiums that are only payable to the Company when a security is called prior to its maturity are earned when received and reflected in Net investment income.

Short-term investments primarily comprise investments with a remaining maturity of less than one year at time of purchase and money market funds held at the Company's investment managers.

Investments in operating affiliates in which the Company has significant influence over the operating and financial policies of the investee are accounted for under the equity method of accounting. Under this method, the Company records its proportionate share of income or loss from such investments in its results for the period. Due to a lag in reporting, the fund managers are unable to provide final investment statements as of the Company's reporting date. In these circumstances, the Company estimates its proportionate share of income or loss from such investments by starting with the prior month's investment statement, adjusting for capital calls, redemptions or distributions, and then estimating the return for the current period.

In circumstances in which the Company estimates the return for the current period, it uses all credible information available. This includes utilizing preliminary estimates reported by its fund managers, obtaining the valuation of underlying portfolio investments where such underlying investments are publicly traded and therefore have a readily observable price, using information that is available to the Company with respect to the underlying investments, reviewing various indices for similar investments or asset classes, as well as estimating returns based on the results of similar types of investments for which the Company has reported results, or other valuation methods, as necessary. Actual final fund valuations may differ materially from the Company's estimates and these differences are recorded in the period they become known as a change in estimate.

Fair value of financial instruments

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820, *"Fair Value Measurement and Disclosure"*, provides a framework for measuring fair value by creating a hierarchy of fair value measurements that distinguishes market data between observable independent market inputs and unobservable market assumptions by the reporting entity. The guidance further expands disclosures about such fair value measurements. The guidance applies broadly to most existing accounting pronouncements that require or permit fair value measurements (including both financial and non-financial assets and liabilities) but does not require any new fair value measurements. The Company has adopted all authoritative guidance in effect as of the balance sheet date regarding certain market conditions that allow for fair value measurements that incorporate unobservable inputs where active market transaction-based measurements are unavailable.

3. Significant accounting policies (continued)

Derivative instruments

The Company enters into various derivative instruments in the form of foreign exchange contracts and commodity derivative instruments. Foreign exchange derivatives (principally foreign exchange forwards) are used to economically mitigate risk associated with exchange rate fluctuations on non-U.S. dollar foreign currency transactions and foreign currency denominated investments. Commodity derivatives are used to mitigate financial risk associated with certain agricultural insurance liabilities the Company assumes. The Company's derivative financial instruments are recorded on a trade-date basis and carried at fair value in the Consolidated Balance Sheets. The effect on earnings from recognizing the fair values of these derivative financial instruments depends on their intended use, their hedge designation, and their effectiveness in offsetting changes in the fair values of the exposures they are hedging.

Changes in the fair values of derivative instruments that are not designated as hedges are reported currently in earnings. Refer to Note 8, *"Derivative instruments"*, for further details.

Cash and cash equivalents

The Company considers time deposits and money market funds with an original maturity of one month or less as equivalent to cash.

Restricted cash

Restricted cash primarily relates to funds held in trust in support of collateralized reinsurance transactions.

Foreign exchange

The U.S. dollar is the functional currency of the Company and its subsidiaries. For these companies, monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rates in effect at the balance sheet date and revenues and expenses denominated in foreign currencies are translated at the prevailing exchange rate on the transaction date with the resulting foreign exchange gains and losses included in earnings. Non-monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate in effect at the time of the underlying transaction.

Stock plans

AIG accounts for their stock plans in accordance with the ASC Topic 718, *"Compensation – Stock Compensation"*. Accordingly, AIG recognizes the compensation expense for stock option grants, restricted share grants and performance share grants based on the fair value of the award on the date of grant over the requisite service period, and allocates the expense to its subsidiaries, including the Company, based on the country of residence of employees. Under the AIG stock plan, the expense allocated to each subsidiary, including the Company, is settled in cash, payable to AIG upon the date of vest. The difference in share price between the fair value determined on the grant date and the cash settlement date is recognized in additional paid-in capital as a contribution or distribution to parent company.

For the awards granted under the AIG stock plan, no forfeiture rate is applied, and the compensation expense for forfeited awards is reversed on occurrence.

Income taxes and uncertain tax provisions

Deferred tax assets and liabilities are recorded in accordance with ASC Topic 740, *"Income Taxes"*. Consistent with ASC 740, the Company records deferred income taxes which reflect operating losses and tax credits carried forward and the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

3. Significant accounting policies (continued)

Income taxes and uncertain tax provisions (continued)

The Company and its Bermuda domiciled subsidiaries are not subject to any income, withholding or capital gains taxes under current Bermuda law. The Company has operating subsidiaries and branch offices in various other jurisdictions around the world, including but not limited to the United States of America, the United Kingdom, Luxembourg, Switzerland, Singapore and Canada that are subject to relevant taxes in those jurisdictions.

The Company recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained upon examination by tax authorities based upon the technical merits of the position. Based on the more-likely-than-not recognition threshold, the Company must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. The Company classifies all interest and penalties related to uncertain tax positions in income tax expenses.

Variable interest entities

The Company determines whether it has relationships with entities defined as VIEs in accordance with ASC Topic 810, *"Consolidation"*. A VIE is consolidated by the variable interest holder that is determined to be the primary beneficiary.

An entity in which the Company holds a variable interest is a VIE if any of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) as a group, the holders of equity investment at risk lack either the direct or indirect ability through voting rights or similar rights to make decisions about an entity's activities that most significantly impact the entity's economic performance or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights.

The primary beneficiary is defined as the variable interest holder that is determined to have both (a) the power to direct the activities of a VIE that most significantly impact the economic performance of the VIE and (b) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. At inception of the VIE, as well as following an event that requires reassessment, the Company determines whether it is the primary beneficiary based on the facts and circumstances surrounding each entity.

Transfers of financial assets

The Company accounts for transfers of financial assets as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company's continuing involvement, if any, with the assets transferred. Gains and losses stemming from transfers of other investments accounted for as sales are included in "Net realized (losses) gains on investments" in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. Gains and losses stemming from transfers of investments in operating affiliates and structured notes receivable from AlphaCat ILS Fund accounted for as sales are included in "Income (loss) from operating affiliates" and "Income (loss) from structured notes receivable from AlphaCat ILS fund," respectively. Assets obtained and liabilities incurred in connection with transfers reported as sales are initially recognized in the Consolidated Balance Sheets at fair value.

4. Recent accounting pronouncements

Accounting standards adopted in 2022

Codification Improvements

In October 2020, the FASB issued ASU 2020-10, "*Codification Improvements*". The amendments in this update improve the Codification by ensuring that all guidance that requires or provides an option for an entity to provide information in the notes to financial statements is codified in the Disclosure Section of the Codification.

The amendments in this update were effective for fiscal years beginning after December 15, 2021. The adoption of this update did not have a material impact on the Company's Consolidated Financial Statements.

Current expected credit loss model

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments – Credit Losses (Topic 326)*". The FASB also issued ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and 2020-11 which provide certain clarifications and codification improvements to the initially issued standard update. The standard replaces the existing incurred loss impairment model with a new Current Expected Credit Loss model ("CECL") with the intention of recognizing credit losses earlier. The standard applies to the Company's financial assets not already carried at fair value, principally impacting investments in operating affiliates, premium receivable, loss reserves recoverable, paid loss recoverable, and loans measured at amortized cost. The measurement of expected credit losses is based on relevant information about past events, such as probability of default, and collectability of reported amounts in an event of default. ASU 2016-13 became effective for public business entities for annual and interim periods beginning after December 15, 2019. While the Company is not a public business entity, the standard has been early adopted. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial condition, results of operations, cash flows or required disclosures and, as a result, there was no cumulative adjustment to opening retained earnings as of January 1, 2021.

Reference Rate Reform

In June 2022, the FASB issued ASU 2022-06, "*Reference Rate Reform (Topic 848)*", that defers the timeline for applying the reference rate reform relief in ASC 848 from December 31, 2022 to December 31, 2024 as the United Kingdom's Financial Conduct Authority and the administrator of the London Interbank Offered Rate ("LIBOR") will continue to publish rates until June 30, 2023. The Company does not have material remaining LIBOR exposure and as such the adoption of the standard is not anticipated to have a material impact on the consolidated financial condition, results of operations, cash flows or required disclosures.

4. Recent accounting pronouncements (continued)

Accounting standards not yet adopted

Fair value hedging: portfolio layer method

In March 2022, the FASB issued ASU 2022-01, "*Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method*". The amendments in this standard would:

1. expand the last-of-layer method that permits only one hedged layer to allow multiple hedged layers of a single closed portfolio;
2. change the name of the method to the portfolio layer method;
3. expand the scope of the portfolio layer method to include non-prepayable financial assets;
4. specify that eligible hedging instruments in a single-layer hedge may include spot-starting or forward-starting constant-notional swaps, or spot or forward-starting amortizing-notional swaps and that the number of hedged layers (that is, single or multiple) corresponds with the number of hedges designated;
5. provide additional guidance on the accounting for and disclosure of hedge basis adjustments that are applicable to the portfolio layer method whether a single hedged layer or multiple hedged layers are designated; and
6. specify how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio.

The amendments in this standard are effective for fiscal years beginning after December 15, 2022, including interim periods within those years. The Company does not expect the standard to have a material impact on reported consolidated financial condition, results of operations, cash flows or required disclosures.

Troubled debt restructurings and vintage disclosures

In March 2022, the FASB issued ASU 2022-02, "*Financial Instruments – Credit Losses (Topic 326)*", which eliminates the accounting guidance for troubled debt restructurings for creditors and amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination. The standard also updates the requirements for accounting for credit losses by adding enhanced disclosures for creditors related to loan refinancings and restructurings for borrowers experiencing financial difficulty.

As the Company has already adopted CECL, the amendments in this standard are effective for fiscal years beginning after December 15, 2022, including interim periods within those years. The Company does not expect the standard to have a material impact on reported consolidated financial condition, results of operations, cash flows or required disclosures.

4. Recent accounting pronouncements (continued)

Accounting standards not yet adopted (continued)

Fair value measurement of equity securities subject to contractual sale restrictions

In June 2022, the FASB issued ASU 2022-03, "*Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*". The amendments in this Update clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments in this Update also require the following disclosures for equity securities subject to contractual sale restrictions:

1. The fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet.
2. The nature and remaining duration of the restriction(s).
3. The circumstances that could cause a lapse in the restriction(s).

The amendments in this standard are effective for fiscal years beginning after December 15, 2023, including interim periods within those years. The Company does not expect the standard to have a material impact on reported consolidated financial condition, results of operations, cash flows or required disclosures.

Leases under common control

In January 2023, the FASB issued ASU 2023-01, "*Leases (Topic 842)*", which provides practical expedients for private companies and not-for-profits on the treatment of leases with entities under common control, it also provided incremental guidance on accounting for leasehold improvements for leases under common control. The amendments in this standard are effective for fiscal years beginning after December 15, 2023, including interim periods within those years. While the Company does have certain lease arrangements with entities under common control, the Company does not expect the standard to have a material impact on reported consolidated financial condition, results of operations, cash flows or required disclosures.

Expressed in thousands of U.S. dollars, except share amounts

5. Investments

Fixed maturity investments

The amortized cost and fair value of the Company's fixed maturity investments as at December 31, 2022 and 2021 were as follows:

	2022		2021	
	Amortized cost $	Fair value $	Amortized cost $	Fair value $
U.S. government and government agency	696,857	674,824	376,913	377,422
Non-U.S. government and government agency	314,124	289,664	282,348	280,408
U.S. states, municipalities and political subdivisions	164,524	146,103	178,747	177,846
Agency residential mortgage-backed securities	702,000	607,322	839,521	838,522
Non-agency residential mortgage-backed securities	380,011	330,743	350,813	346,952
Corporate	1,322,323	1,237,546	972,929	977,746
Asset-backed securities	456,658	416,559	503,199	497,445
Commercial mortgage-backed securities	574,945	535,116	594,193	595,045
Total fixed maturities	**4,611,442**	**4,237,877**	**4,098,663**	**4,091,386**

The following table summarizes the fair value of the Company's fixed maturity investments by credit rating as issued by a recognized rating agency as at December 31, 2022 and 2021:

	2022		2021	
	Fair value $	Percentage of total %	Fair value $	Percentage of total %
AAA	2,458,194	58.01	2,479,777	60.61
AA	554,612	13.09	594,584	14.53
A	702,760	16.58	521,519	12.75
BBB	472,563	11.15	419,127	10.24
Total investment grade fixed maturities	**4,188,129**	**98.83**	**4,015,007**	**98.13**
BB	21,041	0.49	29,600	0.72
B	6,853	0.16	12,140	0.30
CCC	246	0.01	1,122	0.03
CC	819	0.02	—	—
C	2,259	0.05	8,009	0.20
NR	18,530	0.44	25,508	0.62
Total non-investment grade fixed maturities	**49,748**	**1.17**	**76,379**	**1.87**
Total fixed maturities	**4,237,877**	**100.00**	**4,091,386**	**100.00**

Expressed in thousands of U.S. dollars, except share amounts

5. Investments (continued)

Fixed maturity investments (continued)

The amortized cost and fair values for the Company's fixed maturity investments held at December 31, 2022 and 2021 are shown below by contractual maturity. Actual maturity may differ from contractual maturity due to prepayment rights associated with certain investments.

	2022		2021	
	Amortized cost $	Fair value $	Amortized cost $	Fair value $
Due in one year or less	458,146	447,021	106,765	107,595
Due after one year through five years	1,867,536	1,759,793	1,460,089	1,461,973
Due after five years through ten years	131,244	110,194	179,717	180,460
Due after ten years	40,902	31,129	64,366	63,394
	2,497,828	2,348,137	1,810,937	1,813,422
Asset-backed and mortgage-backed securities	2,113,614	1,889,740	2,287,726	2,277,964
Total fixed maturities	**4,611,442**	**4,237,877**	**4,098,663**	**4,091,386**

Other investments

During the year ended December 31, 2021, the Company sold all of its other investments in hedge funds, private equity investments and fixed income investment funds to subsidiaries of AIG that are not subsidiaries of the Company. The Company received $277,456 in cash proceeds in exchange for the fair value of the transferred assets. The fair value of the transferred assets was based on the final net asset valuation ("NAV") of the individual investments held by the Company as of the dates the investments were sold.

During the year ended December 31, 2022, net returns of $2,517 (2021: $86,212) were earned on other investments, with realized gains of $2,517 (2021: $138,855) as a result of their sale and are included in "Net realized (losses) gains on investments" reported in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

Net investment income

Net investment income during the years ended December 31, 2022 and 2021 was derived from the following sources:

	2022 $	2021 $
Fixed maturity investments	87,905	68,098
Short-term investments	1,064	40
Cash and cash equivalents	1,451	(681)
Other investments	—	5,628
Loan receivables	44,640	42,207
Investment income	135,060	115,292
Investment expenses	(6,876)	(4,581)
Total net investment income	**128,184**	**110,711**

Net investment income from other investments includes distributed and undistributed net income (loss) from certain private equity investments and fixed income investment funds.

Expressed in thousands of U.S. dollars, except share amounts

5. Investments (continued)

Net realized (losses) gains and net change in unrealized (losses) gains on investments

The following represents an analysis of net realized and net change in unrealized (losses) gains on investments for the years ended December 31, 2022 and 2021:

	2022		
	Fixed maturities $	Other investments $	Total $
Gross realized gains	2,087	2,517	4,604
Gross realized losses	(17,141)	—	(17,141)
Net realized (losses) gains on investments	(15,054)	2,517	(12,537)
Net change in unrealized losses on investments	(364,069)	—	(364,069)
Total net realized and unrealized (losses) gains on investments	**(379,123)**	**2,517**	**(376,606)**

	2021		
	Fixed maturities $	Other investments $	Total $
Gross realized gains	20,263	178,548	198,811
Gross realized losses	(12,515)	(39,693)	(52,208)
Net realized gains on investments	7,748	138,855	146,603
Change in net unrealized gains on investments	(96,406)	(58,271)	(154,677)
Total net realized and unrealized (losses) gains on investments	**(88,658)**	**80,584**	**(8,074)**

Pledged investments

As at December 31, 2022, the Company had $2,567,699 (December 31, 2021: $1,882,442) of cash and cash equivalents, short-term investments and fixed maturity investments that were pledged and held in trust during the normal course of business. Pledged assets are generally for the benefit of the Company's cedants and policyholders to facilitate the accreditation of the Company, its Canada branch office, and its operating subsidiary, Validus Reinsurance (Switzerland) Ltd ("Validus Re Swiss"), as alien reinsurers by certain regulators. This is principally achieved via multi-beneficiary reinsurance trusts.

6. Fair value measurements

Classification within the fair value hierarchy

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Under U.S. GAAP, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are described below:

Level 1 – Fair values are measured based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Fair values are measured based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g., interest rates, yield curves, prepayment rates, default rates, loss severities, etc.), or can be corroborated by observable market data.

Level 3 – Fair values are measured based on unobservable inputs that reflect the Company's own judgments about assumptions where there is little, if any, market activity for that asset or liability that market participants might use.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This may lead the Company to change the selection of the valuation technique (e.g., from market to cash flow approach) or to use multiple valuation techniques to estimate the fair value of a financial instrument. These circumstances could cause an instrument to be reclassified between levels within the fair value hierarchy.

Expressed in thousands of U.S. dollars, except share amounts

6. Fair value measurements (continued)

As at December 31, 2022, the Company's investments were allocated between Levels 1, 2 and 3 as follows:

	2022			
	Level 1 $	Level 2 $	Level 3 $	Total $
U.S. government and government agency	—	674,824	—	674,824
Non-U.S. government and government agency	—	289,664	—	289,664
U.S. states, municipalities and political subdivisions	—	146,103	—	146,103
Agency residential mortgage-backed securities	—	607,322	—	607,322
Non-agency residential mortgage-backed securities	—	289,170	41,573	330,743
Corporate	—	1,237,546	—	1,237,546
Asset-backed securities	—	413,912	2,647	416,559
Commercial mortgage-backed securities	—	535,116	—	535,116
Total fixed maturities	**—**	**4,193,657**	**44,220**	**4,237,877**
Short-term investments	**114,117**	**—**	**—**	**114,117**
Total investments	**114,117**	**4,193,657**	**44,220**	**4,351,994**

	2021			
	Level 1 $	Level 2 $	Level 3 $	Total $
U.S. government and government agency	50,066	327,356	—	377,422
Non-U.S. government and government agency	1,956	278,452	—	280,408
U.S. states, municipalities and political subdivisions	—	177,846	—	177,846
Agency residential mortgage-backed securities	—	838,522	—	838,522
Non-agency residential mortgage-backed securities	—	282,351	64,601	346,952
Corporate	—	977,746	—	977,746
Asset-backed securities	—	465,518	31,927	497,445
Commercial mortgage-backed securities	—	595,045	—	595,045
Total fixed maturities	**52,022**	**3,942,836**	**96,528**	**4,091,386**
Short-term investments	**326,146**	**—**	**—**	**326,146**
Total investments	**378,168**	**3,942,836**	**96,528**	**4,417,532**

As at December 31, 2022, Level 3 investments totalled $44,220 (December 31, 2021: $96,528), representing 1.02% (December 31, 2021: 2.19%) of total investments.

6. Fair value measurements (continued)

Valuation techniques

There have been no material changes in the Company's valuation techniques during the periods presented in these Consolidated Financial Statements. The following methods and assumptions were used in estimating the fair value of each class of financial instrument recorded in the Consolidated Balance Sheets.

Fixed maturity investments

In general, valuation of the Company's fixed maturity investment portfolio is provided by independent third party valuation service providers, such as index providers and pricing vendors, as well as broker quotations. The pricing vendors provide valuations for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Prices are generally verified using third party data. Index providers generally utilize centralized trade reporting networks, available market makers and statistical techniques.

When independent third party valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either through a broker-dealer price quote or by employing market accepted valuation models. In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however, they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

U.S. government and government agency

U.S. government and government agency securities consist primarily of debt securities issued by the U.S. Treasury and certain mortgage pass-through agencies. Fixed maturity investments included in U.S. government and government agency securities are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data. On-the-Run U.S. Treasury issuances are considered Level 1 given the availability of quoted prices in active markets. Off-the-Run and other U.S. Treasuries are classified as Level 2 as the significant inputs used to price these securities are observable.

Non-U.S. government and government agency

Non-U.S. government and government agency securities consist of debt securities issued by non-U.S. governments and their agencies along with supranational organizations (also known as sovereign debt securities). Securities held in these sectors are primarily priced by pricing services who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets. Bills, Bonds and Notes issued from Canada, France, Germany, Italy, Japan, and the United Kingdom within one year of the balance sheet date are considered Level 1 given the availability of quoted prices in active markets. All other instruments are classified as Level 2 as the significant inputs used to price these securities are observable.

6. Fair value measurements (continued)

U.S. states, municipalities and political subdivisions

The Company's U.S. states, municipalities and political subdivisions portfolio contains debt securities issued by U.S. domiciled state and municipal entities. These securities are generally priced by independent pricing services using available market information such as yields and credit spreads. The availability of observable inputs used to price these securities is contingent on their respective maturity dates. As the significant inputs utilized to determine price are observable, the fair value of these investments are classified as Level 2.

Agency residential mortgage-backed securities

The Company's agency residential mortgage-backed investments consist primarily of debt securities issued by mortgage-pass through agencies. These securities are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. Treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes. As securities with investment grade credit ratings utilize significant observable inputs to determine prices, the fair value of these investments are classified as Level 2. Securities below investment grade credit ratings, or where security holdings are backed by certain collateral types or are residual tranches, utilize an element of significant unobservable inputs, including credit spreads, default rates, prepayment rates, and default projections. Accordingly, the fair value of these investments are classified as Level 3.

Non-agency residential mortgage-backed securities

The Company's non-agency residential mortgage-backed investments include non-agency prime and sub-prime residential mortgage-backed fixed maturity investments. Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or discounted cash flow model, which principally utilize inputs including benchmark yields, available trade information or broker quotes, issuer spreads, prepayment and default projections. The pricing services also review collateral prepayment rates, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable. Where significant inputs used to price the securities are observable, the fair value of these investments are classified as Level 2. Where such information is unavailable, or the security credit rating is below AAA, significant unobservable inputs are used to price these securities, which may include constant prepayment rates, loss severity, default rates and yield, resulting in certain securities being classified as Level 3.

Corporate

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. Treasury curve or a security specific swap curve as appropriate. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

6. Fair value measurements (continued)

Asset-backed securities

Asset backed securities include mostly investment-grade debt securities backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, student loans, credit card receivables, and collateralized loan obligations originated by a variety of financial institutions. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment rates which may be adjusted for the underlying collateral or current price data, the U.S. Treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector. The fair value classification of asset-backed securities is based on a combination of collateral type, tranche type and rating, in addition to observable pricing inputs. As the significant inputs used to price the majority of these securities are observable, the fair value of these investments are classified as Level 2. Where such information is unavailable and pricing is sourced by a broker, or the security meets specific criteria, significant unobservable inputs are used to price these securities, which includes yield, resulting in certain securities classified as Level 3.

Commercial mortgage-backed securities

The Company's commercial mortgage-backed securities consist of primarily investment grade debt securities. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment rates which may be adjusted for the underlying collateral or current price data, the U.S. Treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector. As securities with investment grade credit ratings utilize significant observable inputs to determine prices, the fair value of these investments are classified as Level 2.

Short-term investments

Short-term investments consist primarily of highly liquid securities, all with maturities of less than one year from the date of purchase. The fair value of the portfolio is generally determined using amortized cost which approximates fair value. As the highly liquid money market-type funds are actively traded, the fair value of these investments are classified as Level 1.

Expressed in thousands of U.S. dollars, except share amounts

6. Fair value measurements (continued)

Level 3 investments

The following tables presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs during the years ended December 31, 2022 and 2021:

	2022		
	Non-agency residential mortgage-backed securities $	Asset-backed securities $	Total $
Level 3 investments, beginning of year	64,601	31,927	96,528
Transfers into Level 3 investments	—	21,009	21,009
Transfers out of Level 3 investments	—	(29,920)	(29,920)
Purchases	—	—	—
Sales	(4,724)	(2,316)	(7,040)
Settlements	(10,841)	(17,360)	(28,201)
Realized (losses), net	(400)	(14)	(414)
Change in net unrealized (losses), net	(7,063)	(679)	(7,742)
Level 3 investments, end of year	**41,573**	**2,647**	**44,220**

	2021		
	Non-agency residential mortgage-backed securities $	Asset-backed securities $	Total $
Level 3 investments, beginning of year	35,076	41,893	76,969
Transfers into Level 3 investments	—	23,800	23,800
Transfers out of Level 3 investments	—	(35,230)	(35,230)
Purchases	45,622	24,097	69,719
Sales	—	—	—
Settlements	(15,145)	(21,523)	(36,668)
Realized gains, net	57	110	167
Change in net unrealized (losses), net	(1,009)	(1,220)	(2,229)
Level 3 investments, end of year	**64,601**	**31,927**	**96,528**

During the years ended December 31, 2022 and 2021, transfers into Level 3 investments included investments in asset-backed securities. These transfers were primarily the result of limited market pricing information and decreases in investment credit rating relating to collateralized debt obligations that required management to determine fair value for these securities based on unobservable inputs.

During the years ended December 31, 2022 and 2021, transfers out of Level 3 investments included investments in asset-backed securities. These transfers were primarily the result of using pricing information that reflects the fair value of those securities based on observable inputs.

Expressed in thousands of U.S. dollars, except share amounts

6. Fair value measurements (continued)

Quantitative information about Level 3 investments

The following tables presents information about the significant unobservable inputs used for fair value measurements for certain Level 3 instruments as at December 31, 2022 and 2021:

2022

Valuation technique	Unobservable inputs	Range	Weighted average
Non-agency residential mortgage-backed securities (fair value of $31,004)			
Discounted cash flow	Constant prepayment rate	7.00% - 10.64%	8.58%
Discounted cash flow	Loss severity	10.48% - 19.84%	15.16%
Discounted cash flow	Constant default rate	0.96% - 3.60%	2.28%
Discounted cash flow	Yield	5.84% - 6.27%	6.06%
Asset-backed securities (fair value of $1,202)			
Discounted cash flow	Yield	5.93% - 6.38%	6.08%

2021

Valuation technique	Unobservable inputs	Range	Weighted average
Non-agency residential mortgage-backed securities (fair value of $47,582)			
Discounted cash flow	Constant prepayment rate	6.10% - 15.58%	10.84%
Discounted cash flow	Loss severity	0% - 47.52%	19.73%
Discounted cash flow	Constant default rate	0% - 2.90%	1.26%
Discounted cash flow	Yield	1.66% - 2.48%	2.07%
Asset-backed securities (fair value of $20,264)			
Discounted cash flow	Yield	0.90% - 2.55%	1.58%

The weighted average for fixed maturity securities is based on the estimated fair value of the Level 3 securities.

The table above includes only those instruments for which information about the inputs is reasonably available to the Company, such as data from independent third-party valuation service providers and from internal valuation models. Because input information from third parties with respect to certain Level 3 instruments are not available, balances shown in the table above do not represent the total amounts reported as Level 3 assets.

Financial instruments not carried at fair value

ASC Topic 825, "*Financial Instruments*" is applicable to disclosures of financial instruments not carried at fair value, except for certain financial instruments, including insurance contracts and investments in affiliates. The carrying values of cash and cash equivalents, restricted cash, accrued investment income, other assets, other liabilities, and accounts payable and accrued expenses approximated their fair values at December 31, 2022 and 2021, due to their respective short maturities. As these financial instruments are not actively traded, their respective fair values are classified within Level 2.

As at December 31, 2022, the Company's Senior notes payable were carried at cost, net of debt issuance costs of $2,719 (2021—$3,094). The fair value of the Senior notes payable was $244,920 (2021—$353,949). As the senior notes payable are not actively traded, their respective fair values are classified within Level 2.

As at December 31, 2022, the Company's Balances due from affiliates is principally comprised of loans made to affiliated entities as further described in Note 17, "*Related party transactions.*" The fair value of the loans was $926,072 (2021—$986,572). As these Balances due from affiliates are not actively traded, their respective fair values are classified within Level 2.

7. Investments in operating affiliates and structured notes receivable from AlphaCat ILS fund

Investments in operating affiliates

AlphaCat sidecars

Beginning on May 25, 2011, the Company joined with other investors in capitalizing a series of reinsurance and investment entities, referred to as "sidecars", for the purpose of investing in collateralized reinsurance and retrocessional contracts. Certain of these sidecars deployed their capital through transactions entered into by AlphaCat Reinsurance Ltd. ("AlphaCat Re") and OmegaCat Reinsurance Ltd. ("OmegaCat Re"). Each of these entities returns capital once the risk period expires and all losses have been paid out. The AlphaCat sidecars are VIEs and the Company is not the primary beneficiary. Therefore, the Company's investments in the sidecars have been treated as equity method investments. The Company's maximum exposure to any of the sidecars is the amount of capital invested at any given time and any remaining capital commitments.

AlphaCat ILS funds

Beginning on December 17, 2012, the Company joined with other investors in capitalizing the AlphaCat ILS funds for the purpose of investing in instruments with returns linked to property catastrophe reinsurance, retrocession and insurance linked securities ("ILS") contracts. The AlphaCat ILS funds have varying risk profiles and are categorized by the maximum permitted portfolio expected loss of the fund. The maximum permitted portfolio expected loss represents the average annual loss over the set of simulation scenarios divided by the total limit. Lower risk ILS funds are defined as having a maximum permitted portfolio expected loss of less than 7%, whereas higher risk ILS funds have a maximum permitted portfolio expected loss of 7% or greater. The AlphaCat ILS funds primarily deploy their capital through transactions entered into by AlphaCat Re or OmegaCat Re and AlphaCat Master Fund Ltd. The AlphaCat ILS funds are VIEs and the Company is not the primary beneficiary. Therefore, the Company's investments in the funds have been treated as equity method investments.

During the year ended December 31, 2021, the Company sold its ownership interest in certain AlphaCat ILS funds and certain structured notes receivable to subsidiaries of AIG. The Company surrendered control over the financial assets and has no continuing involvement with the transferred investments.

During the year ended December 31, 2021, the Company received $92,947 and $10,000 in cash proceeds in exchange for the carrying value of its ownership interest in certain AlphaCat ILS funds and certain structured notes receivable, respectively. The value of the transferred assets was based on the final investment valuation statements established by the fund administrators. Ownership interest in AlphaCat ILS funds was transferred at the carrying value of the assets at the effective date and did not result in the recognition of net gains or losses on sale. The Company recognized net losses from the sale of structured notes of $337, which are included in Income (loss) from structured notes receivable from AlphaCat ILS fund reported in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income.

The Company's maximum exposure to any of the AlphaCat ILS funds is the amount of capital invested at any given time and any remaining capital commitments. Refer to Note 16, *"Commitments and contingencies"*, for further details.

AlphaCat Re

The Company utilized AlphaCat Re, a market facing entity, for the purpose of writing collateralized reinsurance on behalf of the AlphaCat sidecars and ILS funds (collectively the "Feeder Funds") and direct third-party investors. All of the risks and rewards of the underlying transactions are allocated to the Feeder Funds and direct third-party investors using variable funding notes. AlphaCat Re is a VIE and the Company is not the primary beneficiary. Therefore, the Company's investment in AlphaCat Re has been treated as an equity method investment.

Expressed in thousands of U.S. dollars, except share amounts

7. Investments in operating affiliates and structured notes receivable from AlphaCat ILS fund (continued)

The following tables present a reconciliation of the beginning and ending investments in operating affiliates for the years ended December 31, 2022 and 2021:

	2022				
	AlphaCat sidecars $	AlphaCat ILS Funds - Lower Risk $	AlphaCat ILS Funds - Higher Risk $	AlphaCat Re $	Total $
Balance, beginning of year	1,557	5	5,118	120	6,800
Purchase of shares	—	2		—	2
Redemption of shares	—	(2)	(2,707)	—	(2,709)
Income from operating affiliates	48	—	744	—	792
Balance, end of year	**1,605**	**5**	**3,155**	**120**	**4,885**

	2021				
	AlphaCat sidecars $	AlphaCat ILS Funds - Lower Risk $	AlphaCat ILS Funds - Higher Risk $	AlphaCat Re $	Total $
Balance, beginning of year	1,584	61,706	55,080	120	118,490
Risk profile change, net	—	(40,597)	40,597	—	—
Purchase of shares	—	—	15,004	—	15,004
Redemption of shares	—	(6,865)	(6,018)	—	(12,883)
Sale of shares	—	(13,859)	(79,088)	—	(92,947)
Loss from operating affiliates	(27)	(380)	(20,457)	—	(20,864)
Balance, end of year	**1,557**	**5**	**5,118**	**120**	**6,800**

During the year ended December 31, 2021, the Company saw a change to the maximum permitted portfolio expected loss to one of the AlphaCat ILS Funds. As a result of this risk profile change, this AlphaCat ILS Fund was transferred from lower risk to higher risk.

Expressed in thousands of U.S. dollars, except share amounts

7. Investments in operating affiliates and structured notes receivable from AlphaCat ILS fund (continued)

The following tables present the Company's Investments in operating affiliates as at December 31, 2022 and 2021:

	2022 Voting ownership %	2022 Equity ownership %	2022 Carrying value $
AlphaCat sidecars	40.00	20.00	1,605
AlphaCat ILS Funds – Lower Risk	n/a	(a)	5
AlphaCat ILS Funds – Higher Risk	n/a	(b)	3,155
AlphaCat Re	100.00	100.00	120
Total			**4,885**

(a) Equity ownerships in the lower risk AlphaCat ILS funds were between 0.00% and 0.00%
(b) Equity ownerships in the higher risk AlphaCat ILS funds were between 0.00% and 3.86%

	2021 Voting ownership %	2021 Equity ownership %	2021 Carrying value $
AlphaCat sidecars	40.00	20.00	1,557
AlphaCat ILS Funds – Loser Risk	n/a	(a)	5
AlphaCat ILS Funds – Higher Risk	n/a	(b)	5,118
AlphaCat Re	100.00	100.00	120
Total			**6,800**

(a) Equity ownerships in the lower risk AlphaCat ILS funds were between 0.00% and 0.00%
(b) Equity ownerships in the higher risk AlphaCat ILS funds were between 0.00% and 3.68%

Structured notes receivable from AlphaCat ILS fund

During the year ended December 31, 2021, one of the AlphaCat ILS funds (the "Fund") issued both common shares and structured notes to the Company in order to capitalize the Fund. The Structured notes do not have a stated maturity date since repayment is dependent on the settlement and income or loss of the underlying transactions. These structured notes rank senior to the common shares of the Fund and earn an interest rate of 7% per annum (2021: 5.00% plus the 3-month London Inter-Bank Offer Rate per annum (or equivalent benchmark rate), payable on a cumulative basis in arrears. Structured notes receivable are classified within "Other assets" on the Consolidated Balance Sheets.

The following table presents a reconciliation of the beginning and ending structured notes receivable from the Fund as at December 31, 2022 and 2021:

	2022 $	2021 $
Structured notes receivable from the Fund, beginning of year	12	10,365
Purchases of structured notes receivable	—	10,000
Redemptions of structured notes receivable	—	(10,000)
Sale of structured notes receivable	—	(10,000)
Increase (decrease) in net asset value of structured notes receivable	54	(353)
Structured notes receivable from the Fund, end of year	**66**	**12**

Expressed in thousands of U.S. dollars, except share amounts

8. Derivative instruments

Derivatives not designated as hedging instruments

The following tables summarize information on the classification and amount of the fair value of derivatives not designated as hedging instruments within the Company's Consolidated Balance Sheets as at December 31, 2022 and 2021:

	2022			
	Asset notional exposure (a) $	Asset derivative at fair value (b) $	Liability notional exposure (a) $	Liability derivative at fair value (b) $
Foreign exchange contracts	295,085	17,405	83,598	5,312
Commodity derivative contracts	211,791	9,167	20,015	34
Total	**506,876**	**26,572**	**103,613**	**5,346**

	2021			
	Asset notional exposure (a) $	Asset derivative at fair value (b) $	Liability notional exposure (a) $	Liability derivative at fair value (b) $
Foreign exchange contracts	38,935	611	224,046	2,278
Commodity derivative contracts	302,687	3,961	218,858	287
Total	**341,622**	**4,572**	**442,904**	**2,565**

(a) Notional exposure represents the total aggregate notional exposure. For commodity derivative contracts derivative transactions, management enters into option collar arrangements wherein our net notional exposure is $191,776 as at December 31, 2022 (2021: $83,829).

(b) Asset and liability derivatives are classified within "Other assets" and "Accounts payable and accrued expenses", respectively, on the Consolidated Balance Sheets. Fair value amounts are shown before the effects of counterparty netting adjustments and offsetting cash collateral. Margin call liability for foreign exchange contract derivative transactions as at December 31, 2022 was $10,420 (2021: margin call asset of $2,940).

The foreign exchange contracts are valued on the basis of standard industry valuation models. The inputs to these models are based on observable market inputs, and as such the fair values of these contracts are classified as Level 2.

The commodity derivative contracts are exchange traded instruments and are valued on the basis of standard industry valuation models. The inputs to these models are based on observable market inputs, and as such the fair values of these contracts are classified as level 2.

The following table summarizes information on the classification and net impact on earnings, recognized in the Company's Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income relating to derivatives that were not designated as hedging instruments during the years ended December 31, 2022 and 2021:

Derivatives not designated as hedging instruments	Classification of gains (losses) recognized in earnings	2022 $	2021 $
Foreign exchange contracts	Foreign exchange gains	14,035	2,787
Commodity derivative contracts	Foreign exchange losses	(13,107)	(9,694)

Expressed in thousands of U.S. dollars, except share amounts

8. Derivative instruments (continued)

Balance sheet offsetting

There was no balance sheet offsetting activity as at December 31, 2022 and 2021.

Commencing in 2019, the Company engaged in foreign exchange contracts with an affiliated AIG entity under International Swaps and Derivatives Association, Inc. Master Agreements, which establish terms that apply to all transactions. As part of the agreements, collateral is provided as security for the foreign exchange contracts. On a periodic basis, the amounts receivable from or payable to the counterparties are settled in cash on a net basis.

9. Premiums receivable and funds withheld

Premiums receivable

Premiums receivable is composed of premiums in the course of collection and premiums accrued but unbilled, both of which are presented net of commissions and brokerage. It is common practice in the reinsurance industry for premiums to be paid on an instalment basis, therefore significant amounts will be considered unbilled and will not become due until a future date, which is typically no later than expiration of the underlying coverage period.

The following is a breakdown of the components of Premiums receivable as at December 31, 2022 and 2021:

	2022		
	Premiums in course of collection $	Premiums accrued but unbilled $	Total $
Premiums receivable, beginning of year	76,537	1,150,752	1,227,289
Change during the year	8,458	323,545	332,003
Premiums receivable, end of year	**84,995**	**1,474,297**	**1,559,292**

	2021		
	Premiums in course of collection $	Premiums accrued but unbilled $	Total $
Premiums receivable, beginning of year	25,499	861,148	886,647
Change during the year	51,038	289,604	340,642
Premiums receivable, end of year	**76,537**	**1,150,752**	**1,227,289**

Funds withheld

The Company writes and cedes certain business on a funds withheld basis. Under these contractual arrangements, the Company and the cedants withhold premiums for the purpose of paying claims. The remaining net funds will be remitted or settled after all policies have expired and all claims have been paid.

Funds withheld assumed and ceded as at December 31, 2022 were $107,175 and $2,717, respectively (December 31, 2021: $148,104 and $2,807, respectively).

Expressed in thousands of U.S. dollars, except share amounts

10. Reserve for losses and loss expenses

The following table summarizes the Company's reserve for losses and loss expenses as at December 31, 2022 and 2021:

	2022 $	2021 $
Case reserves	1,402,082	1,072,070
IBNR	3,566,167	3,661,691
Reserve for losses and loss expenses	**4,968,249**	**4,733,761**

The following table presents rollforward of activity in net reserves for losses and loss expenses for the years ended December 31, 2022 and 2021:

	2022 $	2021 $
Reserve for losses and loss expenses, beginning of year	4,733,761	3,211,396
Loss reserves recoverable, beginning of year	(2,140,746)	(1,074,617)
Net reserves for losses and loss expenses, beginning of year	2,593,015	2,136,779
Net incurred losses and loss expenses in respect of losses occurring in:		
Current year	1,434,485	1,554,009
Prior years	(30,604)	(32,866)
Total incurred losses and loss expenses	1,403,881	1,521,143
Foreign exchange gains	(45,030)	(50,941)
Net losses and loss expenses paid in respect of losses occurring in:		
Current year	(190,004)	(413,001)
Prior years	(693,645)	(600,965)
Total net paid losses	(883,649)	(1,013,966)
Net reserve for losses and loss expenses, end of year	3,068,217	2,593,015
Loss reserves recoverable, end of year	1,900,032	2,140,746
Reserve for losses and loss expenses, end of year	**4,968,249**	**4,733,761**

Expressed in thousands of U.S. dollars, except share amounts

10. Reserve for losses and loss expenses (continued)

Total incurred losses and loss expenses for the years ended December 31, 2022 and 2021 is comprised of:

	2022 $	2021 $
Gross losses and loss expenses	1,297,514	2,782,914
Reinsurance recoveries	106,367	(1,261,771)
Net incurred losses and loss expenses	**1,403,881**	**1,521,143**

The net favourable (unfavourable) development on prior accident years by line of business is as follows:

	Line of Business			
	Property $	Specialty - Short-tail $	Specialty - Other $	Total $
Year ended December 31, 2022	8,809	(34,789)	(4,624)	(30,604)
Year ended December 31, 2021	37,162	(50,118)	(19,910)	(32,866)

The net favourable (unfavourable) development on prior accident years for the years ended December 31, 2022 and 2021 were primarily driven by favourable development on attritional losses, offset by adverse development on events.

Short Duration Contract Disclosures

The Company has disaggregated its information presented in the tables below by lines of business. The development tables are shown for all accident years using exchange rates as at December 31, 2022. All accident years prior to the current year have been presented using the current year exchange rate.

Loss development tables

The loss development tables have been produced by lines of business for accident years 2013 through to 2022. The Company provides treaty reinsurance products on a global basis for all of its lines of business and does not receive or maintain claims count information associated with its reserve claims. As such, the Company has determined that it is impracticable to provide this information.

Expressed in thousands of U.S. dollars, except share amounts

10. Reserve for losses and loss expenses (continued)

Loss development tables – Property

Accident Year	Incurred losses and loss expenses, net of reinsurance — Years ended December 31, 2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	At December 31, 2022 Total IBNR reserves [a] $
					Unaudited						
2013	174,302	156,788	141,731	133,361	128,602	127,102	124,765	124,688	124,605	123,929	408
2014	—	106,867	102,140	93,363	93,950	99,169	97,573	95,155	91,328	90,850	1,393
2015	—	—	154,753	118,430	98,474	91,699	84,935	83,466	82,866	82,600	1,199
2016	—	—	—	147,637	154,365	139,461	127,785	120,625	116,787	117,934	1,463
2017	—	—	—	—	393,664	385,667	360,951	363,999	348,630	347,126	24,481
2018	—	—	—	—	—	409,807	441,448	422,434	416,634	413,823	42,297
2019	—	—	—	—	—	—	279,394	315,853	292,842	301,272	67,155
2020	—	—	—	—	—	—	—	339,156	435,924	469,230	128,558
2021	—	—	—	—	—	—	—	—	403,028	404,741	(47,721)
2022	—	—	—	—	—	—	—	—	—	347,836	194,518
									Total	2,699,341	

Accident Year	Cumulative paid losses and loss expenses, net of reinsurance — Years ended December 31, 2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $
					Unaudited					
2013	19,206	65,318	102,052	114,931	119,671	120,921	121,603	121,949	121,894	122,020
2014	—	25,776	62,442	77,179	83,298	85,493	87,140	87,742	88,398	88,543
2015	—	—	16,836	57,640	72,102	77,123	78,477	79,824	80,572	80,599
2016	—	—	—	27,978	78,515	95,677	106,324	109,095	111,610	113,567
2017	—	—	—	—	129,914	286,010	317,820	304,761	296,636	302,655
2018	—	—	—	—	—	25,791	305,263	324,179	350,678	362,652
2019	—	—	—	—	—	—	14,627	142,570	172,667	195,635
2020	—	—	—	—	—	—	—	29,366	164,541	244,684
2021	—	—	—	—	—	—	—	—	81,250	254,671
2022	—	—	—	—	—	—	—	—	—	51,461
									Total	1,816,487
Pre-2013 and other reserves for losses and loss expenses, net of reinsurance [b]										57,247
Reserves for losses and loss expenses, net of reinsurance										**940,101**

(a) Includes reserves for losses and loss expense, net of reinsurance, of $26,014 and $5,048 related to Flagstone Reinsurance Holdings, S.A. ("Flagstone") and IPC Holdings Ltd. ("IPC"), respectively.
(b) Total IBNR reserves includes the expected development on reported losses.

Expressed in thousands of U.S. dollars, except share amounts

10. Reserve for losses and loss expenses (continued)

Loss development tables – Specialty – Short-tail

	Incurred losses and loss expenses, net of reinsurance										At December 31, 2022 Total IBNR reserves [(a)]
	Years ended December 31,										
Accident Year	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	$
					Unaudited						
2013	254,667	264,751	242,752	235,807	235,683	233,895	231,894	231,681	230,327	230,146	16
2014	—	274,884	249,672	234,181	227,541	225,218	223,234	223,647	222,257	222,009	1,833
2015	—	—	419,504	387,324	352,590	341,726	330,897	322,442	321,626	320,526	43
2016	—	—	—	332,092	281,534	268,339	264,146	258,863	257,680	256,460	8,483
2017	—	—	—	—	313,882	277,253	248,537	223,842	229,061	225,994	4,661
2018	—	—	—	—	—	285,762	281,785	249,798	241,385	255,747	16,105
2019	—	—	—	—	—	—	315,824	335,148	333,069	333,097	18,076
2020	—	—	—	—	—	—	—	742,992	711,416	750,886	45,102
2021	—	—	—	—	—	—	—	—	736,768	655,259	121,735
2022	—	—	—	—	—	—	—	—	—	469,313	296,133
									Total	3,719,437	

	Cumulative paid losses and loss expenses, net of reinsurance									
	Years ended December 31,									
Accident Year	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $
					Unaudited					
2013	110,975	186,998	204,290	211,767	223,550	226,496	227,300	228,745	228,283	228,433
2014	—	102,122	172,272	191,023	196,676	201,066	205,530	207,583	215,789	217,080
2015	—	—	181,302	244,887	298,032	306,914	312,923	314,265	315,793	316,759
2016	—	—	—	158,615	207,383	196,851	220,665	234,827	241,064	242,000
2017	—	—	—	—	98,537	162,259	196,138	205,218	209,578	213,836
2018	—	—	—	—	—	63,586	156,777	184,729	198,260	211,387
2019	—	—	—	—	—	—	93,090	200,473	241,181	271,068
2020	—	—	—	—	—	—	—	322,305	577,593	637,278
2021	—	—	—	—	—	—	—	—	229,735	472,802
2022	—	—	—	—	—	—	—	—	—	122,736
									Total	2,933,379
	Pre-2013 and other reserves for losses and loss expenses, net of reinsurance [(b)]									76,865
	Reserves for losses and loss expenses, net of reinsurance									**862,923**

(a) Total IBNR reserves includes the expected development on reported losses.
(b) Includes reserves for losses and loss expense, net of reinsurance, of $23,670 and $5,143 related to Flagstone and IPC, respectively.

Expressed in thousands of U.S. dollars, except share amounts

10. Reserve for losses and loss expenses (continued)

Loss development tables – Specialty – Other

	Incurred losses and loss expenses, net of reinsurance										At December 31, 2022 Total IBNR reserves (a)
	Years ended December 31,										
Accident Year	**2013** $	**2014** $	**2015** $	**2016** $	**2017** $	**2018** $	**2019** $	**2020** $	**2021** $	**2022** $	$
	Unaudited										
2013	4,185	172	126	130	113	102	22	22	22	22	—
2014	—	2,103	1,359	496	789	340	179	432	444	390	50
2015	—	—	5,600	6,085	3,252	4,179	4,452	3,733	3,026	3,590	910
2016	—	—	—	31,235	37,438	43,161	45,270	30,415	33,946	38,318	2,415
2017	—	—	—	—	73,950	71,984	76,840	77,940	85,586	77,206	16,999
2018	—	—	—	—	—	130,073	117,808	122,393	114,190	108,342	26,151
2019	—	—	—	—	—	—	147,757	158,688	154,698	171,906	56,850
2020	—	—	—	—	—	—	—	221,978	202,904	216,438	136,850
2021	—	—	—	—	—	—	—	—	370,774	343,337	275,395
2022	—	—	—	—	—	—	—	—	—	601,158	570,844
									Total	1,560,707	

	Cumulative paid losses and loss expenses, net of reinsurance									
	Years ended December 31,									
Accident Year	**2013** $	**2014** $	**2015** $	**2016** $	**2017** $	**2018** $	**2019** $	**2020** $	**2021** $	**2022** $
	Unaudited									
2013	—	77	78	95	95	100	22	22	22	22
2014	—	—	2	11	57	78	68	333	338	337
2015	—	—	21	796	1,198	2,043	2,685	2,863	2,433	2,454
2016	—	—	—	3,502	3,448	8,061	12,824	18,415	21,186	24,521
2017	—	—	—	—	1,253	5,860	14,256	30,542	49,615	48,011
2018	—	—	—	—	—	2,971	13,751	29,095	38,553	56,954
2019	—	—	—	—	—	—	5,261	21,860	37,865	66,906
2020	—	—	—	—	—	—	—	9,085	27,585	56,066
2021	—	—	—	—	—	—	—	—	10,661	37,945
2022	—	—	—	—	—	—	—	—	—	11,231
									Total	304,447
Pre-2013 and other reserves for losses and loss expenses, net of reinsurance (b)										1,433
Reserves for losses and loss expenses, net of reinsurance										**1,257,693**

(a) Total IBNR reserves includes the expected development on reported losses.
(b) Includes reserves for losses and loss expense, net of reinsurance, of $3,700 related to Flagstone.

Expressed in thousands of U.S. dollars, except share amounts

10. Reserve for losses and loss expenses (continued)

Reconciliation of loss development information to the reserve for losses and loss expenses

The following table reconciles the loss development information to the Company's reserve for losses and loss expenses as at December 31, 2022:

	2022 $
Reserves for losses and loss expenses, net of reinsurance	
Property	940,101
Specialty – Short-tail	862,923
Specialty – Other	1,257,693
Total reserves for losses and loss expenses, net of reinsurance	3,060,717
Loss reserves recoverable	
Property	1,753,632
Specialty – Short-tail	116,861
Specialty – Other	29,539
Total loss reserves recoverable	1,900,032
Unallocated loss expenses	7,500
Total reserves for losses and loss expenses	**4,968,249**

Historical loss duration

The following table summarizes the historic average annual percentage pay-out of incurred losses by age, net of reinsurance, as of December 31, 2022:

	Average annual percentage pay-out of incurred losses by age, net of reinsurance (unaudited)									
	Year 1 %	Year 2 %	Year 3 %	Year 4 %	Year 5 %	Year 6 %	Year 7 %	Year 8 %	Year 9 %	Year 10 %
Property	17.76	44.05	14.84	6.07	1.80	1.66	0.94	0.35	0.06	0.10
Specialty-Short-tail	41.32	30.16	9.32	5.16	3.59	1.61	0.53	1.54	0.19	0.06
Specialty-Other	2.63	45.95	9.46	24.41	13.29	5.60	(71.10)	0.63	(0.09)	0.00

Russia/Ukraine conflict

The Russia/Ukraine conflict began in February 2022. The conflict has and may continue to have a significant impact on the global macroeconomic and geopolitical environments, including increased volatility in capital and commodity markets, rapid changes to regulatory conditions around the globe including the use of sanctions, operational challenges for multinational corporations, inflationary pressures and an increased risk of cybersecurity incidents.

While the major financial ramifications of the conflict have subsided, the situation continues to evolve and has the potential to continue to adversely affect the business and results of operations from an investment, underwriting and operational perspective. While management believes appropriate action has been taken to minimize related risk, the Company continues to monitor potential exposure and operational impacts, as well as any actual and potential claims activity. The ultimate impact will depend on future developments that are uncertain and cannot be reasonably predicted, including scope, severity and duration, governmental, legislative and regulatory actions taken (including the application of sanctions), and court decisions, if any, rendered in response to those actions.

Expressed in thousands of U.S. dollars, except share amounts

10. Reserve for losses and loss expenses (continued)

Coronavirus (COVID-19) pandemic

While the ultimate impacts from the COVID-19 pandemic are still evolving, it has caused significant societal disruption and has had adverse economic impacts on the Company's business, such as volatility in the capital markets, disruptions in the labor market, supply chain disruption and inflationary pressures. The Company cannot estimate the full extent to which the COVID-19 pandemic may continue to cause or exacerbate certain risks to our global business, including those discussed herein.

Due to the evolving and disruptive nature of the COVID-19 pandemic, the Company could experience other potential impacts, including, but not limited to, increased reserves for losses and loss expenses, net of reinsurance. Further, new and potentially unforeseen risks beyond those described above and in other risk factors herein may arise as a result of the pandemic and the actions taken by governmental and regulatory authorities to mitigate its impact.

11. Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses relate primarily to amounts due to vendors and employees in the form of trade and compensation payable, and to accrued interest on senior notes payable which pays coupons semi-annually. Refer to Note 14, "*Debt and financing arrangements*", for further details.

The following are the components of accounts payable and accrued expenses:

	2022 $	2021 $
Accrued interest on senior notes payable	7,533	8,086
Trade and compensation payable	27,524	26,344
Derivative liabilities	5,346	287
Lease liability	534	871
Amounts payable to AlphaCat investors	2,325	4,832
Total accounts payable and accrued expenses	**43,262**	**40,420**

12. Reinsurance

The Company's reinsurance balances recoverable as at December 31, 2022 and 2021 were as follows:

	2022 $	2021 $
Loss reserves recoverable on unpaid:		
Case reserves	423,369	258,811
IBNR	1,476,663	1,881,935
Total loss reserves recoverable	1,900,032	2,140,746
Paid losses recoverable	81,005	36,151
Total reinsurance recoverable	**1,981,037**	**2,176,897**

Effects of reinsurance on premiums written and earned

Effective January 1, 2022, the Company entered into an adverse development excess of loss reinsurance agreement with a wholly-owned subsidiary of AIG, under which risk was transferred for certain of the Company's ultimate net loss reserves at December 31, 2021.

Expressed in thousands of U.S. dollars, except share amounts

12. Reinsurance (continued)

Effects of reinsurance on premiums written and earned (continued)

The transaction was accounted for as retroactive reinsurance. The transaction resulted in a loss of $27,450 and was recognized in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income immediately.

The effects of reinsurance on net premiums written and earned for the years ended December 31, 2022 and 2021 were as follows:

	2022 $	2021 $
Premiums written		
Assumed	3,080,316	3,171,374
Ceded	(551,785)	(719,266)
Net premiums written	**2,528,531**	**2,452,108**
Premiums earned		
Assumed	2,803,018	2,784,770
Ceded	(568,514)	(671,065)
Net premiums earned	**2,234,504**	**2,113,705**

Refer to Note 17, *"Related party transactions"*, for further details regarding related party reinsurance.

Credit risk

The cession of reinsurance does not legally discharge the Company from its primary liability for the full amount of the reinsurance policies it writes, and the Company is required to pay the loss and bear collection risk regarding reinsurers' obligations under reinsurance and retrocession agreements. The Company records provisions for uncollectible reinsurance recoverable when collection becomes unlikely due to the reinsurer's inability to pay. To the extent the creditworthiness of the Company's reinsurers were to deteriorate due to adverse events affecting the reinsurance industry, such as a large number of major catastrophes, actual uncollectible amounts could be significantly greater than the Company's provision. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying loss reserves.

The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers. The reinsurance program is generally placed on a fully collateralized basis or with reinsurers whose rating, at the time of placement, was A- or better as rated by Standard & Poor's or the equivalent with other rating agencies. Exposure to a single reinsurer is also controlled with restrictions dependent on rating. As at December 31, 2022, $1,944,802 or 98.17% (December 31, 2021: $2,176,240 or 99.97%) of the Company's reinsurance balances recoverable were either fully collateralized or recoverable from reinsurers rated A- or better.

Expressed in thousands of U.S. dollars, except share amounts

12. Reinsurance (continued)

Credit risk (continued)

Information regarding the Company's concentration of credit risk arising from its exposure to individual reinsurers as at December 31, 2022 and 2021 were as follows:

	2022		2021	
	Reinsurance recoverable $	Percentage of total %	Reinsurance recoverable $	Percentage of total %
Top 10 reinsurers	1,862,784	94.03	2,134,242	98.04
Other reinsurers' balances > $1,000	116,518	5.88	38,170	1.75
Other reinsurers' balances < $1,000	1,735	0.09	4,485	0.21
Total	**1,981,037**	**100.00**	**2,176,897**	**100.00**

Information regarding the Company's concentration of credit risk arising from its top 10 reinsurers, including fully collateralized reinsurers, as at December 31, 2022 and 2021 were as follows:

	2022			
Top 10 reinsurers	Rating	Rating Agency	Reinsurance recoverable $	Percentage of total %
Fully collateralized reinsurers	NR	N/A	1,669,271	84.26
Everest Re	A+	S&P Global Ratings	32,297	1.63
SiriusPoint Ltd.	A-	S&P Global Ratings	29,643	1.50
Markel	A	S&P Global Ratings	24,660	1.25
Fidelis	A-	S&P Global Ratings	24,345	1.23
Renaissance Reinsurance Ltd.	A+	S&P Global Ratings	20,450	1.03
Manufacturers P&C Limited	A1	Moody's Investors Service	18,667	0.94
Lloyd's Syndicates	A	AM Best	17,613	0.89
PartnerRe	A+	S&P Global Ratings	13,510	0.68
Axis Capital Holdings	A+	S&P Global Ratings	12,328	0.62
Total			**1,862,784**	**94.03**

NR: Not rated

	2021			
Top 10 reinsurers	Rating	Rating Agency	Reinsurance recoverable $	Percentage of total %
Fully collateralized reinsurers	NR	N/A	1,937,286	88.99
Everest Re	A+	S&P Global Ratings	40,586	1.86
SiriusPoint Ltd.	A-	S&P Global Ratings	28,137	1.29
Fidelis	A-	S&P Global Ratings	24,674	1.13
Markel	A	S&P Global Ratings	24,581	1.13
Manufacturers P&C Limited	A-	AM Best	18,900	0.87
Lloyd's Syndicates	A+	S&P Global Ratings	18,505	0.85
PartnerRe	A+	S&P Global Ratings	17,005	0.78
Chubb	AA	S&P Global Ratings	12,289	0.57
Axis Capital Holdings	A+	S&P Global Ratings	12,279	0.57
Total			**2,134,242**	**98.04**

NR: Not rated

Expressed in thousands of U.S. dollars, except share amounts

13. Share capital

Authorized and issued

The Company has 100 common shares authorized, issued and outstanding as of December 31, 2022, and 2021 with a par value of $0.01.

Capital contributions and distributions

During the year ended December 31, 2022, the Company made capital distributions to AIG amounting to $2,425 (2021: capital contributions from AIG amounting to $6,257) relating to settlement of share-based compensation arrangements.

Dividends

On December 23, 2022, the Company paid a dividend amounting to $100,000 (2021: $nil) to AIG.

14. Debt and financing arrangements

The Company's financing structure is comprised of Senior notes payable and credit facilities.

Senior Notes

On January 26, 2010, the Company issued Senior Notes as part of a registered public offering that mature on January 26, 2040, (the "Senior Notes"). The Senior Notes were issued at a principal value of $250,000 and pay 8.875% interest semi-annually in arrears.

Following the acquisition of the Company, AIG executed a guarantee dated July 26, 2018, with respect to Validus's aggregate outstanding Senior Notes, pursuant to which AIG provided a full and unconditional guarantee of Validus' obligations with respect to Senior Notes.

During the year ended December 31, 2022, AIG repurchased and cancelled, through cash tender offer, $14,477 (2021: $36,408) in aggregate principal outstanding of the Company's Senior Notes for $22,257 (2021: $62,041). After writing-off a proportionate share of unamortized debt issuance costs of $209 (2021: $536) and purchased interest of $259 (2021: $1,014), a total loss on extinguishment of debt of $7,729 (2021: $25,155) was recognized within Finance expenses within the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. As the repurchased principal was paid in-full by AIG and not reimbursed by the Company, $22,257 (2021: $62,041) was accounted for as a deemed contribution to Additional paid-in capital.

Debt issuance costs are amortized to Finance expenses within the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income over the life of the Senior Notes and are presented on a net basis within the Senior notes payable balance in the Company's Consolidated Balance Sheets. Amortization is accelerated to reflect repurchases transactions.

Below is the principal maturity table relating to the Company's Senior Notes:

	$
Due in one year or less	—
Due between one to five years	—
Due between five to ten years	—
Due over ten years	119,115
Total	**119,115**

Expressed in thousands of U.S. dollars, except share amounts

14. Debt and financing arrangements (continued)

Senior Notes (continued)

The table below reconciles the carrying value of the Senior Notes as at December 31, 2022 and 2021:

	Principal Outstanding $	Debt Issuance Costs $	Total Carrying Value $
Balances as at December 31, 2020	250,000	(3,831)	246,169
Amortization / Accretion	—	202	202
Impact of repurchases	(36,408)	536	(35,872)
Balances as at December 31, 2021	**213,592**	**(3,093)**	**210,499**
Balances as at December 31, 2021	213,592	(3,093)	210,499
Amortization / Accretion	—	166	166
Impact of repurchases	(14,477)	209	(14,268)
Balances as at December 31, 2022	**199,115**	**(2,718)**	**196,397**

Letters of credit

The Company's financing structure is comprised of letters of credit held with Citibank which are ultimately supported by AIG. As at December 31, 2022, total outstanding letters of credit amounted to $337,373 (2021: $456,552). There were no cash or investments pledged as collateral relating to these letters of credit as at December 31, 2022 and 2021.

Finance expenses

The following table summarizes the Company's finance expenses for the years ended December 31, 2022 and 2021:

	2022 $	2021 $
Bank charges	213	275
Fees on standby letters of credit	5,509	5,677
Coupon interest on Senior notes	18,186	22,012
Loss on early retirement of Senior notes	7,729	25,155
Total finance expenses	**31,637**	**53,119**

15. Income taxes

The Company provides for income taxes based upon amounts reported in the Consolidated Financial Statements and the provisions of currently enacted tax laws. The Company is registered in Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not taxed on any Bermuda income or capital gains and has received an undertaking from the Bermuda Minister of Finance that, in the event of any Bermuda income or capital gains taxes being imposed, the Company will be exempt from such taxes until March 31, 2035.

The Company has operating subsidiaries and branch offices in various other jurisdictions around the world, including but not limited to the United States of America, the United Kingdom, Luxembourg, Switzerland, Singapore and Canada that are subject to relevant taxes in those jurisdictions.

Expressed in thousands of U.S. dollars, except share amounts

15. Income taxes (continued)

The Company's total income tax (expense) benefit for the years ended December 31, 2022 and 2021 were comprised of both current and deferred tax attributes, as follows:

	2022 $	2021 $
Current federal income tax benefit	4,318	5,281
Deferred federal income tax expense	(39,065)	(4,054)
Total income tax (expense) benefit	**(34,747)**	**1,227**

The table below is a reconciliation of the actual income tax (expense) benefit for the years ended December 31, 2022 and 2021 to the amount computed by applying the effective tax rate of 0% under Bermuda law to (loss) income before taxes and before income (loss) from operating affiliates and structured notes:

	2022 $	2021 $
Bermuda corporation tax at 0% rate	—	—
Effect of foreign operations	(9,443)	17,487
Tax exempt interest	—	(4,480)
Foreign branch adjustments	7,539	2,118
U.S. GAAP to statutory accounting differences	19,618	(3,995)
Deferred income tax valuation allowances	(55,219)	(23,810)
Provision to return true ups	1,694	13,816
Non-deductible transfer pricing recharges	506	—
Other	558	91
Total income tax (expense) benefit	**(34,747)**	**1,227**

Deferred tax assets and liabilities primarily represent the tax effect of temporary differences between the carrying value of assets and liabilities computed under U.S. GAAP and such values as measured by tax laws and regulations in countries in which the operations are taxable. Deferred tax assets may also represent the tax effect of tax losses carried forward.

In assessing whether a deferred tax asset can be recovered and assessing the need for a valuation allowance, the Company considers all positive and negative evidence to determine whether it is more likely than not that the tax benefit of part or all of a deferred tax asset will be realized. The Company's framework for assessing the recoverability of deferred tax assets primarily considers taxable income in prior carry-back years when permitted by law, future reversal of existing taxable temporary differences, available tax planning strategies and the expected occurrence of future taxable income. The weighting of the positive and negative evidence is commensurate with the extent to which they can be objectively verified.

The most material valuation allowance relates to Validus Reinsurance (Switzerland) Ltd., a wholly-owned subsidiary, for the year ended December 31, 2021, where the main deferred tax asset is in respect of losses brought forward and there is significant uncertainty as to whether these will be utilized prior to expiry. For the year ended December 31, 2022, the main impact comes from an assertion change for Flagstone Reinsurance (Luxembourg) S.à r.l., a subsidiary of the Company, where an intended loan restructuring that occurred subsequent to the balance sheet date impacted the income stream supporting the recoverability of the main deferred tax asset in respect of losses brought forward and, therefore, resulted in a change in the valuation allowance. Refer to Note 19, "*Subsequent events*", for further details.

Expressed in thousands of U.S. dollars, except share amounts

15. Income taxes (continued)

Significant components of the Company's deferred tax assets and liabilities as at December 31, 2022 and 2021 were as follows:

	2022 $	2021 $
Deferred tax assets		
Losses and tax credit carryforwards	96,577	92,586
Loss reserving differences	10,883	8,288
Unearned premium reserve reduction	27,100	19,544
Investments	16,253	—
Other	190	190
Total gross deferred tax assets	151,003	120,608
Less valuation allowance	(80,478)	(25,259)
Total net deferred tax assets	**70,525**	**95,349**
Deferred tax liabilities		
Deferred policy acquisition costs	41,303	27,438
Investments	—	1,074
Other	1,592	1,463
Total deferred tax liabilities	42,895	29,975
Net deferred tax asset	**27,630**	**65,374**

The Company will continue to monitor all available positive and negative evidence, including its expectations for future taxable income in the relevant jurisdictions, in relation to the recoverability of its existing deferred tax balances. If the Company's positive evidence develops favourably in the foreseeable future, or new income streams arise, it is possible that releases of the valuation allowances related to deferred tax asset balances will occur.

Recognition of the benefit of a given tax position is based upon whether a company determines that it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. In evaluating the more-likely-than-not recognition threshold, the Company must presume the tax position will be subject to examination by a tax authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. As at December 31, 2022 and 2021, the Company had no accrued liabilities for tax, interest and penalties relating to uncertain tax positions. Interest and penalties related to uncertain tax positions would be recognized in income tax expense.

The Company has undistributed earnings in several foreign subsidiaries. If such earnings were to be distributed, as dividends or otherwise, they may be subject to income and withholding taxes. As a general rule, the Company intends to only distribute earnings that can be distributed in a tax-free manner with the exception of a few smaller subsidiaries.

Expressed in thousands of U.S. dollars, except share amounts

15. Income taxes (continued)

The Company has open examination by tax authorities for Switzerland relating to calendar years 2019 to 2021. The Company believes that these examinations will be concluded within the next 12 months from date of balance sheet and currently does not expect any material adjustments as a result of these audits. The impact of the Swiss tax audit is not expected to impact the net position due to the valuation allowance in place.

The Company has open tax years that are potentially subject to examination by local tax authorities in the following major tax jurisdictions: the United Kingdom (2021-2022), the United States (2019-2021), Singapore (2021-2022) and Canada (2019-2022).

As at December 31, 2022, the Company had net operating and capital losses carried forward, inclusive of cumulative currency translation adjustments, as follows:

	Luxembourg $	Switzerland (Federal) $	Switzerland (Cantonal) $	United States $	United Kingdom $	Singapore $	Total $
2028-2029	—	151,663	137,774	—	—	—	289,437
No expiration date	171,890	—	—	76,249	3,913	17,404	269,456
Total	171,890	151,663	137,774	76,249	3,913	17,404	558,893
Gross deferred tax asset	42,871	12,891	22,085	16,012	978	1,740	96,577
Valuation allowance	(42,871)	(12,891)	(22,085)	—	(108)	(1,740)	(79,695)
Net deferred tax asset	**—**	**—**	**—**	**16,012**	**870**	**—**	**16,882**

Expressed in thousands of U.S. dollars, except share amounts

16. Commitments and contingencies

Concentrations of credit risk

The Company underwrites a significant amount of its reinsurance business through brokers. There is credit risk associated with payments of reinsurance balances to the Company in regards to these brokers' ability to fulfil their contractual obligations. These brokerage companies are large and well established, and there are no indications they are financially distressed. There was no other broker or reinsured party that accounted for more than 10% of gross premiums written for the periods mentioned.

The following table shows the percentage of gross premiums written through the significant brokers for the years ended December 31, 2022 and 2021:

Broker	2022 %	2021 %
Marsh & McLennan Companies, Inc.	48.96	49.75
Aon Benfield Group Ltd.	22.55	25.89
Willis Towers Watson Plc / Arthur J. Gallagher & Co.	15.68	14.68

Employment agreements

The Company has entered into employment agreements with certain individuals that provide for executive benefits and severance payments under certain circumstances.

Investments in operating affiliates

During the year ended December 31, 2021, the Company entered into an agreement with an AlphaCat ILS fund whereby it assumed a capital commitment of $25,000. For the year ended December 31, 2021, the total $25,000 capital commitment was called and funded and therefore there was no remaining commitment. As of December 31, 2021, the Company sold its ownership interest in this AlphaCat ILS fund to another subsidiary of AIG. The Company surrendered control over the financial assets during the year and has no continuing involvement with the transferred investments or capital commitments for future periods. Following the sale, the Company does not have any remaining capital commitment as at December 31, 2021.

Fixed maturity commitments

During the year ended December 31, 2021, the Company sold its investment in bank loans and does not have any remaining obligations to participate in certain secured loan facilities as at December 31, 2021.

Other investment commitments

During the year ended December 31, 2021, the Company sold its ownership interest in other investments. As at December 31, 2021, the Company does not have any remaining unfunded capital commitment to these investments.

Expressed in thousands of U.S. dollars, except share amounts

17. Related party transactions

The following significant transactions are classified as related party transactions as principals and/or directors of each counterparty are members of the Company's or AIG's board of directors.

Reinsurance agreements

The Company has various reinsurance agreements with its affiliates. The following tables summarize the significant balances resulting from these reinsurance agreements:

Reinsurance agreements with Talbot Syndicate 1183	2022 $	2021 $
Transactions during the years ended December 31		
Net premiums earned	(860)	1,061
Incurred losses and loss expenses	2,379	2,628
Policy acquisition costs	(509)	255
Balances outstanding as at December 31		
Premiums receivable	20,683	33,174
Deferred acquisition costs	16	39
Reserves for losses and loss expenses	24,882	25,492
Unearned premiums	1,406	2,313
Reinsurance balances payable	12,072	22,203

Effective January 1, 2022, the Company entered into an adverse development excess of loss reinsurance agreement with a wholly-owned subsidiary of AIG, under which risk was transferred for certain of the Company's ultimate net loss reserves at December 31, 2021. See Note 12, "*Reinsurance*", for further details.

The effects of reinsurance, including the retroactive reinsurance described above, with the affiliated subsidiaries of AIG are as follows:

	2022 $	2021 $
Transactions during the years ended December 31		
Net premiums earned	(33,878)	1,906
Recoveries of losses and loss expenses	1,776	61,695
Policy acquisition costs	106	137
Balances outstanding as at December 31		
Premiums receivable	871	1,183
Deferred acquisition costs	—	50
Prepaid reinsurance	6,805	—
Funds withheld	4	13
Reserves for losses and loss expenses	24,660	27,346
Unearned premiums	—	420
Reinsurance balances payable	6,868	48

17. Related party transactions (continued)

Derivative agreement

The Company has a derivative agreement in place with an affiliated AIG entity. Refer to Note 8, *"Derivative instruments"*, for further details.

Investments

On January 1, 2019, the Company entered into an investment management agreement with AIG, whereby AIG would assume overall management of the Company's investment portfolio. As part of this agreement, the Company paid $4,062 of investment management expenses to AIG during the year ended December 31, 2022 (2021: $3,711).

During 2022, AIG entered into investment management agreements with BlackRock, Inc. ("BlackRock"), a third party investment manager. Effective October 17, 2022, the Company likewise entered into investment management agreements with BlackRock. The Company has since transferred the management of its investments under such investment management agreements as of December 31, 2022. The Company continues to be responsible for the overall investment portfolio, including investment strategy and developing and monitoring of investment guidelines.

During the year ended December 31, 2021, the Company sold its ownership interest in other investments and its ownership interest in and notes receivable from certain AlphaCat ILS Funds to other subsidiaries of AIG. These subsidiaries are not consolidated by Validus and are not subsidiaries of Validus. The Company surrendered control over the financial assets during the year and has no continuing involvement with the transferred investments. Refer to Note 5, "*Investments*", and Note 7, "*Investments in operating affiliates and structured notes receivable from AlphaCat ILS fund*", for further details.

Loan receivables

On September 26, 2014, Validus Specialty, Inc., an affiliate, obtained a loan from Flagstone Reinsurance (Luxembourg), S.à r.l., a subsidiary of the Company, with a principal amount of $400,000 bearing an annual interest rate of 5.80% and maturing on September 23, 2024. On April 1, 2019, the Company settled this loan with Validus Specialty, Inc. and entered into a new loan agreement with AIG. The new loan receivable has a principal amount of $400,000 bearing an annual interest rate of 5.09% and maturing on April 1, 2033. The outstanding balance as at December 31, 2022 was $401,664 (December 31, 2021: $401,664). The related interest income earned during the year ended December 31, 2022 amounted to $20,360 (2021: $20,360).

On September 1, 2018, the Company acquired a note receivable from AIG International Holdings GmbH with a principal amount of $327,729 bearing an annual interest rate of 3.60% and matured on August 31, 2022. Upon maturity, the Company entered into a new loan agreement with AIG. The new loan receivable has a rolled principal amount of $339,691 bearing an annual interest rate of 4.60% and maturing on September 1, 2027. The outstanding balance as at December 31, 2022 was $345,030 (December 31, 2021: $331,760). The related interest income earned during the year ended December 31, 2022 amounted to $13,269 (2021: $11,962).

On April 1, 2019, the Validus Reinsurance, Ltd., a wholly-owned subsidiary, acquired an additional AIG loan receivable from Validus Holdings with a principal amount of $250,000 in exchange for a capital contribution of $73,441 and the settlement of intercompany receivables from Validus Holdings of $176,559. This loan bears an annual interest rate of 3.90% and matured on August 31, 2022. Upon maturity, the Validus Reinsurance, Ltd. entered into a new loan agreement with AIG. The new loan receivable has a rolled principal amount of $259,885 bearing an annual interest rate of 5.02% and maturing on August 31, 2027. The outstanding balance as at December 31, 2022 was $264,343 (December 31, 2021: $253,331). The related interest income earned during the year ended December 31, 2022 amounted to $11,011 (2021: $9,885).

Expressed in thousands of U.S. dollars, except share amounts

17. Related party transactions (continued)

Loans receivables (continued)

The loans were recently renegotiated and as a result, the yield on the loans was set at the market rate prevailing during that period. Accordingly, we consider the carrying values of the Company's loans receivable to closely approximate their fair values as at December 31, 2022 and 2021.

Service level agreements

In accordance with service level agreements, the Company participates in centralized services wherein expenses are incurred by service and other affiliated entities and allocated to, or recharged from, the Validus Holdings group of companies. Services provided across the group include managerial services, underwriting services, actuarial services, claims services, accounting services, information technology services and others. The following table summarizes the revenue and expenses incurred by the Company for services provided to or received from the Validus Holdings group of companies during the years ended December 31, 2022 and 2021:

	2022 $	2021 $
Other insurance-related income and other income	3,658	6,250
General and administrative expenses	22,646	28,863

Other

Certain shareholders of AIG and their affiliates, as well as employees of entities associated with directors and officers may have purchased insurance and/or reinsurance from the Company in the ordinary course of business. The Company does not believe these transactions to be material.

18. Statutory and regulatory requirements

The Company has operations which are subject to laws and regulations in the jurisdictions in which they operate, the most significant of which are Bermuda and Switzerland.

The Company's reinsurance subsidiaries prepare their statutory financial statements in conformity with statutory accounting practices prescribed or permitted by the applicable local laws and relevant regulatory authority. The statutory financial statements may vary materially from statements prepared in accordance with U.S. GAAP.

Statutory capital and surplus as at December 31, 2022 and 2021 and statutory net income for the years ended December 31, 2022 and 2021 for our reinsurance subsidiaries based in our most significant regulatory jurisdictions were as follows:

	Statutory capital and surplus				Statutory (loss) net income	
	Required		Actual			
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Bermuda	1,228,168	1,211,090	3,654,884	3,893,878	(90,040)	108,408
Switzerland	617,000	557,000	1,197,052	1,236,051	(38,999)	91,491

During the year ended December 31, 2022, the Company returned capital to AIG amounting to $100,000 (2021: $nil).

18. Statutory and regulatory requirements (continued)

Bermuda

The Company has the following Bermuda-based insurance subsidiaries at December 31, 2022 and 2021:

- Validus Reinsurance, Ltd. – Class 4 insurer (“Validus Re”)
- Validus Reinsurance (Switzerland) Ltd (Bermuda Branch) – Class 4 insurer
- Mont Fort Re Ltd. – Class 3 insurer

The Company’s Bermuda-based insurers are required to maintain minimum statutory capital and surplus equal to the greater of a Minimum Margin of Solvency (“MMS”) and the Enhanced Capital Requirement (“ECR”) where applicable. The ECR is equal to the higher of the MMS or the Bermuda Solvency Capital Requirement (“BSCR”) model or approved internal capital model. The required statutory capital and surplus as at December 31, 2022 of $1,227,798, which exceeds the December 31, 2022 MMS of $512,436, is primarily based on actual December 2022 ECR. The required statutory capital and surplus as at December 31, 2021 of $1,210,720 is based primarily on the actual December 31, 2021 ECR, which exceeded the December 31, 2021 MMS of $591,332. In addition, Mont Fort Re Ltd., a wholly-owned subsidiary of the Company, has a modified MMS of $370 as at December 31, 2022 and 2021.

At December 31, 2022 and 2021, the actual statutory capital and surplus of the Bermuda-based insurance subsidiaries exceeded the relevant regulatory requirements.

The ability of the Company’s Bermuda-based subsidiaries to pay dividends to the Company is limited under Bermuda law and regulations. The Insurance Act provides that Class 4 insurers may not declare or pay, in any financial year, dividends of more than 25% of its total statutory capital and surplus (as shown on its statutory balance sheet in relation to the previous financial year) unless it files with the BMA at least seven days prior to the payment, an affidavit signed by at least two directors and such insurance subsidiary’s principal representative, stating that in their opinion, such subsidiary will continue to satisfy the required margins following declaration of those dividends, however, there is no additional requirement for BMA approval.

In addition, before reducing its total statutory capital by 15% or more (as set out in its previous year’s statutory financial statements), Class 4 Bermuda insurers must make application to the BMA for permission to do so. Such application shall consist of an affidavit signed by at least two directors and such insurance subsidiary’s principal representative stating that in their opinion, the proposed reduction in capital will not cause such subsidiaries to fail to meet its relevant margins, and such other information as the BMA may require. A Class 3 insurer, before reducing by 15% or more of its total statutory capital, as set out in its previous year’s financial statements, is required to apply to the BMA for its approval and provide such information as the BMA may require.

As at December 31, 2022, the Company’s Bermuda insurance subsidiaries have the ability to distribute up to $839,691 (December 31, 2021: $1,078,309) of unrestricted net assets as dividend payments and/or return of capital to the Company without prior regulatory approval.

The Company’s primary restrictions on net assets of insurance subsidiaries consist of regulatory requirements placed upon the regulated insurance subsidiaries to hold minimum amounts of total statutory capital and surplus. There were no other material restrictions on net assets in place as at December 31, 2022 and 2021.

The Company’s primary operating subsidiary in Bermuda, Validus Re, maintains branch offices in Singapore and Canada. As the branch offices are not considered separate entities for regulatory purposes, the required and actual statutory capital and surplus amount includes amounts, as set out above, related to the applicable branch offices.

18. Statutory and regulatory requirements (continued)

Singapore

The Singapore branch office is subject to capital a minimum adequacy requirement of SGD 5,000 as established by the Monetary Authority of Singapore as at December 31, 2022 and 2021.

At December 31, 2022 and 2021, the actual capital and assets for the branch office exceeded the relevant local regulatory requirements.

Canada

The Canada branch office is subject to regulation by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Under regulations and guidelines prescribed by OSFI, the Canada branch office is required to maintain prescribed levels of capital, which are dependent on the type and amount of insurance policies in force and the nature of the Canada branch office's assets. At December 31, 2022, the margin of net assets required is CAD 814. The revised margin of net assets required as at December 31, 2021 of CAD 466 is based on the actual December 31, 2021 Branch Adequacy of Assets Test.

At December 31, 2022 and 2021, the actual capital and assets for the branch office exceeded the relevant local regulatory requirements.

Switzerland

Validus Re Swiss is a société anonyme headquartered in Zurich, Switzerland. The conduct of reinsurance business by a company headquartered in Switzerland requires a license granted by the Swiss Financial Market Supervisory Authority ("FINMA"). Validus Re Swiss maintains a branch office in Bermuda, Validus Reinsurance (Switzerland) Ltd (Bermuda Branch), a Class 4 insurer.

Required statutory capital and surplus is based on the Target Capital requirements calculated under the Swiss Solvency Test ("SST") and includes both Validus Re Swiss and its Bermuda branch. At December 31, 2022 and 2021, the actual capital and assets exceeded the relevant local regulatory requirements.

Validus Re Swiss is funded by equity in the form of paid in capital by shares and in share premium. Under Swiss corporate law as modified by insurance supervisory law, a non-life insurance company is obliged to contribute to statutory legal reserves a minimum of 20% of any annual profit up to 50% of paid-in share capital. Validus Re Swiss has been substantially funded by reserves from capital contribution (share premium). Share premium can be distributed to shareholders without being subject to withholding tax. The distribution of any dividend to shareholders is subject to the maintenance of solvency and the interests of the reinsureds and creditors, and under certain circumstances, may also require the approval of FINMA.

Validus Reinsurance (Switzerland) Ltd (Bermuda Branch) is exempt from filing an Annual Statutory Financial Return and Annual Capital and Solvency Return but is subject to the minimum required statutory capital and surplus requirements for Class 4 insurers and the SST. At December 31, 2022 and 2021, the branch was in compliance with all relevant regulatory requirements.

19. Subsequent events

Management has evaluated the need to disclose events that occurred subsequent to the balance sheet date through October 27, 2023, the date these financial statements were available to be issued.

Effective January 1, 2023, the Company renegotiated the adverse development excess of loss reinsurance agreement with a wholly-owned subsidiary of AIG, under which risk was transferred for certain of the Company's ultimate net loss reserves at December 31, 2022. The transaction was accounted for as retroactive reinsurance resulting in a loss of $10,271.

On May 22, 2023, AIG announced it had entered into a definitive agreement to sell its reinsurance business, which includes Validus Holdings, Ltd. and parts of Validus Specialty, LLC, to RenaissanceRe Holdings Ltd. ("RenaissanceRe") for $2.985 billion, consisting of $2.735 billion in cash and $250 million in RenaissanceRe common shares in addition to other consideration. The sale includes Validus Re, AlphaCat Managers and Talbot treaty business but does not include Talbot's non-treaty business and Western World, which remain strategic to AIG. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory approvals.

On September 21, 2023, AIG completed the buyback of Validus Holdings, Ltd. Senior notes in full.

On October 1, 2023, all the intercompany retrocessional protections entered into with wholly-owned subsidiaries of AIG were commuted.

On October 13, 2023, the Company approved the distribution to its immediate parent company the loan from Flagstone Reinsurance (Luxembourg), S.à r.l., a subsidiary of the Company, to AIG Investments UK Ltd. with a principal amount of $400,000 bearing an annual interest rate of 5.09% and maturing on September 23, 2024.

On October 13, 2023, the Company approved the distribution to its immediate parent company the loan from AIG International Holdings GmbH with a principal amount of $339,691 bearing an annual interest rate of 4.60% and maturing on September 1, 2027.

On October 13, 2023, the Company approved the distribution to its immediate parent company the loan from Validus Reinsurance, Ltd., a subsidiary of the Company, to AIG International Holdings GmbH with a principal amount of $265,343 bearing an annual interest rate of 5.02% and maturing on August 31, 2027.

On October 27, 2023, in conjunction with the requirements of the definitive agreement with RenaissanceRe, the Company declared a dividend of $562,509 in cash to its immediate parent AIG Property Casualty International LLC.

Validus Holdings, Ltd.
Incorporated in Bermuda

Unaudited Consolidated Interim Financial Statements
As at and for the nine months ended
September 30, 2023
Expressed in thousands of U.S. dollars, except share amounts

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Validus Holdings, Ltd.
Consolidated Balance Sheets
As at September 30, 2023 (unaudited) and December 31, 2022
Expressed in thousands of U.S. dollars, except share amounts

	September 30, 2023 (unaudited) $	December 31, 2022 $
Assets		
Fixed maturity investments trading, at fair value (amortized cost: 2023 - $4,160,850; 2022 - $4,611,442)	3,821,834	4,237,877
Short-term investments trading, at fair value	965,305	114,117
Cash and cash equivalents	417,964	297,206
Restricted cash	241,416	69,135
Total investments and cash	5,446,519	4,718,335
Investments in operating affiliates, equity method	4,881	4,885
Premiums receivable	2,317,552	1,559,292
Deferred acquisition costs	545,749	393,443
Prepaid reinsurance premiums	396,468	88,554
Loss reserves recoverable	1,534,469	1,900,032
Paid losses recoverable	88,439	81,005
Income taxes recoverable	9,498	10,114
Deferred tax assets, net	28,040	27,630
Balances due from affiliates	1,050,291	1,011,985
Accrued investment income	21,197	20,644
Funds withheld	123,227	107,175
Other assets	108,940	40,603
Total assets	**11,675,270**	**9,963,697**
Liabilities		
Reserve for losses and loss expenses	5,073,580	4,968,249
Unearned premiums	2,507,561	1,518,995
Reinsurance balances payable	315,625	87,423
Income taxes payable	20,815	3,863
Balances due to affiliates	23,945	25,633
Senior notes payable	—	196,397
Funds withheld liability	2,706	2,717
Accounts payable and accrued expenses	26,393	43,262
Other liabilities	114	55
Total liabilities	**7,970,739**	**6,846,594**
Shareholder's equity		
Common shares, 100 authorized, par value $0.01 Issued and outstanding (2023 and 2022 – 100)	—	—
Accumulated other comprehensive income	26,672	26,672
Additional paid-in capital	1,292,179	1,008,809
Retained earnings	2,385,680	2,081,622
Total shareholder's equity	**3,704,531**	**3,117,103**
Total liabilities and shareholder's equity	**11,675,270**	**9,963,697**

The accompanying notes are an integral part of these consolidated financial statements.

Validus Holdings, Ltd.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the nine months ended September 30, 2023 and 2022 (unaudited)
Expressed in thousands of U.S. dollars

	September 30, 2023 (unaudited) $	September 30, 2022 (unaudited) $
Revenues		
Gross premiums written	3,477,709	2,856,209
Reinsurance premiums ceded	(742,276)	(560,980)
Net premiums written	2,735,433	2,295,229
Change in unearned premiums	(680,652)	(669,585)
Net premiums earned	2,054,781	1,625,644
Net investment income	161,471	96,586
Net realized losses on investments, net	(62,452)	(3,456)
Net change in unrealized gains (losses) on investments, net	34,443	(406,566)
Other insurance-related income and other income	14,091	19,547
Foreign exchange losses, net	(27,584)	(3,877)
Total revenues	**2,174,750**	**1,327,878**
Expenses		
Losses and loss expenses	1,144,757	1,081,342
Policy acquisition costs	498,244	426,814
General and administrative expenses	100,527	97,081
Share compensation expenses	6,806	3,418
Finance expenses	107,143	25,365
Transaction expenses	161	463
Total expenses	**1,857,638**	**1,634,483**
Income (loss) before taxes and income from operating affiliates and structured notes	**317,112**	**(306,605)**
Tax expense	(14,213)	(46,714)
Income from operating affiliates	841	907
Income from structured notes receivable from AlphaCat ILS fund	318	62
Net income (loss) and comprehensive income (loss)	**304,058**	**(352,350)**

The accompanying notes are an integral part of these consolidated financial statements.

Validus Holdings, Ltd.
Consolidated Statements of Shareholder's Equity
For the nine months ended September 30, 2023 and 2022 (unaudited)
Expressed in thousands of U.S. dollars

	September 30, 2023 (unaudited) $	September 30, 2022 (unaudited) $
Common shares		
Balance, beginning and end of period	—	—
Accumulated other comprehensive income		
Balance, beginning and end of period	**26,672**	**26,672**
Additional paid-in capital		
Balance, beginning of period	1,008,809	988,977
Distributions to parent company relating to settlement of share-based compensation arrangements	(5,992)	(2,425)
Contributions from parent company relating to extinguishment of debt	289,362	22,257
Balance, end of the period	**1,292,179**	**1,008,809**
Retained earnings		
Balance, beginning of period	2,081,622	2,342,155
Net income (loss) for the period	304,058	(352,350)
Balance, end of the period	**2,385,680**	**1,989,805**
Total shareholder's equity	**3,704,531**	**3,025,286**

The accompanying notes are an integral part of these consolidated financial statements.

Validus Holdings, Ltd.
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2023 and 2022 (unaudited)
Expressed in thousands of U.S. dollars

	September 30, 2023 (unaudited) $	September 30, 2022 (unaudited) $
Cash flows provided by (used in) operating activities		
Net income (loss) and comprehensive income (loss)	304,058	(352,350)
Adjustments to reconcile net income (loss) and comprehensive income (loss) to net cash provided by operating activities:		
Amortization of discount on Senior Notes	119	126
Loss on extinguishment of debt	90,150	7,729
Change in net realized and unrealized losses on investments	28,009	410,022
Change in net asset value of structured notes	(299)	(43)
Income from operating affiliates	(841)	(907)
Foreign exchange gains included in net income	27,584	3,877
(Accretion) Amortization of premium on fixed maturity investments	(9,031)	9,065
Transaction expenses	161	463
Change in operational balance sheet items:		
Premiums receivable	(768,833)	(686,517)
Deferred acquisition costs	(152,306)	(198,564)
Prepaid reinsurance premiums	(307,914)	(105,898)
Loss reserves recoverable	365,563	271,107
Paid losses recoverable	(4,101)	(81,465)
Reserve for losses and loss expenses	73,613	99,076
Unearned premiums	988,566	775,483
Reinsurance balances payable	241,236	82,035
Funds withheld	(16,052)	44,378
Other operational balance sheet items, net	(22,817)	(22,374)
Net cash provided by operating activities	**836,865**	**255,243**
Cash flows provided by (used in) investing activities		
Proceeds on sales of investments	558,832	61,926
Proceeds on maturities of investments	398,985	469,857
Purchases of fixed maturity investments	(653,008)	(1,069,426)
(Purchases of) proceeds on sale of short-term investments, net	(844,729)	294,306
Purchase of shares in operating affiliates	(2)	(2)
Redemption of shares from operating affiliates	847	2,709
Net cash used in investment activities	**(539,075)**	**(240,630)**

The accompanying notes are an integral part of these consolidated financial statements.

Validus Holdings, Ltd.
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2023 and 2022 (unaudited)
Expressed in thousands of U.S. dollars

	September 30, 2023 (unaudited) $	September 30, 2022 (unaudited) $
Effect of foreign currency rate changes on cash and cash equivalents and restricted cash	**(4,751)**	**(21,440)**
Net increase (decrease) in cash and cash equivalents and restricted cash	**293,039**	**(6,827)**
Cash and cash equivalents and restricted cash – beginning of period	366,341	404,294
Cash and cash equivalents and restricted cash – end of the period	**659,380**	**397,467**
Supplemental information		
Taxes refunded during the period	2,962	2,808
Non-cash information		
Deemed capital contribution from parent for senior notes extinguishment	289,362	22,257

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of the business

Validus Holdings, Ltd. (together with its wholly and majority owned subsidiaries, the “Company” or “Validus”) was incorporated under the laws of Bermuda on October 19, 2005. The Company provides reinsurance coverage and insurance-linked securities (“ILS”) management. As at September 30, 2023, the Company was wholly owned by American International Group, Inc. (“AIG”), which is a company registered with the United States Securities and Exchange Commission and is incorporated in the state of Delaware, United States of America (“U.S.”). Effective November 1, 2023, the Company was sold to RenaissanceRe Holdings Ltd. (“RenaissanceRe”). Refer to Note 16, *“Subsequent events”*, for further details.

2. Basis of preparation and consolidation

These unaudited consolidated interim financial statements (the “Consolidated Financial Statements”) and related notes have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the financial information and note disclosures required by U.S. GAAP for complete consolidated financial statements. In addition, the 2022 year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. These Consolidated Financial Statements and related notes should be read in conjunction with the Company’s audited annual financial statements and related notes for the year ended December 31, 2022.

In the opinion of management, these Consolidated Financial Statements reflect all adjustments that are normal and recurring in nature necessary for a fair statement of the Company’s financial position as at September 30, 2023, its results of operations for the nine months ended September 30, 2023 and 2022, and cash flows for the nine months ended September 30, 2023 and 2022. The results of operations for any interim period are not necessarily indicative of results for the full year.

The Company consolidates in these Consolidated Financial Statements the results of operations and financial position of all voting interest entities (“VOE”) in which the Company has a controlling financial interest and all variable interest entities (“VIE”) in which the Company is considered to be the primary beneficiary. The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE, depends on the facts and circumstances surrounding each entity.

All significant intercompany accounts and transactions have been eliminated.

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

- the reserve for losses and loss expenses;
- the premium written on a line slip or proportional basis;
- the loss reserves recoverable, including the provision to reflect expected credit losses; and
- the valuation of invested assets and other financial instruments.

Expressed in thousands of U.S. dollars, except share amounts

The term "ASC" used in these notes refers to Accounting Standard Codification issued by the United States Financial Accounting Standards Board (the "FASB").

3. Significant accounting policies

Except as described below, there have been no material changes to the significant accounting policies as described in the Company's audited annual financial statements and related notes for the year ended December 31, 2022.

4. Recent accounting pronouncements

Accounting standards adopted in 2023

The Company adopted the following accounting standards on January 1, 2023, none of which have had a material impact on the Company's financial position and results of operations:

- ASU 2022-01, "*Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method*"
- ASU 2022-02, "*Financial Instruments – Credit Losses (Topic 326)*"

There have been no additional accounting pronouncements issued or adopted during the nine months ended September 30, 2023 that warrant disclosure in the Consolidated Financial Statements.

5. Investments

Fixed maturity investments

The amortized cost and fair value of the Company's fixed maturity investments as at September 30, 2023 and December 31, 2022 were as follows:

	September 30, 2023		December 31, 2022	
	Amortized cost $	Fair value $	Amortized cost $	Fair value $
U.S. government and government agency	942,173	915,823	696,857	674,824
Non-U.S. government and government agency	224,466	206,281	314,124	289,664
U.S. states, municipalities and political subdivisions	47,520	43,105	164,524	146,103
Agency residential mortgage-backed securities	657,251	530,190	702,000	607,322
Non-agency residential mortgage-backed securities	266,777	228,751	380,011	330,743
Corporate	1,393,025	1,314,228	1,322,323	1,237,546
Asset-backed securities	397,979	368,553	456,658	416,559
Commercial mortgage-backed securities	231,659	214,903	574,945	535,116
Total fixed maturities	**4,160,850**	**3,821,834**	**4,611,442**	**4,237,877**

Expressed in thousands of U.S. dollars, except share amounts

5. Investments (continued)

Fixed maturity investments (continued)

The following table summarizes the fair value of the Company's fixed maturity investments by credit rating as issued by a recognized rating agency as at September 30, 2023 and December 31, 2022:

	September 30, 2023		December 31, 2022	
	Fair value $	Percentage of total %	Fair value $	Percentage of total %
AAA	846,596	22.15	2,458,194	58.01
AA	1,744,251	45.64	554,612	13.09
A	737,347	19.29	702,760	16.58
BBB	481,110	12.59	472,563	11.15
Total investment grade fixed maturities	**3,809,304**	**99.67**	**4,188,129**	**98.83**
BB	915	0.02	21,041	0.49
B	—	0.00	6,853	0.16
CCC	63	0.00	246	0.01
CC	610	0.02	819	0.02
C	1,981	0.05	2,259	0.05
NR	8,961	0.24	18,530	0.44
Total non-investment grade fixed maturities	**12,530**	**0.33**	**49,748**	**1.17**
Total fixed maturities	**3,821,834**	**100.00**	**4,237,877**	**100.00**

The amortized cost and fair values for the Company's fixed maturity investments held at September 30, 2023 and December 31, 2022 are shown below by contractual maturity. Actual maturity may differ from contractual maturity due to prepayment rights associated with certain investments.

	September 30, 2023		December 31, 2022	
	Amortized cost $	Fair value $	Amortized cost $	Fair value $
Due in one year or less	499,609	491,635	458,146	447,021
Due after one year through five years	1,990,197	1,890,830	1,867,536	1,759,793
Due after five years through ten years	92,783	79,264	131,244	110,194
Due after ten years	24,595	17,708	40,902	31,129
	2,607,184	2,479,437	2,497,828	2,348,137
Asset-backed and mortgage-backed securities	1,553,666	1,342,397	2,113,614	1,889,740
Total fixed maturities	**4,160,850**	**3,821,834**	**4,611,442**	**4,237,877**

Expressed in thousands of U.S. dollars, except share amounts

5. Investments (continued)

Net investment income

Net investment income during the nine months ended September 30, 2023 and 2022 was derived from the following sources:

	September 30, 2023 $	September 30, 2022 $
Fixed maturity investments	107,400	67,461
Short-term investments	9,555	747
Cash and cash equivalents	9,508	127
Loan receivables	37,154	32,182
Investment income	163,617	100,517
Investment expenses	(2,146)	(3,931)
Total net investment income	**161,471**	**96,586**

Net realized and net change in unrealized (losses) gains on investments

The following represents an analysis of net realized and net change in unrealized (losses) gains on investments for the nine months ended September 30, 2023 and 2022:

	September 30, 2023		
	Fixed maturities $	Other investments $	Total $
Gross realized gains	8	—	8
Gross realized losses	(62,460)	—	(62,460)
Net realized losses on investments	(62,452)	—	(62,452)
Net change in unrealized gains on investments	34,443	—	34,443
Total net realized and unrealized losses on investments	**(28,009)**	**—**	**(28,009)**

	September 30, 2022		
	Fixed maturities $	Other investments $	Total $
Gross realized gains	1,943	2,517	4,460
Gross realized losses	(7,916)	—	(7,916)
Net realized (losses) gains on investments	(5,973)	2,517	(3,456)
Net change in unrealized losses on investments	(406,566)	—	(406,566)
Total net realized and unrealized (losses) gains on investments	**(412,539)**	**2,517**	**(410,022)**

5. Investments (continued)

Pledged investments

As at September 30, 2023, the Company had $2,474,777 (December 31, 2022: $2,567,699) of cash and cash equivalents, short-term investments and fixed maturity investments that were pledged and held in trust during the normal course of business. Pledged assets are generally for the benefit of the Company's cedants and policyholders to facilitate the accreditation of the Company, its Canada branch office, and its operating subsidiary, Validus Reinsurance (Switzerland) Ltd. ("Validus Re Swiss"), as alien reinsurers by certain regulators. This is principally achieved via multi-beneficiary reinsurance trusts.

6. Fair value measurements

Classification within the fair value hierarchy

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Under U.S. GAAP, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are described below:

Level 1 - Fair values are measured based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 - Fair values are measured based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g., interest rates, yield curves, prepayment rates, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 - Fair values are measured based on unobservable inputs that reflect the Company's own judgments about assumptions where there is little, if any, market activity for that asset or liability that market participants might use.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This may lead the Company to change the selection of the valuation technique (e.g., from market to cash flow approach) or to use multiple valuation techniques to estimate the fair value of a financial instrument. These circumstances could cause an instrument to be reclassified between levels within the fair value hierarchy.

Expressed in thousands of U.S. dollars, except share amounts

6. Fair value measurements (continued)

Classification within the fair value hierarchy (continued)

As at September 30, 2023 and December 31, 2022, the Company's investments were allocated between Levels 1, 2 and 3 as follows:

	September 30, 2023			
	Level 1 $	Level 2 $	Level 3 $	Total $
U.S. government and government agency	—	915,823	—	915,823
Non-U.S. government and government agency	717	205,564	—	206,281
U.S. states, municipalities and political subdivisions	—	43,105	—	43,105
Agency residential mortgage-backed securities	—	530,190	—	530,190
Non-agency residential mortgage-backed securities	—	201,065	27,686	228,751
Corporate	—	1,314,228	—	1,314,228
Asset-backed securities	—	367,374	1,179	368,553
Commercial mortgage-backed securities	—	214,903	—	214,903
Total fixed maturities	**717**	**3,792,252**	**28,865**	**3,821,834**
Short-term investments	**12,821**	**952,484**	**—**	**965,305**
Total investments	**13,538**	**4,744,736**	**28,865**	**4,787,139**

	December 31, 2022			
	Level 1 $	Level 2 $	Level 3 $	Total $
U.S. government and government agency	—	674,824	—	674,824
Non-U.S. government and government agency	—	289,664	—	289,664
U.S. states, municipalities and political subdivisions	—	146,103	—	146,103
Agency residential mortgage-backed securities	—	607,322	—	607,322
Non-agency residential mortgage-backed securities	—	289,170	41,573	330,743
Corporate	—	1,237,546	—	1,237,546
Asset-backed securities	—	413,912	2,647	416,559
Commercial mortgage-backed securities	—	535,116	—	535,116
Total fixed maturities	**—**	**4,193,657**	**44,220**	**4,237,877**
Short-term investments	**114,117**	**—**	**—**	**114,117**
Total investments	**114,117**	**4,193,657**	**44,220**	**4,351,994**

As at September 30, 2023, Level 3 investments totalled $28,865 (December 31, 2022: $44,220), representing 0.60% (December 31, 2022: 1.02%) of total investments.

6. Fair value measurements (continued)

Valuation techniques

There have been no material changes in the Company’s valuation techniques during the periods presented in these Consolidated Financial Statements. The following methods and assumptions were used in estimating the fair value of each class of financial instrument recorded in the Consolidated Balance Sheets.

Fixed maturity investments

In general, valuation of the Company’s fixed maturity investment portfolio is provided by independent third party valuation service providers, such as index providers and pricing vendors, as well as broker quotations. The pricing vendors provide valuations for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Prices are generally verified using third party data. Index providers generally utilize centralized trade reporting networks, available market makers and statistical techniques.

When independent third party valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either through a broker-dealer price quote or by employing market accepted valuation models. In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however, they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets. The techniques generally used to determine the fair value of the Company’s fixed maturity investments are detailed below by asset class.

U.S. government and government agency

U.S. government and government agency securities consist primarily of debt securities issued by the U.S. Treasury and certain mortgage pass-through agencies. Fixed maturity investments included in U.S. government and government agency securities are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data. On-the-Run U.S. Treasury issuances are considered Level 1 given the availability of quoted prices in active markets. Off-the-Run and other U.S. Treasuries are classified as Level 2 as the significant inputs used to price these securities are observable.

Non-U.S. government and government agency

Non-U.S. government and government agency securities consist of debt securities issued by non-U.S. governments and their agencies along with supranational organizations (also known as sovereign debt securities). Securities held in these sectors are primarily priced by pricing services who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets. Bills, Bonds and Notes issued from Canada, France, Germany, Italy, Japan, and the United Kingdom within one year of the balance sheet date are considered Level 1 given the availability of quoted prices in active markets. All other instruments are classified as Level 2 as the significant inputs used to price these securities are observable.

6. Fair value measurements (continued)

Valuation techniques (continued)

U.S. states, municipalities and political subdivisions

The Company's U.S. states, municipalities and political subdivisions portfolio contains debt securities issued by U.S. domiciled state and municipal entities. These securities are generally priced by independent pricing services using available market information such as yields and credit spreads. The availability of observable inputs used to price these securities is contingent on their respective maturity dates. As the significant inputs utilized to determine price are observable, the fair value of these investments are classified as Level 2.

Agency residential mortgage-backed securities

The Company's agency residential mortgage-backed investments consist primarily of debt securities issued by mortgage-pass through agencies. These securities are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. Treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes. As securities with investment grade credit ratings utilize significant observable inputs to determine prices, the fair value of these investments are classified as Level 2. Securities below investment grade credit ratings, or where security holdings are backed by certain collateral types or are residual tranches, utilize an element of significant unobservable inputs, including credit spreads, default rates, prepayment rates, and default projections. Accordingly, the fair value of these investments are classified as Level 3.

Non-agency residential mortgage-backed securities

The Company's non-agency residential mortgage-backed investments include non-agency prime and sub-prime residential mortgage-backed fixed maturity investments. Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or discounted cash flow model, which principally utilize inputs including benchmark yields, available trade information or broker quotes, issuer spreads, prepayment and default projections. The pricing services also review collateral prepayment rates, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable. Where significant inputs used to price the securities are observable, the fair value of these investments are classified as Level 2. Where such information is unavailable, or the security credit rating is below AAA, significant unobservable inputs are used to price these securities, which may include constant prepayment rates, loss severity, default rates and yield, resulting in certain securities being classified as Level 3.

Corporate

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. Treasury curve or a security specific swap curve as appropriate. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

6. Fair value measurements (continued)

Valuation techniques (continued)

Asset-backed securities

Asset backed securities include mostly investment-grade debt securities backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, student loans, credit card receivables, and collateralized loan obligations originated by a variety of financial institutions. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment rates which may be adjusted for the underlying collateral or current price data, the U.S. Treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector. The fair value classification of asset-backed securities is based on a combination of collateral type, tranche type and rating, in addition to observable pricing inputs. As the significant inputs used to price the majority of these securities are observable, the fair value of these investments are classified as Level 2. Where such information is unavailable and pricing is sourced by a broker, or the security meets specific criteria, significant unobservable inputs are used to price these securities, which includes yield, resulting in certain securities classified as Level 3.

Commercial mortgage-backed securities

The Company's commercial mortgage-backed securities consist of primarily investment grade debt securities. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment rates which may be adjusted for the underlying collateral or current price data, the U.S. Treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector. As securities with investment grade credit ratings utilize significant observable inputs to determine prices, the fair value of these investments are classified as Level 2.

Short-term investments

Short-term investments consist primarily of highly liquid securities, all with maturities of less than one year from the date of purchase. The fair value of the portfolio is generally determined using amortized cost which approximates fair value. As the highly liquid money market-type funds are actively traded, the fair value of these investments are classified as Level 1. To the extent that the remaining securities are not actively traded due to their approaching maturity, the fair values of these investments are classified as Level 2.

Expressed in thousands of U.S. dollars, except share amounts

6. Fair value measurements (continued)

Level 3 investments

The following tables presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs at September 30, 2023 and 2022:

	September 30, 2023		
	Non-agency residential mortgage-backed securities $	Asset-backed securities $	Total $
Level 3 investments, beginning of period	41,573	2,647	44,220
Transfers out of Level 3 investments	—	(1,478)	(1,478)
Sales	(10,262)	—	(10,262)
Settlements	(3,306)	(30)	(3,336)
Realized losses, net	(2,881)	—	(2,881)
Change in net unrealized gains, net	2,562	40	2,602
Level 3 investments, end of period	**27,686**	**1,179**	**28,865**

	September 30, 2022		
	Non-agency residential mortgage-backed securities $	Asset-backed securities $	Total $
Level 3 investments, beginning of period	64,601	31,927	96,528
Transfers into Level 3 investments	—	22,218	22,218
Transfers out of Level 3 investments	—	(20,711)	(20,711)
Sales	—	(328)	(328)
Settlements	(9,316)	(17,353)	(26,669)
Realized losses, net	(2)	(2)	(4)
Change in net unrealized losses, net	(6,780)	(794)	(7,574)
Level 3 investments, end of period	**48,503**	**14,957**	**63,460**

During the nine months ended September 30, 2023, there were no transfers into Level 3 investments. During the nine months ended September 30, 2022, transfers into Level 3 investments included investments in asset-backed securities. These transfers were primarily the result of diminished market transparency and liquidity relating to collateralized debt obligations.

During the nine months ended September 30, 2023 and 2022, transfers out of Level 3 investments included investments in asset-backed securities. These transfers were primarily the result of increased market transparency and liquidity for individual security types.

Expressed in thousands of U.S. dollars, except share amounts

6. Fair value measurements (continued)

Level 3 investments (continued)

Quantitative information about Level 3 investments

The following tables presents information about the significant unobservable inputs used for fair value measurements for certain Level 3 instruments at September 30, 2023 and December 31, 2022:

September 30, 2023			
Valuation technique	**Unobservable inputs**	**Range**	**Weighted average**
Non-agency residential mortgage-backed securities (fair value of $24,767)			
Discounted cash flow	Constant prepayment rate	5.39% - 6.48%	6.06%
Discounted cash flow	Loss severity	21.28% - 68.06%	44.67%
Discounted cash flow	Constant default rate	1.61% - 3.60%	2.53%
Discounted cash flow	Yield	5.87% - 6.65%	6.26%
Asset-backed securities (fair value of $214)			
Discounted cash flow	Yield	7.12% - 7.12%	7.12%

December 31, 2022			
Valuation technique	**Unobservable inputs**	**Range**	**Weighted average**
Non-agency residential mortgage-backed securities (fair value of $31,004)			
Discounted cash flow	Constant prepayment rate	7.00% - 10.64%	8.58%
Discounted cash flow	Loss severity	10.48% - 19.84%	15.16%
Discounted cash flow	Constant default rate	0.96% - 3.60%	2.28%
Discounted cash flow	Yield	5.84% - 6.27%	6.06%
Asset-backed securities (fair value of $1,202)			
Discounted cash flow	Yield	5.93% - 6.38%	6.08%

The weighted average for fixed maturity securities is based on the estimated fair value of the Level 3 securities.

The table above includes only those instruments for which information about the inputs is reasonably available to the Company, such as data from independent third-party valuation service providers and from internal valuation models. Because input information from third parties with respect to certain Level 3 instruments are not available, balances shown in the table above do not represent the total amounts reported as Level 3 assets.

Financial instruments not carried at fair value

ASC Topic 825 "*Financial Instruments*" is also applicable to disclosures of financial instruments not carried at fair value, except for certain financial instruments, including insurance contracts and investments in affiliates. The carrying values of accrued investment income, other assets, net payable for investments purchased and accounts payable and accrued expenses approximated their fair values at September 30, 2023 and December 31, 2022, due to their respective short maturities. As these financial instruments are not actively traded, their respective fair values are classified within Level 2.

As at September 30, 2023, AIG had completed the buy back of the Company's Senior Notes in full. As at December 31, 2022, the Company's Senior Notes were carried at cost, net of debt issuance costs of $2,718 and had a fair value of $244,920. As the senior notes payable are not actively traded, their respective fair values are classified within Level 2 at December 31, 2022. Refer to Note 13, *"Debt and financing arrangements"*, for further details.

7. Investments in operating affiliates and structured notes receivable from AlphaCat ILS fund

Investments in operating affiliates

AlphaCat sidecars

Beginning on May 25, 2011, the Company joined with other investors in capitalizing a series of reinsurance and investment entities, referred to as “sidecars”, for the purpose of investing in collateralized reinsurance and retrocessional contracts. Certain of these sidecars deployed their capital through transactions entered into by AlphaCat Reinsurance Ltd. (“AlphaCat Re”) and OmegaCat Reinsurance Ltd. (“OmegaCat Re”). Each of these entities returns capital once the risk period expires and all losses have been paid out. The AlphaCat sidecars are VIEs and the Company is not the primary beneficiary. Therefore, the Company’s investments in the sidecars have been treated as equity method investments. The Company’s maximum exposure to any of the sidecars is the amount of capital invested at any given time and any remaining capital commitments.

AlphaCat ILS funds

Beginning on December 17, 2012, the Company joined with other investors in capitalizing the AlphaCat ILS funds for the purpose of investing in instruments with returns linked to property catastrophe reinsurance, retrocession and insurance linked securities (“ILS”) contracts. The AlphaCat ILS funds have varying risk profiles and are categorized by the maximum permitted portfolio expected loss of the fund. The maximum permitted portfolio expected loss represents the average annual loss over the set of simulation scenarios divided by the total limit. Lower risk ILS funds are defined as having a maximum permitted portfolio expected loss of less than 7%, whereas higher risk ILS funds have a maximum permitted portfolio expected loss of 7% or greater. The AlphaCat ILS funds primarily deploy their capital through transactions entered into by AlphaCat Re or OmegaCat Re and AlphaCat Master Fund Ltd. The AlphaCat ILS funds are VIEs and the Company is not the primary beneficiary. Therefore, the Company’s investments in the funds have been treated as equity method investments.

The Company’s maximum exposure to any of the AlphaCat ILS funds is the amount of capital invested at any given time and any remaining capital commitments.

Expressed in thousands of U.S. dollars, except share amounts

7. Investments in operating affiliates and structured notes receivable from AlphaCat ILS fund (continued)

Investments in operating affiliates (continued)

AlphaCat Re

The Company utilized AlphaCat Re, a market facing entity, for the purpose of writing collateralized reinsurance on behalf of the AlphaCat sidecars and ILS funds (collectively the "Feeder Funds") and direct third-party investors. All of the risks and rewards of the underlying transactions are allocated to the Feeder Funds and direct third-party investors using variable funding notes. AlphaCat Re is a VIE and the Company is not the primary beneficiary. Therefore, the Company's investment in AlphaCat Re has been treated as an equity method investment.

The following tables present a reconciliation of the beginning and ending investments in operating affiliates at September 30, 2023 and 2022:

	September 30, 2023				
	AlphaCat sidecars $	AlphaCat ILS Funds - Lower Risk $	AlphaCat ILS Funds - Higher Risk $	AlphaCat Re $	Total $
Balance, beginning of period	1,605	5	3,155	120	4,885
Purchase of shares	—	—	2	—	2
Redemption of shares / distributions	—	(2)	(845)	—	(847)
Income from operating affiliates	32	—	809	—	841
Balance, end of period	**1,637**	**3**	**3,121**	**120**	**4,881**

	September 30, 2022				
	AlphaCat sidecars $	AlphaCat ILS Funds - Lower Risk $	AlphaCat ILS Funds - Higher Risk $	AlphaCat Re $	Total $
Balance, beginning of period	1,557	5	5,118	120	6,800
Purchase of shares	—	2	—	—	2
Redemption of shares / distributions	—	(2)	(2,707)	—	(2,709)
Income from operating affiliates	47	—	860	—	907
Balance, end of period	**1,604**	**5**	**3,271**	**120**	**5,000**

Expressed in thousands of U.S. dollars, except share amounts

7. Investments in operating affiliates and structured notes receivable from AlphaCat ILS fund (continued)

Investments in operating affiliates (continued)

The following tables present the Company's investments in operating affiliates as at September 30, 2023 and December 31, 2022:

	September 30, 2023		
	Voting ownership %	Equity ownership %	Carrying value $
AlphaCat sidecars	40.00	20.00	1,637
AlphaCat ILS Funds – Lower Risk	n/a	(a)	3
AlphaCat ILS Funds – Higher Risk	n/a	(b)	3,121
AlphaCat Re	100.00	100.00	120
Total			**4,881**

(a) Equity ownerships in the lower risk AlphaCat ILS funds were less than 1.00%
(b) Equity ownerships in the higher risk AlphaCat ILS funds were between 0.00% and 3.97%

	December 31, 2022		
	Voting ownership %	Equity ownership %	Carrying value $
AlphaCat sidecars	40.00	20.00	1,605
AlphaCat ILS Funds – Loser Risk	n/a	(a)	5
AlphaCat ILS Funds – Higher Risk	n/a	(b)	3,155
AlphaCat Re	100.00	100.00	120
Total			**4,885**

(a) Equity ownerships in the lower risk AlphaCat ILS funds were less than 1.00%
(b) Equity ownerships in the higher risk AlphaCat ILS funds were between 0.00% and 3.86%

Structured notes receivable from AlphaCat ILS fund

In 2021, one of the AlphaCat ILS funds (the "Fund") issued both common shares and structured notes to the Company in order to capitalize the Fund. The structured notes do not have a stated maturity date since repayment is dependent on the settlement and income or loss of the underlying transactions. These structured notes rank senior to the common shares of the Fund and earn an interest rate of 7% per annum (December 31, 2022: 7%), payable on a cumulative basis in arrears. Structured notes receivable are classified within "Other assets" on the Consolidated Balance Sheets.

The following table presents a reconciliation of the beginning and ending structured notes receivable from the Fund as at September 30, 2023 and 2022:

	September 30, 2023 $	September 30, 2022 $
Structured notes receivable from the Fund, beginning of period	66	12
Increase in net asset value of structured notes receivable	299	43
Structured notes receivable from the Fund, end of period	**365**	**55**

Expressed in thousands of U.S. dollars, except share amounts

8. Derivative instruments

Derivatives not designated as hedging instruments

The following tables summarize information on the classification and amount of the fair value of derivatives not designated as hedging instruments within the Company's Consolidated Balance Sheets as at September 30, 2023 and December 31, 2022:

	September 30, 2023	
	Asset derivative at fair value (a) $	Liability derivative at fair value (a) $
Foreign exchange contracts	1,361	1,761
Commodity derivative contracts	3,030	—
Total	4,391	1,761

	December 31, 2022	
	Asset derivative at fair value (a) $	Liability derivative at fair value (a) $
Foreign exchange contracts	17,405	5,312
Commodity derivative contracts	9,167	34
Total	26,572	5,346

(a) Asset and liability derivatives are classified within "Other assets" and "Accounts payable and accrued expenses", respectively, on the Consolidated Balance Sheets. Fair value amounts are shown before the effects of counterparty netting adjustments and offsetting cash collateral. Margin call asset for foreign exchange contract derivative transactions as at September 30, 2023 was $6,840 (December 31, 2022: margin call liability of $10,420).

There have been no material changes in our derivatives strategies during the nine months ended September 30, 2023.

The foreign exchange contracts are valued on the basis of standard industry valuation models. The inputs to these models are based on observable market inputs, and as such the fair values of these contracts are classified as Level 2.

The commodity derivative contracts are exchange traded instruments and are valued on the basis of standard industry valuation models. The inputs to these models are based on observable market inputs, and as such the fair values of these contracts are classified as Level 2.

The following table summarizes information on the classification and net impact on earnings, recognized in the Company's Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) relating to derivatives that were not designated as hedging instruments during the nine months ended September 30, 2023 and 2022:

Derivatives not designated as hedging instruments	Classification of gains (losses) recognized in earnings	September 30, 2023 $	September 30, 2022 $
Foreign exchange contracts	Foreign exchange gains (losses)	3,140	(1,527)
Commodity derivative contracts	Foreign exchange (losses) gains	(6,543)	3,281

Expressed in thousands of U.S. dollars, except share amounts

8. Derivative instruments (continued)

Balance sheet offsetting

There was no balance sheet offsetting activity as at September 30, 2023 and December 31, 2022.

Commencing in 2019, the Company engaged in foreign exchange contracts with an affiliated AIG entity under International Swaps and Derivatives Association, Inc. Master Agreements, which establish terms that apply to all transactions. As part of the agreements, collateral is provided as security for the foreign exchange contracts. On a periodic basis, the amounts receivable from or payable to the counterparties are settled in cash on a net basis.

9. Premiums receivable and funds withheld

Premiums receivable

Premiums receivable is composed of premiums in the course of collection and premiums accrued but unbilled, both of which are presented net of commissions and brokerage. It is common practice in the reinsurance industry for premiums to be paid on an instalment basis, therefore significant amounts will be considered unbilled and will not become due until a future date, which is typically no later than expiration of the underlying coverage period.

The following is a breakdown of the components of premiums receivable as at September 30, 2023 and December 31, 2022:

	September 30, 2023		
	Premiums in course of collection $	Premiums accrued but unbilled $	Total $
Premiums receivable, beginning of period	84,995	1,474,297	1,559,292
Change during the period	14,706	743,554	758,260
Premiums receivable, end of period	**99,701**	**2,217,851**	**2,317,552**

	December 31, 2022		
	Premiums in course of collection $	Premiums accrued but unbilled $	Total $
Premiums receivable, beginning of period	76,537	1,150,752	1,227,289
Change during the period	8,458	323,545	332,003
Premiums receivable, end of period	**84,995**	**1,474,297**	**1,559,292**

Funds withheld

The Company writes and cedes certain business on a funds withheld basis. Under these contractual arrangements, the Company and the cedants withhold premiums for the purpose of paying claims. The remaining net funds will be remitted or settled after all policies have expired and all claims have been paid.

Funds withheld assumed and ceded as at September 30, 2023 were $123,227 and $2,706, respectively (December 31, 2022: $107,175 and $2,717, respectively).

Expressed in thousands of U.S. dollars, except share amounts

10. Reserves for losses and loss expenses

The following table summarizes the Company's reserve for losses and loss expenses as at September 30, 2023 and December 31, 2022:

	September 30, 2023 $	December 31, 2022 $
Case reserves	1,348,483	1,402,082
IBNR	3,725,097	3,566,167
Reserve for losses and loss expenses	**5,073,580**	**4,968,249**

The following table presents a rollforward of activity in net reserves for losses and loss expenses for the nine months ended September 30, 2023 and 2022:

	September 30, 2023 $	September 30, 2022 $
Reserve for losses and loss expenses, beginning of period	4,968,249	4,733,761
Loss reserves recoverable, beginning of period	(1,900,032)	(2,140,746)
Net reserves for losses and loss expenses, beginning of period	3,068,217	2,593,015
Net incurred losses and loss expenses in respect of losses occurring in:		
Current periods	1,151,121	1,101,212
Prior periods	(6,364)	(19,870)
Total incurred losses and loss expenses	1,144,757	1,081,342
Foreign exchange losses (gains)	31,717	(51,760)
Net losses and loss expenses paid in respect of losses occurring in:		
Current periods	(144,692)	(149,464)
Prior periods	(560,888)	(561,695)
Total net paid losses	(705,580)	(711,159)
Net reserve for losses and loss expenses, end of period	3,539,111	2,911,438
Loss reserves recoverable, end of period	1,534,469	1,924,442
Reserve for losses and loss expenses, end of period	**5,073,580**	**4,835,880**

Total incurred losses and loss expenses for the nine months ended September 30, 2023 and 2022 is comprised of:

	September 30, 2023 $	September 30, 2022 $
Gross losses and loss expenses	1,062,896	955,781
Reinsurance recoveries	81,861	125,561
Net incurred losses and loss expenses	**1,144,757**	**1,081,342**

Expressed in thousands of U.S. dollars, except share amounts

10. Reserves for losses and loss expenses (continued)

The net favourable development on prior accident periods by line of business is as follows:

	Line of Business			
	Property $	Specialty - Short-tail $	Specialty - Other $	Total $
Nine months ended September 30, 2023	(1,636)	(1,396)	(3,332)	(6,364)
Nine months ended September 30, 2022	(9,518)	(4,735)	(5,617)	(19,870)

The net favourable development on prior accident periods for the nine months ended September 30, 2023 and 2022 were primarily driven by favourable development on attritional losses, offset by adverse development on events.

11. Reinsurance

The Company's reinsurance balances recoverable as at September 30, 2023 and December 31, 2022 were as follows:

	September 30, 2023 $	December 31, 2022 $
Loss reserves recoverable on unpaid:		
Case reserves	395,853	423,369
IBNR	1,138,616	1,476,663
Total loss reserves recoverable	1,534,469	1,900,032
Paid losses recoverable	88,439	81,005
Total reinsurance recoverable	**1,622,908**	**1,981,037**

Effects of reinsurance on premiums written and earned

The effects of reinsurance on net premiums written and earned, and on losses and loss expenses for the nine months ended September 30, 2023 and 2022 were as follows:

	September 30, 2023 $	September 30, 2022 $
Premiums written		
Assumed	3,477,709	2,856,209
Ceded	(742,276)	(560,980)
Net premiums written	**2,735,433**	**2,295,229**
Premiums earned		
Assumed	2,489,143	2,080,726
Ceded	(434,362)	(455,082)
Net premiums earned	**2,054,781**	**1,625,644**

Expressed in thousands of U.S. dollars, except share amounts

11. Reinsurance (continued)

Effects of reinsurance on premiums written and earned (continued)

Effective January 1, 2022, the Company entered into an adverse development excess of loss reinsurance agreement with a wholly-owned subsidiary of AIG, under which risk was transferred for certain of the Company's ultimate net loss reserves at December 31, 2021. The transaction was accounted for as retroactive reinsurance. The transaction resulted in a loss of $27,450 and was recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) immediately.

Effective January 1, 2023, the Company commuted the adverse development excess of loss reinsurance agreement with a wholly-owned subsidiary of AIG and renegotiated the reinsurance agreement, under which risk was transferred for certain of the Company's ultimate net loss reserves at December 31, 2022. The transaction was accounted for as retroactive reinsurance. The transaction resulted in a loss of $10,271 and was recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) immediately.

Refer to Note 15, *"Related party transactions"*, for further details regarding related party reinsurance.

Credit risk

The cession of reinsurance does not legally discharge the Company from its primary liability for the full amount of the reinsurance policies it writes, and the Company is required to pay the loss and bear collection risk regarding reinsurers' obligations under reinsurance and retrocession agreements. The Company records provisions for uncollectible reinsurance recoverable when collection becomes unlikely due to the reinsurer's inability to pay. To the extent the creditworthiness of the Company's reinsurers were to deteriorate due to adverse events affecting the reinsurance industry, such as a large number of major catastrophes, actual uncollectible amounts could be significantly greater than the Company's provision. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying loss reserves.

The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers. The reinsurance program is generally placed on a fully collateralized basis or with reinsurers whose rating, at the time of placement, was A- or better as rated by Standard & Poor's or the equivalent with other rating agencies. Exposure to a single reinsurer is also controlled with restrictions dependent on rating. As at September 30, 2023, $1,572,977 or 96.93% (December 31, 2022: $1,944,802 or 98.17%) of the Company's reinsurance balances recoverable were either fully collateralized or recoverable from reinsurers rated A- or better.

Information regarding the Company's concentration of credit risk arising from its exposure to individual reinsurers as at September 30, 2023 and December 31, 2022 were as follows:

	September 30, 2023		December 31, 2022	
	Reinsurance recoverable $	Percentage of total %	Reinsurance recoverable $	Percentage of total %
Top 10 reinsurers	1,519,298	93.62	1,862,784	94.03
Other reinsurers' balances > $1,000	98,395	6.06	116,518	5.88
Other reinsurers' balances < $1,000	5,215	0.32	1,735	0.09
Total	**1,622,908**	**100.00**	**1,981,037**	**100.00**

Expressed in thousands of U.S. dollars, except share amounts

11. Reinsurance (continued)

Credit risk (continued)

Information regarding the Company's concentration of credit risk arising from its top 10 reinsurers, including fully collateralized reinsurers, as at September 30, 2023 and December 31, 2022 were as follows:

	September 30, 2023			
Top 10 reinsurers	**Rating**	**Rating Agency**	**Reinsurance recoverable $**	**Percentage of total %**
Fully collateralized reinsurers	NR	N/A	1,343,455	82.78
American International Group, Inc	A	AM Best	33,215	2.05
Everest Re	A+	S&P Global Ratings	22,031	1.36
Markel	A	S&P Global Ratings	20,804	1.28
Fidelis	A-	S&P Global Ratings	20,778	1.28
RenaissanceRe	A+	S&P Global Ratings	18,306	1.13
Hiscox Ins Co Ltd	A	S&P Global Ratings	17,527	1.08
Manufacturers P&C Limited	A1	Moody's Investors Service	16,928	1.04
Lloyd's Syndicates	A	AM Best	15,358	0.95
Axis Capital Holdings	A+	S&P Global Ratings	10,896	0.67
Total			**1,519,298**	**93.62**

NR: Not rated

	December 31, 2022			
Top 10 reinsurers	**Rating**	**Rating Agency**	**Reinsurance recoverable $**	**Percentage of total %**
Fully collateralized reinsurers	NR	N/A	1,669,271	84.26
Everest Re	A+	S&P Global Ratings	32,297	1.63
SiriusPoint Ltd.	A-	S&P Global Ratings	29,643	1.50
Fidelis	A-	S&P Global Ratings	24,660	1.25
Markel	A	S&P Global Ratings	24,345	1.23
Manufacturers P&C Limited	A-	AM Best	20,450	1.03
Lloyd's Syndicates	A+	S&P Global Ratings	18,667	0.94
PartnerRe	A+	S&P Global Ratings	17,613	0.89
Chubb	AA	S&P Global Ratings	13,510	0.68
Axis Capital Holdings	A+	S&P Global Ratings	12,328	0.62
Total			**1,862,784**	**94.03**

NR: Not rated

12. Share capital

Authorized and issued

The Company has 100 common shares authorized, issued and outstanding as of September 30, 2023, and December 31, 2022 with a par value of $0.01.

Capital contributions and distributions

During the nine months ended September 30, 2023, the Company made capital distributions to AIG amounting to $5,992 (2022: $2,425) relating to settlement of share-based compensation arrangements.

During the nine months ended September 30, 2023, AIG made a contribution of $289,362 (2022: $22,257) to the Company relating to extinguishment of debt.

Dividends

During the nine months ended September 30, 2023, and 2022, there were no dividends paid by the Company. Refer to Note 16, *"Subsequent events"*, for further details.

13. Debt and financing arrangements

The Company's financing structure is comprised of senior notes payable along with credit facilities.

Senior Notes

On January 26, 2010, the Company issued Senior Notes as part of a registered public offering that mature on January 26, 2040, (the "Senior Notes"). The Senior Notes were issued at a principal value of $250,000 and pay 8.875% interest semi-annually in arrears.

Following the acquisition of the Company, AIG executed a guarantee dated July 26, 2018, with respect to Validus's aggregate outstanding Senior Notes, pursuant to which AIG provided a full and unconditional guarantee of Validus' obligations with respect to Senior Notes.

In 2022 and 2023, AIG repurchased and cancelled, through cash tender offers, certain portions of the Company's Senior Notes. On September 21, 2023, AIG completed the buyback of the remaining Senior Notes.

During the nine months ended September 30, 2023, AIG repurchased and cancelled $199,115 (September 30, 2022: $14,477) in aggregate principal outstanding of the Company's Senior Notes for $289,362 (September 30, 2022: $22,257). After writing-off a proportionate share of unamortized debt issuance costs and purchased interest, a total loss on extinguishment of debt of $90,150 (September 30, 2022: $7,729) was recognized within Finance expenses within the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). As the repurchased principal was paid in-full by AIG and not reimbursed by the Company, $289,362 (September 30, 2022: $22,257) was accounted for as a deemed contribution to Additional paid-in capital.

Debt issuance costs are amortized to Finance expenses within the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) over the life of the Senior Notes and are presented on a net basis within the Senior notes payable balance in the Company's Consolidated Balance Sheet as at December 31, 2022 and prior to the full buyback of the Senior Notes on September 21, 2023. Amortization was accelerated to reflect the repurchase transactions as noted above.

Expressed in thousands of U.S. dollars, except share amounts

13. Debt and financing arrangements (continued)

Senior Notes (continued)

The table below reconciles the carrying value of debt as at September 30, 2023 and 2022:

	Principal Outstanding $	Debt Issuance Costs $	Total Carrying Value $
Balances as at December 31, 2021	213,592	(3,093)	210,499
Amortization / Accretion	—	126	126
Impact of repurchases	(14,477)	209	(14,268)
Balances as at September 30, 2022	**199,115**	**(2,758)**	**196,357**
Balances as at December 31, 2022	199,115	(2,718)	196,397
Amortization / Accretion	—	119	119
Impact of repurchases	(199,115)	2,599	(196,516)
Balances as at September 30, 2023	—	—	—

Letters of credit

The Company's financing structure is comprised of letters of credit held with Citibank which are ultimately supported by AIG. As at September 30, 2023, total outstanding letters of credit amounted to $309,122 (December 31, 2022: $337,373). There were no cash or investments pledged as collateral relating to these letters of credit as at September 30, 2023 and December 31, 2022.

Finance expenses

The following table summarizes the Company's finance expenses for the nine months ended September 30, 2023 and 2022:

	September 30, 2023 $	September 30, 2022 $
Bank charges	172	151
Coupon interest on Senior notes	12,947	13,728
Fees on standby letters of credit	3,874	3,757
Loss on extinguishment of Senior Notes	90,150	7,729
Total finance expenses	107,143	25,365

Expressed in thousands of U.S. dollars, except share amounts

14. Income taxes

The Company's total income tax (expense) benefit for the nine months ended September 30, 2023 and 2022 were comprised of both current and deferred tax attributes, as follows:

	September 30, 2023 $	September 30, 2022 $
Current federal income tax (expense) benefit	(14,344)	2,516
Deferred federal income tax benefit (expense)	131	(49,230)
Total income tax expense	**(14,213)**	**(46,714)**

The table below is a reconciliation of the actual income tax (expense) benefit for the nine months ended September 30, 2023 and 2022 to the amount computed by applying the effective tax rate of 0% under Bermuda law to income (loss) before taxes and before income from operating affiliates and structured notes:

	September 30, 2023 $	September 30, 2022 $
Bermuda corporation tax at 0% rate	—	—
Effect of foreign operations	(24,417)	(7,082)
Foreign branch adjustment	(27,141)	—
U.S. GAAP to statutory accounting differences	(1,377)	7,484
Deferred income tax valuation allowances	33,952	(48,386)
Provision to return true ups	2,958	1,036
Other	1,812	234
Total income tax expense	**(14,213)**	**(46,714)**

The Company's deferred tax assets and deferred tax liabilities as at September 30, 2023 and December 31, 2022 are comprised of the following:

	September 30, 2023 $	December 31, 2022 $
Deferred tax assets		
Losses and tax credit carryforwards	41,601	96,577
Loss reserving differences	16,542	10,883
Unearned premium reserve reduction	36,991	27,100
Investments	19,625	16,253
Other	190	190
Total gross deferred tax assets	114,949	151,003
Less valuation allowance	(41,837)	(80,478)
Total net deferred tax assets	**73,112**	**70,525**
Deferred tax liabilities		
Deferred policy acquisition costs	44,759	41,303
Other	313	1,592
Total deferred tax liabilities	45,072	42,895
Net deferred tax asset	**28,040**	**27,630**

Expressed in thousands of U.S. dollars, except share amounts

15. Related party transactions

The following significant transactions are classified as related party transactions as principals and/or directors of each counterparty are members of the Company's or AIG's board of directors.

Reinsurance agreements

The Company has various reinsurance agreements with its affiliates. The following tables summarize the significant balances resulting from these reinsurance agreements:

Reinsurance agreements with Talbot Syndicate 1183	September 30, 2023 $	September 30, 2022 $
Transactions during the nine months ended		
Net premium earned	2,198	1,109
Incurred losses and loss expenses	1,902	(1,916)
Policy acquisition costs	(336)	(403)

Reinsurance agreements with Talbot Syndicate 1183	September 30, 2023 $	December 31, 2022 $
Balances outstanding as at		
Premiums receivable	20,136	20,683
Prepaid reinsurance	1,035	—
Reserves for losses and loss expenses	15,946	24,882
Unearned premiums	1,579	1,406
Reinsurance balances payable	5,544	12,072

Effective January 1, 2022, the Company entered into an adverse development excess of loss reinsurance agreement with a wholly-owned subsidiary of AIG, under which risk was transferred for certain of the Company's ultimate net loss reserves at December 31, 2021.

Effective January 1, 2023, the Company renegotiated the adverse development excess of loss reinsurance agreement under which risk was transferred for certain of the Company's ultimate net loss reserves at December 31, 2022.

See Note 11, "*Reinsurance*", for further details.

Expressed in thousands of U.S. dollars, except share amount

15. Related party transactions (continued)

Reinsurance agreements (continued)

The effects of reinsurance, including the retroactive reinsurance described above, with the affiliated subsidiaries of AIG are as follows:

	September 30, 2023 $	September 30, 2022 $
Transactions during the nine months ended		
Net premiums earned	84,346	30,488
Incurred losses and loss expenses	(43,613)	(1,501)
Policy acquisition costs	(19,068)	78

	September 30, 2023 $	December 31, 2022 $
Balances outstanding as at		
Premiums receivable	2,440	871
Deferred acquisition costs	(77,114)	—
Prepaid reinsurance	226,205	6,805
Funds withheld	4	4
Reserves for losses and loss expenses	13,481	24,660
Unearned premiums	1,660	—
Reinsurance balance payable	—	6,868

Derivative agreement

The Company has a derivative agreement in place with an affiliated AIG entity. Refer to Note 8, *"Derivative instruments"*, for further details.

Investments

On January 1, 2019, the Company entered into an investment management agreement with AIG, whereby AIG would assume overall management of the Company's investment portfolio. As part of this agreement, the Company paid investment management expenses to AIG.

During 2022, AIG entered into investment management agreements with BlackRock, Inc. ("BlackRock"), a third party investment manager. Effective October 17, 2022, the Company likewise entered into investment management agreements with BlackRock. The Company has since transferred the management of its investments under such investment management agreements; however, certain centralized services supporting the investment portfolio are still performed by AIG and recharged to the Company. The Company continues to be responsible for the overall investment portfolio, including investment strategy and developing and monitoring of investment guidelines. Refer to Note 16, *"Subsequent events"*, for further details.

The Company paid $2,275 for centralized investment services and investment management expenses to AIG during the nine months ended September 30, 2023 (September 30, 2022: $3,286).

Expressed in thousands of U.S. dollars, except share amount

15. Related party transactions (continued)

Loan receivables

On September 26, 2014, Validus Specialty, Inc., an affiliate, obtained a loan from Flagstone Reinsurance (Luxembourg), S.à r.l., a subsidiary of the Company, with a principal amount of $400,000 bearing an annual interest rate of 5.80% and maturing on September 23, 2024. On April 1, 2019, the Company settled this loan with Validus Specialty, Inc. and entered into a new loan agreement with AIG. The new loan receivable has a principal amount of $400,000 bearing an annual interest rate of 5.09% and maturing on April 1, 2033. The outstanding balance as at September 30, 2023 was $416,893 (December 31, 2022: $401,664). The related interest income earned during the nine months ended September 30, 2023 amounted to $15,228 (September 30, 2022: $15,228).

On September 1, 2018, the Company acquired a note receivable from AIG International Holdings GmbH with a principal amount of $327,729 bearing an annual interest rate of 3.60% and matured on August 31, 2022. Upon maturity, the Company entered into a new loan agreement with AIG and subsequent amendments thereafter. The outstanding balance as at September 30, 2023 was $356,940 (December 31, 2022: $345,030). The related interest income earned during the nine months ended September 30, 2023 amounted to $11,910 (September 30, 2022: $9,277).

On April 1, 2019, the Company acquired an additional note receivable from AIG International Holdings GmbH with a principal amount of $250,000 bearing an annual interest rate of 3.90% and matured on August 31, 2022. Upon maturity, the Company entered into a new loan agreement with AIG and subsequent amendments thereafter. The outstanding balance as at September 30, 2023 was $274,293 (December 31, 2022: $264,343). The related interest income earned during the nine months ended September 30, 2023 amounted to $9,951 (September 30, 2022: $7,678).

Refer to Note 16, *“Subsequent events”*, for further details.

Service level agreements

In accordance with service level agreements, the Company participates in centralized services wherein expenses are incurred by service and other affiliated entities and allocated to, or recharged from, the Validus Holdings group of companies. Services provided across the group include managerial services, underwriting services, actuarial services, claims services, accounting services, information technology services and others. The following table summarizes the revenue and expenses incurred by the Company for services provided to or received from the Validus Holdings group of companies during the nine months ended September 30, 2023 and 2022:

	September 30, 2023 $	September 30, 2022 $
Other insurance-related income and other income	4,204	4,002
General and administrative expenses	21,022	16,260

Other

Certain shareholders of AIG and their affiliates, as well as employees of entities associated with directors and officers may have purchased insurance and/or reinsurance from the Company in the ordinary course of business. The Company does not believe these transactions to be material.

16. Subsequent events

Management has evaluated the need to disclose events that occurred subsequent to the balance sheet date through January 5, 2024, the date these financial statements were available to be issued.

Related party transactions

On October 1, 2023, all the intercompany retrocessional protections entered into with wholly-owned subsidiaries of AIG were commuted.

On October 13, 2023, the Company approved the distribution to its immediate parent company the loan from Flagstone Reinsurance (Luxembourg), S.à r.l., a subsidiary of the Company, to AIG Investments UK Ltd. The amount distributed, inclusive of principal and interest capitalized was $417,906.

On October 13, 2023, the Company approved the distribution to its immediate parent company, the loans from Validus Reinsurance, Ltd., a subsidiary of the Company, to AIG International Holdings GmbH. The amounts distributed, inclusive of principal and interest capitalized were $357,713 and $274,941, respectively.

On October 27, 2023, the Company declared a dividend of $562,509 in cash to its immediate parent AIG Property Casualty International LLC.

Change in control

On November 1, 2023 (the "Closing Date"), AIG completed the sale of Validus, including certain interests in Validus Specialty, LLC ("Validus Specialty"), to RenaissanceRe in accordance with the Stock Purchase Agreement, dated May 22, 2023 (as amended, the "Stock Purchase Agreement") pursuant to which, upon the terms and subject to the conditions thereof, RenaissanceRe, or one of its subsidiaries, purchased, acquired and accepted from certain subsidiaries of AIG, all of their right, title and interest in the shares of Validus and Validus Specialty (collectively the "Validus Acquisition"). Pursuant to the Validus Acquisition, RenaissanceRe acquired a 100% voting equity interests in each of Validus and Validus Specialty. AIG received aggregate consideration of $3.603 billion, consisting of cash consideration of $2.735 billion, a pre-closing dividend from Validus of $562.5 million, a pre-closing distribution from Validus Specialty of $20.0 million, and 1,322,541 common shares in RenaissanceRe valued at approximately $285.0 million at the Closing Date.

On November 1, 2023, the investment management agreements held with BlackRock were cancelled and replaced with new investment management agreements pursuant to the Validus Acquisition.

Income taxes

On December 27, 2023, the Government of Bermuda enacted legislation to impose a 15% corporate income tax on Bermuda businesses that are part of a multinational enterprise group ("MNE Group") with annual revenue of €750m or more beginning in fiscal years that start on or after January 1, 2025. The corporate income tax will apply to in scope entities regardless of any assurance given pursuant to the Exempted Undertakings Tax Protection Act 1966. As the Company is, and expects to be for the foreseeable future, part of an MNE Group that satisfies the revenue threshold, the deferred tax impacts of the enactment of the Bermuda corporate income tax (expected to be a significant net deferred tax benefit) will be accounted for in the quarter ending December 31, 2023. In future periods, it is expected that the Company's income tax expense and effective tax rate will increase.

Specialty Business of Validus Specialty, LLC
Organized in the United States of America

Combined Financial Statements
As at and for the years ended
December 31, 2022 and 2021
Expressed in thousands of U.S. dollars

VALIDUS SPECIALTY

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Report of Independent Auditors

To the Management of Validus Specialty, LLC

Opinion

We have audited the accompanying combined financial statements of the Specialty Business of Validus Specialty, LLC (the "Company"), which comprise the combined balance sheets as of December 31, 2022 and 2021, and the related combined statements of income and comprehensive income, of changes in net parent investment and of cash flows for the years then ended, including the related notes (collectively referred to as the "combined financial statements").

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 the combined financial statements are available to be issued.

Auditors' responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' 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 US 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 judgement made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 combined financial statements.
- Conclude whether, in our judgement, 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.

/s/ PricewaterhouseCoopers Ltd.

Hamilton, Bermuda
October 27, 2023

Specialty Business of Validus Specialty, LLC

Combined Balance Sheets
As at December 31, 2022 and 2021
Expressed in thousands of U.S. dollars

	2022 $	2021 $
Assets		
Current assets		
Cash and cash equivalents	19,988	29,743
Restricted cash	5,440	3,737
Total cash and cash equivalents	25,428	33,480
Income taxes recoverable – related party	15,229	14,710
Balances due from affiliates – related party	7,747	15,553
Premium receivable – related party	—	987
Total current assets	**48,404**	**64,730**
Deferred tax assets, net – related party	13,299	15,530
Property and equipment	4,581	1,723
Operating lease right-of-use assets	16,037	17,510
Balances due from affiliates – related party	2,126	1,944
Other assets	445	390
Total assets	**84,892**	**101,827**
Liabilities		
Current liabilities		
Reinsurance balances payable – related party	703	—
Current portion of operating lease liabilities	1,555	1,387
Balances due to affiliates – related party	7,728	7,100
Accounts payable and accrued expenses	1,662	4,759
Total current liabilities	**11,648**	**13,246**
Long-term portion of operating lease liabilities	15,475	17,030
Deferred tax liabilities – related party	3,350	3,720
Total liabilities	**30,473**	**33,996**
Net parent investment	**54,419**	**67,831**
Total liabilities and net parent investment	**84,892**	**101,827**

The accompanying notes are an integral part of these combined financial statements.

Specialty Business of Validus Specialty, LLC

Combined Statements of Income and Comprehensive Income
For the years ended December 31, 2022 and 2021
Expressed in thousands of U.S. dollars

	2022 $	2021 $
Revenues		
Management fee income – related party	39,207	45,397
Net interest income	83	14
Total revenues	**39,290**	**45,411**
Expenses		
General and administrative expenses (related party 277 & 357)	34,893	38,537
Share compensation expenses – related party	2,586	4,086
Finance expenses	9	11
Transaction expenses	40	1,018
Total expenses	**37,528**	**43,652**
Income before taxes	**1,762**	**1,759**
Tax (expense) benefit	(777)	2,933
Net income and comprehensive income	**985**	**4,692**

The accompanying notes are an integral part of these combined financial statements.

Specialty Business of Validus Specialty, LLC

Combined Statements of Changes in Net Parent Investment
For the years ended December 31, 2022 and 2021
Expressed in thousands of U.S. dollars

	2022 $	2021 $
Balance, beginning of year	67,831	62,070
Deemed capital contributions for settlement of tax provisions	603	1,069
Transfer to parent	(15,000)	—
Net income	985	4,692
Total net parent investment	**54,419**	**67,831**

The accompanying notes are an integral part of these combined financial statements.

VALIDUS SPECIALTY

Specialty Business of Validus Specialty, LLC

Combined Statements of Cash Flows
For the years ended December 31, 2022 and 2021
Expressed in thousands of U.S. dollars

	2022 $	2021 $
Cash flows provided by (used in) operating activities		
Net income	985	4,692
Adjustments to reconcile net income and comprehensive income to net cash provided by operating activities:		
Depreciation and amortization	839	403
Change in operational balance sheet items:		
Premium receivable – related party	987	598
Income taxes recoverable – related party	(519)	(12,481)
Deferred tax asset, net – related party	2,231	9,785
Balances due from affiliates	7,624	729
Operating lease right-of-use assets	1,473	1,272
Other assets	(55)	(180)
Reinsurance balances payable – related party	703	(1,166)
Operating lease liabilities	(1,387)	(1,110)
Deferred tax liabilities – related party	(370)	684
Accounts payable and accrued expenses	(3,097)	(5,301)
Balances due to affiliates	628	864
Net cash provided by (used in) operating activities	**10,042**	**(1,211)**
Cash flow used in investing activity		
Purchases of computer hardware	(3,697)	(206)
Cash flow used in investing activity	**(3,697)**	**(206)**
Cash flows (used in) provided by financing activities		
Transfer to parent	(15,000)	—
Deemed capital contributions for settlement of tax provisions	603	1,069
Net cash (used in) provided by financing activities	**(14,397)**	**1,069**
Net decrease in cash, cash equivalents and restricted cash	**(8,052)**	**(348)**
Cash, cash equivalents and restricted cash – beginning of year	33,480	33,828
Cash, cash equivalents and restricted cash – end of year	**25,428**	**33,480**
Supplemental information		
Taxes refunded during the year	(1,999)	(3,140)

The accompanying notes are an integral part of these combined financial statements.

1. Nature of the business

Validus Specialty, LLC (“Validus Specialty”) was initially incorporated in the United States of America (“U.S.”) under the laws of the state of Delaware on May 3, 2006. The legal form of the entity was changed from a corporation to a limited liability company on September 1, 2018, in the U.S. under the laws of the state of Delaware. Validus Specialty is 100% owned by AIG Property Casualty Inc. (the “parent company” or “member”). Validus Specialty’s ultimate parent company is American International Group, Inc. (“AIG”), which is a company registered with the United States Securities and Exchange Commission and is incorporated in the state of Delaware, U.S. Validus Specialty predominately provides services in the form of actuarial, research, finance, administrative, information technology, legal, operations and risk management services to affiliated companies in the U.S., Bermuda, Canada, and the United Kingdom.

2. Basis of preparation and consolidation

On May 22, 2023, AIG announced it had entered into a Stock Purchase Agreement (the “SPA”) to sell its reinsurance business, which includes Validus Holdings, Ltd. and certain companies within Validus Specialty to RenaissanceRe Holdings Ltd. (“RenaissanceRe”).

The Validus Specialty wholly owned subsidiaries included in the SPA are as follows:

- *AlphaCat Capital Inc.*, a U.S. corporation registered in the state of Delaware, which provides services to affiliated AIG entities.
- *Validus America Inc.*, a U.S. corporation registered in the state of Delaware, which provides services to affiliated AIG entities.
- *Validus Re Americas (New Jersey) Inc.*, a U.S. corporation registered in the state of New Jersey, which provides services to affiliated AIG entities. The entity is also a Licensed Reinsurance Intermediary Managing General Agent registered in the state of New York and has an Insurance Producers License in the state of New Jersey.
- *Validus Reaseguros Inc.*, a U.S. corporation registered in the state of Florida, which provides services to affiliated AIG entities. The entity is also a Licensed Reinsurance Intermediary Managing General Agent registered in the state of Florida.
- *Validus Services Inc.*, a U.S. corporation registered in the state of Delaware, which provides services to affiliated AIG entities.

As the SPA does not include the sale of Validus Specialty Underwriting Services, Inc. (“VSU”), a significant wholly-owned subsidiary of Validus Specialty, which is a U.S. corporation registered in the state of Delaware, these financial statements do not include the results of operations, comprehensive income, financial position and cash flows of VSU and are therefore considered Combined Financial Statements.

2. Basis of preparation and consolidation (continued)

The Combined Financial Statements have been prepared to meet RenaissanceRe's reporting requirements of Rule 3-05 of Regulation S-X as a result of the SPA. Accordingly, the Combined Financial Statements include the results of operations, comprehensive income, financial position and cash flows for the acquired wholly owned subsidiaries only (the "Specialty Business" or the "Company").

These Combined Financial Statements have been prepared on a standalone basis in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Management believe the assumptions underlying these Combined Financial Statements reasonably reflect the utilization of services provided to or the benefit received by the Company during the years presented. Nevertheless, the Combined Financial Statements may not reflect the results of operations, financial position and cash flows had the Company been a standalone company during the periods presented. Actual costs that the Company may have incurred had it been a standalone company would depend on a number of factors, including the chosen organization structure, whether functions were outsourced or performed by employees and strategic decisions made.

These Combined Financial Statements include assets, liabilities, revenues and expenses that are separately identifiable and attributable to the Company. As the costs of the Company are recorded by the acquired wholly owned subsidiaries and cash management activities are performed by the acquired wholly owned subsidiaries, an allocation of costs from the parent company was not required. For the years presented in these Combined Financial Statements, the Company's income tax expense (benefit) and deferred tax balances have been included in AIG's income tax returns. Income tax expense (benefit) and deferred tax balances contained in the Combined Financial Statements are presented on a separate return basis, as if the Company had filed its own income tax returns, with some modifications. The modifications relate to the anticipated and actual utilization of tax attributes within the consolidated tax return group, taking into account the tax sharing agreements amongst members. Accordingly, the Company recorded income taxes as if it constitutes a stand-alone entity under the separate return method.

All significant intercompany accounts and transactions have been eliminated. Transactions with VSU are recorded as related party transactions in these Combined Financial Statements. The Combined Financial Statements do not include a $9,700 loan that was issued to VSU in 2019 and was forgiven by the Company in August 2023.

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

2. Basis of preparation and consolidation (continued)

- Estimates for incurred but not billed expenses;
- the valuation of deferred tax assets, including the application of valuation allowances as necessary; and
- the determination of income taxes payable and income tax receivable.

3. Significant accounting policies

The term "ASC" used in these notes refers to Accounting Standard Codification issued by the United States Financial Accounting Standards Board (the "FASB").

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

Management fee income

Revenues are accounted for in accordance with ASC Topic 606 "*Revenue from Contracts with Customers". *The Company operates as a service provider and reinsurance intermediary to affiliated AIG entities and receives compensation equivalent to the expenses incurred by the Company in rendering services, plus an additional scheduled markup of such expenses. Revenue, therefore, is recognized as expenses are incurred at the scheduled mark-up as this ultimately represents the satisfaction of the performance obligations of the Company.

Expenses

Expenses are recognized on an accrual basis and therefore correspond to the satisfaction of the performance obligations over time.

Fair value of financial instruments

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820, *"Fair Value Measurement and Disclosure"*, provides a framework for measuring fair value by creating a hierarchy of fair value measurements that distinguishes market data between observable independent market inputs and unobservable market assumptions by the reporting entity. The guidance further expands disclosures about such fair value measurements. The guidance applies broadly to most existing accounting pronouncements that require or permit fair value measurements (including both financial and non-financial assets and liabilities) but does not require any new fair value measurements. The Company has adopted all authoritative guidance in effect as of the balance sheet date regarding certain market conditions that allow for fair value measurements that incorporate unobservable inputs where active market transaction-based measurements are unavailable.

Cash and cash equivalents

The Company considers time deposits and money market funds with an original maturity of one month or less as equivalent to cash.

3. Significant accounting policies (continued)

Restricted cash

Restricted cash relates to cash accounts used for the settlement of reinsurance balances in relation to Licensed Reinsurance Intermediary Managing General Agent activities. This cash is restricted to provide for policyholder benefits or to pay premiums to the underlying risk bearing entity.

Property and equipment

The Company accounts for its property and equipment in accordance with ASC Topic 360, "*Plant, Property, and Equipment*" ("ASC 360"). Property and equipment, including leasehold improvements, are carried at cost, less accumulated depreciation and amortization. Expenditures for improvements are capitalized, and expenditures for maintenance and repairs are expensed to operations as incurred. Depreciation is recognized on a straight-line basis over the estimated useful lives of the related assets, which range from 1 to 5 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the related lease. Amortization expenses is included in the Combined Statements of Income and Comprehensive Income within general and administrative expenses.

Leases

The Company accounts for its leases in accordance with ASC Topic 842, "*Leases*". The Company leases office space in the U.S. under various lease agreements. These leases are accounted for as operating leases, whereby lease expense is recognized on a straight-line basis over the term of the lease. For leases with terms greater than one year, the Company recognizes a related asset ("operating lease right-of-use assets") and obligation ("operating lease liabilities") on the lease commencement date, calculated as the present value of lease payments over the lease term. Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease.

The Company, in determining the present value of lease payments, utilizes either the rate implicit in the lease if that rate is readily determinable or the Company's incremental secured borrowing rate commensurate with terms of the underlying lease. The expense associated with leases are recorded in the Combined Statements of Income and Comprehensive Income within general and administrative expenses.

If there are indicators of impairment, including events or changes in circumstances that suggest the carrying amount of the property and equipment may not be recoverable, an impairment test will be completed in accordance with ASC 360.

Stock plans

AIG accounts for their stock plans in accordance with the ASC Topic 718, *"Compensation – Stock Compensation"*. Accordingly, AIG recognizes the compensation expense for stock option grants, restricted share grants and performance share grants based on the fair value of the award on the date of grant over the requisite service period, and allocates the expense to its subsidiaries, including the Company, based on the country of residence of employees. Under the AIG stock plan, the expense allocated to each subsidiary, including the Company, is settled in cash quarterly. For the awards granted under the AIG stock plan, no forfeiture rate is applied, and the compensation expense for forfeited awards is reversed on occurrence.

3. Significant accounting policies (continued)

Income taxes and uncertain tax provisions

Deferred tax assets and liabilities are recorded in accordance with ASC Topic 740, *"Income Taxes"* ("ASC 740"). Consistent with ASC 740, the Company records deferred income taxes which reflect operating losses and tax credits carried forward and the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

The Company recognizes the tax benefits of uncertain tax positions only where the position is more-likely-than-not to be sustained upon examination by tax authorities based upon the technical merits of the position. Based on the more-likely-than-not recognition threshold, the Company must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. The Company classifies all interest and penalties related to uncertain tax positions, should they exist, in income tax expenses.

The Company forms part of the larger consolidated reporting group of AIG and as such has levied and filed tax returns and provisions as part of that group. ASC 740 requires taxable entities to include tax provisions in carve-out financial statements. This inclusion results in a series of transactions to the net parent investment account that arise as a result of the differences between actual cash flow for taxes and the taxes that are allocated under AIG's intercorporate tax allocation methodology to the Company.

Premium receivable and reinsurance balances payable

The Company operates Licensed Reinsurance Intermediary Managing General Agents ("MGAs") which act as intermediary entities between insurance companies and affiliated reinsurance entities. The MGAs are vested with underwriting authority but are not themselves licensed reinsurance entities, but rather perform functions ordinarily handled by the reinsurance company such as underwriting, pricing, collecting premiums, and settling claims.

Premium receivable, therefore, represents premiums due from insureds that have not yet been collected and transmitted to the affiliated licensed reinsurance entity.

Reinsurance balances payable, therefore, represent either claims payments to be made to insurers or balances due to the affiliated licensed reinsurance entity for claim advances made but not yet paid to the underlying insured.

4. Recent accounting pronouncements

Accounting standards adopted in 2022

Current expected credit loss model:

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments – Credit Losses (Topic 326)*". The FASB also issued ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and 2020-11 which provide certain clarifications and codification improvements to the initially issued standard update. The standard replaces the existing incurred loss impairment model with a new Current Expected Credit Loss model ("CECL") with the intention of recognizing credit losses earlier. The standard applies to the Company's financial assets not already carried at fair value, principally impacting premium receivable. The measurement of expected credit losses is based on relevant information about past events, such as probability of default, and collectability of reported amounts in an event of default. ASU 2016-13 became effective for public business entities for annual and interim periods beginning after December 15, 2019. While the Company is not a public business entity the standard has been early adopted. The adoption of ASU 2016-13 did not have a material impact on the Company's combined financial condition, results of operations, cash flows or required disclosures and, as a result, there was no cumulative adjustment to opening retained earnings as of January 1, 2021.

Accounting standards not yet adopted

Troubled debt restructurings and vintage disclosures

In March 2022, the FASB issued ASU 2022-03, "*Fair Value Measurement (Topic 820)*", which eliminates the accounting guidance for troubled debt restructurings for creditors and amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination. The standard also updates the requirements for accounting for credit losses by adding enhanced disclosures for creditors related to loan refinancings and restructurings for borrowers experiencing financial difficulty. As the Company has already adopted CECL, the amendments in this standard are effective for fiscal years beginning after December 15, 2022, including interim periods within those years. Management of the Company do not expect the standard to have a material impact on our reported combined financial condition, results of operations, cash flows or required disclosures.

5. Fair value measurements

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Under U.S. GAAP, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are described below:

Level 1 – Fair values are measured based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Fair values are measured based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g., interest rates, yield curves, prepayment rates, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 – Fair values are measured based on unobservable inputs that reflect the Company's own judgments about assumptions where there is little, if any, market activity for that asset or liability that market participants might use.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This may lead the Company to change the selection of the valuation technique (e.g., from market to cash flow approach) or to use multiple valuation techniques to estimate the fair value of a financial instrument. These circumstances could cause an instrument to be reclassified between levels within the fair value hierarchy.

Expressed in thousands of U.S. dollars

5. Fair value measurements (continued)

Cash and cash equivalents and restricted cash: These items have carrying values reported in the combined balance sheets that approximate fair value due to their liquid nature, and they are classified as Level 1.

Premium receivable, Reinsurance balances payable, Balances due from affiliates, and Balances due to affiliates: The carrying value of these assets and liabilities approximates their fair value. The balances are classified as Level 2.

6. Leases

The Company leases office space in the U.S. under various operating lease agreements. Some of these leases contain options to renew after a specified period of time at the prevailing market rate. However, renewal options that have not been exercised are excluded until management attains a reasonable level of certainty. Some leases also include termination options at specified times and term. However, termination options are not reflected in the lease asset and liability balances until they have been exercised.

The Company's operating lease balances as at December 31, 2022 and 2021 were as follows:

	2022 $	2021 $
Operating lease right-of-use assets	16,037	17,510
Operating lease liabilities	17,030	18,417
Weighted-average remaining lease term (years)	8.97	9.94
Weighted-average discount rate	4.68%	4.68%

Expressed in thousands of U.S. dollars

6. Leases (continued)

Rent expenses during the year ended December 31, 2022 amounted to $2,293 (2021: $2,293) and are reflected in General and administrative expenses on the Combined Statements of Income and Comprehensive Income.

Future minimum rental commitments as at December 31, 2022 are expected to be as follows:

	2022 $
2023	2,308
2024	2,321
2025	2,295
2026	2,288
2027 and thereafter	11,686
Total future annual minimum rental payments	**20,898**
Less: present value discount	(3,868)
Total lease liability as of December 31, 2022	**17,030**

7. Property and equipment

The Company's property and equipment as at December 31, 2022 and 2021 are as follows:

	2022 $	2021 $
Gross property and equipment		
Computer hardware	5,663	1,966
Furniture and fixtures	1,138	1,138
Leasehold improvements	1,751	1,751
Total gross property and equipment	**8,552**	**4,855**
Less: accumulated depreciation and amortization	(3,971)	(3,132)
Total net property and equipment	**4,581**	**1,723**

Depreciation and amortization expense for fixed assets amounted to $839 in 2022 and $403 in 2021 and are reflected in General and administrative expenses on the Combined Statements of Income and Comprehensive Income.

Expressed in thousands of U.S. dollars

8. Premium receivable and Reinsurance balances payable

The MGAs operate as reinsurance intermediaries entities between licensed insurance companies and affiliated reinsurance companies. The MGAs are vested with underwriting authority but are not themselves licensed reinsurance entities, but rather perform functions ordinarily handled by the reinsurance company such as underwriting, pricing, collecting premiums, and settling claims. Premium receivable represents contracts that have been bound but for which the receipt of premiums are due from the underlying insureds. Reinsurance balances payable represent claims that have been approved but not yet paid to insureds. The table below summarizes the balances due to / from the entity as at December 31, 2022 and 2021:

	2022 $	2021 $
Premium receivable	—	987
Reinsurance balances payable	703	—

9. Taxes

For the years ended December 31, 2022 and 2021, the Company was included as a member of the consolidated U.S. federal income tax return for AIG and its domestic subsidiaries. The Company settled its tax liability pursuant to a tax sharing agreement, which provides that AIG will not charge the Company a greater portion of the consolidated tax liability than would have been paid by the Company if it had filed a separate federal income tax return. In addition, the agreement provides that the Company will benefit from any net operating losses, or any tax credits of the Company utilized in filing the consolidated tax return. The consolidated income tax provision or benefit is allocated to the Company in accordance with the agreement and in a manner consistent with the benefit for loss allocation method. The share of the consolidated tax provision or benefit is allocated to the Company based on a separate company basis, in these Combined Financial Statements.

Effective September 1, 2018, Validus Specialty, Inc. converted from a corporation to a limited liability company. Validus Specialty, LLC is intended to be treated as a disregarded entity for federal income tax purposes. As such, the Company will not be filing a separate member U.S. federal income tax return with AIG and its domestic subsidiaries. However, the Company has elected to continue providing a tax provision in its Combined Financial Statements in a manner consistent with ASC 740.

Expressed in thousands of U.S. dollars

9. Taxes (continued)

The Company's total income tax expense was comprised of the following, for the years ended December 31, 2022 and 2021:

	2022 $	2021 $
Current federal income tax benefit	1,687	14,575
Current state and local income tax expense	(5)	(490)
Total current income tax benefit	**1,682**	**14,085**
Deferred federal income tax expense	(1,702)	(10,288)
Deferred state and local income tax expense	(757)	(864)
Total deferred income tax expense	(2,459)	(11,152)
Total income tax (expense) benefit	**(777)**	**2,933**

For the years ended December 31, 2022 and 2021, the applicable U.S. federal income tax rate was 21%. Actual tax expense on income differs from the "expected" amount computed by applying the federal income tax rate because of the following:

	2022 $	2021 $
U.S. federal income tax at statutory rate	(391)	(360)
Share-based compensation payments excess tax effect	232	(338)
State income taxes	(762)	(1,070)
Tax attributes carried back	—	4,725
Other taxes	144	(24)
Actual income tax (expense) benefit	**(777)**	**2,933**

Expressed in thousands of U.S. dollars

9. Taxes (continued)

The composition of the Company's net deferred tax asset as at December 31, 2022 and 2021 is set forth in the table below:

	2022 $	2021 $
Deferred tax assets		
Operating lease liabilities	3,554	3,846
State net operating loss	103	103
Net operating loss	6,033	6,033
Employee benefits	3,577	5,349
Other	135	302
Gross deferred tax assets	13,402	15,633
Less valuation allowance	(103)	(103)
Deferred tax assets, net	13,299	15,530
Deferred tax liabilities		
Operating lease right-of-use assets	(3,350)	(3,720)

The Company has approximately $2 million state income tax loss that was generated in 2018 and will be carried forward indefinitely. The valuation allowance has been applied to the state net operating loss. Additionally, the Company has approximately $28 million federal income tax loss carry forwards that were generated between 2017 and 2018 that will expire between 2037 and 2038 if not utilized. The full amount of the federal net operating loss is expected to be fully utilized before expiring.

Validus Specialty, LLC files a consolidated U.S. federal income tax return with AIG and its domestic subsidiaries. The statute of limitations for all tax years prior to 2000 has expired for AIG's consolidated federal income tax return. AIG is currently under examination for the tax years 2011 through 2019.

Expressed in thousands of U.S. dollars

10. Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses as at December 31, 2022 and 2021 were as follows:

	2022 $	2021 $
Accounts payable	1,407	1,468
Accrued expenses	255	3,291
Total accounts payable and accrued expenses	**1,662**	**4,759**

11. General and administrative expenses

The Company's general and administrative expenses for the years ended December 31, 2022 and 2021 were as follows:

	2022 $	2021 $
Payroll and benefits expenses	26,215	30,172
Rent expenses	2,293	2,293
Information technology expenses	3,356	3,773
Travel and entertainment expenses	858	344
Depreciation and amortization	839	403
Office costs expenses	672	893
Business fees and licenses	383	302
Management fee expenses	277	357
Total general and administrative expenses	**34,893**	**38,537**

12. Net parent investment

Validus Specialty was initially incorporated in the U.S. and was converted to a limited liability company on September 1, 2018. At the time of the conversion, all outstanding share capital, at par value, and additional paid-in capital was converted to the member's capital account which is shown on the Combined Balance Sheets as Net parent investment.

Changes in Net parent investment arise as a result of deemed capital contributions for settlement of tax provisions due to differences between actual cash flow for taxes and the taxes allocated under AIG's intercorporate tax allocation methodology to the Company.

Transfer to parent

During the year ended December 31, 2022, $15,000 (2021: $nil) was transferred to the parent.

Expressed in thousands of U.S. dollars

13. Commitments and contingencies

Employment agreements

The Company has entered into employment agreements with certain individuals that provide for executive benefits and severance payments under certain circumstances.

Leases

The Company leases office space in the U.S. under various operating lease agreements. See Note 6, “Leases”, for further details.

14. Related party transactions

The following significant transactions are classified as related party transactions as principals and/or directors of each counterparty are members of the Company’s or AIG’s board of directors.

Service level agreements

In accordance with service level agreements considered to be on an arm’s length basis, the Company participates in centralized services wherein expenses are incurred by service and other affiliated entities and allocated to, or recharged from, the Company. Services provided across the group include actuarial, research, finance, administrative, information technology, legal, operations, risk management services and others. Transactions with VSU that were historically eliminated on the consolidation of Validus Specialty are recorded as related party transactions in these Combined Financial Statements.

The following table summarizes the revenue and expenses incurred by the Company for services provided to or received from the related parties during the years ended December 31, 2022 and 2021:

	2022 $	2021 $
Management fee income	39,207	45,397
General and administrative expenses	277	357
Share compensation expenses	2,586	4,086

Expressed in thousands of U.S. dollars

14. Related party transactions (continued)

Balances due from affiliates

Balance due from affiliates consisted of the following for the years ended December 31, 2022 and 2021:

	2022 $	2021 $
Due from related parties	7,747	15,553
Loan to related parties	2,126	1,944
Total	**9,873**	**17,497**

Loan to related parties consists of a loan to VSU with no interest rate, payable on demand.

Balance due to affiliates

Balance due to affiliates consisted of the following for the years ended December 31, 2022 and 2021:

	2022 $	2021 $
Payable due to related parties	3,728	3,100
Loan from related parties	4,000	4,000
Total	**7,728**	**7,100**

Loan from related parties consists of a loan from Talbot Syndicate 1183 with no interest rate, payable on demand.

Premium receivable and reinsurance balances payable

See Note 8, “Premium receivable and reinsurance balances payable”, for details of accounts as at December 31, 2022 and 2021.

Income taxes recoverable, deferred tax assets, net, and deferred tax liabilities

See Note 9, “Taxes”, for details of accounts as at December 31, 2022 and 2021.

15. Subsequent events

Management has evaluated the need to disclose events that occurred subsequent to the balance sheet date through October 27, 2023, the date these financial statements were available to be issued.

On May 22, 2023, AIG announced it had entered into a definitive agreement to sell its reinsurance business, which includes the Validus Holdings, Ltd. group of companies and certain companies within the Validus Specialty, LLC group, to RenaissanceRe for $2,985.0 million, consisting of $2,735.0 million in cash and $250.0 million in RenaissanceRe common shares in addition to other consideration. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory approvals.

On October 24, 2023, the Company distributed $16.0 million in cash and $4.0 million in property and equipment to AIG Property Casualty Inc.

Specialty Business of Validus Specialty, LLC Organized in the United States of America

Unaudited Combined Interim Financial Statements As at and for the nine months ended September 30, 2023

Expressed in thousands of U.S. dollars

VALIDUS SPECIALTY

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VALIDUS SPECIALTY

Specialty Business of Validus Specialty, LLC
Combined Balance Sheets
As at September 30, 2023 (unaudited) and December 31, 2022
Expressed in thousands of U.S. dollars

	September 30, 2023 (unaudited) $	December 31, 2022 $
Assets		
Current assets		
Cash and cash equivalents	23,651	19,988
Restricted cash	4,999	5,440
Total cash and cash equivalents	28,650	25,428
Income taxes recoverable – related party	16,589	15,229
Balances due from affiliates – related party	9,410	7,747
Total current assets	**54,649**	**48,404**
Deferred tax assets, net – related party	12,072	13,299
Property and equipment	4,835	4,581
Operating lease right-of-use assets	14,887	16,037
Balances due from affiliates – related party	2,355	2,126
Other assets	394	445
Total assets	**89,192**	**84,892**
Liabilities		
Current liabilities		
Reinsurance balances payable – related party	249	703
Current portion of operating lease liabilities	1,619	1,555
Balances due to affiliates – related party	12,095	7,728
Accounts payable and accrued expenses	1,448	1,662
Total current liabilities	**15,411**	**11,648**
Long-term portion of operating lease liabilities	14,252	15,475
Deferred tax liabilities – related party	3,130	3,350
Total liabilities	**32,793**	**30,473**
Net parent investment	**56,399**	**54,419**
Total liabilities and net parent investment	**89,192**	**84,892**

The accompanying notes are an integral part of these combined financial statements.

Specialty Business of Validus Specialty, LLC
Combined Statements of Income and Comprehensive Income
For the nine months ended September 30, 2023 and 2022 (unaudited)
Expressed in thousands of U.S. dollars

	September 30, 2023 (unaudited) $	September 30, 2022 (unaudited) $
Revenues		
Management fee income – related party	33,986	29,039
Net interest income	—	56
Total revenues	**33,986**	**29,095**
Expenses		
General and administrative expenses (related party 773 & 185)	29,324	25,887
Share compensation expenses – related party	2,730	1,757
Finance expenses	9	6
Transaction expenses	57	—
Total expenses	**32,120**	**27,650**
Income before taxes	**1,866**	**1,445**
Tax benefit (expense)	114	(540)
Net income and comprehensive income	**1,980**	**905**

The accompanying notes are an integral part of these combined financial statements.

Specialty Business of Validus Specialty, LLC
Combined Statements of Changes in Net Parent Investment
For the nine months ended September 30, 2023 and 2022 (unaudited)
Expressed in thousands of U.S. dollars

	September 30, 2023 (unaudited) $	**September 30, 2022 (unaudited) $**
Balance, beginning of period	54,419	67,831
Deemed capital contributions for settlement of tax provisions	—	603
Net income	1,980	905
Total net parent investment	**56,399**	**69,339**

The accompanying notes are an integral part of these combined financial statements.

Specialty Business of Validus Specialty, LLC
Combined Statements of Cash Flows (unaudited)
For the nine months ended September 30, 2023 and 2022
Expressed in thousands of U.S. dollars

	September 30, 2023 (unaudited) $	September 30, 2022 (unaudited) $
Cash flows provided by (used in) operating activities		
Net income	1,980	905
Adjustments to reconcile net income and comprehensive income to net cash provided by operating activities:		
Depreciation and amortization	1,106	509
Change in operational balance sheet items:		
Premium receivable – related party	—	602
Income taxes recoverable – related party	(1,360)	(2,735)
Deferred tax asset, net – related party	1,227	2,231
Balances due from affiliates – related party	(1,892)	7,237
Operating lease right-of-use assets	1,150	1,099
Other assets	51	(71)
Reinsurance balances payable – related party	(454)	—
Operating lease liabilities	(1,159)	(1,020)
Deferred tax liabilities – related party	(220)	(370)
Accounts payable and accrued expenses	(214)	(3,462)
Balances due to affiliates – related party	4,367	1,415
Net cash provided by operating activities	**4,582**	**6,340**
Cash flow used in investing activity		
Purchases of computer hardware	(1,360)	(3,697)
Cash flow used in investing activity	**(1,360)**	**(3,697)**
Cash flow provided by financing activity		
Deemed capital contributions for settlement of tax provisions	—	603
Cash provided by financing activity	**—**	**603**
Net increase in cash, cash equivalents and restricted cash	**3,222**	**3,246**
Cash, cash equivalents and restricted cash – beginning of period	25,428	33,480
Cash, cash equivalents and restricted cash – end of period	**28,650**	**36,726**
Supplemental information		
Taxes paid during the period	—	103

The accompanying notes are an integral part of these combined financial statements.

Specialty Business of Validus Specialty, LLC
Notes to the Combined Financial Statements (unaudited)
For the nine months ended September 30, 2023
Expressed in thousands of U.S. dollars

1. Nature of the business

Validus Specialty, LLC ("Validus Specialty") was initially incorporated in the United States of America ("U.S.") under the laws of the state of Delaware on May 3, 2006. The legal form of the entity was changed from a corporation to a limited liability company on September 1, 2018, in the U.S. under the laws of the state of Delaware. As at September 30, 2023, Validus Specialty was 100% owned by AIG Property Casualty Inc. (the "parent company" or "member"). Validus Specialty's ultimate parent company was American International Group, Inc. ("AIG") as at September 30, 2023, which is a company registered with the United States Securities and Exchange Commission and is incorporated in the state of Delaware, U.S. Validus Specialty predominately provides services in the form of actuarial, research, finance, administrative, information technology, legal, operations and risk management services to affiliated companies in the U.S., Bermuda, Canada, and the United Kingdom. As discussed in more detail below, effective November 1, 2023, Validus Specialty and certain of its subsidiaries were sold to RenaissanceRe Holdings Ltd. ("RenaissanceRe").

2. Basis of preparation and combination

On May 22, 2023, AIG announced it had entered into a Stock Purchase Agreement (the "SPA") to sell its reinsurance business, which includes certain companies within Validus Specialty to RenaissanceRe (the "Acquisition"). The transaction was finalized November 1, 2023, resulting in RenaissanceRe acquiring the right, title, and interest in the shares of Validus Specialty.

The Validus Specialty wholly owned subsidiaries included in the SPA are as follows:

- *AlphaCat Capital Inc.*, a U.S. corporation registered in the state of Delaware, which provides services to affiliated AIG entities.
- *Validus America Inc.*, a U.S. corporation registered in the state of Delaware, which provides services to affiliated AIG entities.
- *Validus Re Americas (New Jersey) Inc.*, a U.S. corporation registered in the state of New Jersey, which provides services to affiliated AIG entities. The entity is also a Licensed Reinsurance Intermediary Managing General Agent registered in the state of New York and has an Insurance Producers License in the state of New Jersey.
- *Validus Reaseguros Inc.*, a U.S. corporation registered in the state of Florida, which provides services to affiliated AIG entities. The entity is also a Licensed Reinsurance Intermediary Managing General Agent registered in the state of Florida.
- *Validus Services Inc.*, a U.S. corporation registered in the state of Delaware, which provides services to affiliated AIG entities.

As the SPA did not include the sale of Validus Specialty Underwriting Services, Inc. ("VSU"), a significant wholly-owned subsidiary of Validus Specialty, which is a U.S. corporation registered in the state of Delaware, these financial statements do not include the results of operations, comprehensive income, financial position and cash flows of VSU and are therefore considered Combined Financial Statements. The distribution of VSU as contemplated by the SPA was completed on October 1, 2023.

2. Basis of preparation and combination (continued)

The Combined Financial Statements have been prepared to meet RenaissanceRe's reporting requirements of Rule 3-05 of Regulation S-X as a result of the Acquisition. Accordingly, the Combined Financial Statements include the results of operations, comprehensive income, financial position and cash flows for the acquired wholly owned subsidiaries only (the "Specialty Business" or the "Company").

These unaudited Combined Financial Statements and related notes have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the financial information and note disclosures required by U.S. GAAP for complete combined financial statements.

In the opinion of management, these unaudited Combined Financial Statements reflect all adjustments that are normal and recurring in nature necessary for a fair statement of the Company's financial position as of September 30, 2023, its results of operations for the nine months ended September 30, 2023 and 2022, and cash flows for the nine months ended September 30, 2023 and 2022. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited Combined Financial Statements and related notes should be read in conjunction with the Combined Financial Statements and related notes included in the Company's annual financial statements for the year ended December 31, 2022. The combined balance sheet data for the year ended December 31, 2022 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP, and excludes the results of operations, comprehensive income, financial position and cash flows of VSU.

These Combined Financial Statements include assets, liabilities, revenues and expenses that are separately identifiable and attributable to the Company. As the costs of the Company are recorded by the acquired wholly owned subsidiaries and cash management activities are performed by the acquired wholly owned subsidiaries, an allocation of costs from the parent company was not required. For the periods presented in these Combined Financial Statements, the Company's income tax expense (benefit) and deferred tax balances have been included in AIG's income tax returns. Income tax expense (benefit) and deferred tax balances contained in the Combined Financial Statements are presented on a separate return basis, as if the Company had filed its own income tax returns, with some modifications. The modifications relate to the anticipated and actual utilization of tax attributes within the consolidated tax return group, taking into account the tax sharing agreements amongst members. Accordingly, the Company recorded income taxes as if it was a stand-alone entity under the separate return method.

All significant intercompany accounts and transactions have been eliminated. Transactions with VSU are recorded as related party transactions in these Combined Financial Statements. The Combined Financial Statements do not include a $9.7 million loan that was issued to VSU in 2019 and was forgiven by the Company in August 2023.

2. Basis of preparation and combination (continued)

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

- the valuation of deferred tax assets, including the application of valuation allowances as necessary;
- the determination of income taxes payable and income tax receivable; and
- estimates for incurred but not billed expenses and the corresponding management fee income.

The term "ASC" used in these notes refers to Accounting Standard Codification issued by the United States Financial Accounting Standards Board (the "FASB").

3. Significant accounting policies

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

Management fee income

Revenues are accounted for in accordance with ASC Topic 606 "*Revenue from Contracts with Customers"*. The Company is as a service provider and reinsurance intermediary to affiliated AIG entities and receives management fee income equivalent to the expenses incurred by the Company in rendering services, plus a scheduled markup of such expenses. Revenue, therefore, is recognized as expenses are incurred and is equal to the amount of the expense incurred plus the scheduled mark-up, as this ultimately represents the satisfaction of the performance obligations of the Company.

Expenses

Expenses are recognized on an accrual basis and therefore correspond to the satisfaction of the performance obligations over time.

Fair value of financial instruments

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820, *"Fair Value Measurement and Disclosure"*, provides a framework for measuring fair value by creating a hierarchy of fair value measurements that distinguishes market data between observable independent market inputs and unobservable market assumptions by the reporting entity. The guidance further expands disclosures about such fair value measurements. The guidance applies broadly to most existing accounting pronouncements that require or permit fair value measurements (including both financial and non-financial assets and liabilities) but

3. Significant accounting policies (continued)

does not require any new fair value measurements. The Company has adopted all authoritative guidance in effect as of the balance sheet date regarding certain market conditions that allow for fair value measurements that incorporate unobservable inputs where active market transaction-based measurements are unavailable.

Cash and cash equivalents

The Company considers time deposits and money market funds with an original maturity of one month or less as equivalent to cash.

Restricted cash

Restricted cash relates to cash accounts used for the settlement of reinsurance balances in relation to Licensed Reinsurance Intermediary Managing General Agent activities. This cash is restricted to provide for policyholder benefits or to pay premiums to the underlying risk bearing entity.

Property and equipment

The Company accounts for its property and equipment in accordance with ASC Topic 360, "*Plant, Property, and Equipment*" ("ASC 360"). Property and equipment, including leasehold improvements, are carried at cost, less accumulated depreciation and amortization. Expenditures for improvements are capitalized, and expenditures for maintenance and repairs are expensed to operations as incurred. Depreciation is recognized on a straight-line basis over the estimated useful lives of the related assets, which range from 1 to 5 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the related lease. Amortization expenses is included in the Combined Statements of Income and Comprehensive Income within general and administrative expenses.

Leases

The Company accounts for its leases in accordance with ASC Topic 842, "*Leases*". The Company leases office space in the U.S. under various lease agreements. These leases are accounted for as operating leases, whereby lease expense is recognized on a straight-line basis over the term of the lease. For leases with terms greater than one year, the Company recognizes a related asset ("operating lease right-of-use assets") and obligation ("operating lease liabilities") on the lease commencement date, calculated as the present value of lease payments over the lease term. Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease.

The Company, in determining the present value of lease payments, utilizes either the rate implicit in the lease if that rate is readily determinable or the Company's incremental secured borrowing rate commensurate with terms of the underlying lease. The expense associated with leases are recorded in the Combined Statements of Income and Comprehensive Income within general and administrative expenses.

If there are indicators of impairment, including events or changes in circumstances that suggest the carrying amount of the property and equipment may not be recoverable, an impairment test will be completed in accordance with ASC 360.

3. Significant accounting policies (continued)

Stock plans

AIG accounts for their stock plans in accordance with the ASC Topic 718, *"Compensation – Stock Compensation"*. Accordingly, AIG recognizes the compensation expense for stock option grants, restricted share grants and performance share grants based on the fair value of the award on the date of grant over the requisite service period, and allocates the expense to its subsidiaries, including the Company, based on the country of residence of employees. Under the AIG stock plan, the expense allocated to each subsidiary, including the Company, is settled in cash quarterly. For the awards granted under the AIG stock plan, no forfeiture rate is applied, and the compensation expense for forfeited awards is reversed on occurrence.

Income taxes and uncertain tax provisions

Deferred tax assets and liabilities are recorded in accordance with ASC Topic 740, *"Income Taxes"* ("ASC 740"). Consistent with ASC 740, the Company records deferred income taxes which reflect operating losses and tax credits carried forward and the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

The Company recognizes the tax benefits of uncertain tax positions only where the position is more-likely-than-not to be sustained upon examination by tax authorities based upon the technical merits of the position. Based on the more-likely-than-not recognition threshold, the Company must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. The Company classifies all interest and penalties related to uncertain tax positions, should they exist, in income tax expenses.

The Company forms part of the larger consolidated reporting group of AIG and as such has levied and filed tax returns and provisions as part of that group. ASC 740 requires taxable entities to include tax provisions in carve-out financial statements. This inclusion results in a series of transactions to the net parent investment account that arise as a result of the differences between actual cash flow for taxes and the taxes that are allocated under AIG's intercorporate tax allocation methodology to the Company.

Premium receivable and reinsurance balances payable

The Company operates Licensed Reinsurance Intermediary Managing General Agents ("MGAs") which act as intermediary entities between insurance companies and affiliated reinsurance entities. The MGAs are vested with underwriting authority but are not themselves licensed reinsurance entities, but rather perform functions ordinarily handled by the reinsurance company such as underwriting, pricing, collecting premiums, and settling claims.

3. Significant accounting policies (continued)

Premium receivable, therefore, represents premiums due from insureds that have not yet been collected and transmitted to the affiliated licensed reinsurance entity.

Reinsurance balances payable, therefore, represent either claims payments to be made to insurers or balances due to the affiliated licensed reinsurance entity for claim advances made but not yet paid to the underlying insured.

4. Recent accounting pronouncements

Accounting standards adopted in 2023

The Company adopted the following accounting standards on January 1, 2023, none of which have had a material impact on the Company's financial position and results of operations:

- ASU 2022-01, "*Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method*"
- ASU 2022-02, "*Financial Instruments – Credit Losses (Topic 326)*"

There have been no additional accounting pronouncements issued or adopted during the nine months ended September 30, 2023 that warrant disclosure in the Combined Interim Financial Statements.

5. Fair value measurements

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Under U.S. GAAP, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are described below:

Level 1 – Fair values are measured based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Fair values are measured based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g., interest rates, yield curves, prepayment rates, default rates, loss severities, etc.) or can be corroborated by observable market data.

5. Fair value measurements (continued)

Level 3 – Fair values are measured based on unobservable inputs that reflect the Company's own judgments about assumptions where there is little, if any, market activity for that asset or liability that market participants might use.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This may lead the Company to change the selection of the valuation technique (e.g., from market to cash flow approach) or to use multiple valuation techniques to estimate the fair value of a financial instrument. These circumstances could cause an instrument to be reclassified between levels within the fair value hierarchy.

Cash and cash equivalents and restricted cash: These items have carrying values reported in the combined balance sheets that approximate fair value due to their liquid nature, and they are classified as Level 1.

Premium receivable, Reinsurance balances payable, Balances due from affiliates, and Balances due to affiliates: The carrying value of these assets and liabilities approximates their fair value. The balances are classified as Level 2.

6. Leases

The Company leases office space in the U.S. under various operating lease agreements. Some of these leases contain options to renew after a specified period of time at the prevailing market rate. However, renewal options that have not been exercised are excluded until management attains a reasonable level of certainty. Some leases also include termination options at specified times and term. However, termination options are not reflected in the lease asset and liability balances until they have been exercised.

Expressed in thousands of U.S. dollars

VALIDUS SPECIALTY

6. Leases (continued)

The Company's operating lease balances as at September 30, 2023 and December 31, 2022 were as follows:

	2023 $	2022 $
Operating lease right-of-use assets	14,887	16,037
Operating lease liabilities	15,871	17,030
Weighted-average remaining lease term (years)	8.26	8.97
Weighted-average discount rate	4.68%	4.68%

Rent expense during the nine months ended September 30, 2023 amounted to $1,721 (2022: $1,721) and is reflected in General and administrative expenses on the Combined Statements of Income and Comprehensive Income.

Future minimum rental commitments as at September 30, 2023 are expected to be as follows:

	2023 $
2023	578
2024	2,321
2025	2,295
2026	2,288
2027 and thereafter	11,686
Total future annual minimum rental payments	**19,168**
Less: present value discount	(3,297)
Total lease liability as of September 30, 2023	**15,871**

7. Property and equipment

The Company's property and equipment as at September 30, 2023 and December 31, 2022 are as follows:

	2023 $	2022 $
Gross property and equipment		
Computer hardware	7,023	5,663
Furniture and fixtures	1,138	1,138
Leasehold improvements	1,751	1,751
Total gross property and equipment	**9,912**	**8,552**
Less: accumulated depreciation and amortization	(5,077)	(3,971)
Total net property and equipment	**4,835**	**4,581**

Expressed in thousands of U.S. dollars

7. Property and equipment (continued)

Depreciation and amortization expense for fixed assets during the nine months ended September 30, 2023 amounted to $1,106 (2022: $509) and are reflected in General and administrative expenses on the Combined Statements of Income and Comprehensive Income.

8. Premium receivable and Reinsurance balances payable

The MGAs operate as reinsurance intermediary entities between licensed insurance companies and affiliated reinsurance companies. The MGAs are vested with underwriting authority. They are not themselves licensed reinsurance entities, but rather perform functions ordinarily handled by the reinsurance company such as underwriting, pricing, collecting premiums, and settling claims. Premium receivable represents contracts that have been bound for which the receipt of premiums are due from the underlying insureds. Reinsurance balances payable represent claims that have been approved but not yet paid to insureds. The table below summarizes the balances due to / from the entity as at September 30, 2023 and December 31, 2022:

	2023 $	2022 $
Reinsurance balances payable	249	703

9. Taxes

The composition of the Company's net deferred tax assets and deferred tax liabilities as at September 30, 2023 and December 31, 2022 is set forth in the table below:

	2023 $	2022 $
Deferred tax assets		
Operating lease liabilities	3,333	3,554
State net operating loss	103	103
Net operating loss	6,033	6,033
Employee benefits	2,854	3,577
Other	(148)	135
Gross deferred tax assets	12,175	13,402
Less valuation allowance	(103)	(103)
Deferred tax assets, net	**12,072**	**13,299**
Deferred tax liabilities		
Operating lease right-of-use assets	**(3,130)**	**(3,350)**

Expressed in thousands of U.S. dollars

10. Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses as at September 30, 2023 and December 31, 2022 were as follows:

	2023 $	2022 $
Accounts payable	301	1,407
Accrued expenses	1,147	255
Total accounts payable and accrued expenses	**1,448**	**1,662**

11. General and administrative expenses

The Company's general and administrative expenses for the nine months ended September 30, 2023 and 2022 were as follows:

	2023 $	2022 $
Payroll and benefits expenses	21,449	19,543
Information technology expenses	2,748	2,626
Rent expenses	1,721	1,721
Depreciation and amortization	1,106	509
Travel and entertainment expenses	780	555
Management fee expenses	773	185
Office costs expenses	582	447
Business fees and licenses	165	301
Total general and administrative expenses	**29,324**	**25,887**

12. Net parent investment

Validus Specialty was initially incorporated in the U.S. and was converted to a limited liability company on September 1, 2018. At the time of the conversion, all outstanding share capital, at par value, and additional paid-in capital was converted to the member's capital account which is shown on the Combined Balance Sheets as Net parent investment.

Changes in Net parent investment arise as a result of deemed capital contributions for settlement of tax provisions due to differences between actual cash flow for taxes and the taxes allocated under AIG's intercorporate tax allocation methodology to the Company.

Expressed in thousands of U.S. dollars

13. Commitments and contingencies

Employment agreements

The Company has entered into employment agreements with certain individuals that provide for executive benefits and severance payments under certain circumstances.

Leases

The Company leases office space in the U.S. under various operating lease agreements. See Note 6, "Leases", for further details.

14. Related party transactions

The following significant transactions are classified as related party transactions as principals and/or directors of each counterparty are members of the Company's or AIG's board of directors.

Service level agreements

In accordance with service level agreements considered to be on an arm's length basis, the Company participates in centralized services wherein expenses are incurred by service and other affiliated entities and allocated to, or recharged from, the Company. Services provided across the group include actuarial, research, finance, administrative, information technology, legal, operations, risk management services and others. Transactions with VSU that were historically eliminated on the consolidation of Validus Specialty are recorded as related party transactions in these Combined Financial Statements.

The following table summarizes the revenue and expenses incurred by the Company for services provided to or received from the related parties during the nine months ended September 30, 2023 and 2022:

	2023 $	2022 $
Management fee income	33,986	29,039
General and administrative expenses	773	185
Share compensation expense	2,730	1,757

Expressed in thousands of U.S. dollars

14. Related party transactions (continued)

Balances due from affiliates

Balance due from affiliates consisted of the following as at September 30, 2023 and December 31, 2022:

	2023 $	2022 $
Receivable due from related parties	9,410	7,747
Loan to related parties	2,355	2,126
Total	**11,765**	**9,873**

Loan to related parties consists of a loan to VSU with no interest rate, payable on demand. Receivable due from related parties consists of receivables for management fees with no interest rate and are payable on demand.

Balance due to affiliates

Balance due to affiliates consisted of the following as at September 30, 2023 and December 31, 2022:

	2023 $	2022 $
Payable due to related parties	8,095	3,728
Loan from related parties	4,000	4,000
Total	**12,095**	**7,728**

Loan from related parties consists of a loan from Talbot Syndicate 1183 with no interest rate, payable on demand. Payable due to related parties consists of payables for management fees with no interest rate and are payable on demand.

Premium receivable and reinsurance balances payable

See Note 8, “Premium receivable and reinsurance balances payable”, for details of accounts as at September 30, 2023 and December 31, 2022.

Income taxes recoverable, deferred tax assets, net, and deferred tax liabilities

See Note 9, “Taxes”, for details of accounts as at September 30, 2023 and December 31, 2022.

15. Subsequent events

Management has evaluated the need to disclose events that occurred subsequent to the balance sheet date through January 5, 2024, the date these financial statements were available to be issued.

Related party transactions

On October 24, 2023, the Company distributed $16.0 million in cash and $4.0 million in property and equipment to AIG Property Casualty Inc.

15. Subsequent events (continued)

Change in control

On November 1, 2023 (the "Closing Date"), AIG completed the sale of Validus Holdings, Ltd., including certain interests in Validus Specialty, to RenaissanceRe in accordance with the Stock Purchase Agreement, dated May 22, 2023 (as amended, the "Stock Purchase Agreement") pursuant to which, upon the terms and subject to the conditions thereof, RenaissanceRe, or one of its subsidiaries, purchased, acquired and accepted from certain subsidiaries of AIG, all of their right, title, and interest in the shares of Validus Holdings, Ltd. and Validus Specialty (collectively the "Validus Acquisition"). Pursuant to the Validus Acquisition, RenaissanceRe acquired a 100% voting equity interests in each of Validus Holdings, Ltd. and Validus Specialty. AIG received aggregate consideration of $3.603 billion, consisting of cash consideration of $2.735 billion, a pre-closing dividend of $562.5 million from Validus Holdings, Ltd., a pre-closing distribution of $20.0 million from Validus Specialty, and 1,322,541 common shares in RenaissanceRe valued at approximately $285.0 million at the Closing Date.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On November 1, 2023 (the "Closing Date"), RenaissanceRe Holdings Ltd. ("RenaissanceRe" or the "Company") completed the Validus Acquisition in accordance with the Stock Purchase Agreement, dated May 22, 2023 (as amended, the "Stock Purchase Agreement"), between RenaissanceRe and American International Group, Inc., a Delaware corporation and NYSE-listed company (together with its affiliates and subsidiaries, "AIG"), pursuant to which, upon the terms and subject to the conditions thereof, RenaissanceRe, or one of its subsidiaries, purchased, acquired and accepted from certain subsidiaries of AIG, all of their right, title and interest in the shares of Validus Holdings, Ltd. ("Validus Holdings"), and Validus Specialty, LLC, subsidiaries of AIG. The Company also acquired the renewal rights, records and customer relationships of the assumed treaty reinsurance business of Talbot Underwriting Limited, an affiliate of AIG ("Talbot"), a specialty (re)insurance group operating within the Lloyd's market. The acquisitions under the Stock Purchase Agreement, together with the other transactions contemplated in the Stock Purchase Agreement, are referred to herein as the "Validus Acquisition". Pursuant to the Validus Acquisition, the Company acquired a 100% voting equity interests in each of Validus Holdings and Validus Specialty, LLC.

In connection with the Validus Acquisition, on November 1, 2023, the Company paid to AIG aggregate consideration of $2.985 billion, consisting of the following: (i) cash consideration of $2.735 billion; and (ii) 1,322,541 common shares, which were valued at approximately $250.0 million based on a value of $189.03 per share at signing, pursuant to the Stock Purchase Agreement. The value of the acquisition consideration was $3.020 billion as of the closing date.

The following unaudited pro forma condensed combined balance sheet as of September 30, 2023 is presented as if the Validus Acquisition had occurred on September 30, 2023, and the unaudited pro forma condensed combined consolidated statement of operations for the nine months ended September 30, 2023, and the year ended December 31, 2022 are presented as if the Validus Acquisition had occurred on January 1, 2022. The combined historical financial statements of Validus Holdings and Validus Specialty, LLC, excluding Validus Specialty Underwriting Services, Inc., an entity previously wholly-owned by Validus Specialty, LLC and excluded from the Validus Acquisition ("the Specialty Business of Validus Specialty", referred to throughout the unaudited pro forma condensed combined financial statements herein as "Validus Specialty") have been adjusted to reflect the accounting for the Validus Acquisition in accordance with accounting principles generally accepted in the United States ("GAAP"); shown as "Transaction Adjustments". Validus Holdings, Validus Specialty, and their respective subsidiaries are referred to collectively herein as "Validus".

Separately, the Company completed the following two public securities offerings to fund a portion of the consideration for the Validus Acquisition:

- On May 26, 2023, the Company completed an underwritten public offering of 7,245,000 of its common shares at the public offering price of $192.00 per share. The Company received net proceeds of approximately $1.352 billion from the equity offering after deducting the underwriting discounts and estimated offering expenses paid by the Company. The Company used the net proceeds from the offering to fund a portion of the cash consideration in the Validus Acquisition, to pay related costs and expenses, and for general corporate purposes.
- On June 5, 2023, the Company completed an underwritten public offering of $750.0 million aggregate principal amount of 5.750% Senior Notes due 2033. The Company received net proceeds of approximately $741.0 million from the senior offering after deducting the underwriting discounts and estimated offering expenses payable by the Company. The Company used the net proceeds from this offering to fund a portion of the cash consideration in the Validus Acquisition, to pay related costs and expenses, and for general corporate purposes.

The interest expense resulting from the above senior notes offering are included in the Transaction Adjustments to the condensed combined statement of operations for the twelve months ended December 31, 2022 and nine months ended September 30, 2023.

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma consolidated financial information is derived from and should be read in conjunction with:

- the accompanying notes to the unaudited pro forma consolidated financial information contained herein;
- the historical audited consolidated financial statements of the Company, as of, and for the year ended December 31, 2022 included in the Company's Annual Report on Form 10-K filed with the SEC on February 8, 2023;

- the historical unaudited consolidated financial statements of the Company, as of, and for the three and nine months ended September 30, 2023 included in the Company’s Quarterly Report on Form 10-Q filed with the SEC on November 2, 2023;
- the audited financial statements of Validus Holdings and Validus Specialty as of and for the year ended December 31, 2022, which are included in Exhibit 99.1 to this Current Report on Form 8-K/A;
- the unaudited financial statements of Validus Holdings and Validus Specialty as of and for the nine months ended September 30, 2023, which are included in exhibit 99.2 to this Current Report on Form 8-K/A.

The accompanying unaudited pro forma consolidated financial information was derived by making certain Transaction Adjustments to the historical financial statements noted above. The adjustments are based on currently available information and certain estimates and assumptions. Therefore, the actual impact of the Validus Acquisition may differ from the adjustments made to the unaudited pro forma consolidated financial information. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of the Validus Acquisition as if it had occurred (i) on September 30, 2023 for the pro forma condensed combined balance sheet and (ii) on January 1, 2022 for the pro forma condensed combined statements of operations for the twelve months ended December 31, 2022 and the nine months ended September 30, 2023.

RenaissanceRe has incurred, and expects to incur in the future, certain nonrecurring charges in connection with the integration of Validus. RenaissanceRe is not able to determine the full extent of the timing, nature, and amount of anticipated future charges as of the date of this unaudited pro forma consolidated financial information. These charges have affected, and will affect, the results of operations of the combined company in the period in which they are incurred. Given the uncertainty of expected future charges, the unaudited pro forma consolidated financial information does not include the effects of any costs associated with any restructuring or integration activities resulting from the transaction.

The unaudited pro forma consolidated financial information is provided for informational purposes only and is not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the transaction been completed as of the dates indicated or that may be achieved in the future. The estimates of fair value are dependent upon certain valuations and other studies. Accordingly, actual adjustments will differ, perhaps materially, from those reflected in the pro forma consolidated financial information. In addition, the unaudited pro forma condensed combined financial information does not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies or asset dispositions that may result from the Validus Acquisition.

Unaudited Pro Forma Condensed Combined Balance Sheet
As at September 30, 2023
(in thousands of United States Dollars, except share and per share amounts)

	RenaissanceRe	Validus (1)	Transaction Adjustments (2)		Total Pro Forma Combined
Assets					
Fixed maturity investments trading, at fair value	$ 16,083,046	$ 3,821,834	$ —		$ 19,904,880
Short term investments, at fair value	6,519,207	1,197,274	(605,071)	(a)	7,111,410
Equity investments trading, at fair value	95,342	—	—		95,342
Other investments, at fair value	3,167,941	—	—		3,167,941
Investments in other ventures, under equity method	101,103	4,881	—		105,984
Total investments	25,966,639	5,023,989	(605,071)		30,385,557
Cash and cash equivalents	1,195,884	456,061	(2,757,257)	(b)	(1,105,312)
Premiums receivable	5,928,809	2,529,218	(409,587)	(c)	8,048,440
Prepaid reinsurance premiums	1,028,916	396,468	(2,937)	(d)	1,422,447
Reinsurance recoverable	4,253,259	1,534,469	(222,721)	(e)	5,565,007
Accrued investment income	153,573	21,197	—		174,770
Deferred acquisition costs	1,267,088	643,601	(27,708)	(f)	1,882,981
Receivable for investments sold	480,727	89,280	—		570,007
Other assets	334,284	1,161,834	(1,102,145)	(g)	393,973
Goodwill and other intangibles	233,897	—	550,647	(h)	784,544
Total assets	$ 40,843,076	$11,856,117	$ (4,576,779)		$ 48,122,414
Liabilities					
Reserve for claims and claim expenses	$ 15,955,165	$ 5,073,580	$ (406,490)	(i)	$ 20,622,255
Unearned premiums	5,222,496	2,507,561	(691,758)	(j)	7,038,299
Debt	1,882,893	—	—		1,882,893
Reinsurance balances payable	3,323,606	416,432	(427)	(k)	3,739,611
Payable for investments purchased	811,578	114	—		811,692
Other liabilities	396,487	97,500	19,914	(l)	513,901
Total liabilities	27,592,225	8,095,187	(1,078,761)		34,608,651
Redeemable noncontrolling interest	5,662,234	—	—		5,662,234
Shareholders' Equity					
Preference shares	750,000	$ —	$ —		$ 750,000
Common shares	51,174	—	1,323	(m)	52,497
Additional paid-in capital	1,836,742	1,292,179	(1,008,333)	(n)	2,120,588
Accumulated other comprehensive (loss) income	(14,506)	26,672	(26,672)	(o)	(14,506)
Retained earnings	4,965,207	2,442,079	(2,464,336)	(p)	4,942,950
Total shareholders' equity	7,588,617	3,760,930	(3,498,018)		7,851,529
Total liabilities, noncontrolling interests and shareholders' equity	$ 40,843,076	$11,856,117	$ (4,576,779)		$ 48,122,414

(1) Represents the combined historical reported balances of Validus Holdings and Validus Specialty, net of intercompany eliminations between Validus Holdings and Validus Specialty, and reclassified to conform to the presentation of the combined entity, as of September 30, 2023. See "Note 2. Validus Presentation" for further details on the intercompany eliminations between Validus Holdings and Validus Specialty and "Note 3. Validus Reclassification Adjustments" for further details on the reclassifications to conform to the presentation of the combined entity.
(2) See "Note 5. Unaudited Pro Forma Adjustments" for additional information regarding the transaction adjustments.

See accompanying notes to the unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the nine months ended September 30, 2023
(in thousands of United States Dollars, except per share amounts)

	RenaissanceRe	Validus (1)	Transaction Adjustments (2)		Total Pro Forma Combined
Revenues					
Gross premiums written	$ 7,060,325	$3,477,709	$ (663,599)	(q)	$9,874,435
Net premiums written	$ 5,880,766	$2,735,433	$ (631,666)	(r)	$7,984,533
Change in unearned premiums	(659,078)	(680,652)	623,902	(s)	(715,828)
Net premiums earned	5,221,688	2,054,781	(7,764)		7,268,705
Net investment income	876,148	161,789	—		1,037,937
Net foreign exchange (losses) gains	(53,877)	(27,584)	2,321	(t)	(79,140)
Equity in earnings of other ventures	28,072	841	—		28,913
Other income (loss)	(6,296)	—	—		(6,296)
Net realized and unrealized (losses) gains on investments	(171,417)	(28,009)	—		(199,426)
Total revenues	5,894,318	2,161,818	(5,443)		8,050,693
Expenses					
Net claims and claim expenses incurred	2,593,987	1,144,757	52,311	(u)	3,791,056
Acquisition expenses	1,280,547	498,244	(188,640)	(v)	1,590,152
Operational expenses	240,716	89,293	—		330,009
Corporate expenses	53,357	2,403	—		55,760
Interest expense	49,980	106,984	18,977	(w)	175,940
Total expenses	4,218,587	1,841,681	(117,352)		5,942,917
Income (loss) before taxes	1,675,731	320,137	111,909		2,107,776
Income tax benefit (expense)	(44,139)	(14,099)	(15,319)	(x)	(73,557)
Net income (loss)	1,631,592	306,038	96,590		2,034,219
Net (income) loss attributable to redeemable NCI	(655,986)	—	—		(655,986)
Net income (loss)	975,606	306,038	96,590		1,378,233
Dividends on preference shares	(26,531)	—	—		(26,531)
Net income (loss) available (attributable) to common shareholders	$ 949,075	$ 306,038	$ 96,590		$1,351,702

(1) Represents the combined historical reported balances of Validus Holdings and Validus Specialty, net of intercompany eliminations between Validus Holdings and Validus Specialty, and reclassified to conform to the presentation of the combined entity, for the nine months ended September 30, 2023. See "Note 2. Validus Presentation" for further details on the intercompany eliminations between Validus Holdings and Validus Specialty and "Note 3. Validus Reclassification Adjustments" for further details on the reclassifications to conform to the presentation of the combined entity.

(2) See "Note 5. Unaudited Pro Forma Adjustments" for additional information regarding the transaction adjustments.

See accompanying notes to the unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2022
(in thousands of United States Dollars, except per share amounts)

	RenaissanceRe	Validus (1)	Transaction Adjustments (2)		Total Pro Forma Combined
Revenues					
Gross premiums written	$ 9,213,540	$3,080,316	$ (42,930)	(y)	$12,250,926
Net premiums written	$ 7,196,160	$2,528,531	$ (14,050)	(z)	$ 9,710,641
Change in unearned premiums	(862,171)	(294,027)	118,726	(aa)	(1,037,472)
Net premiums earned	6,333,989	2,234,504	104,676		8,673,169
Net investment income	559,932	128,008	—		687,940
Net foreign exchange (losses) gains	(56,909)	17,552	—		(39,357)
Equity in earnings of other ventures	11,249	792	—		12,041
Other income (loss)	12,636	—	—		12,636
Net realized and unrealized (losses) gains on investments	(1,800,485)	(376,606)	—		(2,177,091)
Total revenues	5,060,412	2,004,250	104,676		7,169,338
Expenses					
Net claims and claim expenses incurred	4,338,840	1,403,881	55,912	(ab)	5,798,633
Acquisition expenses	1,568,606	583,837	289,087	(ac)	2,441,530
Operational expenses	276,691	105,513	—		382,204
Corporate expenses	46,775	3,606	22,257	(ad)	72,638
Interest expense	48,335	31,437	44,080	(ae)	123,852
Total expenses	6,279,247	2,128,274	411,336		8,818,857
Income (loss) before taxes	(1,218,835)	(124,024)	(306,660)		(1,649,519)
Income tax benefit (expense)	59,019	(35,524)	8,968	(af)	32,463
Net income (loss)	(1,159,816)	(159,548)	(297,692)		(1,617,056)
Net (income) loss attributable to redeemable NCI	98,613	—	—		98,613
Net income (loss) attributable to the Company	(1,061,203)	(159,548)	(297,692)		(1,518,443)
Dividends on preference shares	(35,375)	—	—		(35,375)
Net income (loss) available (attributable) to common shareholders	$ (1,096,578)	$ (159,548)	$ (297,692)		$ (1,553,818)

(1) Represents the combined historical reported balances of Validus Holdings and Validus Specialty, net of intercompany eliminations between Validus Holdings and Validus Specialty, and reclassified to conform to the presentation of the combined entity, for the twelve months ended December 31, 2022. See "Note 2. Validus Presentation" for further details on the intercompany eliminations between Validus Holdings and Validus Specialty and "Note 3. Validus Reclassification Adjustments" for further details on the reclassifications to conform to the presentation of the combined entity.

(2) See "Note 5. Unaudited Pro Forma Adjustments" for additional information regarding the transaction adjustments.

See accompanying notes to the unaudited pro forma condensed combined financial information.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1. Pro Forma Basis of Presentation

The unaudited pro forma condensed combined balance sheet as of September 30, 2023 and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2023 and year ended December 31, 2022 are based on the historical financial statements of RenaissanceRe and Validus after giving effect to the completion of the Validus Acquisition and the assumptions and adjustments described in the accompanying notes. The unaudited pro forma condensed combined balance sheet as of September 30, 2023 is presented as if the Validus Acquisition had occurred on September 30, 2023. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2023 and year ended December 31, 2022 are presented as if the acquisition of Validus had occurred on January 1, 2022. The unaudited pro forma condensed combined financial information does not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies, strategy modifications, asset dispositions or other actions.

RenaissanceRe's and Validus' financial statements were prepared in accordance with U.S. GAAP and presented in U.S. dollars ("USD").

The transaction was accounted for under the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 805 *Business Combinations,* with RenaissanceRe as the acquiring entity. In business combination transactions in which the consideration given is not in the form of cash (that is, in the form of non-cash assets, liabilities incurred, or equity interests issued), measurement of the acquisition consideration is based on the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and, thus, more reliably measurable.

Under FASB ASC Topic No. 805 *Business Combinations*, all of the Validus assets acquired and liabilities assumed in this business combination were recognized at their acquisition-date fair value, while transaction costs and restructuring costs associated with the business combination will be expensed as incurred. The excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed will be allocated to goodwill. Changes in deferred tax asset valuation allowances and income tax uncertainties, if any, after the acquisition date will generally affect income tax expense. RenaissanceRe is in the process of implementing its integration plan, which is subject to change and will affect how the assets acquired, including intangible assets, will be utilized by the combined group.

The estimated fair value of the Validus assets acquired and liabilities assumed, including the fair value of the estimated identifiable intangible assets, are based on the actual net tangible and intangible assets of Validus that existed at the date of completion of the acquisition. RenaissanceRe retained a third-party valuation adviser to complete a formal valuation study of the Validus assets and liabilities, including identifiable intangible assets.

In addition to the estimated identifiable finite lived intangible assets, the fair value adjustments include the elimination of deferred acquisition costs, the addition of the value of business acquired, and a reduction to reserves for claims and claim expenses to reflect the risk margin, net of discounting. The weighted average life of the value of business acquired ("VOBA") and risk margin, net of discounting is 2.0 years and 16.0 years, respectively. The estimated identifiable finite lived intangible assets include renewal rights, agent relationships, asset management contracts, and the trade name. The weighted average useful life of the estimated identifiable finite lived intangible assets is estimated to be 14.1 years. Goodwill represents the excess of the estimated purchase price over the estimated fair value of the Validus assets and liabilities, including the fair value of the estimated identifiable finite intangible assets, and will not be amortized, but will be subject to periodic impairment testing.

RenaissanceRe has incurred, and expects to incur in the future, certain nonrecurring charges in connection with the integration of Validus. RenaissanceRe is not able to determine the full extent of the timing, nature, and amount of anticipated future charges as of the date of this unaudited pro forma condensed combined financial information. These charges have affected, and will affect, the results of operations of the combined company in the period in which they are incurred. Given the uncertainty of expected future charges, the unaudited pro forma consolidated financial information does not include the effects of any costs associated with any restructuring or integration activities resulting from the transaction.

The unaudited pro forma condensed combined balance sheet and statements of operations are presented solely for informational purposes and are not necessarily indicative of the condensed combined statement of operations or condensed combined balance sheet that might have been achieved for the periods or dates indicated, nor are they necessarily indicative of the future results of the combined company.

Note 2. Validus Presentation

Financial information of Combined Validus, net of intercompany eliminations, in the “Validus” column of the unaudited pro forma condensed combined financial statements represents the combined historical reported balances of Validus Holdings and Validus Specialty, net of intercompany eliminations between Validus Holdings and Validus Specialty, as of and for the nine months ended September 30, 2023 and for the twelve months ended December 31, 2022 as follows:

Unaudited Combined Balance Sheet
As at September 30, 2023
(in thousands of United States Dollars, except share and per share amounts)

	Validus Holdings	Validus Specialty	Intercompany Eliminations	Combined Validus, net of intercompany eliminations
Assets				
Fixed maturity investments trading, at fair value	$ 3,821,834	$ —	$ —	$ 3,821,834
Short term investments, at fair value	965,305	—	—	965,305
Cash and cash equivalents	417,964	23,651	—	441,615
Restricted cash	241,416	4,999	—	246,415
Total investments and cash	5,446,519	28,650	—	5,475,169
Investments in operating affiliates, equity method	4,881	—	—	4,881
Premiums receivable	2,317,552	—	—	2,317,552
Deferred acquisition costs	545,749	—	—	545,749
Prepaid reinsurance premiums	396,468	—	—	396,468
Loss reserves recoverable	1,534,469	—	—	1,534,469
Paid losses recoverable	88,439	—	—	88,439
Income taxes recoverable	9,498	16,589	—	26,087
Deferred tax assets, net	28,040	12,072	—	40,112
Balances due from affiliates	1,050,291	11,765	(6,197)	1,055,859
Accrued investment income	21,197	—	—	21,197
Funds withheld	123,227	—	—	123,227
Other assets	108,940	394	—	109,334
Property and equipment	—	4,835	—	4,835
Operating lease right of use asset	—	14,887	—	14,887
Total assets	$11,675,270	$89,192	$ (6,197)	$11,758,265
Liabilities				
Reserve for claims and claim expenses	$ 5,073,580	$ —	$ —	$ 5,073,580
Unearned premiums	2,507,561	—	—	2,507,561
Reinsurance balances payable	315,625	249	—	315,874
Income taxes payable	20,815	—	—	20,815
Deferred tax liabilities	—	3,130	—	3,130
Balances due to affiliates	23,945	12,095	(6,197)	29,843
Funds withheld liability	2,706	—	—	2,706
Accounts payable and accrued expenses	26,393	1,448	—	27,841
Other liabilities	114	—	—	114
Current portion of operating lease liabilities	—	15,871	—	15,871
Long term portion of operating lease liabilities	—	—	—	—
Total liabilities	7,970,739	32,793	(6,197)	7,997,335
Shareholders' Equity				
Common shares	—	—	—	—
Accumulated other comprehensive income	26,672	—	—	26,672
Additional paid-in capital	1,292,179	—	—	1,292,179
Retained earnings	2,385,680	56,399	—	2,442,079
Total shareholders' equity	3,704,531	56,399	—	3,760,930
Total liabilities and shareholders' equity	$11,675,270	$89,192	$ (6,197)	$11,758,265

Unaudited Combined Statement of Operations
For the nine months ended September 30, 2023
(in thousands of United States Dollars, except per share amounts)

	Validus Holdings	Validus Specialty	Intercompany Eliminations	Combined Validus, net of intercompany eliminations
Revenues				
Gross premiums written	$3,477,709	$ —		$ 3,477,709
Reinsurance premiums ceded	(742,276)	—		(742,276)
Net premiums written	2,735,433	—		2,735,433
Change in unearned premiums	(680,652)	—		(680,652)
Net premiums earned	2,054,781	—		2,054,781
Net investment income	161,471	—		161,471
Net realized losses on investments	(62,452)	—		(62,452)
Net change in unrealized gains on investments	34,443	—		34,443
Other insurance-related income and other income	14,091	—	(990)	13,101
Foreign exchange losses, net	(27,584)	—		(27,584)
Management fee income - related party		33,986	(16,601)	17,385
Total revenues	2,174,750	33,986	(17,591)	2,191,145
Expenses				
Losses and loss expenses	1,144,757	—		1,144,757
Policy acquisition costs	498,244	—		498,244
General and administrative expenses	100,527	29,324	(17,591)	112,260
Share compensation expenses	6,806	2,730		9,536
Finance expenses	107,143	9		107,152
Transaction expenses	161	57		218
Total expenses	1,857,638	32,120	(17,591)	1,872,167
Income before taxes and before income from operating affiliates and structured notes	317,112	1,866		318,978
Income tax (expense) benefit	(14,213)	114		(14,099)
Income from operating affiliates	841	—		841
Income from structured notes receivable from AlphaCat ILS fund	318	—		318
Net income and comprehensive income	$ 304,058	$ 1,980	$ —	$ 306,038

Unaudited Combined Statement of Operations
For the twelve months ended December 31, 2022
(in thousands of United States Dollars, except per share amounts)

	Validus Holdings	Validus Specialty	Intercompany Eliminations	Combined Validus, net of intercompany eliminations
Revenues				
Gross premiums written	$3,080,316	$ —	$ —	$ 3,080,316
Reinsurance premiums ceded	(551,785)	—	—	$ (551,785)
Net premiums written	2,528,531	—	—	2,528,531
Change in unearned premiums	(294,027)	—	—	(294,027)
Net premiums earned	2,234,504	—	—	2,234,504
Net investment income	128,184	—	—	128,184
Net realized losses on investments	(12,537)	—	—	(12,537)
Net change in unrealized losses on investments	(364,069)	—	—	(364,069)
Other insurance-related income and other income	24,021	—	(323)	23,698
Foreign exchange gains, net	17,552	—	—	17,552
Management fee income - related party	—	39,207	(18,537)	20,670
Net interest income	—	83	—	83
Total revenues	2,027,655	39,290	(18,860)	2,048,085
Expenses				
Losses and loss expenses	1,403,881	—	—	1,403,881
Policy acquisition costs	583,837	—	—	583,837
General and administrative expenses	129,529	34,893	(18,860)	145,562
Share compensation expenses	4,811	2,586	—	7,397
Finance expenses	31,637	9	—	31,646
Transaction expenses	618	40	—	658
Total expenses	2,154,313	37,528	(18,860)	2,172,981
(Loss) Income before taxes and before income (loss) from operating affiliates and structured notes	(126,658)	1,762	—	(124,896)
Income tax expense	(34,747)	(777)	—	(35,524)
Net (loss) income	(161,405)	985	—	(160,420)
Income from operating affiliates	792	—	—	792
Income from structured notes receivable from AlphaCat ILS fund	80	—	—	80
Net (loss) income and comprehensive (loss) income	$ (160,533)	$ 985	$ —	$ (159,548)

Note 3. Validus Reclassification Adjustments

Financial information of Validus in the "Validus" column of the unaudited pro forma condensed combined financial statements represents the combined historical reported balances of Validus Holdings and Validus Specialty, net of intercompany eliminations, reclassified to conform to the presentation of the combined entity for these captions, as follows:

Combined Balance Sheet
As at September 30, 2023
(in thousands of United States Dollars, except share and per share amounts)

	Combined Validus, net of intercompany eliminations	Reclassification amount	RC (1)	Validus
Assets				
Short term investments, at fair value	$ 965,305	$ 231,969	(1)	$1,197,274
Investments in other ventures, under equity method	—	4,881	(2)	4,881
Cash and cash equivalents	441,615	14,446	(3)	456,061
Restricted cash	246,415	(246,415)	(1) (3)	—
Investments in operating affiliates, equity method	4,881	(4,881)	(2)	—
Premiums receivable	2,317,552	211,666	(4)	2,529,218
Deferred acquisition costs	545,749	97,852	(5)	643,601
Receivable for investments sold	—	89,280	(6)	89,280
Reinsurance recoverable	—	1,534,469	(7)	1,534,469
Loss reserves recoverable	1,534,469	(1,534,469)	(7)	—
Paid losses recoverable	88,439	(88,439)	(4)	—
Income taxes recoverable	26,087	(26,087)	(8)	—
Deferred tax assets, net	40,112	(40,112)	(8)	—
Balances due from affiliates	1,055,859	(1,055,859)	(8)	—
Funds withheld	123,227	(123,227)	(4)	—
Other assets	109,334	1,052,500	(8)	1,161,834
Property and equipment	4,835	(4,835)	(8)	—
Operating lease right of use asset	14,887	(14,887)	(8)	—
Liabilities				
Reinsurance balances payable	$ 315,874	$ 100,558	(9)	$ 416,432
Income taxes payable	20,815	(20,815)	(11)	—
Deferred tax liabilities	3,130	(3,130)	(11)	—
Balances due to affiliates	29,843	(29,843)	(11)	—
Funds withheld liability	2,706	(2,706)	(9)	—
Accounts payable and accrued expenses	27,841	(27,841)	(10) (11)	—
Payable for investments purchased	—	114	(10)	114
Other liabilities	114	97,386	(11)	97,500
Current portion of operating lease liabilities	15,871	(15,871)	(11)	—

(1) See table below for detailed breakdown of each of the reclasses noted above

Reclasses to the Combined Balance Sheet

		September 30, 2023
Assets		
RC (1)	Short term investments, at fair value	
	Balance - before reclass	$ 965,305
	Reclass from restricted cash	231,969
	Balance - after reclass	1,197,274
RC (2)	Investments in other ventures, under equity method	
	Balance - before reclass	—
	Reclass investments in operating affiliates, equity method to investments in other ventures, under equity method	4,881
	Balance - after reclass	4,881
RC (3)	Cash and cash equivalents	
	Balance - before reclass	441,615
	Reclass from restricted cash	14,446
	Balance - after reclass	456,061
RC (4)	Premiums receivable	
	Balance - before reclass	2,317,552
	Reclass paid loss recoverable to premiums receivable	88,439
	Reclass funds withheld to premiums receivable	123,227
	Balance - after reclass	2,529,218
RC (5)	Deferred acquisition costs	
	Balance - before reclass	545,749
	Reclass from Reinsurance balances payable	97,852
	Balance - after reclass	643,601
RC (6)	Receivable for investments sold	
	Balance - before reclass	—
	Reclass from other assets	89,280
	Balance - after reclass	89,280
RC (7)	Reinsurance recoverable	
	Balance - before reclass	—
	Reclass loss reserves recoverable to reinsurance recoverable	1,534,469
	Balance - after reclass	1,534,469
RC (8)	Other assets	
	Balance - before reclass	109,334
	Reclass to receivable for investments sold	(89,280)
	Reclass income taxes recoverable to other assets	26,087
	Reclass deferred tax assets to other assets	40,112
	Reclass balances due from affiliates to other assets	1,055,859
	Reclass property and equipment to other assets	4,835
	Reclass operating lease right of use asset to other assets	14,887
	Balance - after reclass	1,161,834

Liabilities		
RC (9)	Reinsurance balances payable	
	Balance - before reclass	$ 315,874
	Reclass to deferred acquisition costs	97,852
	Reclass funds withheld liability to reinsurance balances payable	2,706
	Balance - after reclass	416,432
RC (10)	Payable for investments purchased	
	Balance - before reclass	—
	Reclass from accounts payable and accrued expenses	114
	Balance - after reclass	114
RC (11)	Other liabilities	
	Balance - before reclass	114
	Reclass balances due to affiliates to other liabilities	29,843
	Reclass operating lease liability to other liabilities	15,871
	Reclass income taxes payable to other liabilities	20,815
	Reclass deferred tax liabilities to other liabilities	3,130
	Reclass from accounts payable and accrued expenses	27,727
	Balance - after reclass	97,500

Combined Statement of Operations
For the nine months ended September 30, 2023
(in thousands of United States Dollars, except per share amounts)

	Combined Validus, net of intercompany eliminations	Reclassification amount	RC (1)	Validus
Revenues				
Net investment income	$ 161,471	$ 318	(1)	$161,789
Net realized and unrealized gains (losses) on investments	—	(28,009)	(2)	(28,009)
Net realized losses on investments, net	(62,452)	62,452	(2)	—
Net change in unrealized gains (losses) on investments, net	34,443	(34,443)	(2)	—
Other insurance-related income and other income	13,101	(13,101)	(4)	—
Equity in earnings of other ventures	—	841	(3)	841
Management fee income - related party	17,385	(17,385)	(4)	—
Expenses				
General and administrative expenses	$ 112,260	$ (112,260)	(4)(5)	$ —
Operational expenses	—	89,293	(4)	89,293
Corporate expenses	—	2,403	(5)	2,403
Share compensation expenses	9,536	(9,536)	(4)	—
Finance expenses	107,152	(107,152)	(4)(6)	—
Transaction expenses	218	(218)	(5)	—
Interest expense	—	106,984	(6)	106,984
Income (loss) from operating affiliates	841	(841)	(3)	—
Income (loss) from structured notes receivable from AlphaCat ILS fund	318	(318)	(1)	—

(1) See table below for detailed breakdown of each of the reclasses noted above

Reclasses to the Combined Statement of Operations

		September 30, 2023
Revenues		
RC (1)	Net investment income	
	Balance - before reclass	$ 161,471
	Reclass income (loss) from structures notes receivable from AlphaCat ILS fund to net investment income	318
	Balance - after reclass	161,789
RC (2)	Net realized and unrealized gains (losses) on investments	
	Balance - before reclass	—
	Reclass net realized losses on investments, net to net realized and unrealized gains (losses) on investments	(62,452)
	Reclass net change in unrealized gains (losses) on investments, net to net realized and unrealized gains (losses) on investments	34,443
	Balance - after reclass	(28,009)
RC (3)	Equity in earnings of other ventures	
	Balance - before reclass	—
	Reclass income (loss) from operating affiliates to equity in earnings of other ventures	841
	Balance - after reclass	841
Expenses		
RC (4)	Operational expenses	
	Balance - before reclass	$ —
	Reclass other insurance related income and other income to operational expenses	(13,101)
	Reclass management fee income - related party to operational expenses	(17,385)
	Reclass from general and administrative expenses	110,075
	Reclass share compensation expenses to operational expenses	9,536
	Reclass from finance expenses	168
	Balance - after reclass	89,293
RC (5)	Corporate expenses	
	Balance - before reclass	—
	Reclass from general and administrative expenses	2,185
	Reclass transaction expenses to corporate expenses	218
	Balance - after reclass	2,403
RC (6)	Interest expense	
	Balance - before reclass	—
	Reclass from finance expense	106,984
	Balance - after reclass	106,984

Combined Statement of Operations
For the twelve months ended December 31, 2022
(in thousands of United States Dollars, except per share amounts)

	Combined Validus, net of intercompany eliminations	Reclassification amount	RC (1)	Validus
Revenues				
Net investment income	$ 128,184	$ (176)	(1)	$ 128,008
Net realized and unrealized gains (losses) on investments	—	(376,606)	(2)	(376,606)
Net realized (losses) gains on investments	(12,537)	12,537	(2)	—
Net change in unrealized losses on investments	(364,069)	364,069	(2)	—
Other insurance-related income and other income	23,698	(23,698)	(4)	—
Equity in earnings of other ventures	—	792	(3)	792
Management fee income - related party	20,670	(20,670)	(4)	—
Net interest income	83	(83)	(1)	—
Expenses				
General and administrative expenses	$ 145,562	$ (145,562)	(1)(4)(5)	$ —
Operational expenses	—	105,513	(4)	105,513
Corporate expenses	—	3,606	(5)	3,606
Share compensation expenses	7,397	(7,397)	(4)	—
Finance expenses	31,646	(31,646)	(4)(6)	—
Transaction expenses	658	(658)	(5)	—
Interest expense	—	31,437	(6)	31,437
Income (loss) from operating affiliates	792	(792)	(3)	—
Income (loss) from structured notes receivable from AlphaCat ILS fund	80	(80)	(1)	—

(1) See table below for detailed breakdown of each of the reclasses noted above

Reclasses to the Combined Statement of Operations

		December 31, 2022
Revenues		
RC (1)	Net investment income	
	Balance - before reclass	$ 128,184
	Reclass income (loss) from structured notes receivable from AlphaCat ILS fund to net investment income	80
	Reclass net interest income to net investment income	83
	Reclass from general and administrative expenses	(339)
	Balance - after reclass	128,008
RC (2)	Net realized and unrealized gains (losses) on investments	
	Balance - before reclass	—
	Reclass net realized losses on investments, net to net realized and unrealized gains (losses) on investments	(12,537)
	Reclass net change in unrealized gains (losses) on investments, net to net realized and unrealized gains (losses) on investments	(364,069)
	Balance - after reclass	(376,606)
RC (3)	Equity in earnings of other ventures	
	Balance - before reclass	—
	Reclass income (loss) from operating affiliates to equity in earnings of other ventures	792
	Balance - after reclass	792
Expenses		
RC (4)	Operational expenses	
	Balance - before reclass	$ —
	Reclass other insurance related income and other income to operational expenses	(23,698)
	Reclass management fee income - related party to operational expenses	(20,670)
	Reclass from general and administrative expenses	142,275
	Reclass share compensation expenses to operational expenses	7,397
	Reclass from finance expenses	209
	Balance - after reclass	105,513
RC (5)	Corporate expenses	
	Balance - before reclass	—
	Reclass from general and administrative expenses	2,948
	Reclass transaction expenses to corporate expenses	658
	Balance - after reclass	3,606
RC (6)	Interest expense	
	Balance - before reclass	—
	Reclass from finance expenses	31,437
	Balance - after reclass	31,437

Note 4. Acquisition Consideration

In connection with the Validus Acquisition, on November 1, 2023, the Company paid to AIG aggregate consideration of $2.985 billion, consisting of the following: (i) cash consideration of $2.735 billion; and (ii) 1,322,541 common shares, which were valued at approximately $250.0 million based on a value of $189.03 per share at signing, pursuant to the Stock Purchase Agreement. The value of the acquisition consideration was $3.020 billion as of the closing date, as set forth in the table below.

The estimate of the purchase price over the fair value of total identifiable net assets acquired below have been calculated using unaudited combined financial information of Validus as at September 30, 2023.

Acquisition Consideration

Funding of RenaissanceRe Acquisition Consideration:

RenaissanceRe common shares (in thousands, except per share amounts)		
Common shares issued by RenaissanceRe to AIG	1,323	
Common share price of RenaissanceRe (1)	215.62	
Market value of RenaissanceRe common shares issued by RenaissanceRe to AIG		$ 285,168
Cash consideration		
Cash consideration funded by net proceeds from the issuance of common shares of RenaissanceRe to the public market	1,351,608	
Cash consideration funded by net proceeds from the issuance of Senior Notes	740,581	
Cash consideration funded by available cash resources	642,811	
Total cash consideration paid by RenaissanceRe as acquisition consideration		2,735,000
Total RenaissanceRe acquisition consideration		$3,020,168

(1) The common share price of RenaissanceRe is based on the closing price of $226.97 per RenaissanceRe common share on the closing date of the Validus Acquisition, November 1, 2023 with a 5% discount to reflect restrictions on the transfer of those shares.

Fair Value of Assets Acquired and Liabilities Assumed

(in thousands)	September 30, 2023
Assets Acquired:	
Total investments	$4,418,918
Cash and cash equivalents	456,061
Premiums receivable	2,139,567
Prepaid reinsurance premiums	401,687
Reinsurance recoverable	1,514,699
Accrued investment income	21,197
Value of business acquired	617,000
Receivable for investments sold	89,280
Other assets	59,689
Other intangibles	461,000
Liabilities Assumed:	
Reserve for claims and claim expenses	4,870,042
Unearned premiums	1,823,959
Reinsurance balances payable	437,048
Payable for investments purchased	114
Other liabilities	117,414
Total identifiable net assets acquired	2,930,521
Total purchase price	3,020,168
Estimated purchase price over the fair value of net assets acquired assigned to goodwill	$ 89,647

Expected amortization expense

The table below reflects the fair value of the acquired other intangible assets, value of business acquired, and the fair value adjustment to the net reserve for claims and claims expenses, as well as expected amortization for the five years following the acquisition on November 1, 2023.

			Expected pre-tax amortization expense for year following the acquisition				
(in thousands)	Fair value	Estimated remaining useful life (years)	Year 1 (3)	Year 2	Year 3	Year 4	Year 5
Other intangibles							
State insurance licenses (indefinite life)	$ 14,000	n/a	$ —	$ —	$ —	$ —	$ —
Agent relationship - top four (1)	195,000	15	1,184	10,525	16,889	19,119	20,169
Agent relationship - other (1)	9,000	5	157	1,323	1,997	2,064	1,973
MGA relationships	3,000	15	33	200	200	200	200
Trade name	5,000	0.5	833	4,167	—	—	—
Renewal rights (1) (2)	215,000	15	4,777	31,539	44,147	33,861	25,916
Asset management contracts (public funds)	20,000	4	833	5,000	5,000	5,000	4,167
Total other intangibles	$ 461,000		$ 7,817	$ 52,754	$68,233	$60,244	$ 52,425
Value of business acquired	$ 617,000	2	$126,089	$414,371	$76,540	$ —	$ —
Fair value adjustment - reserves	(192,000)	n/a	8,751	49,565	33,207	23,575	16,195

(1) Amortized using projected operating income pattern representing management's best estimate of the pattern in which the economic benefits will be consumed.
(2) Includes the renewal rights acquired as a part of the assumed treaty reinsurance business of Talbot.
(3) Represents amortization for the period November 1, 2023 through December 31, 2023.

Note 5. Unaudited Pro Forma Transaction Adjustments

The unaudited pro forma condensed combined financial information is not necessarily indicative of what the financial position and results from operations would have been had the Validus Acquisition been completed at the date indicated and includes estimated adjustments, which may be revised. Such revisions may result in material changes. The financial position shown herein is not necessarily indicative of what the past financial position of the combined company would have been, nor of the financial position of post-acquisition periods. The unaudited pro forma condensed combined financial information does not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies, strategy modifications, asset dispositions or other actions that may result from the Validus Acquisition.

The following unaudited pro forma adjustments result from accounting for the Validus Acquisition, including the determination of fair value of the assets, liabilities and commitments which RenaissanceRe, as the acquirer for accounting purposes, acquired from Validus. The descriptions related to these unaudited pro forma adjustments are as follows:

Adjustments to the Pro Forma Condensed Combined Balance Sheet

(in thousands)		Increase (decrease) as of September 30, 2023
Assets		
(a)	Adjustments to short term investments, at fair value	
	To reflect the residual cash outflow from the special dividend and return of capital paid by Validus to AIG following the settlement of the balances due from affiliate	$ (605,071)
		(605,071)
(b)	Adjustments to cash & cash equivalents:	
	To reflect the additional transaction costs incurred to affect the acquisition of Validus	(22,257)
	To reflect the cash outflow from the cash consideration paid by RenaissanceRe to affect the acquisition of Validus funded by available cash resources, including cash inflow funded by capital raising activities	(2,735,000)
		(2,757,257)
(c)	Adjustments to premium receivable	
	To conform balance to RenaissanceRe's accounting policies (1)	(389,651)
	To reflect the elimination of transactions between RenaissanceRe and Validus on consolidation	(19,936)
		(409,587)
(d)	Adjustments to prepaid reinsurance premiums	
	To conform balance to RenaissanceRe's accounting policies (1)	5,219
	To reflect elimination of transactions between RenaissanceRe and Validus on consolidation	(8,156)
		(2,937)
(e)	Adjustments to reinsurance recoverables	
	To conform balance to RenaissanceRe's accounting policies (1)	(19,770)
	To reflect elimination of transactions between RenaissanceRe and Validus on consolidation	(202,951)
		(222,721)
(f)	Adjustments to deferred acquisition costs	
	To reflect deferred acquisition costs at fair value which is estimated to be $nil	(414,375)
	To reflect value of business acquired ("VOBA") at close	617,000
	To conform balance to RenaissanceRe's accounting policies (1)	(229,226)
	To reflect elimination of transactions between RenaissanceRe and Validus on consolidation	(1,107)
		(27,708)
(g)	Adjustments to other assets	
	To reflect the settlement of balances due to affiliate from the special dividend and return of capital paid by Validus to AIG	(1,055,859)
	To reflect the recognition of operating lease right of use assets at fair value	19,914
	To reflect deferred tax liabilities related to identifiable intangible assets and the value of business acquired using the applicable tax rates in the respective jurisdictions where the assets were recorded.	(46,195)
	To reflect deferred tax liabilities related to the conforming of balances to RenaissanceRe's accounting policies using the applicable tax rates in the respective jurisdictions where the assets and liabilities were recorded.	(20,005)
		(1,102,145)
(h)	Adjustments to goodwill and other intangibles	
	To reflect the fair value of identifiable intangible assets acquired	461,000
	To reflect the goodwill determined based on the excess purchase price over the fair value of net assets acquired	89,647
		550,647
	Total adjustment to assets	$ (4,576,779)

Liabilities	
(i) Adjustments to reserve for claims and claim expenses	
To conform balance to RenaissanceRe's accounting policies (1)	$ (11,538)
To reflect net claims and claim expenses at fair value	(192,000)
To reflect elimination of transactions between RenaissanceRe and Validus on consolidation	(202,952)
	(406,490)
(j) Adjustments to unearned premiums	
To conform balance to RenaissanceRe's accounting policies (1)	(683,602)
To reflect elimination of transactions between RenaissanceRe and Validus on consolidation	(8,156)
	(691,758)
(k) Adjustments to reinsurance balances payable	
To conform balance to RenaissanceRe's accounting policies (1)	20,616
To reflect elimination of transactions between RenaissanceRe and Validus on consolidation	(21,043)
	(427)
(l) Adjustments to other liabilities	
To reflect the recognition of operating lease liability at fair value	19,914
	19,914
Total adjustment to liabilities	$(1,078,761)
Shareholders' Equity	
(m) Adjustments to common shares	
To reflect the par value of the RenaissanceRe common shares issued to AIG to affect the acquisition of Validus	$ 1,323
	1,323
(n) Adjustments to additional paid-in capital	
To reflect the additional paid-in capital of the RenaissanceRe common shares issued to AIG to affect the acquisition of Validus	283,846
To reflect the elimination of Validus additional paid-in capital	(1,292,179)
	(1,008,333)
(o) Adjustments to accumulated other comprehensive income	
To reflect elimination of accumulated other comprehensive income related to Validus	(26,672)
	(26,672)
(p) Adjustments to retained earnings	
To reflect the special dividend paid by Validus to AIG as part of the estimated acquisition consideration	(1,660,930)
To reflect deferred acquisition costs at fair value which is estimated to be $nil	(414,375)
To reflect net claims and claim expenses at fair value	192,000
To reflect value of business acquired ("VOBA") at close	617,000
To reflect value of intangible assets acquired at close	461,000
To reflect deferred tax liabilities related to identifiable intangible assets and the value of business acquired using the applicable tax rates in the respective jurisdictions where the assets were recorded.	(46,195)
To eliminate Validus' retained earnings, post special dividend paid to AIG and fair value adjustments	(1,590,579)
To reflect the transaction costs incurred to affect the acquisition of Validus	(22,257)
	(2,464,336)
Total adjustments to shareholders' equity	$(3,498,018)
Total adjustments to liabilities and shareholders' equity	$(4,576,776)

Adjustments to the Pro Forma Condensed Combined Statement of Operations

(in thousands)		Increase (decrease) for the nine months ended September 30, 2023
Revenues		
(q)	Adjustments to gross premiums written	
	To conform balance to RenaissanceRe's accounting policies (1)	$ (635,228)
	To reflect elimination of transactions between RenaissanceRe and Validus on consolidation	(28,371)
		(663,599)
(r)	Adjustments to net premiums written	
	To conform balance to RenaissanceRe's accounting policies (1)	(631,666)
		(631,666)
(s)	Adjustments to change in unearned premiums	
	To conform balance to RenaissanceRe's accounting policies (1)	623,902
		623,902
(t)	Adjustments to net foreign exchange (losses) gains	
	To conform balance to RenaissanceRe's accounting policies (1)	2,321
		2,321
	Total adjustments to revenues	$ (5,443)
Expenses		
(u)	Adjustments to net claims and claim expenses incurred	
	To conform balance to RenaissanceRe's accounting policies (1)	$ 24,679
	To reflect amortization of fair value adjustment	27,632
		52,311
(v)	Adjustments to acquisition expenses	
	To conform balance to RenaissanceRe's accounting policies (1)	(11,698)
	To reflect amortization of value of business acquired ("VOBA")	122,640
	To reflect amortization of intangible assets	47,901
	To reflect the estimated impact of the adjustments to reflect deferred acquisition costs at fair value, which is estimated to be $Nil	(347,483)
		(188,640)
(w)	Adjustments to interest expense	
	To reflect elimination of interest expense incurred prior to September 30, 2023 on the Senior Notes issued	(14,083)
	To reflect the interest expense incurred on the Senior Notes issued to affect the acquisition of Validus	33,060
		18,977
	Total adjustments to expenses	$ (117,352)
(x)	Adjustments to income tax benefit (expense)	
	To reflect the income tax impact on the unaudited pro forma adjustments using the applicable statutory tax rates for the respective jurisdictions the adjustments impacted	$ (15,319)
		(15,319)
	Total adjustments to net income	$ 96,590

Adjustments to the Pro Forma Condensed Combined Statement of Operations

(in thousands)		Increase (decrease) for the year ended December 31, 2022
Revenues		
(y)	Adjustments to gross premiums written	
	To conform balance to RenaissanceRe's accounting policies (1)	$ (10,031)
	To reflect elimination of transactions between RenaissanceRe and Validus on consolidation	(32,899)
		(42,930)
(z)	Adjustments to net premiums written	
	To conform balance to RenaissanceRe's accounting policies (1)	(14,050)
		(14,050)
(aa)	Adjustments to change in unearned premiums	
	To conform balance to RenaissanceRe's accounting policies (1)	118,726
		118,726
	Total adjustments to revenues	$ 104,676
Expenses		
(ab)	Adjustments to net claims and claim expenses incurred	
	To conform balance to RenaissanceRe's accounting policies (1)	$ 5,858
	To reflect amortization of fair value adjustment	50,054
		55,912
(ac)	Adjustments to acquisition expenses	
	To conform balance to RenaissanceRe's accounting policies (1)	91,982
	To reflect amortization of value of business acquired ("VOBA")	471,398
	To reflect amortization of intangible assets	52,474
	To reflect the estimated impact of the adjustments to reflect deferred acquisition costs at fair value, which is estimated to be $Nil	(326,767)
		289,087
(ad)	Adjustments to corporate expenses	
	To reflect the transaction costs incurred to affect the acquisition of Validus	22,257
		22,257
(ae)	Adjustments to interest expense	
	To reflect the interest expense on the Senior Notes issued to affect the acquisition of Validus	44,080
		44,080
	Total adjustments to expenses	$ 411,336
(af)	Adjustments to income tax benefit (expense)	
	To reflect the income tax impact on the unaudited pro forma adjustments using the applicable statutory tax rates for the respective jurisdictions the adjustments impacted	$ 8,968
		8,968
	Total adjustments to net income	$ (297,692)

(1) The entries to conform the accounting policies relate to aligning the methodologies for recognizing and earning gross premiums written, including intercompany relationships between the combined companies, primarily for proportional contracts and multi-year contracts. The methodologies historically applied by RenaissanceRe and Validus for recognizing and earning gross premiums written are equally acceptable under U.S. GAAP. RenaissanceRe recognizes the estimated annual gross premiums written on proportional and multi-year reinsurance contracts over the policy exposure period while, generally, Validus recognized gross premiums written at the reinsurance contract inception date. Post acquisition, the combined company is required to report under aligned accounting policies resulting in the above accounting policy alignment adjustments.

The entries include decreasing reinsurance balances receivable, deferred acquisition costs and assumed and ceded unearned premium and reinsurance balances payable on the pro forma condensed consolidated balance sheet to reflect the gross premiums written due to Validus, net of the related acquisition costs payable by Validus as well as the ceded premiums written due from Validus, net of the related acquisition costs payable to Validus, which would have been recognized at the reinsurance contract inception date by Validus under RenaissanceRe accounting policies. In addition, reserve for claims and claim expenses was also impacted as a result of the adjustment to earned premium. In the pro forma condensed consolidated statement of operations, there is a related decrease in gross and net premiums written, change in unearned premium, net premiums earned, foreign exchange losses, and acquisition expenses, and an increase in net claims and claim expenses incurred.

Note 6. Earnings per Share

Pro forma earnings per common share for the nine months ended September 30, 2023 and year ended December 31, 2022 have been calculated using RenaissanceRe's historical weighted average common shares outstanding, plus 8,567,541 of RenaissanceRe's common shares issued as acquisition consideration, as follows: (i) $1.352 billion of net proceeds from the issuance of 7,245,000 common shares issued at a public offering price of $192.00 per share and (ii) $285.2 million from the issuance of 1,322,541 common shares to AIG, which were valued at $215.62 per share as of the closing date of the Validus Acquisition, which represents a 5% discount to the closing price of $226.97 per RenaissanceRe common share on the closing date to reflect restrictions on the transfer of those shares.

The following table sets forth the calculation of pro forma basic and diluted earnings per common share and the calculation of pro forma basic and diluted weighted average common shares outstanding for the nine months ended September 30, 2023 and year ended December 31, 2022:

	Nine months ended September 30, 2023		Year ended December 31, 2022	
(in thousands, except per share data)	Basic	Diluted	Basic	Diluted
Pro forma net income (loss) available (attributable) to RenaissanceRe common shareholders	$1,351,702	$1,351,702	$(1,553,818)	$(1,553,818)
Pro forma amounts allocated to RenaissanceRe participating common shareholders (1)	(14,108)	(14,108)	(1,079)	(1,079)
Pro forma net income (loss)	$1,337,594	$1,337,594	$(1,554,897)	$(1,554,897)
Average common shares outstanding				
RenaissanceRe historical	46,345	46,451	43,040	43,040
RenaissanceRe common shares issued as acquisition consideration to effect the acquisition of Validus	1,323	1,323	8,568	8,568
Pro forma average common shares outstanding (2)	47,668	47,774	51,608	51,608
Pro forma net income (loss) available (attributable) to RenaissanceRe common shareholders per common share	28.06	28.00	(30.13)	(30.13)

(1) Represents earnings and dividends attributable to holders of unvested shares issued pursuant to the Company's stock compensation plans.

(2) In periods for which the Company has net loss allocated to RenaissanceRe common shareholders, the denominator used in calculating net loss attributable to RenaissanceRe common shareholders per common share - basic is also used in calculating net loss attributable to RenaissanceRe common shareholders per common share - diluted.