
MUNICH RE AMERICA CORPORATION

Quarterly Report For The Period Ended September 30, 2023

(Pursuant to Section 4.04 of the
Indenture between the Company and the
holders of the Company's 7.45% Senior Notes)

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*IN MARCH 2002 THE COMPANY DEREGISTERED THE NOTES IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE ACT OF 1934. THIS FINANCIAL REPORT IS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

November 7, 2023

MUNICH RE AMERICA CORPORATION

FINANCIAL INFORMATION

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FINANCIAL INFORMATION

MUNICH RE AMERICA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (Dollars in millions, except share amounts)

	September 30, 2023	December 31, 2022
Assets:		
Investments		
Fixed income securities		
Available for sale, at fair value (net of allowance for credit loss		
of \$82.1 and nil, respectively); and amortized cost: \$16,090.0	\$ 14,012.3	\$ 13,933.5
\$15,797.5, respectively		
Trading, at fair value	9.5	12.8
Equity securities	86.3	84.1
Other invested assets (net of allowance for credit loss of \$3.5		
and nil, respectively)	1,095.5	992.9
Short term investments	246.1	188.8
Cash and cash equivalents	1,528.8	1,055.7
Total investments and cash	16,978.5	16,267.8
Accrued investment income	88.3	82.0
Premiums and other receivables	1,571.5	2,295.8
Deferred policy acquisition costs	820.7	706.7
Reinsurance recoverables on paid and unpaid losses	3,521.7	3,695.8
Funds held by ceding companies	307.1	537.7
Prepaid reinsurance premiums	126.6	72.1
Goodwill	237.3	237.3
Deferred federal income taxes	602.2	636.9
Other assets	522.1	331.4
Total assets	<u>\$ 24,776.0</u>	<u>\$ 24,863.5</u>
Liabilities:		
Loss and loss adjustment expense reserves	\$ 15,723.4	\$ 15,717.0
Unearned premium reserve	2,886.3	2,478.3
Total insurance reserves	18,609.7	18,195.3
Loss balances payable	290.8	1,082.6
Funds held under reinsurance treaties	451.8	449.7
Deferred underwriting revenue	1,288.6	1,355.7
Senior notes	296.8	319.6
Other liabilities	959.8	700.7
Total liabilities	<u>21,897.5</u>	<u>22,103.6</u>
Stockholder's Equity:		
Common stock, par value: \$0.01 per share; authorized: 1,000 shares; issued and		
outstanding: 149,49712 shares at September 30, 2023 and December 31, 2022	-	-
Additional paid-in capital	6,941.3	6,941.3
Accumulated deficit	(2,388.9)	(2,609.2)
Accumulated other comprehensive income (loss)	(1,673.9)	(1,572.2)
Total stockholder's equity	2,878.5	2,759.9
Total liabilities and stockholder's equity	<u>\$ 24,776.0</u>	<u>\$ 24,863.5</u>

See accompanying notes to consolidated interim financial statements.

MUNICH RE AMERICA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Dollars in millions)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue:				
Premiums written	\$ 2,033.4	\$ 2,235.2	4,558.9	\$ 5,581.7
Change in unearned premium reserve	(545.4)	(440.2)	(353.5)	(333.3)
Premiums earned	1,488.0	1,795.0	4,205.4	5,248.4
Net investment income	147.5	117.9	405.0	350.4
Net realized capital gains (losses)	(0.1)	(9.9)	8.7	(145.2)
Other income	2.8	22.7	11.3	56.6
Total revenue	1,638.2	1,925.7	4,630.4	5,510.2
Losses and expenses:				
Losses and loss adjustment expenses	1,130.9	1,491.6	2,836.4	3,859.8
Commission expense	404.9	549.6	1,066.3	1,558.5
Operating expense	66.9	58.2	241.8	201.5
Interest expense	5.7	6.1	17.5	18.6
Interest on ceded funds held balances	5.1	4.9	15.0	13.7
Other expense	3.2	4.2	15.9	16.2
Total losses and expenses	1,616.7	2,114.6	4,192.9	5,668.3
Income (loss) before income taxes	21.5	(188.9)	437.5	(158.1)
Federal and foreign income tax (benefit)	(11.0)	(100.6)	84.3	(73.1)
Net income (loss)	32.5	(88.3)	353.2	(85.0)
Other comprehensive income (loss), net of tax:				
Unrealized depreciation of investments	(285.8)	(493.4)	(193.8)	(1,604.9)
Reclassification adjustment for provision for credit loss expense	(1.9)	-	64.4	-
Reclassification adjustment for (gains) losses included in operations	12.3	(5.2)	26.0	(98.0)
Defined benefit plan reclassification adjustment for losses included in operations	0.6	0.6	1.7	1.5
Other comprehensive income (loss)	(274.8)	(498.0)	(101.7)	(1,701.4)
Comprehensive income (loss)	\$ (242.3)	\$ (586.3)	251.5	\$ (1,786.4)

See accompanying notes to consolidated interim financial statements.

MUNICH RE AMERICA CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholder's Equity
(Dollars in millions)
(unaudited)

	Common stock	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance at June 30, 2023	\$ -	\$ 6,941.3	\$ (2,421.4)	\$ (1,399.1)	\$ 3,120.8
Net income	-	-	32.5	-	32.5
Other comprehensive income (loss)	-	-	-	(274.8)	(274.8)
Balance at September 30, 2023	<u>\$ -</u>	<u>\$ 6,941.3</u>	<u>\$ (2,388.9)</u>	<u>\$ (1,673.9)</u>	<u>\$ 2,878.5</u>

	Common stock	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance at June 30, 2022	\$ -	\$ 6,941.3	\$ (2,431.0)	\$ (1,190.1)	\$ 3,320.2
Net loss	-	-	(88.3)	-	(88.3)
Other comprehensive income (loss)	-	-	-	(498.0)	(498.0)
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 6,941.3</u>	<u>\$ (2,519.3)</u>	<u>\$ (1,688.1)</u>	<u>\$ 2,733.9</u>

	Common stock	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2023	\$ -	\$ 6,941.3	\$ (2,609.2)	\$ (1,572.2)	\$ 2,759.9
Cumulative-effect adjustment for accounting change	-	-	(82.0)	-	(82.0)
Net income	-	-	353.2	-	353.2
Other comprehensive income (loss)	-	-	-	(101.7)	(101.7)
Dividend to parent company	-	-	(50.9)	-	(50.9)
Balance at September 30, 2023	<u>\$ -</u>	<u>\$ 6,941.3</u>	<u>\$ (2,388.9)</u>	<u>\$ (1,673.9)</u>	<u>\$ 2,878.5</u>

	Common stock	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2022	\$ -	\$ 6,941.3	\$ (2,383.5)	\$ 13.3	\$ 4,571.1
Net loss	-	-	(85.0)	-	(85.0)
Other comprehensive income (loss)	-	-	-	(1,701.4)	(1,701.4)
Dividend to parent company	-	-	(50.8)	-	(50.8)
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 6,941.3</u>	<u>\$ (2,519.3)</u>	<u>\$ (1,688.1)</u>	<u>\$ 2,733.9</u>

See accompanying notes to consolidated interim financial statements.

MUNICH RE AMERICA CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Dollars in millions) (unaudited)

	Nine months ended September 30,	
	2023	2022
Cash Flows From Operating Activities:		
Net income (loss)	\$ 353.2	\$ (85.0)
Adjustments to reconcile net income to net cash provided by operating activities:		
Accrued investment income	(6.3)	(17.7)
Trading securities	3.3	2.8
Premiums and other receivables	724.3	(30.6)
Deferred policy acquisition costs	(114.0)	(94.2)
Reinsurance recoverables on paid and unpaid losses	174.1	(326.2)
Funds held, net	232.7	(423.6)
Insurance reserves	414.4	1,669.4
Deferred revenue	(67.1)	(63.1)
Current and deferred federal and foreign income taxes, net	13.4	360.3
Other assets and liabilities, net	(901.1)	(653.5)
Depreciation expense on property and equipment	3.8	3.6
Net realized capital losses	(8.7)	146.0
Equity in income of investees	(25.8)	(3.3)
Other, net	(29.6)	(88.8)
Net cash provided by operating activities	<u>766.6</u>	<u>396.1</u>
Cash Flows From Investing Activities:		
Fixed income securities available for sale:		
Purchases	(1,140.9)	(9,323.0)
Maturities	229.5	18.5
Sales	518.0	8,905.6
Equity securities:		
Sales	0.1	1.6
Other invested assets:		
Purchases	(111.7)	(48.0)
Sales	31.9	25.7
Net derivative instrument settlements	(1.0)	2.3
Net purchases and sales of short term investments	(50.7)	162.2
Additions of property and equipment	-	(1.0)
Net cash used in investing activities	<u>(524.8)</u>	<u>(256.1)</u>
Cash Flows From Financing Activities:		
Proceeds from surplus note	305.0	-
Dividend paid to parent company	(50.9)	(50.8)
Partial extinguishment of senior notes	(22.8)	(7.3)
Net cash provided by (used in) financing activities	<u>231.3</u>	<u>(58.1)</u>
Net increase in cash and cash equivalents	473.1	81.9
Cash and cash equivalents, beginning of period	1,055.7	391.6
Cash and cash equivalents, end of period	<u>\$ 1,528.8</u>	<u>\$ 473.5</u>

See accompanying notes to consolidated interim financial statements.

MUNICH RE AMERICA CORPORATION
Notes to Consolidated Interim Financial Statements
September 30, 2023
(Dollars in millions)
(unaudited)

1. Nature of Operations

Munich Re America Corporation (the “Company”) primarily acts as the holding company for four insurance subsidiaries, Munich Reinsurance America, Inc. (“MRAm”), American Alternative Insurance Corporation (“AAIC”), The Princeton Excess and Surplus Lines Insurance Company (“Princeton E&S”), and Bridgeway Insurance Company (“Bridgeway”) (MRAm, AAIC, Princeton E&S, and Bridgeway, together, are the “Insurance Subsidiaries”). MRAm underwrites property and casualty reinsurance. AAIC primarily writes primary insurance program business, aviation, collector car, commercial and residential flood, excess liability, surety bonds, and ocean marine business on an admitted basis. Princeton E&S” provides insurance coverage on a non-admitted basis in the United States primarily for public entities and the specialty commercial surplus lines market. Bridgeway provides excess and surplus lines insurance coverages on a non-admitted basis in the United States. The Insurance Subsidiaries are domiciled in the State of Delaware. The Delaware Insurance Department (“the Insurance Department”) is the domiciliary regulator for the Insurance Subsidiaries.

The Company is a wholly-owned subsidiary of Munich-American Holding Corporation (“MAHC”), a Delaware holding company, which in turn is wholly-owned by Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (“Munich Re”), a company organized under the laws of Germany.

A. Basis of Presentation

The Company’s primary business is (re)insuring property-casualty risks of domestic and foreign insurance organizations under excess of loss and pro rata (re)insurance contracts and providing specialized insurance products and solutions for small- to medium-size commercial organizations which are distributed through broker and program administrator partners. The Company and its subsidiaries operate on a calendar year basis.

The information for the interim periods ended September 30, 2023, and 2022, is not reviewed or audited by the Company’s independent auditors. The interim consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company and its subsidiaries. Inter-company accounts and transactions have been eliminated. Investees which represent the Company’s investment in voting interests of 20% to 50% generally are recorded using the equity method. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These financial statements should be read in conjunction with the consolidated financial statements and related notes in the Company's 2022 Annual Report.

B. Subsequent Events

There were no subsequent events requiring adjustment to the financial statements or disclosure through November 7, 2023, the date that the Company’s financial statements were available to be issued.

MUNICH RE AMERICA CORPORATION
Notes to Consolidated Interim Financial Statements
September 30, 2023
(Dollars in millions)
(unaudited)

2. New Accounting Standards

A. Application of New Accounting Standards

Measurement of Credit Losses on Financial Instruments

On January 1, 2023, the Company adopted ASU 2016-13, “Measurement of Credit Losses on Financial Instruments” on a modified retrospective basis and recorded a cumulative effect adjustment, net of tax, to retained earnings of \$82.0. The Company records an allowance for credit losses (“ACL”) based on the expectation of lifetime credit losses on financing receivables carried at amortized cost, including, but not limited to, mortgage loans, premium receivables, and reinsurance receivables. Other-than-temporary impairments on available for sale (“AFS”) debt securities are recorded as an allowance for credit losses with any improvements in expected future cash flows reflected as a reduction to the allowance. The Company established credit loss models for its AFS debt securities and financing receivables carried at amortized cost. The development of these credit loss models include data input validations, updates to information systems, discussions with external service providers, and enhanced policies and controls.

B. Future Application of Accounting Standards

All other recently issued but not yet effective accounting and reporting standards are either not applicable to the Company or are not expected to have an impact on the Company.

3. Investments

A. Fixed Income Securities Designated as AFS

The following table presents fixed maturity securities AFS by sector:

	September 30, 2023				
	Amortized cost	Credit loss allowance	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed income securities:					
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$ 7,653.6	\$ -	\$ -	\$ 1,190.8	\$ 6,462.8
Foreign government securities	977.9	15.7	0.9	112.9	850.2
Corporate securities	5,009.1	66.4	2.1	464.1	4,480.7
Asset-backed securities	1,138.7	-	0.6	36.9	1,102.4
Residential mortgage-backed securities	736.0	-	-	129.4	606.6
Commercial mortgage-backed securities	574.7	-	-	65.1	509.6
Total fixed income securities	16,090.0	82.1	3.6	1,999.2	14,012.3
Short term investments	246.4	-	-	0.3	246.1
Total investments available for sale	<u>\$ 16,336.4</u>	<u>\$ 82.1</u>	<u>\$ 3.6</u>	<u>\$ 1,999.5</u>	<u>\$14,258.4</u>

MUNICH RE AMERICA CORPORATION
Notes to Consolidated Interim Financial Statements
September 30, 2023
(Dollars in millions)
(unaudited)

	December 31, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed income securities:				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$ 7,351.9	\$ 1.2	\$ 986.2	\$ 6,366.9
Obligation of states and political subdivisions	0.2	-	-	0.2
Foreign government securities	944.3	1.8	119.6	826.5
Corporate securities	4,868.6	1.2	547.0	4,322.8
Asset-backed securities	1,280.2	0.2	59.5	1,220.9
Residential mortgage-backed securities	761.5	0.3	99.2	662.6
Commercial mortgage-backed securities	590.8	-	57.2	533.6
Total fixed income securities	15,797.5	4.7	1,868.7	13,933.5
Short term investments	188.8	-	-	188.8
Total investments available for sale	<u>\$15,986.3</u>	<u>\$ 4.7</u>	<u>\$ 1,868.7</u>	<u>\$14,122.3</u>

Evaluation and Measurement Methodologies of Fixed Income Securities AFS for Credit Loss

Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the credit loss evaluation process include, but are not limited to: (i) the extent to which the estimated fair value has been below amortized cost, (ii) adverse conditions specifically related to the security, industry sector, geographic area, and changes in the quality of credit enhancement, (iii) payment structure of the security and likelihood of the issuer being able to make payments, (iv) failure of the issuer to make scheduled interest and principal payments, (v) whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers, (vi) with respect to structured products, changes in forecasted cash flows after considering the changes in the financial condition of the underlying loan obligors and quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security, (vii) changes in the rating of the security by a rating agency, and (viii) other subjective factors, including concentrations and information obtained from regulators.

In periods subsequent to the recognition of an initial ACL on a security, quarterly credit loss assessments are performed. Subsequent increases or decreases in the expected cash flow from the security result in corresponding decreases or increases in the ACL and are reported within net investment gains (losses); however, the previously recorded ACL is not reduced to an amount below zero. Full or partial write-offs are deducted from the ACL in the period the security, or a portion thereof, is considered uncollectible. Recoveries of amounts previously written off are recorded to the ACL in the period received. When the Company has the intent-to-sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, any ACL is written off and the amortized cost is written down to estimated fair value through a charge within net investment gains (losses), which becomes the new amortized cost of the security.

A fixed income security is deemed to be uncollectible if it is delinquent for 90 days. Once the security is considered delinquent, the security is subsequently written off.

MUNICH RE AMERICA CORPORATION
Notes to Consolidated Interim Financial Statements
September 30, 2023
(Dollars in millions)
(unaudited)

Maturities of Fixed Maturity Securities AFS

The amortized cost and fair value of fixed income securities AFS at September 30, 2023 are shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be called or prepaid with or without call or prepayment penalties.

	Amortized cost	Fair value
Due to mature:		
One year or less	\$ 856.8	\$ 835.1
After one year through five years	6,731.4	6,223.9
After five years through ten years	4,404.1	3,872.2
After ten years	2,787.0	1,964.9
Residential mortgage-backed securities	736.0	606.6
Commercial mortgage-backed securities	574.7	509.6
Total fixed income securities	<u>\$ 16,090.0</u>	<u>\$ 14,012.3</u>

Unrealized Losses on Fixed Maturity Securities AFS

The following table presents the estimated fair value and gross unrealized losses only for those AFS fixed income securities in an unrealized loss position without an ACL. The results are shown by sector and aggregated by length of time that the securities have been in a continuous unrealized loss position.

	September 30, 2023					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Fixed income securities:						
U.S Treasury securities						
and obligations of U.S government						
agencies and corporations	\$ 840.6	\$ 49.3	\$ 5,622.2	\$ 1,141.5	\$ 6,462.8	\$ 1,190.8
Foreign government securities	105.2	4.1	410.8	32.6	516.0	36.7
Corporate securities	433.2	13.5	2,426.3	147.8	2,859.5	161.3
Asset-backed securities	36.8	0.8	1,012.2	36.1	1,049.0	36.9
Residential mortgage-backed securities	44.7	2.1	555.5	127.3	600.2	129.4
Commercial mortgage-backed securities	1.9	-	501.1	61.4	503.0	61.4
Total fixed income securities	<u>1,462.4</u>	<u>69.8</u>	<u>10,528.1</u>	<u>1,546.7</u>	<u>11,990.5</u>	<u>1,616.5</u>
Short term investments	12.8	0.3	-	-	12.8	0.3
Total temporarily impaired investments	<u>\$ 1,475.2</u>	<u>\$ 70.1</u>	<u>\$ 10,528.1</u>	<u>\$ 1,546.7</u>	<u>\$ 12,003.3</u>	<u>\$ 1,616.8</u>

MUNICH RE AMERICA CORPORATION
Notes to Consolidated Interim Financial Statements
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(Dollars in millions)
(unaudited)

The following table presents the estimated fair value and gross unrealized losses of all AFS fixed income securities in an unrealized loss position. The results are shown by sector and aggregated by length of time that the securities have been in a continuous unrealized loss position.

		December 31, 2022					
		Less than 12 months		12 months or longer		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Fixed income securities:							
U.S Treasury securities and obligations of U.S government agencies and corporations		\$ 3,753.4	\$ 391.3	\$ 2,545.7	\$ 594.9	\$ 6,299.1	\$ 986.2
Obligations of states and political subdivisions						-	-
Foreign government securities		201.3	15.9	592.2	103.7	793.5	119.6
Corporate securities		1,316.2	104.3	2,938.0	442.7	4,254.2	547.0
Asset-backed securities		614.7	18.0	590.5	41.5	1,205.2	59.5
Residential mortgage-backed securities		322.1	31.0	321.4	68.2	643.5	99.2
Commercial mortgage-backed securities		294.2	21.0	239.4	36.2	533.6	57.2
Total temporarily impaired investments		<u>\$ 6,501.9</u>	<u>\$ 581.5</u>	<u>\$ 7,227.2</u>	<u>\$ 1,287.2</u>	<u>\$ 13,729.1</u>	<u>\$ 1,868.7</u>

Management performs additional analysis to assess whether it intends to sell or if it is more likely than not that the Company will be required to sell the investment before its anticipated recovery in value. This analysis is performed on an individual security basis. Management does not intend to sell its fixed income securities that are in loss positions, and believes it is not more likely than not that it will be required to sell the securities that are in an unrealized loss position until such time as they recover in value to the Company's amortized cost or they mature. Based on the Company's current evaluation of its securities in an unrealized loss position without an ACL, the Company concluded that these securities had not incurred a credit loss and should not have an ACL at September 30, 2023.

Future provisions for credit loss will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings and collateral valuation.

The following table shows the rollforward of ACL for fixed income securities AFS by sector for the three-month period ended September 30, 2023:

	Balance 6/30/2023	Additions New Securities	Additions PCD Assets	Reduction Sales	Reduction Intent to Sell	Change in Securities with Previous Allowance	Balance 9/30/2023
Fixed income securities:							
Foreign government securities	\$ 17.9	\$ -	\$ -	\$ -	\$ -	\$ (2.2)	\$ 15.7
Corporate securities	66.6	1.0	-	(0.4)	-	(0.8)	66.4
Total fixed income securities allowance	<u>\$ 84.5</u>	<u>\$ 1.0</u>	<u>\$ -</u>	<u>\$ (0.4)</u>	<u>\$ -</u>	<u>\$ (3.0)</u>	<u>\$ 82.1</u>

MUNICH RE AMERICA CORPORATION
Notes to Consolidated Interim Financial Statements
September 30, 2023
(Dollars in millions)
(unaudited)

The following table shows the rollforward of ACL for fixed income securities AFS by sector for the nine-month period ended September 30, 2023:

	Balance 1/1/2023	Additions New Securities	Additions PCD Assets	Reduction Sales	Reduction Intent to Sell	Change in Securities with Previous Allowance	Balance 9/30/2023
Fixed income securities:							
Foreign government securities	\$ 18.3	\$ -	\$ -	\$ -	\$ -	\$ (2.6)	\$ 15.7
Corporate securities	83.2	1.2	-	(0.9)	-	(17.1)	66.4
Total fixed income securities allowance	<u>101.5</u>	<u>1.2</u>	<u>-</u>	<u>(0.9)</u>	<u>-</u>	<u>(19.7)</u>	<u>82.1</u>

Accrued Investment Income

The Company has made the accounting policy election to present accrued interest receivable separately from its fixed income securities. The related accrued interest receivable is recorded in Accrued Investment Income on the accompanying Balance Sheets. Furthermore, the Company has also elected to exclude the applicable accrued interest that is included in the amortized cost basis for its fixed income securities. The amount of excluded accrued interest was \$87.5 at September 30, 2023.

The Company has implemented an accounting policy election to not measure an allowance for credit losses for accrued interest receivable. For its fixed income securities, the Company will write off accrued interest receivable by reversing interest income when it becomes 90 days delinquent. The Company did not write off any amounts related to accrued interest receivable for the period ended September 30, 2023.

Proceeds from sales of investments AFS and the related gains and losses realized on those sales were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Proceeds from sales	\$ 105.0	\$ 493.8	\$ 518.0	\$ 8,905.6
Gross gains realized	0.5	1.7	1.5	60.6
Gross losses realized	0.7	(6.7)	(6.1)	(173.8)

The Company holds certain foreign currency denominated securities in portfolios classified as “trading”, and as a result, proceeds from any sales of these securities are not included in cash flows from investing activities.

B. Held to Maturity Investments

The Company classifies the held-to-maturity portfolio as Other Loans which are primarily comprised of infrastructure debt loans that the Company has the intent and ability to hold for the foreseeable future or until maturity. Other Loans are reported at amortized cost, net of the allowance for credit losses. The Company monitors the credit rating of Other Loans on an annual basis using an internal risk model. The credit ratings were updated between September 2022 and February 2023.

The Company utilizes the probability of default (“PD”) and loss given default (“LGD”) methods to determine the credit loss for Other Loans. In the periods presented, there were no significant changes due to write-offs, significant purchases of financial assets, or significant sales or reclassification of loans.

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The following table shows the amortized cost of Other Loans by credit rating at September 30, 2023.

	<u>Other Loans</u>
Rating:	
BBB	\$ 126.5
BB and below	84.8
Total	<u>\$ 211.4</u>

Below is a rollforward of the Company's allowance for credit losses for its Other Loans at September 30, 2023:

	<u>Other Loans</u>
Balance as of 1/1/2023	\$ 2.5
Current period change in ACL	1.0
Balance as of 9/30/2023	<u>\$ 3.5</u>

Accrued Investment Income

The Company has made the accounting policy election to present accrued interest receivable separately from its held-to-maturity investments. The related accrued interest receivable is recorded in Accrued Investment Income on the accompanying Balance Sheets. Furthermore, the Company has also elected to exclude the applicable accrued interest that is included in the amortized cost basis for its held-to-maturity. The amount of excluded accrued interest was \$0.7 at September 30, 2023.

The Company has implemented an accounting policy election to not measure an allowance for credit losses for accrued interest receivable. For its other infrastructure loans, the Company will write off accrued interest receivable by reversing interest income when it becomes 90 days delinquent. The Company did not write off any amounts related to accrued interest receivable for the period ended September 30, 2023.

The Company considers its Other Loans to be past due after 30 days. If a loan is past due for more than 90 days, the investment is written off. At September 30, 2023, there were no delinquent Other Loan balances. Held-to-maturity investments are placed on non-accrual status when they are 90 days in arrears, if the Company has concerns regarding the collectability of future payments, or if a loan has matured without being paid or extended. As of September 30, 2023, the Company had no held-to-maturity investments in non-accrual status. There was no interest income recognized on loans in non-accrual status for the period ended September 30, 2023.

C. Other-than-Temporary Impairment Evaluation

For other invested assets that are deemed to be impaired, management performs additional analysis to assess whether it intends to sell, or if it is more likely than not that the Company will be required to sell, the investment before its anticipated recovery in value. This analysis is performed on an individual security basis. Additionally, for investments in limited partnerships or limited liability companies, the Company regularly monitors the holding for potential impairment indicators. The Company may consider third-party valuations of the investment or its underlying holdings, sales of underlying holdings, lower than expected cash flows, or any other adverse event that may affect the fair value of the investee's stockholders' equity.

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D. Fixed Income Securities Designated as Trading

Fixed income securities designated as “trading” include certain foreign currency denominated securities related to an international branch in run-off operations. It is the Company’s intent to actively trade these securities. Net gains and losses on trading securities, both realized and unrealized, were included in net investment income as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net gains (losses) recognized on trading securities	\$ (0.2)	\$ (1.0)	\$ 0.5	\$ (2.5)
Less: Net losses recognized on securities sold	-	-	-	(0.3)
Unrealized gains (losses) recognized on securities still held at the reporting date	<u>\$ (0.2)</u>	<u>\$ (1.0)</u>	<u>\$ 0.5</u>	<u>\$ (2.2)</u>

E. Equity Securities

Net gains and losses on equity securities, both realized and unrealized, were included in net investment income as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net gains (losses) recognized on equity securities	\$ (2.2)	\$ (3.5)	\$ 2.7	\$ (16.0)
Less: Net gains (losses) recognized on securities sold	0.2	(0.3)	0.2	(0.9)
Unrealized gains (losses) recognized on securities still held at the reporting date	<u>\$ (2.4)</u>	<u>\$ (3.2)</u>	<u>\$ 2.5</u>	<u>\$ (15.1)</u>

F. Derivative Financial Instruments

Derivatives are financial instruments whose market values are (i) derived from changes in interest rates, foreign exchange rates, credit exposures, or the value of related securities, and (ii) a function of the type of derivative product, the volume of transactions, the terms of the given agreement and market volatility. The Company's derivative portfolio may at times consist of credit default swaps (“CDS”), credit default swap indices (“CDX”), foreign currency forward contracts, and fixed income futures. Derivatives may be exchange-traded or contracted in the over-the-counter market. The Company does not apply hedge accounting in its reporting of derivative instruments. The Company does not use derivatives for speculative purposes.

Derivative transactions are customarily entered into under industry standard master netting agreements. These are agreements between two counterparties who have multiple derivative contracts with each other that provide for the net settlement of all contracts. Cash collateral and security collateral are used to secure the net open exposure of the other party. The risk that counterparties might be unable to fulfill their contractual obligations is mitigated by (i) entering into derivative transactions with highly-rated and creditworthy counterparties, (ii) monitoring counterparty credit exposure to ensure that exposures are within defined limits, and (iii) monitoring collateral values.

A CDS is an over-the-counter derivative instrument representing an agreement between two parties, a seller and a buyer. The seller of the CDS compensates the buyer in the event of a loan default or other credit event pertaining to a reference entity. The reference entity may be a specified entity, a group of single name entities, or an index. In return, the buyer makes a series of premium payments to the seller. If a credit event does not occur, the seller makes no payments to the buyer and receives only the contractually specified premiums. A CDX is an exchange-traded portfolio of single-entity credit default swaps used to hedge credit risk in the form of an index. Unlike a CDS, a CDX is standardized, making it highly liquid, mitigating counterparty credit risk and a primary market vehicle for gaining diversified credit exposure.

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The Company, at times, sells CDS contracts referencing single-name exposures written on corporate credit instruments with the intention of earning spread income on credit exposure through asset replication. Asset replication refers to the development of a synthetic financial instrument with similar risk and return characteristics of an actual security, such as a bond issued by a corporation, that is either unavailable in the cash markets or more economical to acquire in the form of a CDS. The Company replicates the investment characteristics of the reference bond using a combination of a credit default swap and one or more highly-rated fixed income securities held in its investment portfolio. The Company's CDS derivative agreements contain credit-rating triggers. If the credit rating of either counterparty to the contract were to fall below a given rating level, as specified in each agreement, the transaction is terminated at the then fair value of the derivative.

The notional amounts specified in a CDS or CDX contract are (i) used to calculate the exchange of contractual payments under the agreements, (ii) generally not representative of the potential for gain or loss on these agreements, and (iii) the maximum amount of potential future payments assuming no recoveries in a credit event with respect to a referenced entity. The Company typically enters into CDS or CDX contracts with a maturity of 5 years. At September 30, 2023, the Company had no open CDS or CDX contracts.

Foreign currency forwards are commitments to purchase and sell designated currency amounts at an agreed upon price at a specified future date. The Company invests in foreign exchange forward contracts to economically hedge the foreign currency exchange risk associated with certain non-U.S. dollar denominated exposures. These contracts can be with various counterparties. Cash collateral is required to be maintained within a counterparty's unsecured account to cover any loss position in excess of \$0.3 on open contracts. A similar requirement exists for the counterparty, should the open contract reflect a gain position. Foreign currency forward contracts are generally settled by the Company every ninety days. At September 30, 2023, the Company had three open foreign currency forward contracts, with an aggregate notional value of \$167.7, reflected a net unrealized loss of \$1.1, with cash collateral of \$1.2 paid by the Company.

Futures are standardized contracts between two parties, traded on an exchange, to buy or sell an asset for an agreed upon price as of a given date with delivery and payment occurring at a specified future date. The Company has entered into fixed income futures contracts in order to economically hedge the duration of certain fixed income assets in its portfolio due to anticipated changes in the interest rate environment. The daily fair value of the futures contract is determined by the value of an underlying referenced investment. Futures contracts are settled with cash on a daily basis. At September 30, 2023, the Company had three open futures positions with a notional value of \$28.6. The Company provided \$1.6 in the form of a fixed income security as initial deposit margin collateral to the counterparty.

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The fair value of derivatives, by contract type, at September 30, 2023, and December 31, 2022 are as follows:

	<u>Balance Sheet location</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Derivatives not designated as hedging instruments under ASC 815			
Derivative assets			
Foreign exchange forward contracts	Other invested assets	\$ 0.3	\$ -
Total		<u>\$ 0.3</u>	<u>\$ -</u>
Derivative liabilities			
Foreign exchange forward contracts	Other invested assets	\$ 1.4	\$ 0.8
Total		<u>\$ 1.4</u>	<u>\$ 0.8</u>

The following table provides information about the earnings (loss) effects of the Company's derivative investments for the three- and nine-month periods ended September 30, 2023, and 2022.

	<u>Location in Statement of Comprehensive Income</u>	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Derivatives not designated as hedging instruments under ASC 815					
Credit default swaps and indices	Net investment income	\$ -	\$ (1.4)	\$ -	\$ 3.7
Foreign exchange forward contracts	Net investment income	3.8	9.8	0.3	14.1
Fixed income futures	Net investment income	4.8	4.2	4.7	29.8
Total		<u>\$ 8.6</u>	<u>\$ 12.6</u>	<u>\$ 5.0</u>	<u>\$ 47.6</u>

The following table provides the derivative asset and liability balances, including cash collateral paid or received, that are offset together in the Consolidated Balance Sheet as of September 30, 2023, and December 31, 2022.

	September 30, 2023				
	Gross amounts of recognized assets (liabilities)	Gross amounts offset in Balance Sheet	Net amounts presented in Balance Sheet	Cash collateral paid (received) not offset in Balance Sheet	Net Amount
Derivative assets					
Foreign exchange forward contracts	\$ 0.3	\$ (0.2)	\$ 0.1	\$ -	\$ 0.1
Total	<u>\$ 0.3</u>	<u>\$ (0.2)</u>	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ 0.1</u>
Derivative liabilities					
Foreign exchange forward contracts	\$ (1.4)	\$ 1.4	\$ -	\$ -	\$ -
Total	<u>\$ (1.4)</u>	<u>\$ 1.4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	December 31, 2022				
	Gross amounts of recognized assets (liabilities)	Gross amounts offset in Balance Sheet	Net amounts presented in Balance Sheet	Cash collateral paid (received) not offset in Balance Sheet	Net Amount
Derivative assets					
Fixed income futures	\$ -	\$ -	\$ -	\$ 2.0	\$ 2.0
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2.0</u>	<u>\$ 2.0</u>
Derivative liabilities					
Foreign exchange forward contracts	\$ (0.8)	\$ 0.6	\$ (0.2)	\$ -	\$ (0.2)
Total	<u>\$ (0.8)</u>	<u>\$ 0.6</u>	<u>\$ (0.2)</u>	<u>\$ -</u>	<u>\$ (0.2)</u>

G. Net Realized Capital Gains and Losses

Net realized capital investment gains (losses) were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Capital gains (losses) on sales				
Fixed income securities	\$ 1.1	\$ (5.7)	\$ (4.7)	\$ (115.1)
Other-than-temporary impairments	(4.1)	(4.2)	(5.1)	(30.1)
Change in ACL	2.9	-	18.5	-
Net realized capital gains (losses)	<u>\$ (0.1)</u>	<u>\$ (9.9)</u>	<u>\$ 8.7</u>	<u>\$ (145.2)</u>

Impairments arise from either the Company's intent to sell the securities as part of the active management of the portfolio or the evaluation of certain securities' credit quality and expected cash flows.

H. Loans

The Company holds investments in five senior secured fixed term loans with U.S. infrastructure entities. The Venture Global Calcasieu Pass ("Venture Global") loan matures in August 2026 and the Bayonne Energy Center loan matures in September 2026. Both Companies receive interest and principal payments monthly based on the applicable Secured Overnight Financing Rate ("SOFR") rate for the period. The Abacus PF Borrower A LLC ("Abacus") loan matures in August 2027, the GR Palmas De Cocalan Spa ("Grenergy") loan matures in December 2027 and the NYC Transportation Development Corp loan matures in November 2029. The before-mentioned three Companies receive quarterly interest payments based on the SOFR for the period. All five loans permit prepayment by the borrower. The loans receivable of \$215.3 and \$119.9 at September 30, 2023, and December 31, 2022, respectively, are included in other invested assets in the Consolidated Balance Sheet.

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4. Fair Value Measurement

The fair value of financial instruments at September 30, 2023, and December 31, 2022, were as follows:

	September 30, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Fixed income securities				
Available for sale	\$ 14,012.3	\$ 14,012.3	\$ 13,933.5	\$ 13,933.5
Trading	9.5	9.5	12.8	12.8
Equity securities	86.3	86.3	84.1	84.1
Other invested assets				
Derivative assets	0.1	0.1	2.0	2.0
Other	207.9	215.3	119.9	123.9
Short term investments	246.1	246.1	188.8	188.8
Total	<u>\$ 14,562.2</u>	<u>\$ 14,569.6</u>	<u>\$ 14,341.1</u>	<u>\$ 14,345.1</u>
Liabilities:				
Senior notes	\$ 296.8	\$ 314.3	\$ 319.6	\$ 346.7
Derivative liabilities	-	-	0.2	0.2
Total	<u>\$ 296.8</u>	<u>\$ 314.3</u>	<u>\$ 319.8</u>	<u>\$ 346.9</u>

Other invested assets includes senior secured loans, which are carried at amortized cost. Derivative liabilities are carried at fair value and categorized as Level 1 in the fair value hierarchy. Other invested assets carried under the equity method of accounting are not included in the presentation above.

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The following tables present the Company's financial instruments measured at fair value and the level of the fair value hierarchy of inputs used as of September 30, 2023, and December 31, 2022:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed income securities				
Available for sale investments				
U.S Treasury securities and obligations of U.S				
government agencies and corporations	\$ -	\$ 6,462.8	\$ -	\$ 6,462.8
Foreign government securities	-	850.2	-	850.2
Corporate securities	-	4,267.5	213.2	4,480.7
Asset-backed securities	-	913.3	189.1	1,102.4
Residential mortgage-backed securities	-	606.6	-	606.6
Commercial mortgage-backed securities	-	509.6	-	509.6
Total available for sale investment	-	13,610.0	402.3	14,012.3
Trading investments				
Foreign government securities	-	7.8	-	7.8
Corporate securities and foreign bonds	-	1.7	-	1.7
Equity securities	86.3	-	-	86.3
Other invested assets				
Derivative assets	0.1	-	-	0.1
Short term investments	233.3	12.8	-	246.1
Total investments carried at fair value	<u>\$ 319.7</u>	<u>\$13,632.3</u>	<u>\$ 402.3</u>	<u>\$ 14,354.3</u>
Investments carried at cost				207.9
Investments carried at equity				887.5
Cash and cash equivalents				1,528.8
Total investments not carried at fair value				<u>2,624.2</u>
Total investments and cash				<u>\$ 16,978.5</u>

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December 31, 2022				
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed income securities				
Available for sale investments				
U.S Treasury securities and obligations of U.S				
government agencies and corporations	\$ -	\$ 6,366.9	\$ -	\$ 6,366.9
Obligations of states and political subdivisions	-	0.2	-	0.2
Foreign government securities	-	826.5	-	826.5
Corporate securities	-	4,101.5	221.3	4,322.8
Asset-backed securities	-	995.4	225.5	1,220.9
Residential mortgage-backed securities	-	662.6	-	662.6
Commercial mortgage-backed securities	-	533.6	-	533.6
Total available for sale investment	-	13,486.7	446.8	13,933.5
Trading investments				
Foreign government securities	-	10.2	-	10.2
Corporate securities and foreign bonds	-	2.6	-	2.6
Equity securities	84.0	-	0.1	84.1
Other invested assets				
Derivative assets	2.0	-	-	2.0
Short term investments	188.6	0.2	-	188.8
Total investments carried at fair value	<u>\$ 274.6</u>	<u>\$13,499.7</u>	<u>\$ 446.9</u>	<u>\$ 14,221.2</u>
Investments carried at cost				119.9
Investments carried at equity				871.0
Cash and cash equivalents				<u>1,055.7</u>
Total investments not carried at fair value				<u>2,046.6</u>
Total investments and cash				\$ 16,267.8

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The following table summarizes financial instruments for which the Company used significant Level 3 inputs to determine fair value measurements for the nine months ended September 30, 2023, and 2022:

	Balance at Jan. 1, 2023	Net investment gains (losses) In earnings ¹	In OCI ²	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance at September 30, 2023	Change in earnings due to assets still held ³
Available for sale investments										
Corporate securities	\$ 221.3	\$ 7.5	\$ (5.3)	\$ -	\$ (10.3)	\$ -	\$ -	\$ -	\$ 213.2	\$ 9.7
Asset-backed securities	225.5	-	3.9	-	-	(1.3)	-	(39.0)	189.1	3.9
Equity securities	0.1	-	-	-	(0.1)	-	-	-	(0.0)	-
Total	<u>\$ 446.9</u>	<u>\$ 7.5</u>	<u>\$ (1.4)</u>	<u>\$ -</u>	<u>\$ (10.4)</u>	<u>\$ (1.3)</u>	<u>\$ -</u>	<u>\$ (39.0)</u>	<u>\$ 402.3</u>	

	Balance at Jan. 1, 2022	Net investment gains (losses) In earnings ¹	In OCI ²	Purchases	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Balance at September 30, 2022	Change in earnings due to assets still held ³
Available for sale investments										
Corporate securities	\$ 284.9	\$ -	\$ (55.8)	\$ -	\$ (8.5)	\$ -	\$ -	\$ -	\$ 220.6	\$ (55.8)
Asset-backed securities	548.9	-	(8.8)	42.0	-	(41.7)	-	(253.7)	286.7	(15.7)
Equity securities	1.4	0.3	-	-	(1.6)	-	-	-	0.1	(0.3)
Total	<u>\$ 835.2</u>	<u>\$ 0.3</u>	<u>\$ (64.6)</u>	<u>\$ 42.0</u>	<u>\$ (10.1)</u>	<u>\$ (41.7)</u>	<u>\$ -</u>	<u>\$ (253.7)</u>	<u>\$ 507.4</u>	

- (1) Includes gains and losses on sales of financial instruments. Impairments and changes in ACL charged to net income (loss) on certain securities are included in net investment gains (losses).
(2) "OCI" means other comprehensive income. Includes changes in market value of investments designated as AFS.
(3) Includes unrealized gains (losses) recognized in comprehensive income for assets still held at the end of the period.

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The fair value of the Company's investment in collateralized loan obligations was \$188.2 and \$224.6, at September 30, 2023, and December 31, 2022, respectively. Collateralized loan obligations of \$39.0 were transferred from Level 3 to Level 2 during the nine months ended September 30, 2023, as the fair value was determined based on a price provided by an independent pricing service.

The Company's Level 3 investment was sold during the three months ended September 30, 2023.

5. Loan to Affiliate Company

The Company has a revolving credit agreement with Munich Re America Services, Inc. ("MRAS"), which allows MRAS to borrow up to \$150.0 from the Company. Outstanding amounts under this agreement bear interest annually at a rate equal to the SOFR, for a period equal in duration to the interest period, plus 25 basis points. In July 2023, MRAS repaid the Company the \$20.0 that was outstanding as of June 30, 2023. There were no amounts outstanding under this agreement at September 30, 2023. The termination date of this agreement is October 1, 2029.

6. Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income (loss) are as follows:

	Net unrealized appreciation (depreciation) of investments	Defined benefit plan adjustment	Total
Balance at December 31, 2021	\$ 129.0	\$ (115.7)	\$ 13.3
Period change	(2,046.3)	-	(2,046.3)
Tax effect	441.4	-	441.4
Reclassification adjustment for gains included in operations	(125.0)	1.9	(123.1)
Tax effect	27.0	(0.4)	26.6
Balance at September 30, 2022	<u>\$ (1,573.9)</u>	<u>\$ (114.2)</u>	<u>\$ (1,688.1)</u>
Balance at December 31, 2022	\$ (1,461.9)	\$ (110.3)	\$ (1,572.2)
Period change	(247.1)	-	(247.1)
Tax effect	53.3	-	53.3
ACL	82.1	-	82.1
Tax effect	(17.7)	-	(17.7)
Reclassification adjustment for losses included in operations	33.2	2.2	35.4
Tax effect	(7.2)	(0.5)	(7.7)
Balance at September 30, 2023	<u>\$ (1,565.3)</u>	<u>\$ (108.6)</u>	<u>\$ (1,673.9)</u>

Amounts reclassified out of accumulated other comprehensive income from net unrealized appreciation (depreciation) of investments are included in net realized capital gains in the Consolidated Statement of Comprehensive Income. Amounts reclassified from the defined benefit plan adjustment are included in other expense.

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7. Loss and Loss Adjustment Expense Reserves

The reconciliation of loss and loss adjustment expense (“LAE”) reserves for the nine months ended September 30, 2023 and 2022 is shown below:

	Nine months ended September 30,	
	2023	2022
Loss and LAE reserves at beginning of period	\$ 15,717.0	\$ 15,415.4
Reinsurance recoverables on unpaid losses	(3,629.1)	(3,414.1)
Net reserves at beginning of period	12,087.9	12,001.3
Net incurred related to:		
Current period	2,914.0	3,784.9
Prior periods	(77.6)	74.9
Total net incurred	2,836.4	3,859.8
Net paid related to:		
Current period	(501.3)	(632.1)
Prior periods	(2,237.3)	(2,378.9)
Total net paid	(2,738.6)	(3,011.0)
Deferred underwriting revenue	66.8	62.4
Foreign exchange increase in reserves	(0.1)	(6.4)
Net reserves at end of period	12,252.4	12,906.1
Reinsurance recoverables on unpaid losses	3,471.0	3,763.1
Loss and LAE reserves at end of period	<u>\$15,723.4</u>	<u>\$16,669.2</u>

8. Related Party Surplus Note

In February 2023, MRAM entered into a Surplus Note Agreement with a promise to pay MAHC the principal sum of \$305.0 plus simple interest on the unpaid balance of 4.5% annually. Principal and interest is payable upon demand only with prior written approval of the Commissioner of the State of Delaware (“the Commissioner”).

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9. Reinsurance

The Company reinsures certain risks to limit its exposure to catastrophes and large or unusually hazardous risks. Although reinsurance agreements contractually obligate the Company's reinsurers to reimburse it for the agreed-upon portion of its gross paid losses, they do not discharge the primary liability of the Company. The income statement amounts for premiums written, premiums earned and LAE are net of reinsurance. Direct, assumed, ceded and net amounts for these items are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Premiums written				
Direct	\$ 783.0	\$ 546.5	\$ 1,679.1	\$ 1,281.1
Assumed	1,445.0	1,952.0	3,314.4	4,761.7
Ceded	(194.6)	(263.3)	(434.6)	(461.1)
Net	<u>2,033.4</u>	<u>2,235.2</u>	<u>4,558.9</u>	<u>5,581.7</u>
Premiums earned				
Direct	524.1	397.9	1,404.2	1,105.9
Assumed	1,149.8	1,608.8	3,181.3	4,521.1
Ceded	(185.9)	(211.7)	(380.1)	(378.6)
Net	<u>1,488.0</u>	<u>1,795.0</u>	<u>4,205.4</u>	<u>5,248.4</u>
Losses and LAE incurred				
Direct	291.1	409.4	779.7	824.8
Assumed	839.7	1,625.1	2,258.5	3,671.6
Ceded	0.1	(542.9)	(201.8)	(636.6)
Net	<u>\$ 1,130.9</u>	<u>\$ 1,491.6</u>	<u>\$ 2,836.4</u>	<u>\$ 3,859.8</u>

10. Postretirement Benefits

The Company provides retirement benefits to its employees hired prior to 2006 under a qualified non-contributory defined benefit pension plan. It provides additional benefits to certain employees whose retirement benefits exceed maximum amounts permitted by current tax law under an unfunded, nonqualified pension plan. Benefits under both plans are based on years of service and the average of the employee's highest consecutive five years of compensation. Accrued costs represent estimates based upon current information. Those estimates are subject to change due to changes in the underlying information supporting such estimates in the future. These defined benefit pension plans were frozen in 2011, at which time employees in the plans ceased accruing benefits under the plans and commenced participation in the Company's defined contribution retirement savings plan.

The Company also provides post-retirement health care benefits to individuals having attained the age of 55 by March 31, 2018, who also meet service eligibility requirements. The plan cost to the Company is capped at 150% of the cost as of January 1, 2009. Additional costs above the cap are paid by retiree contributions. The Company funds its obligation currently.

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Net periodic benefit cost is included in other expense in the Consolidated Statement of Comprehensive Income. The following table provides the components of net periodic benefit cost for the three months ended September 30, 2023, and 2022.

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Interest cost	\$ 7.2	\$ 5.1	\$ 0.3	\$ 0.2
Expected return on plan assets	(5.9)	(3.8)	-	-
Amortization of net loss	1.1	1.0	-	0.2
Amortization of prior service credit	-	-	(0.4)	(0.5)
Net periodic benefit cost	<u>\$ 2.4</u>	<u>\$ 2.3</u>	<u>\$ (0.1)</u>	<u>\$ (0.1)</u>

The following table provides the components of net periodic benefit cost for the nine months ended September 30, 2023, and 2022.

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Interest cost	\$ 21.6	\$ 15.1	\$ 1.1	\$ 0.7
Expected return on plan assets	(17.9)	(11.4)	-	-
Amortization of net loss	3.4	2.8	-	0.4
Amortization of prior service credit	-	-	(1.3)	(1.3)
Net periodic benefit cost	<u>\$ 7.1</u>	<u>\$ 6.5</u>	<u>\$ (0.2)</u>	<u>\$ (0.2)</u>

11. Commitments and Contingencies

Commitments

The Company has an agreement to loan \$35.5 to Grenergy, a renewable energy infrastructure entity. The Company has \$6.6 remaining on this commitment at September 30, 2023. The Company expects to fulfill this obligation in late 2023.

The Company has an agreement to loan \$75.0 to NYC Transportation Development Corp, an infrastructure entity. The Company has \$47.6 remaining on this commitment at September 30, 2023. The Company expects to fulfil this obligation in early 2026.

Surety bonds

The Company is contingently obligated as co-surety to certain surety bonds issued by its reinsured clients. In all such cases, an indemnification and hold harmless agreement is executed that limits the Company's exposure to the extent provided under the reinsurance contract in the event of a claim. As co-surety, the Company would only incur a loss in excess of the limits of the reinsurance contract if a default by both the bonded principal and the co-surety occurred. Based upon internal risk modeling, which takes into consideration the financial strength and rating of the co-surety, a co-surety loss on any of these agreements is deemed to be remote. At September 30, 2023, the Company's contingent obligation under all co-surety arrangements is \$774.7.

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Financial Guarantees

At September 30, 2023, the Company has provided guarantees in the amount of \$138.0 to certain counterparties of the weather and energy trading operations of an affiliate, Munich Re Trading, LLC (“MRTL”) pursuant to a credit support facility between the Company and MRTL (the “Guarantees”). Pursuant to the facility, the Company, may, but is not obligated to, issue credit support of up to a maximum of \$350.0 for MRTL in furtherance of MRTL’s trading business. The credit support will be in the form of Guarantees wherein the Company guarantees the payment obligations of MRTL arising from certain transactions or contracts relating to the supply of energy services or weather related derivatives. The Guarantees remain in effect until the earlier of (i) the underlying transactions expire and all obligations are satisfied or (ii) the Guarantees are terminated pursuant to their terms. Upon payment of any obligations under the Guarantees, the Company has subrogation rights against MRTL. Based upon internal risk modeling, the current status of the payment risk on the Guarantees is deemed to be remote.

Litigation

The Company is involved in non-claim litigation incidental to its business principally related to insurance company insolvencies or liquidation proceedings in the ordinary course of business. Also, in the ordinary course of business, the Company is sometimes involved in adversarial proceedings incidental to its insurance and reinsurance business. The amounts at risk in these proceedings are taken into account in setting loss reserves. Based upon its familiarity with or review and analysis of such matters, the Company believes that none of the pending litigation matters will have a material adverse effect on the consolidated financial statements of the Company. However, no assurance can be given as to the ultimate outcome of any such litigation matters.

12. Segment Reporting

Management reviews the Company’s financial results focusing on its property and casualty (“P&C”) business segments, comprised of its Reinsurance and Specialty Insurance divisions. The underwriting results of the P&C segments are management’s key focus in evaluating the underwriting performance of the Company. These results are reviewed on a gross less specific retrocessions basis. Specific retrocessions are those underwritten within the business segment and generally designed to reduce the net liability on individual risks. Total Corporate & Other retrocessional programs underwritten on a corporate basis and designed to protect the overall surplus of the Insurance Subsidiaries are not included in the property and casualty underwriting results. These retrocessions, in addition to the underwriting results of business segments in run-off and certain business written on behalf of Munich Re and its affiliated companies, are aggregated to reconcile the P&C segments underwriting results to the consolidated statements of operations. Elements of underwriting results are **bold**.

The Company does not allocate certain items of revenues and expenses, nor are they included in the assessment of the segment results as reviewed by the Company’s management. The assets and liabilities of the Company are generally not maintained on a segment or geographical basis. An allocation of such assets and liabilities is considered by the Company to be impracticable.

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Notes to Consolidated Interim Financial Statements
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Three months ended September 30, 2023

	<u>Reinsurance</u>	<u>Specialty Insurance</u>	<u>Total P&C</u>	<u>Total Corporate & Other</u>	<u>Total</u>
<u>Revenues</u>					
Gross premiums written	\$ 840.7	\$ 820.5	\$ 1,661.2	\$ 566.8	\$ 2,228.0
Net premiums written	<u>840.3</u>	<u>813.9</u>	<u>1,654.2</u>	<u>379.2</u>	<u>2,033.4</u>
Premiums earned	677.6	518.4	1,196.0	292.0	1,488.0
Net investment income					147.5
Net realized capital losses					(0.1)
Other income					2.8
Total revenue					<u>1,638.2</u>
<u>Losses and Expenses</u>					
Losses and LAE	471.2	335.8	807.0	323.9	1,130.9
Underwriting expense	200.9	157.0	357.9	113.9	471.8
Interest expense					5.7
Interest on ceded funds held					5.1
Other expense					3.2
Total losses and expenses					<u>1,616.7</u>
Gain before income taxes					<u>21.5</u>
Underwriting gain (loss)	<u>\$ 5.5</u>	<u>\$ 25.6</u>	<u>\$ 31.1</u>	<u>\$ (145.8)</u>	<u>\$ (114.7)</u>
Losses and LAE Ratio	69.5 %	64.8 %	67.5 %	N/M %	76.0 %
Underwriting Expense Ratio	<u>29.7</u>	<u>30.3</u>	<u>29.9</u>	<u>N/M</u>	<u>31.7</u>
Combined Ratio	<u>99.2 %</u>	<u>95.1 %</u>	<u>97.4 %</u>	<u>N/M %</u>	<u>107.7 %</u>

N/M = not meaningful

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(Dollars in millions)
(unaudited)

Three months ended September 30, 2022

	<u>Reinsurance</u>	<u>Specialty Insurance</u>	<u>Total P&C</u>	<u>Total Corporate & Other</u>	<u>Total</u>
<u>Revenues</u>					
Gross premiums written	\$ 1,526.7	\$ 555.1	\$ 2,081.8	\$ 416.7	\$ 2,498.5
Net premiums written	<u>1,526.0</u>	<u>493.0</u>	<u>2,019.0</u>	<u>216.2</u>	<u>2,235.2</u>
Premiums earned	<u>1,256.6</u>	<u>350.1</u>	<u>1,606.7</u>	<u>188.3</u>	<u>1,795.0</u>
Net investment income					117.9
Net realized capital losses					(9.9)
Other income					<u>22.7</u>
Total revenue					<u>1,925.7</u>
<u>Losses and Expenses</u>					
Losses and LAE	1,410.8	342.6	1,753.4	(261.8)	1,491.6
Underwriting expense	408.1	105.9	514.0	93.8	607.8
Interest expense					6.1
Interest on ceded funds held					4.9
Other expense					<u>4.2</u>
Total losses and expenses					<u>2,114.6</u>
Loss before income taxes					<u>(188.9)</u>
Underwriting loss	<u>\$ (562.3)</u>	<u>\$ (98.4)</u>	<u>\$ (660.7)</u>	<u>\$ 356.3</u>	<u>\$ (304.4)</u>
Losses and LAE Ratio	112.3 %	97.9 %	109.1 %	N/M %	83.1 %
Underwriting Expense Ratio	<u>32.4</u>	<u>30.2</u>	<u>32.1</u>	<u>N/M</u>	<u>33.9</u>
Combined Ratio	<u>144.7 %</u>	<u>128.1 %</u>	<u>141.2 %</u>	<u>N/M %</u>	<u>117.0 %</u>

N/M = not meaningful

MUNICH RE AMERICA CORPORATION
Notes to Consolidated Interim Financial Statements
September 30, 2023
(Dollars in millions)
(unaudited)

Nine months ended September 30, 2023

	<u>Reinsurance</u>	<u>Specialty Insurance</u>	<u>Total P&C</u>	<u>Total Corporate & Other</u>	<u>Total</u>
<u>Revenues</u>					
Gross premiums written	\$ 1,867.7	\$ 1,673.1	\$ 3,540.8	\$ 1,452.7	4,993.5
Net premiums written	1,863.0	1,655.3	3,518.3	1,040.6	4,558.9
Premiums earned	1,894.0	1,336.5	3,230.5	974.9	4,205.4
Net investment income					405.0
Net realized capital gains					8.7
Other income					11.3
Total revenue					4,630.4
<u>Losses and Expenses</u>					
Losses and LAE	1,230.2	849.4	2,079.6	756.8	2,836.4
Underwriting expense	563.6	418.5	982.1	326.0	1,308.1
Interest expense					17.5
Interest on ceded funds held					15.0
Other expense					15.9
Total losses and expenses					4,192.9
Gain before income taxes					437.5
Underwriting gain (loss)	\$ 100.2	\$ 68.6	\$ 168.8	\$ (107.9)	\$ 60.9
Losses and LAE Ratio	65.0	63.6	64.4 %	N/M %	67.4 %
Underwriting Expense Ratio	29.8	31.2	30.3	N/M	31.1
Combined Ratio	94.8 %	94.8 %	94.7 %	N/M %	98.5 %

N/M = not meaningful

MUNICH RE AMERICA CORPORATION
Notes to Consolidated Interim Financial Statements
September 30, 2023
(Dollars in millions)
(unaudited)

Nine months ended September 30, 2022

	<u>Reinsurance</u>	<u>Specialty Insurance</u>	<u>Total P&C</u>	<u>Total Corporate & Other</u>	<u>Total</u>
<u>Revenues</u>					
Gross premiums written	\$ 3,722.7	\$ 1,200.1	\$ 4,922.8	\$ 1,120.0	\$ 6,042.8
Net premiums written	3,721.0	1,133.0	4,854.0	727.7	5,581.7
Premiums earned	3,486.4	1,004.9	4,491.3	757.1	5,248.4
Net investment income					350.4
Net realized capital losses					(145.2)
Other income					56.6
Total revenue					5,510.2
<u>Losses and Expenses</u>					
Losses and LAE	2,927.9	778.5	3,706.4	153.4	3,859.8
Underwriting expense	1,162.8	320.9	1,483.7	276.3	1,760.0
Interest expense					18.6
Interest on ceded funds held					13.7
Other expense					16.2
Total losses and expenses					5,668.3
Gain before income taxes					(158.1)
Underwriting gain (loss)	\$ (604.3)	\$ (94.5)	\$ (698.8)	\$ 327.4	\$ (371.4)
Losses and LAE Ratio	84.0 %	77.5 %	82.5 %	N/M %	73.5 %
Underwriting Expense Ratio	33.4	31.9	33.0	N/M	33.5
Combined Ratio	117.4 %	109.4 %	115.5 %	N/M %	107.0 %

N/M = not meaningful

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION
(DOLLARS IN MILLIONS)

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2023, COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2022

Underwriting Results and Combined Ratio

A key measure of the financial strength of a (re)insurance company is a positive underwriting result, or an underwriting profit. A major goal of a reinsurance company is to produce an underwriting profit, exclusive of investment income. A company's underwriting result is measured by its premiums earned, net of losses and LAE incurred and underwriting expenses. If underwriting is not profitable, investment income must be used to cover underwriting losses.

Combined ratio is also an industry-wide measure of a (re)insurance company's profitability. Combined ratio is the sum of the loss ratio and the underwriting expense ratio. The combined ratio is calculated, on a GAAP basis, as the sum of the losses and LAE incurred and underwriting expenses, divided by net premiums earned. These ratios are relative measurements that describe the cost of losses and expenses for every dollar of net premiums earned. The combined ratio presents the total cost per dollar of premium production. A combined ratio below 100% demonstrates underwriting profit; a combined ratio above 100% demonstrates underwriting loss.

In addition to reviewing the overall underwriting results and ratios of the Company at a corporate level, or consolidated financial statement level, management focuses on "property and casualty underwriting results" in evaluating the underwriting performance of the Company. The P&C underwriting results represent the aggregated results of the P&C business segments on a "gross less specific retrocessions" basis. The underwriting results of business segments in run-off, retrocessional programs designed to protect the overall surplus of Munich Reinsurance America, Inc., and certain business written on behalf of Munich Re and its affiliated companies are not included in these P&C underwriting results.

The underwriting results and combined ratios for the Company for the three months ended September 30, 2023, and 2022, are as follows:

	<u>2023</u>		<u>2022</u>
Premiums earned	\$ 1,488.0		\$ 1,795.0
Less: Losses and LAE	1,130.9		1,491.6
Commission expense	404.9		549.6
Operating expense	66.9		58.2
Underwriting gain (loss)	<u>\$ (114.7)</u>		<u>\$ (304.4)</u>
Loss ratio	76.0 %		83.1 %
Expense ratio	<u>31.7</u>		<u>33.9</u>
Combined ratio	<u>107.7 %</u>		<u>117.0 %</u>

Financial Statement Results

The Company reported net income to its common stockholder of \$32.5 for the three months ended September 30, 2023, compared to net loss of \$88.3 for the same period in 2022.

Revenues

Premiums. Gross premiums written for the three months ended September 30, 2023, decreased 10.8% to \$2,228.0 from \$2,498.5 for the same period in 2022.

Net premiums written by the Company's P&C segments, which excludes Total Corporate and Other, decreased 18.1% to \$1,654.2 for the three months ended September 30, 2023, from \$2,019.0 for the same period in 2022. The Reinsurance segment experienced a 44.9% decrease in net premiums written to \$840.3 for the three months ended September 30, 2023, from \$1,526.0 in the same period in 2022. This decrease is primarily due to strategic actions taken to shift from property line quota share business to catastrophic excess of loss business. The Specialty Insurance segment experienced a 65.1% increase in net premiums written to \$813.9 for the three months ended September 30, 2023, from \$493.0 in the same period in 2022. This increase was primarily the result of an increase in the excess and surplus business mainly within casualty property and surety and program business. The decrease in premiums written by the P&C segments, was offset by a \$163.0 increase in business not included in the P&C segments, resulted in a 9.0% decrease in consolidated net premiums written to \$2,033.4 for the three months ended September 30, 2023, from \$2,235.2 for the same period in 2022.

The Company's premiums earned decreased 17.1% to \$1,488.0 for the three months ended September 30, 2023, from \$1,795.0 for the same period in 2022. The decrease in premiums earned is the result of a decrease in net premiums written.

Investment Income. Net investment income increased 25.1% to \$147.5 for the three months ended September 30, 2023, from \$117.9 for the same period in 2022. This increase is due to higher yields on fixed income investments due to rising rates, increased income from money market securities, and increased income from infrastructure investments for the three months ended September 30, 2023, compared to the 2022 period. This increase was offset by decreased income from treasury inflation protected securities.

The Company realized net capital gains on the sale of fixed income securities of \$1.1 for the three months ended September 30, 2023, compared to net capital losses on sales of \$5.7 for the same period in 2022. The 2023 and 2022 periods also included write-downs of \$4.1 and \$4.2, respectively, resulting from either, the Company's intent to sell the securities, or the evaluation of certain securities' credit quality and expected cash flows. The 2023 period also included net realized capital gains on the change in ACL and CECL totaling \$2.9.

Other income decreased significantly to \$2.8 for the three months ended September 30, 2023, from \$22.7 for the same period in 2022, primarily due to decreased income from assumed funds held balances in 2023 compared to 2022 and decreased unrealized foreign currency gains on foreign currency denominated assets and liabilities.

Expenses

Losses and Loss Adjustment Expenses. Net losses and LAE incurred decreased 24.2% to \$1,130.9 for the three months ended September 30, 2023, from \$1,491.6 for the same period in 2022. This decrease is primarily the result of decreased reserves due to the novation of a large quota share agreement and lower property catastrophe losses in the period.

Underwriting Expense. Underwriting expense, consisting of commission expense plus operating expense, decreased 22.4% to \$471.8 for the three months ended September 30, 2023, from \$607.8 for the same period in 2022. This decrease was due to a 26.3% decrease in net commission expense to \$404.9 for the three months ended September 30, 2023, from \$549.6 for the same period in 2022. The decrease in commission expense is primarily due to lower earned premium, coupled with a shift to more non-proportional business which generally carries lower commission rates. Operating expense increased 14.9% to \$66.9 for the three months ended September 30, 2023, from \$58.2 for the three months ended September 30, 2022, due to an increase in personnel related and information technology expenses.

Other expense. Other expense decreased 23.8% to \$3.2 for the three months ended September 30, 2023, from \$4.2 for the same period in 2022. This decrease was primarily attributable to decreased foreign exchange losses on foreign currency denominated assets and liabilities.

NINE MONTHS ENDED SEPTEMBER 30, 2023, COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2022

Underwriting Results and Combined Ratio

The underwriting results and combined ratios for the Company for the nine months ended September 30, 2023, and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Premiums earned	\$ 4,205.4	\$ 5,248.4
Less: Losses and LAE	2,836.4	3,859.8
Commission expense	1,066.3	1,558.5
Operating expense	241.8	201.5
Underwriting gain (loss)	<u>\$ 60.9</u>	<u>\$ (371.4)</u>
Loss ratio	67.4 %	73.5 %
Expense ratio	<u>31.1</u>	<u>33.5</u>
Combined ratio	<u>98.5 %</u>	<u>107.0 %</u>

Financial Statement Results

The Company reported net income to its common stockholder of \$353.2 for the nine months ended September 30, 2023, compared to net loss of \$85.0 for the same period in 2022.

Revenues

Premiums. Gross premiums written for the nine months ended September 30, 2023, decreased 17.4% to \$4,993.5 from \$6,042.8 for the same period in 2022.

Net premiums written by the Company's P&C segments, which excludes Total Corporate and Other, decreased 27.5% to \$3,518.3 for the nine months ended September 30, 2023, from \$4,854.0 for the same period in 2022. The Reinsurance segment experienced an 49.9% decrease in net premiums written to \$1,863.0 for the nine months ended September 30, 2023, from \$3,721.0 in the same period in 2022. This decrease is primarily due to strategic actions taken to shift from property line quota share business to catastrophic excess of loss business. The Specialty Insurance segment experienced a 46.1% increase in net premiums written to \$1,655.3 for the nine months ended September 30, 2023, from \$1,133.0 in the same period in 2022. This increase was primarily the result of an increase in the excess and surplus business mainly within casualty property and surety and program business. The decrease in premiums written by the P&C segments, was offset by a \$312.9 increase in business not included in the P&C segments, resulted in a 18.3% decrease in consolidated net premiums written to \$4,558.9 for the nine months ended September 30, 2023, from \$5,581.7 for the same period in 2022.

The Company's premiums earned decreased 19.9% to \$4,205.4 for the nine months ended September 30, 2023, from \$5,248.4 for the same period in 2022. The decrease in premiums earned is the result of a decrease in net premiums written coupled with the timing of earnings of premiums in force during the respective periods.

Investment Income. Net investment income increased 15.6% to \$405.0 for the nine months ended September 30, 2023, from \$350.4 for the same period in 2022. This increase is due to higher yields on fixed income investments due to rising rates, increased income from money market securities, and increased income from equity securities for the three months ended September 30, 2023, compared to the 2022 period. This increase was offset by decreased income from treasury inflation protected securities.

The Company realized net capital losses on the sale of fixed income securities of \$4.7 for the nine months ended September 30, 2023, compared to net capital losses on sales of \$115.1 for the same period in 2022. The 2023 period also included write-downs of \$5.1 resulting from either, the Company's intent to sell the securities,

or the evaluation of certain securities' credit quality and expected cash flows. The 2023 period also included net realized capital gains on the change in ACL and CECL totaling \$18.5. The 2022 period included write-downs of \$30.1 resulting predominantly from the impairment of Russian investment holdings, as their decline in fair value is considered by management to be other than temporary.

Other income decreased significantly to \$11.3 for the nine months ended September 30, 2023, from \$56.6 for the same period in 2022, primarily due to decreased income from assumed funds held balances in 2023 compared to 2022, decreased unrealized foreign currency gains on foreign currency denominated assets and liabilities, and decreased reductions in the allowance for doubtful accounts.

Expenses

Losses and Loss Adjustment Expenses. Net losses and LAE incurred decreased 26.5% to \$2,836.4 for the nine months ended September 30, 2023, from \$3,859.8 for the same period in 2022. This decrease is primarily the result of decreased reserves due to the novation of a large quota share agreement, lower property catastrophe losses in the period, and decreased adverse development on prior year accident losses.

Underwriting Expense. Underwriting expense, consisting of commission expense plus operating expense, decreased 25.7% to \$1,308.1 for the nine months ended September 30, 2023, from \$1,760.0 for the same period in 2022. This decrease was due to a 31.6% decrease in net commission expense to \$1,066.3 for the nine months ended September 30, 2023, from \$1,558.5 for the same period in 2022. The decrease in commission expense is primarily due to lower earned premium, coupled with a shift to more non-proportional business which generally carries lower commission rates. Operating expense increased 20.0% to \$241.8 for the nine months ended September 30, 2023, from \$201.5 for the nine months ended September 30, 2022, due to an increase in personnel related and information technology expenses.

FINANCIAL CONDITION

Total consolidated assets decreased slightly to \$24,776.4 at September 30, 2023, from \$24,863.5 at December 31, 2022. Total consolidated liabilities decreased slightly to \$21,897.5 at September 30, 2023, from \$22,103.6 at December 31, 2022.

The total financial statement value of investments and cash increased 4.4% to \$16,978.5 at September 30, 2023, from \$16,267.8 at December 31, 2022, primarily resulting from \$766.6 of net cash flow from operating activities and \$305.0 of proceeds from the Surplus Note issuance, offset by a decrease of \$214.0 in unrealized market valuation adjustments, excluding the impact of ACL, an increase of \$113.9 in net receivables for securities sold, and a \$50.9 dividend paid by the Company to MAHC.

At September 30, 2023, the Company recognized a cumulative unrealized loss of \$1,565.3 due to the net adjustment to fair value on fixed income investments AFS, after applicable income tax effects, which was reflected in stockholder's equity as a component of accumulated other comprehensive income. This represents a net decrease to stockholder's equity of \$103.4, from the cumulative unrealized loss on debt and equity securities of \$1,461.9 recognized at December 31, 2022.

The Company may, from time to time, redeem all or part of its 7.45% Senior Notes due in 2026 (the "Notes") pursuant to the terms of the indenture under which the Notes were issued (the "Indenture"), or purchase them in privately negotiated transactions, tender offers or otherwise. The Indenture contains certain covenants, including, but not limited to, covenants imposing limitations on liens, and restrictions on mergers and sale of assets. Throughout 2023, the Company repurchased, and subsequently cancelled, \$23.0 aggregate principal of Notes through privately negotiated transactions. At September 30, 2023, \$297.7 aggregate principal of Notes remain outstanding.

Common stockholder's equity increased 4.3% to \$2,878.5 at September 30, 2023, from \$2,759.9 at December 31, 2022. This increase was primarily the result of comprehensive income of \$251.5, offset by dividends paid totaling \$50.9. The statutory surplus of the Company's Insurance Subsidiaries was \$5,151.0 at September 30, 2023, compared to \$5,033.9 at December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

The Company is an insurance holding company whose only material investment is in the capital stock of its subsidiaries. The Company has been dependent on management service agreements and dividends from the Insurance Subsidiaries in order to meet its short- and long-term liquidity requirements, including its debt service obligations. The payment of dividends to the Company by the Insurance Subsidiaries is subject to limitations imposed by the Insurance Department, including the requirement that dividends be paid from available unassigned funds, as set forth in the most recent annual statement of the insurer. Based on these restrictions, MRAM cannot pay dividends in 2023 without the prior approval of the Insurance Department. In 2023, AAIC and Princeton E&S declared and paid dividends to the Company of \$21.6 and \$29.3, respectively. In the future, the Company believes that its long-term debt service obligations will be provided for by available cash of the Company, dividends, and/or tax allocation payments from its subsidiaries, and/or through other forms of financing.

The Company's cash flow from operations may be influenced by a variety of other factors, including cyclical changes in the property and casualty reinsurance market, insurance regulatory initiatives, and changes in general economic conditions. Liquidity requirements are met on a short- and long-term basis by funds provided by operations and from the maturity and the sale of investments. Cash provided by operations primarily consists of premiums collected, investment income, and reinsurance recoverable balances collected, less paid claims, retrocessional payments, underwriting and interest expenses, and income tax payments. Cash flows provided by operations were \$766.6 and \$396.1 for the nine months ending September 30, 2023, and 2022, respectively.

Cash and cash equivalents of \$1,528.8 and \$1,055.7 at September 30, 2023, and December 31, 2022, respectively, are maintained for liquidity purposes and represented 9.0% and 6.5%, respectively, of total financial statement investments and cash on such dates.

INVESTMENT RISKS AND UNCERTAINTIES

Investments are exposed to the following primary sources of risk: credit, interest rate, liquidity, market valuation, currency and real estate risk. The financial statement risks, stemming from such investment risks, are those associated with the determination of estimated fair values, the diminished ability to sell certain investments in times of strained market conditions, the recognition of ACL and impairments, and the recognition of income on certain investments. The use of different methodologies, assumptions and inputs relating to these financial statement risks may have a material effect on the amounts presented within the consolidated financial statements.

The determination of ACL and impairments is highly subjective and is based upon quarterly evaluations and assessments of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

MARKET AND INTEREST RATE RISK

The Company is subject to market risk arising from the potential change in the value of its various financial instruments. These changes may be due to fluctuations in interest and foreign exchange rates, credit spreads, and equity prices. The major components of market risk affecting the Company are interest rate and foreign currency risk.

Interest rate and equity price risk. The Company has both fixed and variable income investments with a value of \$14,267.9 at September 30, 2023, that are subject to changes in value due to market interest rates. In addition to interest rate and foreign exchange risk, the Company's common equity security portfolio of \$86.3 at September 30, 2023, is subject to changes in value based on changes in equity prices.

Foreign currency rate risk. Foreign currency rate risk is the potential change in value, income and cash flow arising from adverse changes in foreign currency exchange rates. Although the majority of the Company's remaining international operations are in run-off, the Company generally maintains investments in local currencies to meet its foreign obligations. The Company's primary foreign currency exposures are the Canadian Dollar, Australian Dollar, and the Euro.

Management of market risk. The Company seeks to minimize its foreign exchange rate exposure by matching the currency and duration of its foreign investments with the corresponding loss reserves. Where such a match cannot be achieved, foreign currency forward contracts may be used. At September 30, 2023, the Company had three open foreign currency forward contracts with a notional value of \$167.7. To hedge credit risk, the Company may at times purchase or sell credit default swaps in the form of CDS or CDX contracts. At September 30, 2023, the Company had no open CDS or CDX contracts. The Company may also use other derivative instruments, such as futures, to economically hedge the duration of fixed income assets due to anticipated changes in the interest rate environment. At September 30, 2023, the Company had three open futures positions with a notional value of \$28.6. Derivatives, depending on the type of instrument, are inherently at risk to changes in interest rates, foreign exchange rates and price movements. The market valuations are also a function of the volume of transactions and the terms of the given agreement.

FORWARD-LOOKING INFORMATION

The Company has disclosed certain forward-looking statements concerning its operations, economic performance and financial condition, including, in particular the likelihood of the Company's success in developing and expanding its business and the risks related thereto. These statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company, and reflect future business decisions that are subject to change. Some of these assumptions inevitably will not materialize, and unanticipated events will occur which will affect the Company's results. Such statements may include, but are not limited to, projections of premium revenue, investment income, other revenue, losses, expenses, earnings, cash flows, plans for future operations, common stockholder's equity, investments, capital plans, dividends, plans relating to products or services of Munich Re America, Inc., estimates concerning the effects of litigation or other disputes, adverse state or federal legislation or regulation, adverse publicity or news coverage or changes in general economic factors as well as the assumptions for any of the foregoing and are generally expressed with words, such as "believes," "estimates," "expects," "anticipates," "plans," "projects," "forecasts," "goals," "could have," "may have" and similar expressions.