

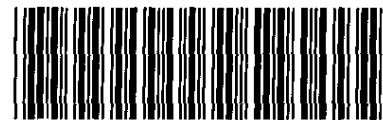
Company Registration No. 08223415

Catalina Foxtrot Holdings Limited

Annual Report and Financial Statements

31 December 2021

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CATALINA FOXTROT HOLDINGS LIMITED
Reg. No: 08223415

CONTENTS

Officers and Professional Advisers	1
Strategic Report	2
Directors' Report	4
Independent Auditor's Report	6
Profit and Loss Account and Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the financial statements	13

CATALINA FOXTROT HOLDINGS LIMITED
Reg. No: 08223415

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr M D Dwonczyk

Mr G J McAndrew

SECRETARY

Mr R P Jackson

REGISTERED ADDRESS

1 Alie Street

London

E1 8DE

BANKERS

Royal Bank of Scotland,

9th Floor

250 Bishopsgate

London

EC2M 4AA

STATUTORY AUDITOR

Deloitte LLP

2 New Street Square

London

EC4A 3BZ

CATALINA FOXTROT HOLDINGS LIMITED

Reg. No: 08223415

STRATEGIC REPORT

The directors present their strategic report on Catalina Foxtrot Holdings Limited, ("Catalina Foxtrot Holdings" or "the Company") for the year ended 31 December 2021.

The Company is an intermediate holding company within the Catalina Holdings (Bermuda) Ltd. ("CHBL") group. Further to receiving approval from the Bermuda Monetary Authority on 01 August 2021 ownership of the Company was transferred by way of an in-specie contribution to surplus from Catalina Holdings (Bermuda) Ltd ("CHBL") to Catalina General Insurance Ltd ("CatGen"). This change in control does not change the principle activity of the Company.

The Company was incorporated in England and Wales on 20 September 2012. The Company's wholly-owned subsidiary is Catalina Insurance Ireland dac ("CII").

The principal activities of Catalina Foxtrot Holdings and its subsidiary ("the Group") comprise managing the run-off of the insurance and reinsurance business previously underwritten by CII. CII is authorised by the Central Bank of Ireland, pursuant to the European Union (Insurance and Reinsurance) Regulations 2015, to carry on non-life insurance business in classes 1 to 18 as defined in European Union (Insurance and Reinsurance) Regulations 2015 (SI No.485 of 2015), with the right to carry on business in such classes in other EU jurisdictions and the UK on a freedom of services basis. No changes in the principal activity of the Company is anticipated in the foreseeable future.

The results for the Company, as set out on page 10, show an after tax loss of €5.2 million (2020: loss of €23.9 million). The losses are driven by the impairment of the investments in CII. The Company's shareholder's funds at 31 December 2021 are €66.9 million (2020: €72.1 million).

Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, statement of changes in equity and notes to the financial statements.

The accounting policy for investments in subsidiaries is considered to have the most significant impact on the amounts recognised in the financial statements. This policy is detailed in Note 3.

Principal Risks and Uncertainties

The main financial risks facing the Company, via its subsidiary CII, are reserving risk, market risk and credit risk through CII's past underwriting and investment activities.

CII has a risk management function which reports to its Board of Directors. CII's Board of Directors have approved its risk appetite statement and approves any variation in the risk appetite. The principal insurance risk CII faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims.

The Company, through its subsidiary CII, has significant exposure to MedMal insurance risk, which carries considerable uncertainty in the estimate for technical provisions and therefore can result in a wide range of possible outcomes, above and beyond that experienced in traditional non-life insurance products. The long-tail nature of the technical provisions for MedMal products can result in larger actual to expected development of a claim and can be dependent on legislative initiatives and the ability to settle a claim outside of a court of law.

As a holding company, the Company is exposed to market risk on CII's investment portfolio. CII has a documented investment strategy approved by its Board of Directors which governs CII's exposure to market risk. Exposures are controlled by the setting of investment limits in line with the CII's risk appetite statement.

Beyond the main financial risks, the directors consider the following risk as currently relevant to the Company and Group:

CATALINA FOXTROT HOLDINGS LIMITED

Reg. No: 08223415

STRATEGIC REPORT (CONTINUED)

COVID-19

While the uncertainties of the global pandemic on the Company and the Group have lessened with vaccinations largely permitting a return to pre-pandemic life, there remains some way to go to understand fully the social and economic consequences of the pandemic. For this reason, the directors will continue to monitor this.

Brexit

The Company's subsidiary CII has a portfolio of UK claims. CII has taken advantage of the UK's Financial Services Contracts (Transitional and Saving Provision) (EU Exit) Regulations 2019. The legislation allows CII to wind down its UK regulated activities in an orderly manner. CII's UK technical provisions at 31 December 2021 were €81.5 million, 24% of total technical provisions (2020: €90.8 million, 24% of total technical provisions).

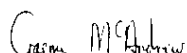
Section 172 Statement

The Company, as an intermediate holding company, has no employees or suppliers and as such the directors primarily consider the interests of the sole member, and ultimate parent company, CHBL with regard to performing their duties on matters set out under Section 172. The key board decisions approved during the year were made in line with the strategic goals and objectives of both the Company and the ultimate parent company CHBL.

Environmental Risk Management

The Board has responsibility for oversight and challenge of the overall strategy of the company, including considering climate-related issues in business plans and exposure to risks. As the Company has no employees and operations, it is not exposed to environmental risks. The Company's exposure to environmental risk is derived from its subsidiary. The management and reporting of environmental risk within CII is undertaken by CII's Board.

By order of the Board



G J McAndrew

Director

4 July 2022

CATALINA FOXTROT HOLDINGS LIMITED
Reg. No: 08223415

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2021.

DIRECTORS

The current directors of the Company are shown below. All directors served throughout the year and up to the date of this report, except where noted below.

Mr M D Dwonczyk

Mr C M Fagan (resigned 1 February 2021)

Mr G J McAndrew

The Company's ultimate parent company CHBL maintains an indemnity insurance which covers the directors of the Company which is a qualifying third party indemnity provision for the purpose of Section 234 of the Companies Act 2006. This indemnity was in force during the financial year and also at the date of this report.

DIVIDENDS

No dividend was paid or proposed in the year (2020: nil).

SUBSEQUENT EVENTS

The Company's subsidiary, CII, is monitoring any impacts caused by the on-going conflict between Russia and Ukraine, the sanctions placed against Russia and Belarus by the majority of the West, and the resultant market volatility. CII's investment portfolio has Russian credit exposure that is not material. Current sanctions do not impact this particular investment, but CII will continue to monitor its position to ensure it remains compliant with applicable sanction laws and any particular required exit strategy.

FUTURE DEVELOPMENTS

The future developments of the Company are considered in the Strategic Report on page 2.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102, which is the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

CATALINA FOXTROT HOLDINGS LIMITED

Reg. No: 08223415

DIRECTORS' REPORT (CONTINUED)

- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

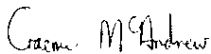
In the case of each of the persons who is a director of the Company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board:



G J McAndrew

Director

4 July 2022

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Catalina Foxtrot Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account and other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

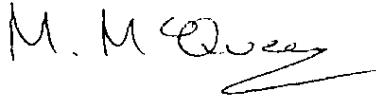
CATALINA FOXTROT HOLDINGS LIMITED

Reg. No: 08223415

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark McQueen (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

4 July 2022

CATALINA FOXTROT HOLDINGS LIMITED
Reg. No: 08223415

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Administrative expense	4	(12)	(2)
Gross and operating Loss		<u>(12)</u>	<u>(2)</u>
Impairment of investments	7	(5,207)	(23,853)
Loss on ordinary activities before taxation		<u>(5,219)</u>	<u>(23,855)</u>
Tax on loss on ordinary activities	6	-	-
Loss for the year		<u><u>(5,219)</u></u>	<u><u>(23,855)</u></u>

All activities derive from continuing operations. There were no recognised gains or losses other than those included in the profit and loss account and therefore no separate Statement of Other Comprehensive Income is presented.

The accounting policies and notes on pages 13 to 17 form an integral part of these financial statements.

CATALINA FOXTROT HOLDINGS LIMITED
Reg. No: 08223415

BALANCE SHEET

As at 31 December 2021

	Notes	2021 €'000	2020 €'000
ASSETS			
INVESTMENTS			
Shares in group undertakings	7	66,905	72,112
OTHER ASSETS			
Cash at bank and in hand		13	20
TOTAL ASSETS		66,918	72,132
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	8	1	1
Capital reserve		83,275	83,275
Profit and loss account		(16,367)	(11,148)
EQUITY SHAREHOLDER'S FUNDS		66,909	72,128
CREDITORS			
Other creditors including taxation and social security	10	9	4
TOTAL EQUITY AND LIABILITIES		66,918	72,132

The accounting policies and notes on pages 13 to 17 form an integral part of these financial statements.

Approved by the Board of Directors on the 4 July 2022 and signed on its behalf by:



G J McAndrew

Director

4 July 2022

CATALINA FOXTROT HOLDINGS LIMITED
Reg. No: 08223415

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Share Capital	Capital Reserve	Profit and Loss Account	Total
		€'000	€'000	€'000	€'000
Balance at 1 January 2021	8	1	83,275	(11,148)	72,128
Loss for the year		-	-	(5,219)	(5,219)
Balance at 31 December 2021		1	83,275	(16,367)	66,909

For the year ended 31 December 2020

	Notes	Share Capital	Capital Reserve	Profit and Loss Account	Total
		€'000	€'000	€'000	€'000
Balance at 1 January 2020	8	1	83,275	12,707	95,983
Loss for the year		-	-	(23,855)	(23,855)
Balance at 31 December 2020		1	83,275	(11,148)	72,128

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

1. GENERAL INFORMATION

The principal activity of Catalina Foxtrot Holdings Limited is to act as a holding company for insurance companies in run-off. No changes in the principal activity are anticipated in the foreseeable future.

The Company is a private company limited by shares and is incorporated in England and Wales and domiciled in the UK. The address of its registered office is 1 Alie Street, London, E1 8DE, England.

2. STATEMENT OF COMPLIANCE

The financial statements of Catalina Foxtrot Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are prepared on the historical cost basis, except shares in group undertakings, which are held at the lower of cost and net book value.

Where necessary, comparatives have been revised to conform to changes in presentation in the current year.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company is also described there.

The directors have prepared the financial statements on the going concern basis. The directors believe that the Company is well placed to manage its business risks and that there are considerable financial resources to support this. The directors do not intend to liquidate the company or to cease operations, including that of its subsidiary CII. Furthermore the directors have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Exemptions for qualifying entities under FRS102

The Company has taken advantage of the following exemptions:

- i. from preparing a statement of cash flows and related notes as required by Section 7 of FRS 102 and paragraph 3.17(d), on the basis that it is a qualifying entity and the consolidated statement of cash flow in the parent company Catalina Holdings Bermuda Limited includes the Company's cash flows.
- ii. from disclosing related party transactions with other wholly owned subsidiaries of the same group that the Company is part of (section 409 of the Companies Act 2006);
- iii. from a reconciliation of the number of shares outstanding at the beginning and end of the period as required by FRS 102 paragraph 4.12(a); and
- iv. from preparing and delivering group financial statements (section 401 of the Companies Act 2006), on the basis that it is a qualifying entity and the Company and all its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent company, Catalina Holdings (Bermuda) Limited.

Foreign currency

- i. Functional and presentational currency

The Company's functional and presentational currency is the Euro because that is the currency of the primary economic environment in which the Company's underlying subsidiary operates.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Transactions and balances

In preparing the financial statements, transactions in currencies other than the functional currency of the Company (foreign currencies) are recognised at the spot rate at the dates of the transactions or at an average rate where this rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year end. Non-monetary items measured at cost are translated using the rate ruling at the date of the transaction and non-monetary items measured at fair value are translated using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign exchange gains and losses resulting from the translation of subsidiary financial statements are recognised through other comprehensive income / loss.

Use of estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The most significant areas of uncertainty within the financial statements relate to the valuation of investments in subsidiaries (see Note 7).

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the year. Taxation is recognised in the profit and loss account. Current or deferred taxation assets and liabilities are not discounted.

i. Current taxation

Current taxation is provided for by reference to the profits and losses recognised in these financial statements, after taking into account group relief. Taxation is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

ii. Deferred taxation

Deferred taxation is provided in full on timing differences between recognition of the taxable profits and total comprehensive income as stated in the financial statements and the recognition for taxation purposes.

Deferred taxation liabilities are provided in relation to transactions that have occurred by the balance sheet date. *Deferred taxation assets are recognised to the extent that it is probable that they will be recovered.*

Deferred taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Financial instruments

i. Cash at bank and in hand

Cash at bank and in hand consists of cash balances and call deposits with maturities of three months or less from the acquisition date.

ii. Financial assets and liabilities

The Company has chosen to adopt the recognition and measurement provisions of IAS 39 as adopted for use in the EU together with the disclosure and presentation requirements of Sections 11 and 12 of FRS 102.

Financial assets consisting of debtors, prepayments and deferred tax and accrued interest are measured at amortised cost.

CATALINA FOXTROT HOLDINGS LIMITED**Reg. No: 08223415****NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2021****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All financial liabilities consisting of creditors and accruals are initially recorded at transaction price and subsequently measured at amortised cost. As they fall due within one year, there is no significant amortisation charge.

Investment in subsidiaries

The Company's investment in subsidiaries are held at the lower of cost and net asset value, being a proxy for fair value less cost of sale.

Dividend income from subsidiaries is recognised in the profit and loss account on the date the Company's right to receive payments is established.

Related party transactions

In accordance with the provisions of FRS 102, the Company discloses transactions with related parties that are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company's financial statements.

4. EXPENSES AND AUDITOR'S REMUNERATION

Included in the profit and loss account are the following:

	2021	2020
	€'000	€'000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements	8	8

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company, as an intermediate holding company, had no employees in 2021 (2020: Nil). The directors received no remuneration during the year in respect of services to the Company (2020: Nil).

6. TAXATION

Total tax credit recognised in the profit and loss account

	2021	2020
	€'000	€'000
Current taxation:		
Current tax on income for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax credit	-	-
Total tax credit	-	-
<u>Reconciliation of effective tax rate</u>		
Loss excluding taxation	(5,219)	(23,855)
Tax using the UK corporation tax rate of 19 %	(992)	(4,532)
Factors affecting tax charge:		
Non-deductible expenses	989	4,532
Tax not recognised on current year losses	3	-
Total tax credit included in profit and loss account	-	-

CATALINA FOXTROT HOLDINGS LIMITED
Reg. No: 08223415

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

7. INVESTMENTS IN GROUP UNDERTAKINGS

The Company has the following investments in group undertakings:

	2021 €'000	2020 €'000
At lower of cost and net book value:		
As at 1 January	72,112	95,965
Impairment of investments	(5,207)	(23,853)
As at 31 December	<u>66,905</u>	<u>72,112</u>

At 31 December 2021, the Holding Company has one subsidiary, CII, with a net asset value of € 66.9 million (2020: €72.1 million)

Group undertakings	Nature of business	Country of incorporation	Percentage of nominal value issued ordinary shares held	
			2021	2020
Catalina Insurance Ireland dac	Insurance Company	Ireland	100%	100%

8. SHARE CAPITAL

	Number of issued and fully paid ordinary shares of £1 each
As at 31 December 2021 and 2020	<u>1,000</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

9. CAPITAL RESERVES

	2021 €'000	2020 €'000
As at 1 January	83,275	83,275
As at 31 December	<u>83,275</u>	<u>83,275</u>

Capital reserve represents capital contribution from the parent. During the year, there was no capital contribution from or distribution to the parent (2020: none).

10. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2021 €'000	2020 €'000
Sundry creditors	9	4
	<u>9</u>	<u>4</u>

11. CAPITAL COMMITMENTS

There are no capital commitments contracted for but not provided (2020: € nil).

CATALINA FOXTROT HOLDINGS LIMITED

Reg. No: 08223415

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

12. SUBSEQUENT EVENTS

There were no material events after the reporting period which necessitate revision of the figures included in the financial statements.

The Company's subsidiary, CII, is monitoring any impacts caused by the on-going conflict between Russia and Ukraine, the sanctions placed against Russia and Belarus by the majority of the West, and the resultant market volatility. CII's investment portfolio has Russian credit exposure that is not material. Current sanctions do not impact this particular investment, but CII will continue to monitor its position to ensure it remains compliant with applicable sanction laws and any particular required exit strategy.

13. ULTIMATE PARENT COMPANY

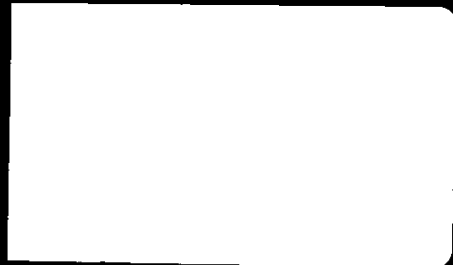
The Company's ultimate parent company is Catalina Holdings (Bermuda) Ltd., a company incorporated in Bermuda and registered at The Belvedere Building, 2nd Floor, 69 Pitts Bay Road, Pembroke, HM08, Bermuda. CHBL is the parent of the largest group in which the Company's results are consolidated.

CATALINA

CATALINA HOLDINGS (BERMUDA) LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020



CATALINA HOLDINGS (BERMUDA) LTD.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report	3
Consolidated Balance Sheets as of December 31, 2021 and 2020	5
<i>Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the years ended December 31, 2021 and 2020</i>	6
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2021 and 2020	7
Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020	8
Notes to the Consolidated Financial Statements	9



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Catalina Holdings (Bermuda) Ltd.

Opinion

We have audited the Consolidated Financial Statements of Catalina Holdings (Bermuda) Ltd. and its subsidiaries (the "Company"), which comprise the Consolidated Balance Sheets as of December 31, 2021 and 2020, and the related Consolidated Statement of Income (Loss) and Comprehensive Income (Loss), Consolidated Statements of Changes in Shareholders' Equity, and Consolidated Cash Flows, for the years then ended, and the related notes to the Consolidated Financial Statements (collectively referred to as the "Financial Statements").

In our Opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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 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 a period of one year after the date that the Financial Statements are issued.

Auditor's 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 auditor's report that includes our opinion.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more. Deloitte Ltd. is an affiliate of DCB Holding Ltd., a member firm of Deloitte Touche Tohmatsu Limited.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Consolidated Financial Statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Deloitte Ltd.

April 6, 2022

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

(Expressed in thousands of U.S. dollars, except share and per share amounts)

	Notes	2021	2020
Assets			
Investments			
Fixed maturities, trading, at fair value	5,6	\$ 381,326	\$ 938,681
Fixed maturities, available-for-sale, at fair value (cost 2021: \$2,294,434; 2020: \$1,645,796)	5,6	2,279,722	1,782,088
Equity securities, at fair value	5,6	6,343	10,990
Other investments	5,8	1,607,618	1,238,966
Total investments		4,275,009	3,970,725
Cash and cash equivalents		276,053	318,017
Restricted cash and cash equivalents	13	302,744	284,111
Accrued investment income		25,811	23,738
Reinsurance recoverable on paid and unpaid losses	11	1,352,683	1,465,568
Deferred reinsurance premiums		5,551	10,830
Funds held by cedants and claims administrators		83,740	96,647
Insurance and reinsurance balances receivable		250,910	228,217
Other assets		74,555	341,253
Intangible assets	9	12,750	12,750
Total assets		\$ 6,659,806	\$ 6,751,856
Liabilities			
Outstanding losses and loss expenses	10	\$ 4,204,678	\$ 4,132,783
Unearned premiums		16,961	55,263
Insurance and reinsurance balances payable		111,494	59,065
Accounts payable, accrued expenses and other liabilities		61,044	68,322
Long term subordinated debt	12	430,494	407,271
Loans payable	12	403,932	667,599
Total liabilities		5,228,603	5,390,303
Shareholders' equity			
Ordinary shares - \$1 par value; \$16,495 authorized capital; 14,506,964 shares issued and outstanding at December 31, 2021 (2020: 14,753,164)	15	14,507	14,753
Preference shares		650,932	527,923
Additional paid-in capital		604,283	613,938
Retained earnings		170,523	38,596
Accumulated other comprehensive income		(14,987)	160,019
Total Catalina Holdings (Bermuda) Ltd. shareholders' equity		1,425,258	1,355,229
Non-controlling interest		5,945	6,324
Total shareholders' equity		1,431,203	1,361,553
Total liabilities and shareholders' equity		\$ 6,659,806	\$ 6,751,856

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

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2021 and 2020
(Expressed in thousands of U.S. dollars)

	Notes	2021	2020
Revenues			
Net premiums earned		\$ 59,958	\$ 143,329
Net losses and loss expenses	10	2,096	(101,290)
Commissions		(17,044)	(42,177)
Net run-off income (loss)		<u>45,010</u>	<u>(138)</u>
Net investment income	5	110,594	107,352
Net gains (losses) on investments	5	69,995	(31,339)
Rental income		9,632	22,867
Gain on sale of real estate and subsidiary		6,387	45,995
Total revenues		<u>241,618</u>	<u>144,737</u>
Expenses			
General and administrative expenses		(109,684)	(100,910)
Net foreign exchange gains (losses)		100,405	(58,402)
Change in subordinated debt fair value		(4,279)	(1,154)
Interest expense	12	(46,150)	(55,631)
Total expenses		<u>(59,708)</u>	<u>(216,097)</u>
Income (loss) before income taxes		<u>181,910</u>	<u>(71,360)</u>
Income tax expense	14	(4,936)	(10,482)
Net income (loss)		<u>176,974</u>	<u>(81,842)</u>
Net loss (income) attributable to non-controlling interest		379	(1,423)
Net income (loss) attributable to Catalina Holdings (Bermuda) Ltd.		<u>\$ 177,353</u>	<u>\$ (83,265)</u>
Other comprehensive income (loss)			
Foreign currency translation adjustments		(32,150)	27,795
Unrealized (losses) gains on available-for-sale securities, net of tax		(78,424)	71,057
Foreign exchange (losses) gains on available-for-sale securities		(77,411)	39,267
Net foreign exchange gains (losses) on hedging	7	9,150	(5,198)
Other comprehensive (loss) income, net of tax		<u>(178,835)</u>	<u>132,921</u>
Comprehensive (loss) income		<u>\$ (1,482)</u>	<u>\$ 49,656</u>

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

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2021 and 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Share capital - "A" Ordinary shares of par value \$1.00 each		
Balance at beginning of year	\$ 13,488	\$ 13,488
Balance at end of year	13,488	13,488
Share capital - "B" Ordinary shares of par value \$1.00 each		
Balance at beginning of year	485	490
Repurchased during the year	(174)	(35)
Issued during the year	3	30
Balance at end of year	314	485
Share capital - "C" Ordinary shares of par value \$1.00 each		
Balance at beginning of year	780	695
Repurchased during the year	(340)	—
Issued during the year	265	85
Balance at end of year	705	780
Preference share capital - Preference shares of par value \$1.00 each		
Balance at beginning of year	527,923	209,732
Issued during year	79,676	284,000
Change in accrued dividends during year	43,333	34,191
Balance at end of year	650,932	527,923
Total share capital	665,439	542,676
Additional paid-in capital		
Balance at beginning of year	613,938	616,315
Repurchase of "B" Ordinary shares	(12,287)	(2,377)
Repurchase of "C" Ordinary shares	(117)	—
Issuance of "B" Ordinary shares	2,524	—
Issuance of "C" Ordinary shares	225	—
Balance at end of year	604,283	613,938
Retained earnings		
Balance at beginning of year	38,596	159,492
Preference share dividends and subscription value increase	(43,333)	(34,191)
Dividends on "B" Ordinary shares	(2,093)	(1,548)
Impact of deconsolidation of subsidiaries	—	(1,777)
Issued Ordinary shares as stock-based compensation	—	(115)
Net income (loss) attributable to Catalina Holdings (Bermuda) Ltd.	177,353	(83,265)
Balance at end of year	170,523	38,596
Accumulated other comprehensive income		
Balance at beginning of year	160,019	27,098
Foreign currency translation adjustments	(32,150)	27,795
Change in net unrealized (losses) gains on available-for-sale securities	(78,424)	71,057
Foreign exchange (losses) gains on available-for-sale securities	(77,411)	39,267
Impact of dedesignation of hedging activities	9,150	—
Income (loss) on hedging activities	3,829	(5,198)
Balance at end of year	(14,987)	160,019
Non-controlling interest		
Balance at beginning of year	6,324	3,583
Change of non-controlling interest in subsidiaries	—	1,318
Net (loss) income attributable to non-controlling interest	(379)	1,423
Balance at end of year	5,945	6,324
Total shareholders' equity	<u>\$ 1,431,203</u>	<u>\$ 1,361,553</u>

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

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

(Expressed in thousands of U.S. dollars, except share and per share amounts)

	Notes	2021	2020
Cash flows (used in) provided by operating activities			
Net income (loss)		\$ 176,974	\$ (81,842)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Net gains on sale of real estate		(6,387)	(45,995)
Depreciation of property and equipment		2,434	1,482
Amortization of net premiums (discounts) on investments		14,118	(3,786)
Net (gains) losses on investments	5	(69,995)	31,339
Premiums received through loss portfolio transfer		227	—
Change in subordinated debt fair value	6	4,279	1,154
Other non cash items		68	688
Changes in assets and liabilities:			
Accrued investment income		(2,073)	4,966
Funds held by cedants and claims administrators		12,907	13,984
Outstanding losses and loss expenses recoverable	11	112,885	128,603
Insurance and reinsurance balances receivable		(22,693)	94,173
Deferred reinsurance premiums		5,279	12,673
Other assets		(15,450)	29,527
Outstanding losses and loss expenses	10	71,895	(433,062)
Unearned premiums		(38,302)	(89,552)
Insurance and reinsurance balances payable		52,429	30,833
Accounts payable, accrued expenses and other liabilities		(7,278)	(25,612)
Net cash provided by (used in) operating activities		<u>291,317</u>	<u>(330,427)</u>
Cash flows (used in) provided by investing activities			
Payment for acquisitions, net of cash acquired		—	(364,290)
Purchases of investments		(3,512,771)	(2,083,490)
Proceeds from sale or maturity of investments		3,589,577	2,632,415
Investment in real estate		(166,377)	(143,037)
Securities transferred through quota share agreement		(291,990)	—
Proceeds from sale of real estate and intangibles		287,952	3,222
Net cash (used in) provided by investing activities		<u>(93,609)</u>	<u>44,820</u>
Cash flows (used in) provided by financing activities			
Repurchase of "B" ordinary shares	15	(12,461)	(2,412)
Repurchase of "C" ordinary shares	15	(457)	—
Proceeds from issuance of preference shares		79,676	284,000
"B" Ordinary shares dividend		(2,093)	(1,548)
Proceeds from issuance of long term subordinated debt	12	25,000	95,800
Proceeds from issuance of loans payable		314,332	458,120
Repayment of loans		(598,915)	(273,977)
Net cash (used in) provided by financing activities		<u>(194,918)</u>	<u>559,983</u>
Effect of exchange rate changes		(26,121)	(52,568)
Net (decrease) increase in cash, cash equivalents, restricted cash, and restricted cash equivalents		<u>(23,331)</u>	<u>221,808</u>
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of year		602,128	380,320
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of year		<u><u>\$ 578,797</u></u>	<u><u>\$ 602,128</u></u>
Supplemental information:			
Interest paid		\$ 41,257	\$ 43,729
Income taxes paid	14	\$ 2,903	\$ 7,153
Reconciliation to consolidated balance sheet:			
Cash and cash equivalents		\$ 276,053	\$ 318,017
Restricted cash and cash equivalents		302,744	284,111
Cash, cash equivalents, restricted cash, and restricted cash equivalents		<u><u>\$ 578,797</u></u>	<u><u>\$ 602,128</u></u>

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

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

1. Description of business

Catalina Holdings (Bermuda) Ltd. ("Catalina" or the "Company"), incorporated on June 25, 2007, is a holding company organized under the laws of Bermuda. Catalina, through its subsidiaries located in Bermuda, the United States, the United Kingdom, Ireland, Switzerland, Singapore and Malaysia, acquires and manages non-life insurance and reinsurance companies and portfolios of insurance and reinsurance business in run-off. Since October 2008, Catalina has completed the acquisition of insurance and reinsurance companies and portfolios of insurance and reinsurance business. The acquisitions are:

• Quanta Capital Holdings Ltd. ("Quanta")	October 2008
• Alea Holdings UK Limited	October 2009
• Western General Insurance Ltd. ("WestGen")	July 2010
• Glacier Reinsurance AG ("Glacier Re")	April 2011
• Residential Loss Control Holdings, LLC ("RLCH")	October 2011
• HSBC Reinsurance Limited and HSBC Insurance (Ireland) Limited	October 2012
• KX Reinsurance Company Ltd.	April 2013
• American Safety Reinsurance Ltd. ("Catalina Safety")	October 2013
• Alea Group Holdings (Bermuda) Ltd. ("AGHBL")	March 2014
• SPARTA Insurance Holdings, Inc.	September 2014
• Danielson Indemnity Company	November 2014
• PXRE Reinsurance Company ("PXRE")	May 2015
• Papiro AG	October 2015
• Allianz Suisse Rückversicherungs-Gesellschaft AG	December 2015
• AGF Insurance Limited ("AGF")	October 2016
• Hartford Financial Products International Limited ("HFPI")	May 2017
• Downlands Liability Management Limited ("DLM")	May 2017
• Globale Reinsurance Company Ltd. ("Globale Re")	May 2017
• Asia Capital Reinsurance Group Pte Ltd. ("ACR")	March 2020

The portfolio transfers are:

• Contractors wrap-up policies from Renaissance Reinsurance Ltd.	November 2012
• Marine insurance liabilities from the Delta Lloyd Group	June 2014
• Residential construction liabilities from Nations Builders Insurance Company	February 2015
• UK and EU insurance liabilities from Quinn Insurance Limited ("QIL")	June 2015
• U.S. insurance liabilities from Samsung Fire and Marine Insurance Co., Ltd. (U.S. Branch) ("SFMI")	December 2017
• German medical malpractice liabilities from Zurich Insurance Plc ("Zurich")	March 2018
• U.S. construction defect and general liabilities from Arch Reinsurance Ltd.	April 2018
• Construction insurance liabilities from the Delta Lloyd Group	September 2018
• UK employers liability liabilities from Zurich	June 2019
• UK builders' warranty from NHBC	March 2021
• North American casualty insurance liabilities from PartnerRe	April 2021

Catalina has renamed many of the entities acquired and simplified the group structure by merging and amalgamating entities where possible. As at December 31, 2021, Catalina had thirteen regulated entities of which the most significant are Catalina General Insurance Ltd. ("CatGen"), Catalina Worthing Insurance Limited ("CWIL" formerly HFPI), SPARTA Insurance Company ("SPARTA"), AGF, Catalina London Limited ("Catalina London"), Glacier Re, ACR and Catalina Insurance Ireland dac ("CIIF").

In October 2017, Apollo Global Management LLC (together with its consolidated subsidiaries) signed a definitive agreement to acquire a majority shareholding in the Company. Regulatory approval for this transaction was received in October 2018 and the transaction closed on October 10, 2018.

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

1. Description of business (continued)

On December 5, 2019, the Company signed a definitive agreement to acquire Asia Capital Reinsurance Group Pte Ltd., a Singapore-headquartered reinsurance business, from ACR Capital Holdings Pte. Founded in 2006, ACR has offices across Asia, including Singapore, Japan, South Korea, Malaysia, and Hong Kong. The acquisition is Catalina's first acquisition in Asia. As part of the transition, ACR ceased writing business with immediate effect and all existing policies will be serviced until expiry. On February 11, 2020, this deal received regulatory approval from the Companies Commission of Malaysia and on March 13, 2020, it received regulatory approval from the Monetary Authority of Singapore. This transaction closed on March 31, 2020 and is disclosed under Note 3.

On March 31, 2021, the Company through its wholly owned subsidiary CatGen entered into a conditional 75% quota share reinsurance agreement with NHBC under which the NHBC's portfolio of UK builders' warranty insurance underwritten between 2016 and 2019 underwriting years was to be reinsured by CatGen. Completion of the reinsurance agreement was conditional upon CatGen receiving the BMA's prior approval and PRA non-objection for NHBC. The approval from BMA was received on May 23, 2021 and the approval from PRA was received on May 20, 2021.

On April 22, 2021, the Company through its wholly owned subsidiary CatGen entered into an adverse development cover ("ADC") reinsurance agreement with PartnerRe which covers PartnerRe's North American casualty assumed reinsurance portfolio for underwriting years 2013 to 2018. The approval from BMA to enter into the ADC agreement was received on June 15, 2021.

2. Significant accounting policies

a. Basis of presentation

The accompanying consolidated financial statements have been prepared on a going concern basis in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiaries in which it owns, directly or indirectly through subsidiaries, over fifty percent of the voting rights or is in a position to govern the financial and operating policies of the entity. All significant balances and transactions among related companies have been eliminated on consolidation. The results of subsidiaries acquired are included from the dates of their acquisition by the Company.

Certain balances in the 2020 consolidated financial statements have been reclassified to conform to 2021 consolidated financial statement presentation.

b. Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities reported at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. While management believes the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, the actual results could ultimately be materially different from the amounts currently provided for in the consolidated financial statements. The Company's principal estimates relate to the development or determination of the following:

- valuation of outstanding losses and loss expenses;
- valuation of investments and remeasurement at fair value;
- valuation of long term subordinated debt;
- provisions for litigation and other contingent liabilities;
- provisions for reinsurance balances recoverable; and
- recoverability of insurance and reinsurance balances receivable.
- impairment charges on investment securities classified as available-for-sale ("AFS"), impairments on net deferred gains and assessment of recoverability of commercial mortgage loans; and
- valuation of commissions payable as it relates to reinsurance agreements entered into.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

c. Premiums

The Company's insurance and reinsurance subsidiaries wrote insurance policies and reinsurance contracts prior to entering into run-off. With the exception of retroactive reinsurance agreements, these subsidiaries no longer write new policies or contracts but premiums continue to be earned over the terms of the associated insurance policies and reinsurance contracts in proportion to the amount of insurance protection provided. The term of the insurance or reinsurance coverage provided may be cancelled by the insured or ceding company resulting in a return of written premium.

Profit commission accruals are recorded as commission expenses and are adjusted at the end of each year based on the experience of the underlying contract.

Ceded reinsurance or retrocessional coverage is used to limit the Company's individual and aggregate exposures to risks of losses arising from contracts of insurance or reinsurance. Reinsurance premiums ceded to reinsurers are recorded and earned in a manner consistent with that of the original contracts or policies written and the terms of the reinsurance agreements.

Premiums written and ceded relating to the unexpired periods of coverage or policy terms are recorded on the consolidated balance sheet as unearned premiums and deferred reinsurance premiums, respectively. Unearned premiums and deferred reinsurance premiums are recorded at fair value at the date that they were acquired. The fair value of the unearned premium reserve is based on the estimated timing of loss reserve settlements discounted at a risk-free rate.

Assumed premiums on life insurance contracts are recognized as revenue when payable by the policyholder on underlying reinsurance policies. Premiums collected by intermediaries but not yet received are assessed based on estimates from underwriting or past experience and are included in premium revenue.

d. Retroactive reinsurance

Retroactive reinsurance policies provide indemnification for outstanding losses and loss expenses with respect to past loss events. The Company uses the balance sheet accounting approach for assumed loss portfolio transfers, whereby at the inception of the contract there are no premiums or losses recorded in earnings.

Consideration received in excess of estimated liabilities assumed with respect to retroactive reinsurance contracts is recognized as a deferred gain at inception of such contracts. Net deferred gains are subsequently amortized over the expected claims settlement period. Changes to the estimated timing or amount of loss payments produce changes in periodic amortization. Changes in such estimates are applied retrospectively and are included within net income in the year in which such changes are made. Deferred gains are reported within outstanding losses and loss expenses in the consolidated balance sheets and deferred gain amortization is recognized within net losses and loss expenses in the consolidated statements of income (loss) and comprehensive income (loss).

A deferred charge is recognized at the inception of such contracts where the estimated liabilities assumed exceed the consideration received. Deferred charges are subsequently amortized over the expected claims settlement period. Changes to the estimated timing or amount of the loss payments produce changes in periodic amortization. Changes in such estimates are applied retrospectively and are included within net earnings in the year in which such changes are made. Deferred charges are reported within outstanding losses and loss expenses in the consolidated balance sheets and deferred charge amortization is recognized within net losses and loss expenses in the consolidated statements of income (loss) and comprehensive income (loss).

Deferred gains and charges are assessed at each year end for impairment. If the asset is impaired, it is written down in the year in which the determination is made.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

e. Outstanding losses and loss expenses

The Company establishes reserves for outstanding losses and loss expenses for estimates of future amounts to be paid in settlement of its ultimate liabilities for claims arising under its contracts of insurance and reinsurance that have occurred at or before the consolidated balance sheet date. The estimation of ultimate loss and loss expense liabilities is a significant judgment made by management and is inherently subject to significant uncertainties.

The Company's loss reserves fall into two categories; case reserves for reported losses and loss expenses ("case reserves") and reserves for losses and loss expenses incurred but not reported ("IBNR reserves"). Case reserves are based initially on claim reports received from insureds, brokers or ceding companies, and may be supplemented by the Company's claims professionals with estimates of additional ultimate settlement costs. IBNR reserves are estimated by management using generally accepted statistical and actuarial techniques and are reviewed by independent actuaries. In applying these techniques, management uses estimates as to ultimate loss emergence, severity, frequency, settlement periods and settlement costs. In making these estimates, the Company relies on the most recent information available, including industry information, and its own historical loss and loss expense experience.

Management believes the Company's reserving techniques represent a reasonable basis for estimating ultimate claim costs and that the outstanding losses and loss expenses are sufficient to cover claims from losses occurring up to the consolidated balance sheet date; however, ultimate losses and loss expenses may be subject to significant volatility as a result of significant uncertainties. These uncertainties are driven by many variables that are difficult to quantify. These uncertainties include, for example, the period of time between the occurrence of an insured loss and actual settlement, fluctuations in inflation, prevailing economic, social and judicial trends, legislative changes, internal and third party claims handling procedures and the lack of complete historical data on which to base loss expectations. Accordingly, ultimate liabilities may differ materially from the amounts recorded in the consolidated financial statements.

The Company regularly reviews and adjusts its reserve estimates and reserving methodologies taking into account current information. Outstanding losses and loss expenses are adjusted as claim experience develops and new information becomes available. Any adjustments to previously established reserves may significantly impact net income and will be recorded in the period in which they are determined.

f. Reinsurance recoverable

Reinsurance recoverables are recorded at fair value at the date that the subsidiary owning the assets is acquired. The fair value of the recoverable from reinsurers is based on the estimated timing of reserve settlements discounted at a risk adjusted rate determined by management.

The Company estimates reinsurance balances recoverable using methodologies and assumptions consistent with those used in estimating reserves for losses and loss expenses. The estimation of outstanding loss and loss expenses recoverable is a significant judgment made by management and is inherently subject to significant uncertainties. The Company establishes allowances for amounts recoverable that are considered potentially uncollectible from its reinsurers. The valuation of this allowance for uncollectible reinsurance recoverable includes a review of the credit ratings of the reinsurance recoverables by reinsurer, an analysis of default probabilities as well as identifying whether or not coverage issues exist. These factors require management judgment and the impact of any adjustments to those factors is reflected in net income in the year that the adjustment is determined. The Company is subject to credit risk with respect to the reinsurance ceded because the ceding of risk does not relieve the Company from its original obligations to its insureds.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

g. Commutations

As the Company actively runs off its insurance and reinsurance subsidiaries, it seeks to mitigate its exposures through early settlement of its obligations to policyholders or ceding companies by entering into commutations or other arrangements.

These negotiated commutation agreements eliminate the risk of adverse claim experience as they provide for full and final settlement of all current and future policy obligations with respect to the transaction to which they relate. Gains and losses on commutations are recorded as either a decrease or an increase in incurred claims in the consolidated statements of income (loss) and comprehensive income (loss).

The Company also enters into commutations with its reinsurers, assuming the reinsurers' share of the obligations when the economic benefits are in excess of the additional exposures assumed.

h. Acquisitions

The Company accounts for acquisitions using the acquisition method of accounting, which requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. The fair values of each of the acquired reinsurance assets and liabilities are derived from probability-weighted ranges of the associated projected cash flows, based on actuarial prepared information and management's run-off strategy.

The key assumptions used in the fair valuation of acquired companies are the projected timing and amount of claims payments, the related projected timing and amount of reinsurance collections, a risk-free discount rate, which is applied to determine the present value of the future cash flows, the estimated unallocated loss adjustment expenses to be incurred over the life of the run-off, the impact of any accelerated run-off strategy, and an appropriate risk margin.

The difference between the original carrying value of assets acquired and liabilities assumed at the date of acquisition and their fair value is recorded as an intangible asset or liability, which the Company refers to as the fair value adjustment. The fair value adjustment is amortized over the estimated payout period of outstanding losses and loss expenses acquired. To the extent the actual payout experience after the acquisition is materially faster or slower than anticipated at the time of the acquisition, or there is an adjustment to the estimated ultimate loss reserves, then the amortization of the fair value adjustment is adjusted to reflect such changes.

Any excess between the fair value of net assets acquired and the purchase price is recorded as a gain on bargain purchase in the consolidated statements of income (loss) and comprehensive income (loss).

i. Life contracts

Life contracts comprise of traditional life savings business assumed through coinsurance and modified coinsurance reinsurance contracts. They have all been in run-off for several years although many have recurring premiums. Liabilities for life reinsurance contracts are booked at the amounts reported by the ceding companies. The Company estimates the policy benefits for the life and annuity contracts using standard actuarial techniques and cash flow models. Policy benefits are reviewed annually and the Company performs a liability adequacy test based on cash flow projections. Since estimating the policy benefits depends on cash flow projection, the Company makes assumptions based on experience and industry mortality tables, longevity, morbidity rates, lapse rates, expenses and investment experience including provision for adverse deviation. The assumptions used are locked in throughout the life of the contract unless a premium deficiency develops. The assumptions are reviewed annually and unlocked if it results in material adverse development. The estimates are established based on information provided by the ceding companies, contract specific historical experience and industry experience.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

The policy benefits are maintained at a level that, when taken together with future premium payments and investment income, are expected to be sufficient to cover policyholder obligations as they fall due. Provision is made where current best estimates of future contractual cash flows arising from the contracts are expected to exceed the policy obligations, net of premiums receivable. Investment income from the assets supporting the liabilities is taken into account when calculating such provision. The assessment of whether an additional provision needs to be booked is based on information available after offsetting the surpluses and deficits arising on contracts within the life portfolio. Any deficiency is charged to the statement of income and comprehensive income (loss) by establishing a provision for losses arising from the liability adequacy test for the unexpired risk portion. The amount of the provision depends on the risk adjusted returns available on assets designated to support life contract liabilities.

j. Structured settlements

Included within outstanding losses and loss expenses and reinsurance balances recoverable on paid and unpaid losses in the consolidated balance sheets are amounts related to structured settlements. The Company, through its subsidiary CatGen's Canadian branch, has assumed ownership of certain structured settlements and has purchased annuities from life insurance companies to provide fixed and recurring payments to the claimants. CatGen remains responsible to the claimants in the case of non-performance by the life insurance companies. The assets and liabilities related to the structured settlement contracts are booked at the amounts reported by the life insurance companies as management believes this to be the best available estimate of the obligations under these contracts.

k. Cash and cash equivalents

Cash equivalents include highly liquid instruments such as liquidity funds, money market funds and other time deposits with commercial banks and financial institutions, which have original maturities of less than three months. See "Note 13. Concentrations, commitments and contingencies" for additional information related to concentrations of credit risk. Restricted cash and cash equivalents are separately reported in the consolidated balance sheets at December 31, 2021 and 2020.

l. Pension plans

One of the Company's subsidiaries sponsors a defined benefit pension plan. These pension plans provide post-retirement, death and disability benefits for the Company's employees and are administered by third party life insurance companies.

The assets of these pension plans are held separately from the Company by a third party administrator.

The Company's Swiss pension plans are defined benefit plans according to authoritative guidance for employers' accounting for defined benefit pensions and other post-retirement plans. Accordingly, the Company recognizes the funded status of such benefit plans as a net asset or liability on the Consolidated Balance Sheets and recognizes as a component of accumulated other comprehensive income, net of income taxes, the gains or losses and prior service costs or credits that arise during the period but are not recognized as a component of net pension plan expenses.

The costs of the pension plans are recognized over the expected service lives of employees covered by the pension plans.

Other subsidiaries sponsor defined contribution pension plans. Contributions to this plan are expensed as incurred. For further information, please refer to "Note 19. Pension plans".

m. Investments

The Company's investment portfolio consists of fixed maturity securities, equity securities and other private investments which are recorded at fair value. Also included within its investments are mortgage loans which are recorded at amortized cost.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

Fixed maturity investments

The Company holds fixed maturity securities classified as trading, and are carried at fair value.

The Company also holds fixed maturity securities classified as available-for-sale ("AFS"). These securities are recorded at fair value, adjusted for any impairment in fixed maturities, deemed "other than temporary". Effective January 1, 2020, the Company designated that all future fixed maturity securities purchased will be AFS.

Subsequent changes to the fair value of trading securities are recorded within net gains (losses) on investments in the consolidated statements of income (loss) and comprehensive income (loss). Subsequent changes in the fair value of fixed maturity securities held as AFS are included as a component of accumulated other comprehensive income.

Purchases and sales of investments are recorded on a trade date basis. Realized and unrealized gains and losses on sales of investments are determined on a first-in, first-out basis and are shown within net gains (losses) on investments in the consolidated statements of income (loss) and comprehensive income (loss). Net investment income is recognized when earned, includes interest and dividend income, together with amortization of market premiums and discounts using the effective yield method, and is presented net of investment management fees.

Other-Than-Temporary Impairments ("OTTI")

Fixed maturity investments classified as AFS are reviewed regularly to determine if they have sustained an impairment of value that is, based on management's judgment, considered to be other-than-temporary. In order to establish indicators for review, information specific to each security is analyzed from market sources with input from management and specialists. The process performed using the securities data includes, but is not limited to, distressed market process, near or actual default, bankruptcy filings, ratings changes and agency outlooks for the security issuer. Results are summarized on a watchlist and reviewed each month. The results of the review are agreed on, and any actions or mitigation strategies to be undertaken are determined, which can include, but is not limited to, increased monitoring, selling of the asset or remeasuring the asset to fair value, which becomes its new basis.

The process includes reviewing each fixed maturity investment whose fair value is below amortized cost and: (1) determining if the Company has the intent to sell the fixed maturity investment; (2) determining if it is more likely than not that the Company would be required to sell the fixed maturity investment before its anticipated recovery; and (3) assessing whether a credit loss existed, that is, whether the Company anticipated if the present value of the cash flows expected to be collected from the fixed maturity investment would be less than the amortized cost basis of the investment.

In assessing whether it was more likely than not that the Company would be required to sell a fixed maturity investment before its anticipated recovery, management considered various factors including our future cash flow requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short-term investments and fixed maturity investments available-for-sale in an unrealized gain position, and other relevant factors are considered. If management concludes that an investment is other-than-temporarily impaired, then the difference between the fair value and the amortized cost of the investment is presented as an OTTI charge in the consolidated statements of income (loss) and comprehensive income (loss) within net gains (losses) on investments.

Upon adoption of the current expected credit losses methodology in future periods, only the credit component of impairment will be recognized in earnings, while the non-credit aspect will be included within other comprehensive income.

Equity securities

Equity securities include common stocks, preferred stocks, exchange traded funds and mutual funds. Exchange traded debt and equity funds and common stocks are classified within Level 1 as the fair values are based on quoted

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

market prices in active markets. Preferred stocks and certain convertible bond and multi-asset funds with daily liquidity and redemption values based on the net asset value of the fund are classified within Level 2.

Derivatives

The Company's derivative instruments are recorded at fair value within other assets (or accounts payable, accrued expenses and other liabilities, if negative) in the consolidated balance sheets. Changes in the fair value of derivatives are recognized in net earnings, apart from changes in the effective portion of derivatives designated as cash flow hedging instruments, which are reflected in other comprehensive income.

Derivative financial instruments derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity, credit, and market risk. Derivative financial instrument transactions which are not designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in the consolidated statements of income (loss) and comprehensive income (loss) during the year. Derivative financial instrument transactions which are designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in other comprehensive income during the year. Open futures contracts are valued using the settlement value on the relevant exchange and open foreign exchange contracts are valued using exchange rates quoted by a third-party pricing service.

Derivative financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets only to the extent there is a legally enforceable right-of-offset and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Derivative financial assets and liabilities are derecognized when the Company has transferred substantially all of the risks and rewards of ownership or the liability is discharged, cancelled, or expired.

Dedesignated hedging transactions are subsequently reversed through other comprehensive income ("OCI") and recognized in earnings within net foreign exchange gains (losses).

n. Fair value measurements

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. An asset or a liability's categorization within the fair value hierarchy is based on the lowest level of input that is significant to its valuation. The hierarchy is broken down into three levels as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market based inputs.

The availability of observable inputs can vary 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 transaction. 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

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

instruments categorized in Level 3. The Company uses prices and inputs that are current at the measurement date. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified between levels.

o. Other investments

Other private investments

Other private investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, hedge funds, private equity, private equity funds, fixed income funds, private debt, corporate debt, debt funds, real estate funds, common trust funds, and venture capital funds. These other private investments are stated at fair value, which ordinarily will be the most recently reported net asset value as advised by the fund manager or administrator. The change in fair value is included in net gains (losses) on investments and recognized in net earnings.

Investments pending settlement include receivables and payables from unsettled trades due to/from counterparties. Receivables and payables from unsettled trades are carried at fair value based on quoted prices in active markets for identical assets or derived based on inputs that are observable. Receivables from unsettled trades are included in other assets, and payables from unsettled trades are included in accounts payable, accrued expenses and other liabilities, in the consolidated balance sheets.

Mortgage loans

The Company participates in lending arrangements, investing in commercial mortgage loans ("CMLs"), which are primarily mezzanine loans and bridge loans as of December 31, 2021 and 2020. Mortgage loans are classified within other investments on the consolidated balance sheets and carried at amortized cost. The loans are subject to impairment testing. If it is determined impairment is necessary, the amount between carrying value and fair value is recorded within net gains (losses) on investments in the consolidated statement of income (loss) and comprehensive income (loss).

Investments in real estate

The Company invests in commercial real estate to generate returns via rental income and capital appreciation through its wholly-owned subsidiaries. The relevant subsidiaries are Catalina Oxenwood Investments Ltd. ("COIL"), Catalina Oxenwood European Investments Ltd. ("COEIL"), Catalina Oxenwood Real Estate II Ltd. ("CORE II"), Propco (Swansea) Limited ("Swansea"), Propco (Newport) Limited ("Newport"), Propco (Telford) Limited ("Telford"), Propco (Greenock) Limited ("Greenock"), Propco (Yeovil) Limited ("Yeovil"). These subsidiaries are consolidated by the Company. In addition, the Company used to invest in certain properties via Catalina ORE Ltd. ("CORE").

The Company recognizes the non-controlling interest of 0.5% in Oxenwood III and Oxenwood UK as a proportionate share of the net assets of those entities in its consolidated balance sheets. The proportionate share of income attributable to the non-controlling interest is reflected in the Company's consolidated statements of income (loss) and comprehensive income (loss).

The Company, via subsidiaries or via trustees, owns 100.0% of the shares of Swansea, Newport, Telford, Greenock and Yeovil. These companies each own a building which generates returns through rental income and capital appreciation.

The income from operating leases is recognized as rental income as per the terms of the leases.

The real estate acquired are recorded at cost less accumulated depreciation for the depreciable assets. The cost includes all acquisition costs directly identifiable with the purchase of the real estate. The Company splits the acquisition cost of each real estate asset between land and buildings based on management's judgement. The real

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

estate invested in through Oxenwood companies are comprised primarily of warehouses used to store goods. The real estate invested in through Propco companies are comprised primarily of commercial office space. The buildings are depreciated over an estimated useful life of 40 years on a straight-line basis.

The Company will assess its real estate for impairment when circumstances indicate the carrying value of the property may not be recoverable. The review will be based on the estimate of future undiscounted cash flows, excluding interest charges expected to result from the use and eventual disposal.

p. Other assets and liabilities

The fair value of investment purchases and sales pending settlement, funds held by cedants and claim administrators, insurance and reinsurance balances receivable, insurance and reinsurance balances payable, loans payable, accounts payable, accrued expenses and other liabilities approximate their carrying value due to the immediate or relative duration of these financial instruments.

q. Intangible assets

Intangible assets with indefinite useful lives are not amortized but are tested annually for impairment by a comparison to their estimated realizable value. If the carrying amounts of intangible assets are greater than their fair values established during impairment testing, the carrying value is written-down to the fair value with a corresponding impairment loss recognized in the consolidated statements of income (loss) and comprehensive income (loss).

r. Long term subordinated debt

Fair valued subordinated debt acquired by the Company is classified as Level 3 as similar debt trades infrequently and has few observable inputs in terms of valuation benchmarks. The fair value of the long-term subordinated debt reflects the risk of non-performance by the Company, which is captured by incorporating the Company's credit spread derived from the relevant yields to determine an appropriate discount rate, which is applied to the nominal value of the debt at each measurement date. The discount rate is adjusted by an additional factor, which reflects the implicit value, determined using management's judgement, of the value of the Company's options for early repayment of the debt. Interest expense in connection with this debt notes is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

Long term subordinated debt instruments issued by the Company are carried at amortized cost. Debt issuance costs are presented as a direct deduction from the related liability in the consolidated balance sheets. Amortization of debt issuance costs is included in interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

See "Note 12. Debt obligations" for additional information related to long term subordinated debt instruments acquired and issued by the Company.

s. Foreign currency translation

The U.S. dollar is the functional currency of the Company and most of its subsidiaries. All foreign currency asset and liability amounts are translated into U.S. dollars at end-of-year exchange rates. Foreign currency income and expenses are translated at average exchange rates in effect during the year. Exchange gains and losses arising from the translation of foreign currency-denominated monetary assets and liabilities are included in the consolidated statements of income (loss) and comprehensive income (loss). Available-for-sale securities are recorded at fair value with resulting gains and losses, including the portion attributable to movements in exchange rates, included in the change in net unrealized gains on available-for-sale investments, net of taxes within other comprehensive income. The effects of the currency translation adjustments for entities whose functional currency is not the U.S. dollar are

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

reported in the consolidated balance sheets and consolidated statements of changes in shareholders' equity as a foreign currency translation adjustment, a separate component of accumulated other comprehensive income.

t. Income taxes

The Company operates in jurisdictions where it is subject to income taxation. Deferred tax assets and liabilities result from net operating loss carryforwards and temporary differences between the carrying amounts of existing assets and liabilities recorded in the Consolidated financial statements and their respective tax bases. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets if it is more likely than not that such portion or all of such deferred tax assets will not be realized.

u. Legal expenses

In the event of a dispute in the ordinary course of business, the Company expenses legal costs on an accrual basis. In the event of a specific litigation, when it is reasonably probable that the legal costs are going to be incurred, the Company accrues legal costs in line with the estimated incurred expenses.

v. Share-based compensation

The Company has issued Class C ordinary shares and options on Class B ordinary shares as share-based compensation. The Company recognizes the compensation expense for stock grants based on the fair value of the award on the date of the grant over the requisite service period. Compensation expense is recognized once the occurrence of performance or service obligations associated with the stock grants are met.

w. New accounting standards adopted

ASU 2019-12, Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, which amends the scope of Topic 740 via simplification to the accounting for income taxes. The standard is effective for annual periods beginning after December 15, 2021. The Company does not expect the ASU to have a material impact on the Consolidated financial statements and disclosures.

x. Recently issued accounting standards not yet adopted

ASU 2018-12, and ASU 2019-09, Financial Services - Insurance

In August 2018, the FASB issued ASU 2018-12, which amends the scope of Topic 944 via improvements to the accounting for long-duration contracts. The standard update is effective for annual periods beginning after December 15, 2023. The Group does not expect the ASU to have a material impact on the consolidated financial statements and disclosures.

ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, and ASU 2019-11, Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, in November 2018 the FASB issued ASU 2018-19, in April 2019 the FASB issued ASU 2019-04, in May 2019 the FASB issued ASU 2019-05, in October 2019 the FASB issued ASU 2019-10, and in November 2019 the FASB issued 2019-11. These standards require loans, receivables and available-for-sale debt securities to record credit losses through an allowance for credit losses account. The update introduces a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new credit loss model, the Group will be required to recognize an allowance for its expected credit losses on certain financial assets including trade receivables, debt instruments not measured at fair value, and reinsurance receivables. Available-for-sale debt securities will record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortised cost. The standard

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

2. Significant accounting policies (continued)

update is effective for annual periods beginning after December 15, 2022. The Company does not expect the ASU to have a material impact on the consolidated financial statements and disclosures.

ASU 2016-02, ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20, and ASU 2019-01, ASU 2020-05, ASU 2021-09 Leases

ASC Topic 842 "Leases" requires lessees to recognize operating leases on balance sheet through a lease asset and a related financial liability. In February 2016, the FASB issued ASU 2016-02, in January 2018 the FASB issued ASU 2018-01, in December 2018 the FASB issued ASU 2018-20, and in July 2018 the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, ASU 2018-11, Leases, and in March 2019 the FASB issued ASU 2019-01, subsequently amended by ASU 2020-05, issued in June 2020 which defers the effective date for annual periods beginning after December 15, 2022. Further, in November 2021 FASB issued ASU 2021-09. The Company expects a lease asset and related liability to be presented on the consolidated balance sheets; however, the consolidated statements of income (loss) and comprehensive income (loss) and cash flows will remain unchanged.

3. Acquisitions and disposals

The Company accounts for acquisitions using the acquisition method of accounting, which requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values.

Asia Capital Reinsurance Group Pte Ltd. ("ACR")

On December 5, 2019, the Company signed a definitive agreement to acquire Asia Capital Reinsurance Group Pte Ltd., a Singapore-headquartered reinsurance business, from ACR Capital Holdings Pte. Founded in 2006, ACR has offices across Asia, including Singapore, Japan, South Korea, Malaysia, and Hong Kong. This transaction closed on March 31, 2020.

ACR is licensed as a general and life reinsurer under the Singapore Insurance Act. ACR manages predominantly short-tail property business.

The purchase price of \$589.9 million and acquisition costs of \$1.5 million were financed from drawdowns on the Revolving Credit Facility and Term Loan, along with the issuance of preference shares. The net assets acquired at fair value amounted to \$589.9 million, inclusive of fair value adjustments of \$73.4 million related to loss reserves. The fair value adjustments include discounting of reserves using the risk-free rate and a risk margin based on the cost of capital and risk loading for uncertainty related to pandemic and catastrophe exposures.

The following summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of the acquisition:

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

3. Acquisitions and disposals (continued)

Assets

Investments, at fair value	\$ 1,031,105
Investment in property	7,445
Cash and cash equivalents	226,006
Outstanding losses and loss expenses recoverable	179,041
Insurance and reinsurance balances receivable	269,528
Funds held by Cedants and third party service providers	23,636
Deferred reinsurance premiums	23,397
Other assets	18,039
Total assets	<u>\$ 1,778,197</u>

Liabilities

Outstanding losses and loss expenses	\$ 1,019,695
Unearned premiums	152,040
Accounts payable and other liabilities	16,562
Total liabilities	<u>1,188,297</u>
Net assets acquired at fair value	<u>\$ 589,900</u>

Danielson National Insurance Company of California

Danielson National Insurance Company of California, a subsidiary of the Company, was sold for \$3.7 million effective January 1, 2020. This generated a gain on sale of \$0.6 million which has been included within general and administrative expenses on the consolidated statements of income (loss) and comprehensive income (loss).

4. Significant new business

UK Home Warranty Loss Portfolio Transfer

On March 31, 2021, the Company through its wholly owned subsidiary CatGen entered into a conditional 75% quota share reinsurance agreement under which UK builders' warranty insurance underwritten between 2016 and 2019 underwriting years was reinsured by CatGen. Completion of the reinsurance agreement was conditional upon CatGen receiving the BMA's prior approval and the PRA's non-objection for the counterparty. The approval from the BMA was received on May 23, 2021 and the approval from the PRA was received on May 20, 2021.

As of March 31, 2021 (the risk transfer date) CatGen assumed net loss reserves of £217.0 million (\$299.0 million) for a total consideration of £231.0 million (\$318.3 million).

U.S. Casualty Adverse Development Cover

On April 22, 2021, the Company through its wholly owned subsidiary CatGen entered into an adverse development cover ("ADC") reinsurance agreement with PartnerRe which covers PartnerRe's North American casualty assumed reinsurance portfolio for underwriting years 2013 to 2018. The approval from the BMA to enter into the ADC agreement was received on June 15, 2021.

Effective April 22, 2021, CatGen assumed net loss reserves of \$320.0 million for a total consideration of \$336.2 million in the form of cash transferred.

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

5. Investments

a. Trading securities

The fair value of securities classified as trading securities as of December 31, 2021 and 2020 are as follows:

	2021	2020
Fixed maturities:		
Corporate	\$ 215,416	\$ 491,557
Asset-backed securities	105,013	247,630
Mortgage-backed securities	30,739	61,234
U.S. government and agency	5,922	22,309
Non-U.S. government	18,930	108,231
Municipals	5,306	7,720
Total fixed maturities	<u>381,326</u>	<u>938,681</u>
Equities:		
Preferred and common stocks	6,343	10,990
Total equities	<u>6,343</u>	<u>10,990</u>
Other private investments:		
Hedge funds	31,363	41,816
Private equity	437,612	162,359
Fixed income funds	231,329	—
Debt funds	422,168	583,830
Real estate funds	76,224	229,641
Total other private investments	<u>1,198,696</u>	<u>1,017,646</u>
Total investments, trading	<u><u>\$ 1,586,365</u></u>	<u><u>\$ 1,967,317</u></u>

Contractual maturities of the Company's fixed maturities classified as trading as of December 31, 2021 are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2021
Fixed maturities:	
Due in one year or less	\$ 43,339
Due after one year through five years	131,852
Due after five years through 10 years	37,958
Due after 10 years	32,425
Total	<u>245,574</u>
Mortgage and asset backed securities	135,752
Total fixed maturities, trading	<u><u>\$ 381,326</u></u>

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

5. Investments (continued)

b. Available-for-sale securities

The amortized cost, gross unrealized gains and losses, and the estimated fair value of securities classified as available-for-sale securities as of December 31, 2021 and 2020 are as follows:

At December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
Corporate	\$ 1,593,899	\$ 22,306	\$ (36,666)	\$ 1,579,539
Asset-backed securities	258,340	3,460	(1,056)	260,744
Mortgage-backed securities	103,993	943	(2,511)	102,425
U.S. government and agency	80,433	294	(1,957)	78,770
Non-U.S. government	246,097	8,513	(7,772)	246,838
Municipals	11,672	51	(317)	11,406
Total fixed maturities	2,294,434	35,567	(50,279)	2,279,722
Total investments, available-for-sale	\$ 2,294,434	\$ 35,567	\$ (50,279)	\$ 2,279,722

At December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
Corporate	\$ 957,479	\$ 96,712	(494)	\$ 1,053,697
Asset-backed securities	216,655	12,745	(2,614)	226,786
Mortgage-backed securities	40,515	1,260	(1,304)	40,471
U.S. government and agency	100,306	69	(1,433)	98,942
Non-U.S. government	328,568	31,480	(239)	359,809
Municipals	2,273	110	—	2,383
Total fixed maturities	1,645,796	142,376	(6,084)	1,782,088
Total investments, available-for-sale	\$ 1,645,796	\$ 142,376	\$ (6,084)	\$ 1,782,088

Proceeds from the sale of investments in available-for-sale securities during the year ended December 31, 2021 were \$1,916.9 million (2020: \$1,518.1 million).

A summary of the Company's available-for-sale securities as of December 31, 2021, by contractual maturity, is shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Fixed maturities:		
Due in one year or less	\$ 111,384	\$ 111,742
Due after one year through five years	464,742	465,833
Due after five years through 10 years	474,895	469,289
Due after 10 years	881,076	869,689
Total	1,932,097	1,916,553
Mortgage and asset backed securities	362,337	363,169
Total investments, available-for-sale	\$ 2,294,434	\$ 2,279,722

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

5. Investments (continued)

There were nil in OTTI charges related to the Company's fixed maturity securities for the year ended December 31, 2021 (2020: \$0.5 million).

The table below summarizes the aggregate unrealized losses of the Company's available-for-sale securities by length of time the security has continuously been in an unrealized loss position as of December 31, 2021 and 2020.

At December 31, 2021	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
Corporate	\$ 1,067,544	\$ (35,346)	\$ 46,304	\$ (1,320)	\$ 1,113,848	\$ (36,666)
Asset-backed securities	85,667	(572)	12,229	(484)	97,896	(1,056)
Mortgage-backed securities	77,636	(1,343)	8,611	(1,168)	86,247	(2,511)
U.S. government and agency	36,719	(367)	29,224	(1,590)	65,943	(1,957)
Non-U.S. government	70,591	(3,938)	34,896	(3,834)	105,487	(7,772)
Municipals	9,848	(307)	743	(10)	10,591	(317)
Total fixed maturities	1,348,005	(41,873)	132,007	(8,406)	\$ 1,480,012	(50,279)
Total investments, available-for-sale	\$ 1,348,005	\$ (41,873)	\$ 132,007	\$ (8,406)	\$ 1,480,012	\$ (50,279)

At December 31, 2020	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
Corporate	\$ 56,626	\$ (494)	\$ —	\$ —	\$ 56,626	\$ (494)
Asset-backed securities	55,449	(2,614)	—	—	55,449	(2,614)
Mortgage-backed securities	8,271	(1,126)	308	(178)	8,579	(1,304)
U.S. government and agency	48,511	(1,433)	—	—	48,511	(1,433)
Non-U.S. government	3,697	(239)	—	—	3,697	(239)
Municipals	—	—	—	—	—	—
Total fixed maturities	172,554	(5,906)	308	(178)	172,862	(6,084)
Total investments, available-for-sale	\$ 172,554	\$ (5,906)	\$ 308	\$ (178)	\$ 172,862	\$ (6,084)

There were 993 securities as at December 31, 2021 (2020: 99) that account for the gross unrealized losses, none of which is deemed by the Company to be OTTI (2020: \$0.5 million OTTI). As at December 31, 2021, the Company has determined that the unrealized losses on fixed maturity securities were primarily due to market interest rate movements since their date of purchase.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

5. Investments (continued)

c. Net investment income

The components of net investment income for the years ended December 31, 2021 and 2020 was derived from the following sources:

	2021	2020
Fixed maturities, including mortgage and asset-backed securities	\$ 75,550	\$ 83,060
Equities	1,191	14,804
Other investments	42,270	14,908
Cash and cash equivalents	698	1,378
Gross investment income	119,709	114,150
Investment expenses	(9,115)	(6,798)
Net investment income	<u>\$ 110,594</u>	<u>\$ 107,352</u>

d. Net gains (losses) on investments

Net gains (losses) on investments within the consolidated statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2021 and 2020 consisted of the following:

	2021	2020
Net realized gains (losses) on sales of investments	\$ 46,632	\$ (35,234)
Net change in fair market value of fixed income investments, trading	23,363	3,895
Net gains (losses) on investments	<u>\$ 69,995</u>	<u>\$ (31,339)</u>

6. Fair value measurements

The Company used the following valuation techniques and assumptions in estimating the fair value of financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy.

Fixed maturities

At each valuation date, the Company uses a market approach technique to estimate the fair value of the fixed maturities portfolios, where possible. This market approach includes, but is not limited to, prices obtained from third party pricing services and broker-dealers for identical or comparable securities.

When quoted market prices are unavailable, the pricing service prepares estimates of fair value measurements with its proprietary pricing applications, using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and expected cash flows, including prepayment speeds.

The following describes the significant inputs generally used to determine the fair value of fixed maturities by asset class:

- Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Private debt securities have been classified in Level 3 as the inputs used to determine their fair values are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists, public comparisons and price-to-book ratios.

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

6. Fair value measurements (continued)

- Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. The significant inputs used to determine the fair values of these securities includes the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, expected cash flows including prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Some asset-backed securities have been classified in Level 3 as the inputs used to determine the fair values of these securities are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists, public comparisons and price-to-book ratios.
- Mortgage-backed securities include both agency and non-agency originated securities. The significant inputs used to determine the fair values of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, expected cash flows including prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.
- U.S. government and agency securities consist of securities issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. The significant inputs include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.
- Non-U.S. government securities consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.
- Municipal securities consist primarily of bonds issued by U.S.-domiciled state and municipal entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

Equity securities

Equity securities include exchange traded funds, mutual funds, common stocks and preferred stocks. Exchange traded debt and equity funds, common stocks and preferred stocks are classified within Level 1 as the fair values are based on quoted market prices in active markets. Certain convertible bond and multi-asset funds with daily liquidity and redemption values based on the Net Asset Value ("NAV") of the fund are classified within Level 2. The policy for all equity securities classified within Level 3 has been described under other private investments below.

Other private investments

Other private investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, hedge funds, private equity, private equity funds, private debt, corporate debt, debt funds, commercial real estate funds, common trust funds, and venture capital funds. The underlying investments of such funds, whether invested in stock or other securities, are carried at their estimated fair value, however they are generally not currently traded in a public market and typically are subject to restrictions on resale. Such fair values are estimated by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

6. Fair value measurements (continued)

The fair values of hedge funds, limited partnerships, private equity, private equity funds, debt funds and certain commercial real estate funds have been estimated using the NAV of the funds reported by the entities responsible for administering the funds, where possible. In the absence of such information the assets are valued based on management's review and judgement of such assets. As a result of the inherent uncertainty of valuation, the estimated fair value may differ materially from the value that would have been used had a ready market existed for these investments. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from the Company's estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

The Company adopted ASU 2015-07, "Disclosures for Investments in Certain Entities that Calculate NAV or its Equivalent" for investments in investment funds where fair value is measured using NAV as a practical expedient, by removing the presentation of these investments from the fair value hierarchy.

Other private investments such as private debt, corporate debt and certain commercial real estate funds are reported at the lower of NAV or fair value. The carrying value of these investments approximate their fair values given the short duration and low credit risk.

Investments pending settlement include receivables and payables from unsettled trades due from/to counterparties. Receivables and payables from unsettled trades are carried at fair value based on quoted prices in active markets for identical assets or derived based on inputs that are observable. Receivables from unsettled trades are included in other assets, and payables from unsettled trades are included in accounts payable, accrued expenses and other liabilities, in the consolidated balance sheets.

Investments classified as available-for-sale are reviewed monthly to identify if there are indications that a valuation below cost is believed to be other than temporarily impaired ("OTTI"). In order to establish indicators for review, information specific to each security is analyzed from market sources with input from management and specialists. The process performed using the securities data includes, but is not limited to, distressed market process, near or actual default, bankruptcy filings, ratings changes and agency outlooks for the security issuer. Results are summarized on a watchlist and reviewed each month. The results of the review are agreed on and any actions or mitigation strategies to be undertaken are determined which can include, but is not limited to, increased monitoring, selling of the asset or marking down the asset to a revised fair value.

Recognition of these impairment actions are included within the consolidated statement of income and comprehensive income (loss). In the case of material market volatility or other significant events, the watchlist may be updated on a more frequent basis than monthly. Upon adoption of the current expected credit losses methodology in future periods, only the credit component of impairment will be recognized in earnings, while the non-credit aspect will be included within other comprehensive income.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

6. Fair value measurements (continued)

At December 31, 2021 and 2020, the Company's financial instruments measured at fair value were categorized between Levels 1, 2 and 3 with the exception of alternative investments that use NAV as a practical expedient for measuring fair value. Alternative investments measured at NAV have been disclosed as a separate line item:

At December 31, 2021	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets					
Fixed maturities:					
Corporate	\$ —	\$ 1,794,955	\$ —	\$ —	\$ 1,794,955
Asset-backed securities	—	344,224	21,533	—	365,757
Mortgage-backed securities	—	79,302	53,862	—	133,164
U.S. government and agency	—	84,692	—	—	84,692
Non-U.S. government	—	265,768	—	—	265,768
Municipals	—	16,712	—	—	16,712
Total fixed maturities	—	2,585,653	75,395	—	2,661,048
Equity securities:					
Preferred and common stocks	—	6,343	—	—	6,343
Total equity securities	—	6,343	—	—	6,343
Other private investments:					
Hedge funds	—	—	—	31,363	31,363
Private equity	—	—	8,729	428,883	437,612
Fixed income funds	—	231,329	—	—	231,329
Real estate funds	—	—	—	76,224	76,224
Debt funds	—	2,364	—	419,804	422,168
Total other investments	—	233,693	8,729	956,274	1,198,696
Total assets	\$ —	\$ 2,825,689	\$ 84,124	\$ 956,274	\$ 3,866,087
Liabilities					
Long term subordinated debt	\$ —	\$ —	\$ 115,599		\$ 115,599
Total liabilities	\$ —	\$ —	\$ 115,599		\$ 115,599

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

6. Fair value measurements (continued)

At December 31, 2020	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets					
Fixed maturities:					
Corporate	\$ —	\$ 1,545,254	\$ —	\$ —	\$ 1,545,254
Asset-backed securities	—	467,565	6,851	—	474,416
Mortgage-backed securities	—	101,705	—	—	101,705
U.S. government and agency	—	121,251	—	—	121,251
Non-U.S. government	—	468,040	—	—	468,040
Municipals	—	10,103	—	—	10,103
Total fixed maturities	—	2,713,918	6,851	—	2,720,769
Equity securities:					
Preferred and common stocks	8,795	2,195	—	—	10,990
Total equity securities	8,795	2,195	—	—	10,990
Other private investments:					
Hedge funds	—	—	—	41,816	41,816
Private equity	—	—	9,306	153,052	162,358
Fixed income funds	—	—	—	—	—
Real estate funds	—	—	—	229,641	229,641
Debt funds	—	8,965	—	574,866	583,831
Total other investments	—	8,965	9,306	999,375	1,017,646
Total assets	\$ 8,795	\$ 2,725,078	\$ 16,157	\$ 999,375	\$ 3,749,405
Liabilities					
Long term subordinated debt	\$ —	\$ —	\$ 111,320		\$ 111,320
Total liabilities	\$ —	\$ —	\$ 111,320		\$ 111,320

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

6. Fair value measurements (continued)

The following table presents a reconciliation of the beginning and ending balances for all financial instruments measured at fair value on a recurring basis using Level 3 inputs for the years ended December 31, 2021 and 2020:

	Investments	Long term subordinated debt
Balance at beginning of year, January 1, 2020	\$ 206,354	\$ (110,166)
Purchases	6,196	—
Sales	(41,440)	—
Transfers	(94,887)	—
Net gains (losses)	(60,824)	(1,154)
Foreign exchange gains	758	—
Balance at end of year, December 31, 2020	\$ 16,157	\$ (111,320)
Purchases	54,885	—
Sales	(2,616)	—
Transfers	17,606	—
Net gains (losses)*	1,338	(4,279)
Foreign exchange gains	(3,246)	—
Balance at end of year, December 31, 2021	<u>\$ 84,124</u>	<u>\$ (115,599)</u>
*Level 3 losses included in earnings attributable to the change in unrealized gains and losses relating to financial instruments held at the reporting date	<u>\$ 1,338</u>	<u>\$ (4,279)</u>

Net losses on long term subordinated debt are included within change in subordinated debt fair value in the consolidated statements of income (loss) and comprehensive income (loss).

The following table presents additional information with respect to investments that are measured at fair value using NAV as a practical expedient as of December 31, 2021.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	\$ 31,363	\$ —	See below	See below
Private equity (*)	428,883	70,463	See below	See below
Debt funds	419,804	10,940	See below	See below
Commercial real estate funds	76,224	25,901	See below	See below
	<u>\$ 956,274</u>	<u>\$ 107,304</u>		

(*) On the basis of its analysis of the nature, characteristics, and risks of the investments, the reporting entity has determined that presenting them as single class is appropriate.

Hedge funds

This relates largely to two investments. One is an open-ended fund incorporated in Ireland. The fund strategy is to establish synthetic credit exposure through sales of liquid, standardized exchange traded index contracts with daily observable prices via an internationally regulated clearing house. The program is expected to substantially narrow bid/offer costs and allow more efficient portfolio management, particularly in times of credit stress. The other is a fund whose strategy is to hold derivatives as hedge positions in order to protect the Catalina investment portfolio

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

6. Fair value measurements (continued)

from negative market shocks in either equities or credit markets. The funds' NAV is calculated daily and both funds can be redeemed on a daily basis with a redemption notice period of one day.

Private equity

The Company's investments in private equity include investments in private equities and private equity funds. Private equity funds investments include funds involved in buyout strategies in the U.S., Canada, and Europe, and a fund that focuses on small capital and growth opportunities in high-yield products in the global food supply chain. These funds provide NAV on a quarterly basis. Private equities investments include equity interests in entities involved in the acquisition, development and production of unconventional oil and gas reserves located in the Permian basin in west Texas, U.S. The Company generally has no right to redeem its interest in these private equities in advance of dissolution. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the respective private equities. It is estimated that the majority of the underlying assets of the private equities would liquidate over four to twelve years from inception. Quarterly valuations are provided by the sponsor.

Debt funds

This includes a fund that principally invests in a diversified portfolio of leveraged loans, collateralized debt obligations, high-yield bonds, commercial mortgage-backed securities, consumer and commercial asset-backed securities, credit default swaps, bank debt, options, and synthetic securities and indices. This also includes an Alternative Investment Fund Managers Directive compliant Irish Collective Asset-management Vehicle that acquires individual loans and securities. The majority of these funds can be redeemed on a quarterly basis with 65 days of notice period prior to redemption. Other debt funds have a lock-up period of eight to ten years. Quarterly valuations are provided by the sponsor.

Commercial real estate debt funds

This includes funds that originate mezzanine debt secured on commercial real estate to earn interest income and fees. The fund records its real estate debt at fair value. Prices are determined using observable prevailing market conditions, performance and other similar transactions in the marketplace. This also includes a fund that provides mezzanine financing in Ireland for single-asset and portfolio acquisitions, as well as for restructuring existing loan portfolios. This fund provides net asset valuation on a quarterly basis. The Company generally has no right to redeem its interest in these private equities in advance of dissolution. It is estimated that the majority of the underlying assets in these funds would liquidate over eight years from inception of the applicable fund.

7. Derivative instruments

The Company's derivative instruments are recorded at fair value within other assets or other liabilities (if a negative amount) in the consolidated balance sheets. Changes in the fair value of derivatives are recognized in the consolidated statements of income (loss) and comprehensive income (loss), apart from changes in fair value of derivatives designated as cash flow hedging instruments which are reflected in the consolidated statements of comprehensive income.

Derivative financial instruments derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity, credit, and market risk. Derivative financial instrument transactions which are not designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in the consolidated statements of income (loss) and comprehensive income (loss) during the year. Derivative financial instrument transactions which are designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in the consolidated statements of comprehensive income during the year. Open futures contracts are valued using the settlement value on the relevant exchange and open foreign exchange contracts are valued using exchange rates quoted by a third-party pricing service and are classified as Level 2.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

7. Derivative instruments (continued)

Derivative financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets only to the extent there is a legally enforceable right-of-offset and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Derivative financial assets and liabilities are derecognized when the Company has transferred substantially all of the risks and rewards of ownership or the liability is discharged, cancelled, or expired.

There are no interest rate futures or interest rate swaps as at December 31, 2021 or 2020.

During the fourth quarter of 2019, the Company, entered into a rolling forward exchange contract to hedge the British pound against the U.S. dollar. During the fourth quarter of 2021, the Company entered into a rolling forward exchange contract to hedge the Euro against the U.S. dollar. These transactions have historically been designated as hedging instruments for financial purposes. The forward exchange contracts' fair value was included within accounts payable, accrued expenses, and other liabilities in the consolidated balance sheet. The realized and unrealized foreign exchange losses on the hedging instruments were then included within other comprehensive income in the consolidated statement of income and comprehensive income.

In 2021, the Company has re-assessed its hedging strategy in an effort to align the Company's overall approach to managing foreign currency exposures. Therefore, the Company has elected to discontinue or derecognize the hedge accounting for these hedges and as a result, the unrealized gains and losses will be recorded in net income, in lieu of as a component of other comprehensive income. Realized gains and losses on hedge accounting designated instruments would be recognized in net income, prospectively.

At December 31, 2021, the total fair value of these forward exchange contracts was an asset of \$8.1 million (2020: a liability of \$9.4 million) and is included within other assets (2020: other liabilities) in the consolidated balance sheet. The realized and unrealized foreign exchange gains on the hedging instrument of \$3.8 million for the year ended December 31, 2021 (2020: losses of \$5.2 million) are now included as net foreign exchange gains and losses in the consolidated statement of income and comprehensive income (loss). The net impact of de-recognition of the hedge accounting, by recognizing the \$13.0 million balance from prior years' accumulated other comprehensive income attributable to these hedges into net income, was a loss of \$9.1 million at December 31, 2021. The fair value of the these forward exchange contracts de-recognized as at December 31, 2021 and 2020 are as follows:

Foreign Exchange Forward Contracts	Contract Amount	Settlement Amount	Fair Value as at December 31, 2021
British pound	GBP 141,078	USD 182,776	\$ 3,614
Euro	EUR 60,050	USD 67,069	4,469
			<u>\$ 8,083</u>

Foreign Exchange Forward Contracts	Contract Amount	Settlement Amount	Fair Value as at December 31, 2020
British pound	GBP 141,056	USD 183,572	\$ (9,351)
			<u>\$ (9,351)</u>

In addition, the Company enters into foreign exchange forward contracts to mitigate the foreign exchange rate risk of fluctuation in the U.S. Dollar against other certain foreign currencies. These derivatives have not been designated as hedging instruments. The fair value of the derivative instruments as at December 31, 2021 was an asset of \$9.1 million (2020: a liability of \$9.5 million) is included in other assets in the consolidated balance sheet (2020 included in accounts payable, accrued expenses and other liabilities). The loss on derivative instruments of \$5.8 million for the year ended December 31, 2021 (2020: loss of \$9.6 million) is included in net foreign exchange gains (losses) in the consolidated statements of income (loss) and comprehensive income (loss).

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

7. Derivative instruments (continued)

The foreign exchange forward contracts as at December 31, 2021 and 2020 are as follows:

Foreign Exchange Forward Contracts	Contract Amount	Settlement Amount	Fair Value as at December 31, 2021
Euro	EUR 76,400	USD 92,301	\$ 5,209
Euro	EUR 9,170	GBP 7,752	63
Euro	EUR 3,140	USD 2,283	(51)
Euro	EUR 43,555	USD 49,751	137
Euro	EUR 92,056	GBP 78,167	988
Euro	EUR 6,467	USD 7,500	132
Euro	EUR 1,051	GBP 903	24
Euro	EUR 10,520	GBP 9,000	201
U.S. dollar	USD 2,378	AUD 3,000	(197)
U.S. dollar	USD 31,731	JPY 3,600,000	(402)
U.S. dollar	USD 5,869	PHP 304,000	9
U.S. dollar	USD 13,000	SGD 17,594	48
U.S. dollar	USD 4,592	THB 150,000	(68)
U.S. dollar	USD 12,877	TWD 350,000	(237)
U.S. dollar	USD 102,961	GBP 76,707	778
Canadian dollar	CAD 9,000	USD 7,016	(97)
British pound	GBP 12,800	USD 17,715	401
British pound	GBP 194,626	USD 265,300	2,059
British pound	GBP 1,500	EUR 1,771	(13)
Malaysian ringgit	MYR 171,000	USD 40,877	(91)
S. Korean won	KRW 18,400,000	USD 15,546	53
Chinese yuan	CNH 6,000	USD 929	(5)
Taiwan dollar	TWD 150,000	USD 5,549	132
Total			<u>\$ 9,073</u>

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

7. Derivative instruments (continued)

Foreign Exchange Forward Contracts	Contract Amount	Settlement Amount	Fair Value as at December 31, 2020
Euro	EUR 140,262	USD 163,479	\$ (8,158)
Euro	EUR 132,509	GBP 120,340	2,600
U.S. dollar	USD 104,111	GBP 79,152	4,150
U.S. dollar	USD 24,316	EUR 20,453	684
U.S. dollar	USD 21,337	TWD 600,000	42
U.S. dollar	USD 6,764	THB 214,000	387
U.S. dollar	USD 6,227	PHP 304,000	59
U.S. dollar	USD 62,912	JPY 6,500,000	259
U.S. dollar	USD 2,161	AUD 3,000	153
U.S. dollar	USD 13,000	SGD 17,742	428
Canadian dollar	CAD 9,455	USD 7,372	(64)
Swedish krona	SEK 34,000	GBP 2,996	(40)
British pound	GBP 149,154	USD 197,194	(6,797)
British pound	GBP 14,388	EUR 15,940	(181)
British pound	GBP 2,986	SEK 34,000	54
Malaysian ringgit	MYR 340,000	USD 82,973	(1,513)
Korean won	WON 26,300,000	USD 22,765	(1,524)
Chinese yuan	CNH 28,000	USD 4,211	(54)
Total			<u>\$ (9,515)</u>

8. Other investments

Other investments include investments in real estate, mortgage loans and investments in affiliate. The other investments as at December 31, 2021 and 2020 are as follows:

	2021	2020
Investments in real estate	\$ 250,654	\$ 110,091
Mortgage loans	150,094	100,045
Investments in affiliate	8,174	11,184
Total	<u>\$ 408,922</u>	<u>\$ 221,320</u>

a. Investments in Real Estate

The Company acquires properties through its subsidiaries, Swansea, Newport, and Telford, Yeovil, Greenock, Oxenwood UK and Oxenwood III, and their subsidiaries. These are all Guernsey incorporated companies. They are used to generate returns via rental income and capital appreciation.

COIL was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via OXW Catalina UK Limited ("Oxenwood UK"), a Guernsey incorporated company. COIL owns 98.5% (2020: 98.5%) of the shares of Oxenwood UK and Oxenwood UK is therefore consolidated by the Company.

COEIL was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via Oxenwood Catalina III Limited ("Oxenwood III") a Guernsey incorporated company. COEIL owns 98.5% (2020: 98.5%) of Oxenwood III and Oxenwood III is therefore consolidated by the Company.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

8. Other investments (continued)

CORE was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via Oxenwood Capital LP, Oxenwood Real Estate LLP and Oxenwood Real Estate Capital LP. CORE owned 30.7% of each of these three entities. In 2019, CORE sold its investment in Oxenwood Real Estate LLP to CORE II. On November 29, 2021, CORE was liquidated.

CORE II was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via OXW Capital LP, Oxenwood Real Estate LLP (purchased from CORE) and OXW Partners LP. CORE II owns 67.0% (2020: 67.0%) of each of these three entities.

During 2021, the Company acquired the following properties:

Property Name	Date Acquired	Location	Acquiring Company	Cost	Acquisition Expenses
Leicester	March 31, 2021	Leicester, UK	Oxenwood UK	\$ 16,628	\$ 1,054
Kettering	June 21, 2021	Kettering, UK	Oxenwood UK	12,437	775
Coventry	June 1, 2021	Coventry, UK	Oxenwood UK	24,598	1,428
Wolverhampton	December 2, 2021	Wolverhampton, UK	Oxenwood UK	16,765	1,230
Schweitenkirchen	August 3, 2021	Schweitenkirchen, Germany	Oxenwood III	22,414	1,383
Hilden	December 28, 2021	Hilden, Germany	Oxenwood III	12,386	1,406
Neuss	June 14, 2021	Neuss, Germany	Oxenwood III	11,070	377
BAE Systems	April 8, 2021	Yeovil, UK	Yeovil	10,610	664
EE building	May 7, 2021	Greenock, UK	Greenock	12,610	820

During 2020, the Company acquired the following properties:

Property Name	Date Acquired	Location	Acquiring Company	Cost	Acquisition Expenses
Southall	January 30, 2020	Southall, UK	Oxenwood UK	\$ 22,355	\$ 1,444
Manchester	January 17, 2020	Manchester, UK	Oxenwood UK	19,979	1,302
Eastleigh North	January 17, 2020	Eastleigh, UK	Oxenwood UK	7,427	518
Eastleigh South	January 17, 2020	Eastleigh, UK	Oxenwood UK	8,057	603
Basildon	December 10, 2020	Basildon, UK	Oxenwood UK	46,625	3,852
Newport	March 24, 2020	Newport, UK	Newport	20,108	1,062
Telford	April 15, 2020	Telford, UK	Telford	16,876	1,054

During 2021, the Company sold an office space located in Malaysia for \$1.4 million. The carrying value at the date of the sale was \$1.3 million and the gain on sale was \$0.1 million.

As discussed in "Note 12. Debt obligations" the acquisitions of the properties were partially funded by term loans. The loans are secured by a first ranking legal charge over the properties.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

8. Other investments (continued)

In December 2020, a portfolio of Oxenwood properties was disposed in a sale to Athora. The net proceeds of the sale were £141.8 million (\$193.4 million) for the properties within Oxenwood UK and €47.6 million (\$59.0 million) for the properties within Oxenwood III. The gain on the sale of properties within Oxenwood UK was £21.4 million (\$27.4 million), and the gain on sale of properties within Oxenwood III was €16.3 million (\$18.7 million). The gain on sale has been recorded within gain on real estate in the consolidated statement of income and comprehensive income (loss). There is a joint venture between one Oxenwood subsidiary and other third parties for a property within the portfolio which has been retained and was excluded from the above sale. Basildon property was also excluded from the above sale. The gain on sale has been recorded within gain on real estate in the consolidated statement of income and comprehensive income (loss). Operating cash flows have been adjusted for non-cash activities related to this sale of properties.

The cost of each property is split between land and buildings. The cost of the buildings is depreciated over a period of 40 years on a straight-line basis. Income from these real estate investments is recognized as per the terms of the lease agreements.

	2021	2020
Land, at cost	\$ 96,945	\$ 30,767
Buildings, at cost	157,410	80,692
Accumulated depreciation, buildings	(3,701)	(1,368)
Buildings, net of accumulated depreciation	153,709	79,324
Total	<u>\$ 250,654</u>	<u>\$ 110,091</u>

The total estimated market value of the real estate properties as at December 31, 2021 is \$249.9 million (2020: \$107.9 million).

b. Investments in affiliate

Included within the other investments balance is investments in affiliate balance of \$8.2 million as at December 31, 2021 (2020: \$11.2 million) which primarily relate to minority shareholdings in property companies.

c. Mortgage loans

Mortgage loans held at amortized cost are included within other investments. The carrying value of these loans as at December 31, 2021 is \$150.1 million (2020: \$100.0 million).

The following table presents a reconciliation of the beginning and ending balances of the mortgage loans at December 31, 2021:

	2021	2020
Balance at beginning of the year, January 1, 2021	\$ 100,045	\$ 126,766
Purchases	91,028	4,527
Sales and maturities	(40,097)	(32,174)
Foreign exchange losses	(882)	926
Balance at end of year, December 31, 2021	<u>\$ 150,094</u>	<u>\$ 100,045</u>

Included in net investment income is \$0.3 million of expenses (2020: \$0.4 million) related to these mortgage loans.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

9. Intangible assets

The carrying amount of identifiable intangible assets as at December 31, 2021 and 2020 arising from acquisitions consist of the following:

	Carrying value		Economic useful life
	2021	2020	
Insurance licenses - AGHBL	\$ 6,375	\$ 6,375	Indefinite
Insurance licenses - SPARTA	6,375	6,375	Indefinite
	<u>\$ 12,750</u>	<u>\$ 12,750</u>	

On the acquisition of AGHBL during March 2014, the Company acquired U.S. insurance licenses to operate in all 50 states plus a Washington D.C. admitted insurance license for Alea North America Insurance Company ("ANAIC"). These licenses were valued at \$6.4 million as of the date of acquisition.

Through the acquisition of SPARTA during September 2014, AHUSCO acquired licenses to operate in various states. The Company determined the value of the SPARTA licenses at \$6.4 million as of the date of acquisition.

No impairment expense has been recognized on the intangible assets.

10. Outstanding losses and loss expenses

Outstanding losses and loss expenses as of December 31, 2021 and 2020 are as follows:

Gross Reserves	2021	2020
Case reserves	\$ 1,467,390	\$ 1,763,325
Incurred but not reported	2,479,028	2,129,516
Structured settlements	266,716	288,590
Life reserves	5,774	10,606
Unamortized fair value adjustment	(40,443)	(93,340)
Deferred gain	26,213	34,086
	<u>\$ 4,204,678</u>	<u>\$ 4,132,783</u>

The fair value adjustments represent the unamortized difference between the carrying value of reserves of acquired companies at the date of acquisition and the fair value of the reserves. The fair value of the outstanding losses and loss expenses was based on the estimated timing of reserve settlements discounted at a risk free rate and a risk margin determined by management.

The deferred gain in 2021 relates primarily to the Zurich Employers Liability LPT and the new UK home warranty transaction. This was offset by the deferred charge on the Arch LPT, the 65% Quota-Share Reinsurance Agreement of German medical malpractice assumed by Catalina Insurance Ireland dac ("CII") and the new PartnerRe ADC transaction.

The deferred gain in 2020 relates primarily to the loss portfolio transfer of Employers Liability business assumed by CatGen from Zurich Employers Liability LPT, and the marine loss portfolio transfer assumed by Glacier Re from the Delta Lloyd Group. These gains are offset by charges related to the loss portfolio transfer assumed by CatGen from Arch LPT, the loss portfolio transfer assumed by CII from Zurich and the loss portfolio transfer assumed by ANAIC from SFMI.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

The following table represents the activity in outstanding losses and loss expenses for the years ended December 31, 2021 and 2020:

	2021	2020
Gross outstanding losses and loss expenses, beginning of year	\$ 4,132,783	\$ 3,610,537
Less reinsurance recoverable, beginning of year	(1,465,568)	(1,414,002)
Net losses and loss expenses, beginning of year	2,667,215	2,196,535
Net losses and loss expenses assumed during the year	663,482	811,090
Net incurred losses related to:		
Current year	(44)	63,486
Prior years	(2,052)	37,804
	(2,096)	101,290
Net paid losses related to:		
Current year	(115)	(252,761)
Prior years	(406,141)	(280,451)
	(406,256)	(533,212)
Foreign exchange losses	(70,350)	91,512
Net losses and loss expenses, end of year	2,851,995	2,667,215
Reinsurance recoverable, end of year	1,352,683	1,465,568
Gross outstanding losses and loss expenses, end of year	<u>\$ 4,204,678</u>	<u>\$ 4,132,783</u>

During the year ended December 31, 2021, the Company experienced \$2.1 million net favorable loss and loss adjustment expense development, primarily driven by favorable development in Glacier Re and ACR portfolios. This was offset by adverse development in U.S. Casualty including Asbestos and Pollution at CWIL.

During the year ended December 31, 2020, the Company experienced net unfavorable loss development of \$37.8 million related to prior year net incurred losses. There was adverse development of \$16.2 million on the U.S. Casualty portfolios at CWIL. There was a \$27.5 million loss on the German medical malpractice LPT assumed by CII from ZUrich, largely due to the release of a deferred loss. This was offset by \$8.6 million of favorable development due within the Company's Employers' Liability portfolio assumed by CatGen from Zurich Employers Liability LPT and AGF.

a. Actuarial Methodology and Methods for Establishing Reserves

The Company uses both historical experience and industry-wide loss development factors to provide a reasonable basis for estimating future losses. In the future, certain events may be beyond the control of management, such as changes in law, judicial interpretations of law and inflation which may favorably or unfavorably impact the ultimate settlement of the Company's loss and loss adjustment reserves.

The process of establishing reserves can be complex and is subject to considerable variability, as it requires the use of judgement to make informed estimates. These estimates are based on numerous factors and may be revised, as additional experience and other data becomes available, and reviewed, as new improved methodologies are developed or as current laws change.

The Company utilizes a variety of standard actuarial methods in its analysis of loss reserves. The selections from these various methods are based on the loss development characteristics of the specific line of business and significant actuarial judgement. The main actuarial methods the Company utilizes are:

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

- *Reported development method* is based upon the assumption that the relative change in a given year's reported loss estimates from one evaluation point to the next is similar to the relative change in prior years' reported loss estimates at similar evaluation points. In utilizing this method, actual annual historical reported loss data is evaluated. Successive years can be arranged to form a triangle of data. Age to Age ("ATA") development factors are calculated to measure the change in cumulative reported costs from one evaluation point to the next. These historical ATA factors and comparable benchmark factors form the basis for selecting ATA factors used in projecting the current valuation of losses to an ultimate basis. In addition, a potential tail factor is based on trends shown in the data and consideration of external benchmarks. This method's implicit assumption is that the relative adequacy of case reserves has been consistent over time, and that there have been no material changes in the rate at which claims have been reported.

- *The paid development method* is similar to the reported development method, however, case reserves are excluded from the analysis. While this method has the disadvantage of not recognizing the information provided by the current case reserves, it has the advantage of avoiding potential distortions in the data due to changes in case reserving methodology. This method's implicit assumption is that the rate of payment of claims has been relatively consistent over time.

- *The expected loss ratio method* calculates the ultimate loss projections based upon some prior measure of the anticipated losses, usually relative to some measure of exposure, such as premiums, revenues, or payroll. An expected loss ratio (or loss cost/pure premium) is applied to the measure of exposure to determine estimated ultimate losses for each year. Actual losses are not considered in this calculation. This method has the advantage of stability over time because the ultimate loss estimates do not change unless the exposures of pure premiums change. However, this advantage of stability is offset by a lack of responsiveness since this method does not consider actual loss experience as it emerges. This method is based on the assumption that the expected loss ratio per unit of exposure is a good indication of ultimate losses and it is often dependent on pricing assumptions.

- *Reported Bornhuetter-Ferguson ("BF-IBNR") method* is essentially a blend of two other methods. The first method is the loss development method whereby actual reported losses are multiplied by an expected loss development factor. For slow reporting coverages, the loss development method can lead to erratic and unreliable projections because a relatively small swing in early reporting can result in a large swing in ultimate projections. The second method is the expected loss method whereby the estimate for the incurred but not reported losses ("IBNR") equals the difference between a predetermined estimate of expected losses and actual reported losses. This has the advantage of stability, but it does not respond to actual results as they emerge. The reported BF-IBNR method contains these two methods by setting ultimate losses equal to actual reported losses plus expected unreported losses. As an experience year matures and expected unreported losses become smaller, the initial expected loss assumption becomes gradually less important.

- *Paid Bornhuetter-Ferguson method* is analogous to the reported BF-IBNR method using paid losses and development patterns in place of reported losses and patterns.

- *The frequency / severity method* calculates ultimate losses by separately projecting ultimate claim frequency (claims per exposure) and ultimate claim severity (cost per claim) for each experience period. Typically, loss development methods are used to project ultimate frequency and severity based on historical data. Ultimate losses are calculated as the product of the two items. This method is intended to avoid distortions that may exist with the other methods for the most recent years as the result of changes in case reserve levels, settlement rates, etc. In addition, it may provide insight into the drivers of the loss experience.

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

- *The Workers' Compensation ("WC") tabular method* is designed to evaluate the value associated with a block of workers compensation claims. It is tailored for modelling claims with mortality exposure such as permanent total, permanent partial and death claims. The approach in the model is designed for evaluating existing claims, not IBNR claims. The model projects future estimate of medical and indemnity costs taking into consideration, life expectancy (including impairment and sex – male/female), medical inflation, as well as indemnity inflation. The annual medical inflation rate is assumed to be 2%. Indemnity benefits are only inflated if the specific state calls for future indemnity benefits to be indexed.

- *The Period Payment Order ("PPO") or annuity method* is designed to evaluate the value associated with a block of PPOs and/or annuity claims and it is tailored for modelling lifetime claims. The assumed annual inflation trend for UK PPO's is based on the historical UK Consumer Price Index ("CPI"). The assumed annual inflation trend for German Medical Malpractice annuity claims is based off the historical German CPI. The life expectancy is based on UK and German Life Tables. The normal life expectancy is adjusted due to an impairment of a claimant that is expected to shorten his/her life below a normal life expectancy for his/her age based on medical evaluation of each claimant by medical experts.

On PPOs and annuities, due to the long delay from when a claim is settled and when the final payment will be made, the outstanding claims are discounted to take account of investment income expected to be earned to the final payment date. For 2021, the Company discounts its PPO claims at a real discount rate of 0.0% (2020: 0.0%) and annuities at a real discount rate of 0.3% (2020: 0.3%). For known PPO claims and annuities, cash flows were projected in accordance with the claimants' life expectancy adjusted for specific information on any impairments that the claimant may have that may impact their life expectancy. These cash flows are then discounted to the valuation date at an assumed discount rate. The Company has discounted the cash flows as management is of the opinion that estimating undiscounted reserves for PPO claims and annuities is neither reliable nor representative of the underlying value of the losses. The unreliability stems from the significant uncertainty involved in estimating an absolute level of indexation. Management believes that discounting cash flows using a real yield assumption based on the relationship of investment returns relative to inflation indices is more reliable in the long term.

- *U.S. Asbestos Projection method* is based on ground up exposure evaluation based on a model ("Asbestos Model") consisting of insureds' ultimate liabilities applied to their respective coverage charts. The Asbestos Model makes use of future claim filing patterns extending beyond 2050 developed by researchers using data from the Manville Trust and based on epidemiological studies of asbestos related diseases. Projection of future claims (filing) and cost per claim (severity) is based on the most recent experience of each underlying insured's trends. These estimated costs are then spread over applicable years of coverage after allowing for impact of policy language, state and federal court decisions and legislation. The costs are then applied to the insured's policy limits and attachment points that HFPI (CWIL) participated on. The Company's Asbestos Model was only used to estimate HFPI's (CWIL's) U.S. Asbestos losses for the Direct and Assumed Reinsurance books. On all other acquired portfolios, the Company has relied on Benchmarking methods to estimate the U.S. Asbestos losses.

- *U.S. Pollution Projection method* is a ground-up exposure evaluation of individual assessments of the ultimate liabilities from the most significantly exposed insureds to U.S. Pollution. The individual assessments involve the analysis of the costs of investigation and clean-up costs based upon attorney, cedant and consultant estimates. These costs are then spread over applicable years of coverage after allowing for the impact of policy language, state and federal court decisions and legislation. The costs are then applied to the insureds' policy limits and deductibles that The Company participated on. The Company's internal U.S. Pollution model was only used to estimate HFPI's (CWIL's) U.S. Pollution losses for the Direct and Assumed Reinsurance books.

- For the Company's exposure to U.S. A&E from other acquired portfolios, the methodologies are based on Industry benchmarks (*Survival Ratio and IBNR to Case Ratio methods*). For UK EL Asbestos, the Company's reserve estimate relies on a Frequency / Severity methodology. The Company's pattern of future reported asbestos claim counts (particularly mesothelioma) are modelled using the publicly available "2020 AWP model", which was developed by the Institute and Faculty of Actuaries ("IFoA") UK Asbestos Working Party ("AWP"). Further, the

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Company has adopted the model updates released in 2019, including additional allowance for claimants over age 90 and claims beyond 2050.

Management believes that the assumptions used represent a realistic and appropriate basis for estimating the outstanding losses and loss expenses as of December 31, 2021 and 2020. However, these assumptions are subject to change and the Company regularly reviews and adjusts its reserve estimates and reserving methodologies taking into account all currently known information and updated assumptions related to unknown information.

b. Short Duration Contract Disclosures

The Company has disaggregated its claims information presented in the tables below by the business acquisition year. The development is presented by accident year, net of reinsurance, from the last nine calendar years. Only nine years of information has been presented as it was impractical to obtain sufficiently detailed additional information on earlier years.

The following tables set forth information about incurred and paid claims developments as of December 31, 2021, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts, related to the Company's 2013 through 2021 acquisition years. The Company being a run-off reinsurer, the claim counts were available on a very limited basis and therefore they have not been provided in the tables below as it was impractical to do so.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2013:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

For the years ended December 31,												December 31, 2021	
Accident Year	Total net Reserves Acquired	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2011 and prior	\$ 164,134	\$ —	\$ 164,134	\$ 157,923	\$ 151,809	\$ 148,436	\$ 151,707	\$ 151,666	\$ 152,199	\$ 155,018	\$ 156,171	\$ 9,935	n/a
2012	27,310	—	27,310	25,980	25,431	25,130	25,941	25,896	25,961	26,193	26,193	565	n/a
2013	41,983	—	41,983	39,939	39,096	38,632	39,879	39,809	39,904	40,251	40,251	843	n/a
2014	14,673	—	14,673	13,959	13,664	13,502	13,938	13,913	13,944	14,058	14,058	278	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	\$ 248,100										\$ 236,673	\$ 11,621	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the years ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
2011 and prior	\$ —	\$ 18,145	\$ 50,174	\$ 70,821	\$ 88,750	\$ 111,663	\$ 110,614	\$ 113,430	\$ 120,756	\$ 128,349
2012	—	4,300	10,284	13,560	17,103	19,296	21,011	21,770	22,971	23,576
2013	—	6,611	15,809	20,845	26,293	29,664	32,250	33,736	35,442	36,345
2014	—	2,310	5,525	7,286	9,190	10,368	11,239	11,967	12,471	12,769
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
Total									\$ 201,039	\$ 35,634
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										\$ 35,634

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2014:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

Accident Year	Total net Reserves Acquired	For the years ended December 31,										December 31, 2021	
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2011 and prior	\$ 535,363	\$ —	\$ —	\$ 520,863	\$ 517,939	\$ 505,079	\$ 490,991	\$ 479,620	\$ 460,318	\$ 454,118	\$ 449,069	\$ 26,102	n/a
2012	84,056	—	—	84,056	91,490	95,775	95,304	96,926	96,024	96,402	96,234	1,823	n/a
2013	169,870	—	—	169,870	179,619	197,861	199,913	199,372	199,253	200,262	200,202	3,930	n/a
2014	123,885	—	—	123,885	124,523	146,978	149,223	146,823	147,588	147,414	148,324	3,174	n/a
2015	38,071	—	—	38,071	36,394	44,892	44,614	44,377	44,359	43,554	44,356	1,066	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	\$ 951,245										\$ 938,185	\$ 36,095	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the years ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
2011 and prior	\$ —	\$ —	\$ 145,097	\$ 234,338	\$ 277,579	\$ 297,680	\$ 324,549	\$ 334,036	\$ 342,470	\$ 352,617
2012	—	—	50,292	65,720	76,911	83,815	88,110	90,582	91,554	92,275
2013	—	—	87,582	120,635	146,950	169,006	178,449	185,647	189,542	191,665
2014	—	—	47,726	72,968	95,718	119,104	128,239	136,091	139,694	141,430
2015	—	—	10,436	18,053	25,679	33,913	37,900	41,026	41,706	42,040
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
Total									\$ 820,027	\$ 118,158

Total outstanding liabilities for unpaid losses and LAE, net of reinsurance

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2015.

Inurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

Accident Year	Total net Reserves Acquired	For the years ended December 31,										December 31, 2021	
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2011 and prior	\$ 569,715	\$ —	\$ —	\$ —	\$ 527,115	\$ 465,715	\$ 443,421	\$ 426,530	\$ 417,996	\$ 418,691	\$ 417,855	\$ 50,039	n/a
2012	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2013	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	\$ 569,715										\$ 417,855	\$ 50,039	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the years ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2011 and prior	\$ —	\$ —	\$ —	\$ 194,055	\$ 240,065	\$ 251,964	\$ 296,721	\$ 313,745	\$ 313,712	\$ 335,205
2012	—	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
Total									\$ 335,205	
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance									\$ 82,650	

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2016:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

Accident Year	Total net Reserves Acquired	For the years ended December 31,										December 31, 2021	
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2011 and prior	\$ 201,229	\$ —	\$ —	\$ —	\$ —	\$ 201,129	\$ 199,508	\$ 198,338	\$ 201,950	\$ 210,604	\$ 216,880	\$ 112,086	n/a
2012	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2013	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	\$ 201,229										\$ 216,880	\$ 112,086	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the years ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2011 and prior	\$ —	\$ —	\$ —	\$ —	\$ 9,927	\$ 9,204	\$ 41,023	\$ 51,048	\$ 56,018	\$ 75,731
2012	—	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
Total										\$ 75,731
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										\$ 141,149

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2017:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

Accident Year	Total net Reserves Acquired	For the years ended December 31,										December 31, 2021	
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2011 and prior	\$ 609,959	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 597,959	\$ 586,180	\$ 586,704	\$ 594,878	\$ 602,322	\$ 234,904	n/a
2012	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2013	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	\$ 609,959										\$ 602,322	\$ 234,904	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the years ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2011 and prior	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,913	\$ 55,224	\$ 106,373	\$ 159,718	\$ 207,110
2012	—	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
Total										\$ 207,110
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										\$ 395,212

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2018:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

For the years ended December 31,												December 31, 2021	
Accident Year	Total net Reserves Acquired	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2011 and prior	\$ 581,561	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 581,561	\$ 580,795	\$ 638,754	\$ 643,748	\$ 9,901	n/a
2012	20,348	—	—	—	—	—	—	20,348	20,460	19,656	19,661	304	n/a
2013	61,879	—	—	—	—	—	—	61,879	62,207	61,388	61,568	952	n/a
2014	79,684	—	—	—	—	—	—	79,684	80,359	79,603	81,215	1,256	n/a
2015	76,093	—	—	—	—	—	—	76,093	77,040	76,149	77,906	1,205	n/a
2016	66,286	—	—	—	—	—	—	66,286	66,530	66,083	66,330	1,026	n/a
2017	43,506	—	—	—	—	—	—	43,506	42,234	41,885	42,008	650	n/a
2018	17,068	—	—	—	—	—	—	17,068	16,986	16,934	17,265	267	n/a
2019	1,907	—	—	—	—	—	—	1,907	3,224	3,482	3,693	57	n/a
2020	—	—	—	—	—	—	—	—	370	826	1,233	19	n/a
2021	—	—	—	—	—	—	—	—	—	197	604	9	n/a
Total	\$ 948,332										\$1,015,231	\$ 15,646	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the years ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2011 and prior	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 175,465	\$ 246,257	\$ 279,926	\$ 354,994
2012	—	—	—	—	—	—	9,615	13,692	13,616	14,954
2013	—	—	—	—	—	—	31,077	41,956	52,759	53,674
2014	—	—	—	—	—	—	42,818	55,765	68,180	66,256
2015	—	—	—	—	—	—	39,149	52,843	57,154	59,507
2016	—	—	—	—	—	—	29,376	42,411	40,901	55,193
2017	—	—	—	—	—	—	17,148	25,156	23,903	34,983
2018	—	—	—	—	—	—	5,927	9,232	12,827	13,708
2019	—	—	—	—	—	—	362	1,165	2,005	2,478
2020	—	—	—	—	—	—	—	19	306	574
2021	—	—	—	—	—	—	—	—	6	65
Total									\$ 656,386	\$ 358,845
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										\$ 358,845

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2019:

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance												December 31, 2021	
Accident Year	Total net Reserves Acquired	For the years ended December 31,										Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2011 and prior	\$ 792,819	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 782,850	\$ 757,867	\$ 766,488	\$ 516,732	n/a
2012	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2013	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	\$ 792,819										\$ 766,488	\$ 516,732	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance										
Accident Year	For the years ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2011 and prior	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 21,957	\$ 58,697	\$ 124,477
2012	—	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
Total									\$ 124,477	
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance									\$ 642,011	

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2020:

Incurring Losses and Loss Expenses, and IBNR, Net of Reinsurance

Accident Year	Total net Reserves Acquired	For the years ended December 31,										December 31, 2021	
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2011 and prior	\$ 200,958	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 200,958	\$ 196,820	\$ 4,171	n/a
2012	119,873	—	—	—	—	—	—	—	—	59,936	58,699	1,009	n/a
2013	61,442	—	—	—	—	—	—	—	—	90,657	88,780	1,905	n/a
2014	81,252	—	—	—	—	—	—	—	—	71,347	69,873	4,779	n/a
2015	67,087	—	—	—	—	—	—	—	—	74,170	72,646	6,488	n/a
2016	70,361	—	—	—	—	—	—	—	—	68,724	67,338	4,918	n/a
2017	55,195	—	—	—	—	—	—	—	—	62,778	61,524	5,960	n/a
2018	61,653	—	—	—	—	—	—	—	—	58,424	57,240	14,643	n/a
2019	56,319	—	—	—	—	—	—	—	—	58,986	57,778	19,482	n/a
2020	56,138	—	—	—	—	—	—	—	—	56,187	55,015	22,594	n/a
2021	—	—	—	—	—	—	—	—	—	28,069	27,510	14,455	n/a
Total	\$ 830,278										\$ 813,223	\$ 100,404	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the years ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2011 and prior	—	—	—	—	—	—	—	—	54,607	85,674
2012	—	—	—	—	—	—	—	—	16,287	25,451
2013	—	—	—	—	—	—	—	—	24,635	38,359
2014	—	—	—	—	—	—	—	—	19,388	30,268
2015	—	—	—	—	—	—	—	—	20,154	31,723
2016	—	—	—	—	—	—	—	—	18,675	30,107
2017	—	—	—	—	—	—	—	—	17,059	27,845
2018	—	—	—	—	—	—	—	—	15,876	25,434
2019	—	—	—	—	—	—	—	—	16,028	25,336
2020	—	—	—	—	—	—	—	—	15,268	23,519
2021	—	—	—	—	—	—	—	—	7,627	11,375
Total									\$ 355,091	\$ 458,132

Total outstanding liabilities for unpaid losses and LAE, net of reinsurance

\$ 458,132

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

Business acquired and contracts incepting in the year ended December 31, 2021:

Inurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

Accident Year	Total net Reserves Acquired	For the years ended December 31,										December 31, 2021	
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2011 and prior	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	n/a
2012	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2013	53,000	—	—	—	—	—	—	—	—	—	26,788	27,882	n/a
2014	53,000	—	—	—	—	—	—	—	—	—	55,765	55,765	n/a
2015	53,000	—	—	—	—	—	—	—	—	—	55,765	55,765	n/a
2016	114,279	—	—	—	—	—	—	—	—	—	86,036	85,146	n/a
2017	123,267	—	—	—	—	—	—	—	—	—	120,746	118,836	n/a
2018	128,666	—	—	—	—	—	—	—	—	—	127,854	125,734	n/a
2019	89,390	—	—	—	—	—	—	—	—	—	109,418	107,021	n/a
2020	—	—	—	—	—	—	—	—	—	—	44,157	42,859	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	\$ 614,602										\$ 626,529	\$ 619,008	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the years ended December 31,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2011 and prior	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2012	—	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	309	—
2017	—	—	—	—	—	—	—	—	663	—
2018	—	—	—	—	—	—	—	—	736	—
2019	—	—	—	—	—	—	—	—	832	—
2020	—	—	—	—	—	—	—	—	451	—
2021	—	—	—	—	—	—	—	—	—	—
Total									\$ 2,991	
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										\$ 623,538

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

10. Outstanding losses and loss expenses (continued)

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

	2021
Net losses and loss expenses	
Surety	\$ 120,339
Health	166,855
International Casualty	1,200,093
Property	444,847
U.S. Casualty	737,861
U.S. Professional	41,635
Other lines	143,701
Total net outstanding losses and loss expenses	2,855,331
Loss reserves recoverable	
Surety	13,719
Health	9,154
International Casualty	883,283
Property	34,366
U.S. Casualty	78,698
U.S. Professional	6
Other lines	29,567
Total loss reserves recoverable	1,048,793
Unallocated loss adjustment expenses	63,337
Deferred gain	26,212
Structured settlements and other adjustments	211,005
Total gross outstanding losses and loss expenses	\$ 4,204,678

c. Annual Historical Duration of Claims

The following unaudited supplementary information represents the average annual percentage payout of net loss and LAE by age, net of reinsurance, by year of acquisition, at December 31, 2021:

	Average annual payout incurred claims since year of acquisition, net of reinsurance								
Year of acquisition	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	0.5 %	6.8 %	8.9 %	10.6 %	11.6 %	13.4 %	14.2 %	16.3 %	17.6 %
2013	0.3 %	5.0 %	7.2 %	9.2 %	11.1 %	14.3 %	15.7 %	18.3 %	19.0 %
2014	— %	2.7 %	4.7 %	6.7 %	8.8 %	15.4 %	17.8 %	21.3 %	22.6 %
2015	— %	— %	— %	— %	— %	14.0 %	20.0 %	29.4 %	36.6 %
2016	— %	— %	— %	— %	— %	12.8 %	18.9 %	24.8 %	43.5 %
2017	— %	— %	— %	— %	— %	9.9 %	14.3 %	33.0 %	42.9 %
2018	— %	— %	— %	— %	— %	1.3 %	4.2 %	37.0 %	57.5 %
2019	— %	— %	— %	— %	— %	— %	0.1 %	37.9 %	62.0 %
2020	— %	— %	— %	— %	— %	— %	— %	39.7 %	60.3 %
2021	— %	— %	— %	— %	— %	— %	— %	(22.9)%	122.9 %

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

11. Reinsurance recoverable on paid and unpaid losses

Outstanding losses and loss expenses recoverable as of December 31, 2021 and 2020 are as follows:

Recoverables	2021	2020
Case reserves	\$ 322,729	\$ 419,100
Incurred but not reported	763,238	800,360
Structured settlements	266,716	288,590
Unamortized fair value adjustment	—	(42,482)
	<u><u>\$ 1,352,683</u></u>	<u><u>\$ 1,465,568</u></u>

The fair value of the outstanding losses and loss expenses recoverable was based on the estimated timing of reserve settlements discounted at a risk-adjusted rate determined by management reflecting credit risk and duration. The fair value adjustments are amortized over the estimated payout period using the constant yield method.

The Company, through its Canadian branch, has assumed ownership of certain structured settlements and has purchased annuities from life insurance companies to provide fixed and recurring payments to the claimants. The gross liability for the structured settlements is fully recoverable from the life insurance companies resulting in no net liability to the Company. These annuities are fully funded and were purchased from Canadian life insurance companies with an S&P Global Ratings ("S&P") Financial Strength Rating of A+ and higher. In the event of the life insurance companies being unable to meet their obligations under the structured settlements to the Company, 85% of the total exposure is recoverable from the Canada Life and Health Insurance Compensation Corporation, under Canadian Federal regulation, leaving a net credit risk exposure of approximately \$40.0 million.

Top Reinsurers

The balance of reinsurance recoverable on paid and unpaid losses at December 31, 2021 and 2020 was distributed based on the ranking and ratings of the reinsurers:

	2021	2020
Top 5 reinsurers	\$ 1,065,352	\$ 1,198,190
Other reinsurers	287,331	267,378
	<u><u>\$ 1,352,683</u></u>	<u><u>\$ 1,465,568</u></u>

Rating	2021		2020	
	\$	%	\$	%
A+ and above	\$ 576,420	42.6 %	\$ 714,419	48.7 %
A	34,261	2.5 %	63,335	4.3 %
A- and below	16,804	1.2 %	6,601	0.5 %
Not rated (*)	725,198	53.7 %	681,213	46.5 %
	<u><u>\$ 1,352,683</u></u>	<u><u>100.0 %</u></u>	<u><u>\$ 1,465,568</u></u>	<u><u>100.0 %</u></u>

(*) Out of the total reinsurance recoverable balance of non rated reinsurers, 91.3% (2020: 90.2%) pertains to Elbow Re Ltd and it's fully collateralized. Refer to "Note 17 " Related party transactions.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

12. Debt obligations

The Company's debt obligations as of December 31, 2021 and 2020 were as follows:

Facility	Issuing Entity	2021	2020
Real Estate Investment Term Loan Facilities	Oxenwood/ Propco	\$ 84,100	\$ 16,848
Revolving Credit Facility due 2025	CHBL	319,832	450,751
Term Loan Facility due 2022	CHBL	—	200,000
Total loans payable		403,932	667,599
Mezzanine loans due to minority interest	Oxenwood	709	403
Subordinated Notes due 2027	CII	26,849	28,731
Subordinated Notes due 2027	CatGen	45,500	45,500
Subordinated Notes due 2028	CatGen	25,000	25,000
Subordinated Notes due 2030	CHBL	24,214	26,014
Subordinated Notes due 2031	CHBL	42,630	45,799
Subordinated Notes due 2031	CHBL	75,000	50,000
Subordinated Notes due 2035	CHBL	74,993	74,504
Subordinated Notes due 2035	Glacier	13,012	12,642
Trust Preferred Shares due 2035	AHUSCO	102,587	98,678
Total long term subordinated debt		430,494	407,271
Total debt obligations		\$ 834,426	\$ 1,074,870

The Company utilized the proceeds from its debt obligations for acquisitions, new business, purchase of real estate investments and general corporate purposes.

a. Real Estate Investment Term Loan Facilities

On December 20, 2021, the Company's Oxenwood subsidiaries entered into a Term Loan Facility Agreement with National Westminster Bank plc ("NatWest"), in order to partially fund the purchase of real estate investments. £51.5 million was drawn on the total commitment of £56.8 million. The loan accrues interest daily and is calculated using a floating rate comprised of a margin plus the Sterling Overnight Index Average ("SONIA"). These term loans mature in 2024 and 2025 and are secured by a first ranking legal charge over the properties.

In 2020, the Company's Newport and Swansea subsidiaries entered into a Term Loan Facility Agreement with Allied Irish Bank ("AIB"), in order to fund their purchase of real estate investments. These term loans mature in 2024 and 2025 and are secured by a first ranking legal charge over the properties.

Each of the Real Estate Investment Term Loan Facility Agreements has financial covenants in relation to net rental income interest cover and loan to value. During 2021 and 2020, each of the Oxenwood and Propco subsidiaries was in compliance with all covenants under their respective Term Loan Facility Agreements.

For the year ended December 31, 2021, interest expense on these loans was \$0.5 million (2020: \$2.5 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

b. Revolving Credit Facilities and Term Loan

On February 28, 2020, the Company entered into a five year \$650 million Revolving Credit Facility and a two year \$200 million Term syndicated Loan Agreement with NatWest and other banks. The revolving credit facility matures in February 2025. The term loan was repaid in full on May 27, 2021. The agreement was mostly recently amended on October 6, 2021. The loans under the facility bear interest at a rate based on the Company's senior gearing. The reference rates for term rate loans are LIBOR for US dollar denominated term rate loans and EURIBOR for Euro denominated term rate loans, and for GBP denominated compounded rate loans the reference rate is SONIA.

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

12. Debt obligations (continued)

In connection with entering this agreement in 2020, the Company terminated and fully repaid the previous \$550.0 million revolving credit facility agreement originally entered into on August 12, 2014 and most recently amended on April 18, 2017.

The entire facility is available to be utilized by the Company for permitted investments and for general corporate purposes. The agreement provides a right, subject to satisfying certain conditions, to increase the size of the revolving credit facility to \$750 million. The total outstanding loans under the revolving credit facility as of December 31, 2021 were \$319.8 million (2020: \$450.8 million) comprised of loans of \$115.5 million and £151.0 million (\$204.3 million). As at December 31, 2021, \$330.2 million of unutilized capacity was available under the facility. Subsequent to December 31, 2021, the Company repaid \$15.0 million and €10.0 million (\$13.5 million), bringing the unutilized capacity under this facility to \$358.7 million.

The Company's Revolving Credit Facility and Term Loan Agreement has financial covenants in relation to maximum gearing ratios and minimum aggregate group regulatory capital. During the years 2021 and 2020, the Company was in compliance with all covenants under the agreement.

For the year ended December 31, 2021, interest expense on these loans was \$20.3 million (2020: \$29.1 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

c. CII Subordinated Notes due 2027

On December 14, 2016, CII issued €23.8 million (\$28.7 million) principal amount of floating rate unsecured subordinated notes due January 5, 2027. Effective December 23, 2019 the terms and conditions of the notes were amended to allow the Group to recognize the notes as Tier 2 Capital. The notes bear interest based on EURIBOR plus a margin of 7.95%, with interest payable quarterly. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CII.

Interest expense on the notes for the year ended December 31, 2021 was \$2.2 million (2020: \$2.1 million) and is included within interest expense in the consolidated statement of income and comprehensive income (loss).

d. CatGen Subordinated Notes due 2027 and 2028

On May 5, 2017, CatGen issued \$45.5 million principal amount of floating rate unsecured subordinated notes due on May 5, 2027. The notes bear interest based on LIBOR (or agreed replacement benchmark) plus a margin of 7.55%, with interest payable quarterly. The notes may be redeemed in whole but not in part by CatGen prior to maturity on any interest payment date on or after June 30, 2022, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CatGen.

On March 16, 2018, CatGen issued \$25.0 million principal amount of floating rate unsecured subordinated notes. The notes bear interest based on LIBOR (or agreed replacement benchmark) plus a margin of 7.10%, with interest payable each quarter. The notes may be redeemed in whole but not in part by CatGen prior to maturity on any payment interest date on or after March 16, 2023, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CatGen.

Interest expense on CatGen's 2027 and 2028 notes for the year ended December 31, 2021 was \$5.4 million (2020: \$6.0 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

12. Debt obligations (continued)

e. Company Subordinated Notes due 2030, 2031, 2035

On December 5, 2019 the Company issued €21.3 million principal amount of floating rate unsecured subordinated notes due January 5, 2030. The notes bear interest based on EURIBOR (or agreed replacement benchmark) plus a margin of 6.2%, with interest payable quarterly. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, *pari passu* without any preference among themselves, and in priority to holders of any undated subordinated obligations of the Company.

On December 12, 2019, the Company entered into an exchange and purchase arrangement whereby CHBL issued \$54.0 million and €26.0 million principal amount of floating rate unsecured subordinated notes due in 2035 and purchased the same principal amounts of notes originally issued by Glacier Re. The Company notes bear interest based on LIBOR or EURIBOR (or agreed replacement benchmarks) plus a margin between 4% and 4.7%, with interest payable quarterly. The notes may be redeemed, in whole or in part, by the Company prior to maturity on any interest payment date on or after December 12, 2024, subject to certain conditions. The notes constitute direct, unconditional, unsecured and subordinated obligations of the Company. In 2019 these notes were exchanged at fair value and subsequently carried at amortized cost.

On December 16, 2020, the Company issued €37.5 million principal amount of floating rate unsecured subordinated notes due January 5, 2031. The notes bear interest based on EURIBOR (or agreed replacement benchmark) plus a margin of 6.825%, with interest payable quarterly. The notes may be redeemed in whole, but not in part, by the Company prior to maturity on any interest payment date on or after December 16, 2020, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, *pari passu* without any preference among themselves, and in priority to holders of any undated subordinated obligations of the Company.

On December 29, 2020, the Company issued \$50.0 million principal amount of floating rate unsecured subordinated notes due February 28, 2031. Interest on the notes is based on LIBOR (or agreed replacement benchmark) plus a margin of 6.75%, with interest payable quarterly. The notes may be redeemed in whole, but not in part, by the Company prior to maturity on any interest payment date on or after February 28, 2020, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, *pari passu* without any preference among themselves, and in priority to holders of any undated subordinated obligations of the Company. On February 17, 2021, the Company issued a further \$25.0 million principal amount of these notes under the same terms.

Interest expense in connection with CHBL's notes was \$14.3 million for the year ended December 31, 2021 (2020: \$10.4 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

f. Glacier Re Subordinated Notes due 2035

Prior to its acquisition by the Company, Glacier Re issued a total of \$68.0 million and €26.0 million principal amount of floating rate unsecured subordinated notes due in 2035. The notes include options for Glacier Re for partial or full early repayment, respectively, and to defer interest for up to 20 consecutive quarters but not beyond the maturity date of the respective notes. The notes rank *pari passu* without any preference among themselves and do not contain any covenants concerning financial ratios or specified levels of net worth or liquidity. On December 12, 2019, the Company entered into an exchange and purchase arrangement with holders of the notes whereby the Company purchased \$54.0 million and €26.0 million principal amount of the notes. The remaining notes totaling \$14.0 million issued by Glacier Re are due in 2035. The remaining notes bear interest based on LIBOR plus a margin of 3.70%.

Interest expense in connection with the GlacierRe notes was \$0.6 million for the year ended December 31, 2021 (2020: \$0.7 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

12. Debt obligations (continued)

g. AHUSCO TruPS due 2035

Prior to its acquisition by the Company, AHUSCO issued a total of \$120 million of TruPS. The TruPS were issued by three Delaware trusts established by AHUSCO and provide for a preferred dividend at a rate of 3-month LIBOR plus a margin of 2.85%. These securities allow for the postponement of preferred dividends under certain circumstances for up to five years. The TruPS carry no financial covenants or cross default covenants, have fixed maturities in 2034 and 2035 and are currently callable. The holders of the TruPS may not put the securities prior to their maturity dates.

Interest expense on the TruPS for the year ended December 31, 2021 was \$3.7 million (2020: \$4.4 million) and is included within interest expense in the consolidated statement of income and comprehensive income (loss).

Total interest expense in connection with the Company's debt facilities and long-term subordinated debt was \$46.9 million for the year ended December 31, 2021 (2020: \$55.6 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

As at December 31, 2021 and 2020, the Company was in compliance with all covenants under the debt obligations.

13. Concentrations, commitments and contingencies

a. Concentrations of credit risk

As of December 31, 2021 and 2020, substantially all of the Company's cash and cash equivalents, and investments were held by thirty-three custodians (2020: twenty-one). Management monitors the credit ratings of these custodians and believes them to be of high credit quality. The Company's investment portfolio is primarily managed by external investment advisors in accordance with the Company's investment guidelines. The Company limits its exposure to any single issuer to 5% or less of the total portfolio's market value at the time of purchase, with the exception of government and agency securities of G-7 countries. Additionally, the 5% limit does not include funds comprised of investments, provided that no single underlying investment in the fund can exceed the relevant limitation set by the Company's Board, or as expressly approved by the Company's Board prior to investment. As of December 31, 2021, the largest single issuer, not including the above, accounted for 3.2% (2020: 1.4%) of the aggregate fair value of the Company's invested assets. As of December 31, 2021, the Company's fixed maturity investments had a weighted average S&P credit rating of BBB+ (2020: BBB+).

At December 31, 2021, the Company had a provision for uncollectible premiums receivable of \$30.6 million (2020: \$6.4 million).

Reinsurance assets due from reinsurers include outstanding losses and loss expenses recoverable and deferred reinsurance premiums. The Company is subject to credit risk with respect to reinsurance ceded because the ceding of risk does not relieve the Company from its primary obligations to its policyholders. The concentration of credit risk relating to the structured settlements is explained in "Note 10. Outstanding losses and loss expenses". Failure of the Company's reinsurers to honor their obligations could result in credit losses. As of December 31, 2021, the Company has recorded a provision for credit losses relating to outstanding losses and loss expenses recoverable of \$30.5 million (2020: \$30.2 million) including \$26.5 million (2020: \$23.5 million) recorded in CWIL. During the year ended December 31, 2021, outstanding loss and loss expenses recoverable of \$2.7 million were written off (2020: \$2.3 million).

Elbow Re Ltd., an unrated domestic affiliated reinsurer, accounts for 49.0% of the outstanding losses and loss expenses recoverable balance as of December 31, 2021 (2020: 49.2%). This recoverable is fully collateralized. For more information, refer to "Note 17 " Related party transactions". Excluding this unrated reinsurer, two other reinsurers accounted for more than 22.4% of the outstanding losses and loss expenses recoverable balance as of December 31, 2021 (2020: 23.0%) and were rated A+ or above by S&P as at December 31, 2021. The Company's reinsurers had an average S&P credit rating of A+ and above as of December 31, 2021 (2020: AA-).

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

13. Concentrations, commitments and contingencies (continued)

b. Restricted assets

The Company and/or its subsidiaries is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated by the regulations of the individual locations within which the Company operates. These funds on deposit are available to settle insurance and reinsurance liabilities.

The Company's bankers have also issued letters of credit ("LOC") under the Company's credit agreements (for which cash and cash equivalents and investments are pledged as security) and in favor of certain ceding companies to collateralize the Company's obligations under contracts of insurance and reinsurance (see "Note 15. Shareholders' equity").

The Company also utilizes trust funds where the trust funds are set up for the benefit of the ceding companies, and generally take the place of LOC requirements.

The fair values of these restricted assets by category at December 31, 2021 and 2020 are as follows:

	2021		2020	
	Restricted Cash and cash equivalents	Restricted Investments	Restricted Cash and cash equivalents	Restricted Investments
Deposits with U.S. insurance regulatory authorities	\$ 7,660	\$ 54,282	\$ 9,594	\$ 61,006
LOC pledged assets	96,167	102,016	134,453	120,360
Trust funds	198,917	2,220,431	140,064	2,104,175
Total	<u>\$ 302,744</u>	<u>\$ 2,376,729</u>	<u>284,111</u>	<u>2,285,541</u>

c. Fund commitments

As of December 31, 2021, the Company has unfunded capital commitments for fund investments of \$107.3 million (2020: \$45.2 million).

d. Lease commitments

The Company leases office space, and furniture and equipment under operating lease agreements. Rent expenses are being recognized on a straight-line basis over the respective lease terms. Future annual minimum payments under non-cancelable operating leases are as follows:

2022	\$ 3,637
2023	2,787
2024	2,349
2025	961
2026	865
Later years	1,301
Total	<u>\$ 11,900</u>

Total rent expense under operating leases for the year ended December 31, 2021 was \$5.0 million (2020: \$4.4 million).

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

13. Concentrations, commitments and contingencies (continued)

e. Contingent liabilities

The Company and/or its subsidiaries, from time to time, are a party to litigation and/or arbitration that arises in the normal course of its business operations. The Company and/or its subsidiaries are also subject to other potential litigation, disputes and regulatory or governmental inquiries. As of December 31, 2021, the Company was not a party to any litigation or arbitration which is expected by management to have a material adverse effect on the Company's results of operations or financial condition and liquidity.

f. Guarantees

As at December 31, 2021, the Company had issued parental guarantees supporting its subsidiaries' insurance obligations of \$1,463.3 million (2020: \$1,665.6 million).

14. Taxation

Under current Bermuda law, the Company and its Bermuda subsidiaries are not required to pay any taxes in Bermuda on income including realized capital gains. The Company has received an undertaking from the Minister of Finance of Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2035.

The Company has operating subsidiaries in the United States, United Kingdom, Switzerland, Malaysia, Singapore and Ireland and is subject to the relevant taxes in those jurisdictions. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation.

During 2021, the Company made tax payments of \$2.9 million (2020: \$8.3 million), \$1.1 million of which were paid in Switzerland and 1.9 million in Malaysia (2020: tax payments of \$8.6 million paid in Switzerland).

Deferred income taxes reflect net operating loss carryforwards and the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for income tax purposes. The significant components of the net deferred tax assets and liabilities as of December 31, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets:		
Investments	\$ 4,186	\$ 3,051
Outstanding losses and loss expenses	1,496	2,280
Unearned premiums	14	22
Net operating loss carry forwards	71,821	80,369
Capital loss carry forwards	448	539
Other	9,582	6,786
Total deferred tax assets	87,547	93,047
Valuation allowance	(63,943)	(62,704)
Total deferred tax assets net of valuation allowance	23,604	30,343
Deferred tax liabilities:		
Investments	(2,097)	(3,011)
Goodwill	(1,339)	(1,339)
Outstanding losses and loss expenses	(870)	(945)
Subordinated debt	(116)	(160)
Underwriting results subject to timing differences for taxation	(3,762)	(3,318)
Other	(4,545)	(6,505)
Total deferred tax liabilities	(12,729)	(15,278)
Net deferred tax asset	\$ 10,875	\$ 15,065

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

14. Taxation (continued)

The deferred tax asset and liability balances presented above represent the gross deferred tax asset and liability balances across each tax jurisdiction. The net deferred tax asset balance of \$10.9 million at December 31, 2021 (2020: \$15.1 million) is included within other assets, and includes netting of certain deferred tax assets and liabilities within a tax jurisdiction to the extent such netting is consistent with the regulations of the tax authorities in that jurisdiction.

As of December 31, 2021, the Company has a deferred tax asset of \$71.8 million (2020: \$80.4 million) generated by net operating loss carry forwards ("NOL") of approximately \$387.7 million (2020: \$362.9 million), of which \$64.7 million (2020: \$51.2 million) relates to NOL in the United States ("U.S. NOL"), \$34.1 million (2020: \$22.4 million) relates to NOL in Ireland ("Irish NOL"), \$286.8 million (2020: \$275.0 million) relates to NOL in the United Kingdom ("UK NOL"), and \$2.1 million relates to Singapore (2020: \$14.3 million).

In relation to the US NOL and Irish NOL, the Company believes that it is more likely than not that the deferred tax asset will not be recognized. Accordingly, where there are no deferred tax liabilities against which the NOL could be offset, the Company has recognized a full valuation allowance against these net deferred tax assets as of December 31, 2021 and 2020. In relation to the UK NOL, the Company believes that it is more likely than not that a portion of the deferred tax asset will be recognized and has, therefore, recognized a partial valuation allowance.

Income tax expenses for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Current income tax expense	\$ 1,551	\$ 11,009
Deferred income tax (credit)	3,385	(527)
Total income tax expense	<u>\$ 4,936</u>	<u>\$ 10,482</u>

The effective tax rate for the year ended December 31, 2021 of 2.7% (2020: (14.7)%) differs from the rate of 0% under Bermuda law primarily due to the geographical distribution of the Company's pre-tax net income between the Company's taxable and non-taxable jurisdictions.

The following table presents a reconciliation of the actual income tax rate to the amount computed by applying the effective tax rate of 0% under Bermuda law to income before income taxes:

	2021	2020
Expected tax rate	0 %	0 %
Foreign taxes at local expected rates	8.2 %	(11.3) %
Nondeductible expenses	(0.3) %	(13.5) %
Tax exempt income	(0.8) %	11.8 %
Prior year adjustments	(5.9) %	(2.0) %
Other	1.5 %	0.3 %
Actual tax rate	<u>2.7 %</u>	<u>(14.7) %</u>

15. Shareholders' equity

a. Ordinary shares

As at December 31, 2021 the total authorised share capital for the ordinary shares of the Company was \$16.5 million (2020: \$16.5 million) divided and, where applicable, issued as follows:

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

15. Shareholders' equity (continued)

Class of Share	2021		2020	
	Authorised Share Capital	Number of Shares Issued	Authorised Share Capital	Number of Shares Issued
Class A1 Shares	\$ 14,000	12,696,015	\$ 14,000	12,696,015
Class A2 Shares	900	791,549	900	791,549
Class B Shares	595	314,400	595	485,600
Class C Shares	\$ 1,000	705,000	\$ 1,000	780,000
Total	<u>\$ 16,495</u>	<u>14,506,964</u>	<u>\$ 16,495</u>	<u>14,753,164</u>

On March 1, 2021, the Company repurchased 100,000 Class B Shares as Treasury Shares and 300,000 Class C Shares for cancellation from a former member of the executive management team. On March 31, 2021, the Company retired and cancelled the 100,000 Class B Shares.

On March 31, 2021, dividends of approximately \$1.5 million were paid to the holders of the Class B Shares. No other dividends were declared for the year ended December 31, 2021.

On April 6, 2021, the Company repurchased 4,250 Class B Shares from a former member of the executive management team.

On May 18, 2021, the Company issued 50,000 Class C Shares to a member of the executive management team.

On June 4, 2021, the Company repurchased 40,000 Class C Shares from a member of the executive management team. On the same day, 40,000 Class C Shares were issued to a member of the executive management team.

On July 21, 2021, the Company issued 105,000 Class C Shares to members of the executive management team. On July 28, 2021, the Company repurchased 20,000 Class B Shares from a former member of the executive management team.

On October 8, 2021, the Company repurchased 65,000 Class C Shares from a former member of the executive management team.

On December 1, 2021, the Company issued 3,050 Class B Shares to a senior member of the executive management team. On the same day, the Company also issued 135,000 Class C Shares to a member of the executive management team. On December 29, 2021, the Company repurchased an additional 50,000 Class B Shares from a former member of the executive management team.

b. Preference shares

As at December 31, 2021 and 2020, the total authorised share capital for the preference shares of the Company was \$1,331.7 million divided and, where applicable, issued as follows:

Class of Share	2021		2020	
	Authorised Share Capital	Number of Shares Issued	Authorised Share Capital	Number of Shares Issued
Class A1P Shares	\$ 1,251,660	533,584,844	\$ 1,251,660	458,584,844
Class A2P Shares	80,000	33,267,016	80,000	28,591,047
Total	<u>\$ 1,331,660</u>	<u>566,851,860</u>	<u>\$ 1,331,660</u>	<u>487,175,891</u>

On October 26, 2021, 12,790 Class A1 Shares and 461,983 Class A1P Shares were transferred from other Class A1 and Class A1P Shareholders, respectively and on a pro-rata basis, to Apollo Rose II (G) L.P.

On October 29, 2021, the Company issued 75,000,000 Class A1P Shares to the holders of Class A1 Shares on a pro-rata basis and 4,675,969 Class A2P Shares to the holder of Class A2 Shares, in each case at par, as part of an \$80 million capital call by the Company.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

16. Credit agreements

The Company's subsidiaries were party to the following letter of credit facility agreements.

Entity	Counterparty	LOC Outstanding	
		2021	2020
CatGen	Comerica	\$ 25,605	\$ 27,100
CatGen	Citibank N.A.	11,454	2,700
CatGen	ING Bank	86,537	—
AHUSCO	Citibank N.A.	2,144	8,000
CHUK	Citibank Europe plc.	10,248	71,100
CHUK	Citibank Europe plc.	50,129	10,100
Glacier	UBS AG.	1,817	1,800
ACR	Citibank N.A.	3,813	9,100
ACR	Barclays Bank plc.	63,979	85,000

On October 28, 2021, the Company entered into a three-year, \$100 million, unsecured letter of credit facility with ING Bank. As at December 31, 2021, \$13.5 million of unutilized capacity was available under that facility. That facility has financial covenants in relation to its maximum gearing ratio, maximum value of letters of credit and minimum consolidated net assets. For the year ended December 31, 2021, \$0.1 million of interest expense was incurred in relation to that facility and is included in general and administrative expenses in the consolidated statement of income and comprehensive income.

As at December 31, 2021 and 2020, the Company was in compliance with all covenants under the various letter of credit facilities.

17. Related party transactions

Funds affiliated with Apollo Global Management LLC ("Apollo") became majority shareholders of the Company in October 2018. The Company has investments in Apollo Credit Allocation Fund II Class A, Apollo Credit Allocation Fund III, Apollo Accord 3, Apollo AP Highlands fund, and Apollo Offshore Credit Fund Limited Class S-1, which are managed by an affiliate of Apollo.

In addition to the abovementioned funds, on December 31, 2021, the Company invested in six new funds, also affiliated with Apollo. These funds include Warwick European Opportunities Fund II, Motive Fund II, Levine Leichtman Capital Partners Europe II SCSp, Apollo Asia Real Estate Fund, L.P., ESO Capital Real Assets Fund I SCSp, Apollo European Principal Finance Fund III (Dollar B), L.P.

The total fair value of the Company's investments in these funds as of December 31, 2021 is \$516.7 million or 12.9% of investments at fair value (2020: \$292.4 million or 7.6%, respectively).

On December 14, 2018, CatGen and Catalina London entered into a retrocession agreement with Elbow Re (formerly known as Acra Re Ltd.). Elbow Re is an affiliated company as it is owned by funds affiliated with Apollo. Elbow Re reinsured 50% of the liabilities assumed by CatGen under the reinsurance and transfer deed. As at December 31, 2021, the total reserves ceded to Elbow Re are \$817.4 million (2020: \$901.6 million) and total insurance receivable from Elbow Re is \$34.8 million (2020: \$35.2 million).

Certain members of management co-invested with the Company in investments in real estate. The management ownership of these investments is less than 1% of the cost of the investment properties.

CATALINA HOLDINGS (BERMUDA) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

18. Statutory financial information and dividend restrictions

The Company's insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate, which are Bermuda, the United States, the United Kingdom, Singapore, Malaysia, Switzerland, Korea, Hong Kong and Ireland. The regulations in these jurisdictions include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities. Typically, these restrictions relate to minimum levels of solvency, capital and liquidity as defined by the relevant insurance laws and regulations.

At December 31, 2021 and 2020, the Company met the minimum levels of solvency and liquidity in all jurisdictions in which the Company operates.

a. Bermuda

CatGen is registered under the Insurance Act of 1978 of Bermuda (the "Insurance Act"), and licensed as a Class 3B general business insurer, and Class C long-term insurer. CatGen was reclassified from Class 3A to 3B general business insurer, after gaining approval from the BMA on June 25, 2019. Class 3B is more reflective of CatGen's size and scale of operations. The Insurance Act grants the BMA powers to supervise insurance companies.

The Insurance Act requires CatGen to hold minimum statutory capital and surplus (Enhanced Capital Requirement or "ECR") at least equal to the greater of a minimum solvency margin or the Bermuda Solvency & Capital Requirement ("BSCR"). The BSCR is calculated using the standard risk-based capital model developed by the

BMA. The BSCR model follows a standard formula framework and capital attributed to each risk is calculated by applying capital factors to the assets and liabilities. The BMA sets a Target Capital equivalent to 120% of the ECR. CatGen's licenses preclude it from effecting any new contracts without the permission of the BMA.

On March 24, 2016, Bermuda's enhanced commercial insurance regime was approved as being fully equivalent to regulatory standards applied under Solvency II by the European Parliament. Solvency II sets out new capital adequacy and risk management requirements for insurers across the European Union with the aim of further enhancing policyholder protection while instilling greater risk awareness. The equivalence was granted retroactive from January 1, 2016.

The BMA also acts as the Group Supervisor of Catalina. The Company, on an annual basis, is required to file the Group audited GAAP financial statements, the Group Capital and Solvency Return and the Group Solvency Self-Assessment with the BMA.

b. United Kingdom

The insurance subsidiaries based in the U.K. are regulated by the U.K. Prudential Regulatory Authority (the "PRA"). Since January 1, 2016, the UK companies have been required to comply with the Solvency II Framework Directive adopted by the PRA. The Solvency Capital Requirement for the U.K. subsidiaries are assessed using the Solvency II standard formula model.

In 2019, pursuant to Section 166 of the Financial Services and Markets Act 2000, as amended, the PRA initiated a Skilled Person's Report on Governance, Risk and Investment management effectiveness at the Catalina companies in the UK. The Company fully cooperated with this review and the final report was issued on March 20, 2020. As at December 31, 2021, the Company has addressed the findings of the final report and is no longer subject to the PRA's review.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

18. Statutory financial information and dividend restrictions (continued)

c. Ireland

CII is regulated by the CBI. CII is a Solvency II Undertaking authorized under the European Union (Insurance and Reinsurance) Regulations 2015 (the "Regulations") to carry on insurance business. Under the Solvency II regime, CII is subject to minimum capital requirements and solvency capital requirements.

CII uses the standard formula to determine these in the context of the measurement of assets, liabilities and capital to satisfy the requirements set out in Pillar I of the Regulations.

d. Switzerland

Glacier Re is subject to the regulatory reporting requirements of the Swiss Financial Market Authority. The Swiss insurance regulation regime has been approved by the European Commission to be fully equivalent to the regulatory standards applied under Solvency II.

Annually, Glacier Re calculates Risk Bearing Capital and Target Capital pursuant to the Swiss Solvency Test rules and regulations. Risk Bearing Capital is defined as the difference between the market consistent value of assets less the best estimate value of liabilities. The Glacier Re long-term subordinated debt is considered to be supplementary capital and is therefore included in the Risk Bearing Capital. Glacier Re has excess capital as at December 31, 2021.

e. United States

The Company's U.S. insurance company subsidiaries' required statutory capital and surplus is determined using various criteria, including risk based capital tests. If an insurance company subsidiary falls below certain levels of risk based capital, and dependent upon the degree to which that insurance company subsidiary falls below the required level of risk based capital, the commissioner of insurance with jurisdiction over the insurance company subsidiary is authorized to take certain regulatory actions to protect policyholders and creditors.

The Company is subject to a 30% withholding tax on certain dividends received from its U.S. subsidiaries.

As at December 31, 2021 and 2020, there are statutory restrictions on the payment of dividends from retained earnings or the return of capital from some of the Company's subsidiaries. Most of the Company's regulated reinsurance and insurance subsidiaries require regulatory approval before paying a dividend from retained earnings or returning capital.

f. Singapore, Malaysia, Korea and Hong Kong

ACR is subject to the regulatory reporting requirements of the Monetary Authority of Singapore, the Bank Negara Malaysia in Malaysia, the Financial Supervisory Service in Korea and the Hong Kong Insurance Authority.

The Monetary Authority of Singapore and Bank Negara Malaysia specify the minimum required capital that must be maintained at all times throughout the year. This minimum required capital is determined to be the risk based capital, based on the Monetary Authority of Singapore's or Bank Negara Malaysia's respective Risk Based Capital Framework. Both these frameworks are methods of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on factors deemed higher for those items with greater underlying risk. ACR and its Malaysia subsidiary has complied with the relevant minimum required capital requirement during the year.

CATALINA HOLDINGS (BERMUDA) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

19. Pension plans

The Company, through its subsidiary Glacier Re, is party to a defined benefit pension plan. As at December 31, 2021, the gross liabilities of this plan are \$18.9 million (2020: \$19.6 million) and this is supported by gross assets of \$16.3 million (2020: \$14.0 million). The service costs of this plan was \$0.4 million (2020: \$0.4 million) for the year and actuarial adverse development for the plan was \$0.2 million (2020: \$1.4 million).

The Company also maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation. During 2021, the Company's total pension expenses were \$2.2 million (2020: \$1.8 million) for the above retirement benefits.

20. Subsequent events

In preparing the consolidated financial statements, the Company has evaluated subsequent events through April 6, 2022, which is the date that these financial statements were issued, and concluded. There were no subsequent events requiring adjustments or disclosure to the financial statements.

On February 24, 2022, Russian forces launched significant military action against Ukraine. The impact to Ukraine, as well as actions taken by other countries, including new and stricter sanctions imposed by the U.S. and other countries, companies and organizations against officials, individuals, regions and industries in Russia could have a material adverse effect on the markets in which the Company operates.

Currently the Company is not materially impacted by the conflict and related sanctions as it concerns its investments and reserves exposures. It is uncertain how this event will affect the Company's operations. The Company will continue to monitor and assess the impact of the conflict and related sanctions.