# AMERICAN OVERSEAS GROUP LIMITED

2023 ANNUAL REPORT

**American Overseas Group Limited**

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Dear Shareholders,

I am pleased to report the results of American Overseas Group Limited (the “Company,” “we” or “us”) for the year ending December 31, 2023. Since 2020, our Company’s sole focus has been to create profitable growth in our U.S. based non-standard automobile operations comprised of our Old American branded companies, Old American County Mutual Fire Insurance Company (OACM) and Old American Indemnity Company (OAIC). We have taken numerous steps over the years to streamline our operations, reduce our entity footprint, and align our resources to position the Company as a leading capacity provider within the non-standard automobile market, and, in 2023 the Company produced significant positive earnings per share for our equity shareholders.

OACM, which holds a unique, Texas-only “County Mutual” license, operates through multiple MGA partners in the state. OACM is a top 15 personal automobile underwriter in the state of Texas, producing direct written premiums and policy fees of $528.2 million in 2023. OAIC, now also a Texas domiciled company as of December 2023, is licensed in 16 states, with current licenses in several key non-standard personal automobile states, and produced $138.4 million of direct written premium and policy fees in 2023. Total U.S. personal automobile written premium and policy fees of $666.6 million in 2023 produced 47.1% year over year growth. Our core earnings potential is contingent upon expansion of our fee income focused business model. In 2023, further expansion occurred with the addition of partnerships in key non-standard personal automobile markets such as Florida and Texas. In 2023, fee income grew 41.0%, ending at $16.5 million and surpassing historical fee revenue levels recorded prior to the impact of COVID-19. The Company remains well positioned with its existing licenses to create additional earnings through future fee income growth.

As discussed in my letters the last two years, the personal auto industry experienced once in a lifetime shocks from COVID-19 related economic shutdowns – first to revenue levels in 2020 as driving activity shrunk, and subsequently to claims loss costs in 2021 through 2023 as supply chains and labor shortages produced runaway inflation impacts on vehicle repair costs. As a whole, in 2023, the personal auto industry began to catch up with these adverse trends that produced deep multi-year double digit increases in claims severity. However, many carriers still remain well above their targets for loss ratio results.

While not considered a core earnings segment for us, meeting target underwriting profit over the long term is a goal to which we devote significant resources. Our year over year loss and loss adjustment expenses as a percentage of our earned premium decreased from 72.1% in 2022 to 69.2% in 2023, and we continue to work with our managing general agent partners to further improve this ratio. Our program partners have diligently responded to these changing loss costs patterns, implementing rate on rate changes over the past two and half years, taking appropriate underwriting actions, and carefully monitoring new business production metrics. Prior to 2021, underwriting returns from indemnity participation in our partner programs exceeded our target return in five of the six prior years. In conjunction with our program partners, we are focused on once again meeting our indemnity return targets. These high quality, long standing partner relationships, along with the value-added services we provide, leave Old American well positioned to service the demand for personal auto products from the growing underserved non-standard personal auto market segment.

We furthered our commitment to reach and service the $72+ billion U.S. non-standard auto market segment in 2023 with the addition of significant expansion programs in Texas and the addition of a long tenured program in Florida. In 2024 we will receive the benefit of full year production in those expansion programs, and continue to actively pursue state licenses and program partners who meet our criteria in states that hold a significant market size of our underserved customers.

Over the past several years we have taken the opportunity to streamline and simplify our structure and lines of business to achieve cost savings with the elimination of a legacy financial guaranty business, the elimination of redundant entities, the reduction in staff in our U.S. operations, and careful management of our offshore resources. The culmination of these efforts came to fruition in 2023 with the dissolution of our legacy financial guaranty reinsurer American Overseas Re, which had previously commuted its last financial guaranty contract in 2020. While we will continue to challenge the status quo in these areas, our Company's structure, processes, and people are in a more refined position to achieve our goals in non-standard automobile insurance.

To that end, we remain focused on increased shareholder value through:

- Diligent growth of our fee-based specialty insurance business
- Managing our retained underwriting risk for long term profit
- Ensuring that expenses are in line with current revenues and business needs.

As part of our ongoing capital management efforts, the Company will continue to redirect excess capital within the group to debt reduction unless other compelling opportunities present themselves.

Sincerely,

Debra J. Roberts

Debra J. Roberts
President and Chief Executive Officer

**Note on Forward-Looking Statements**

*Various statements contained in this Annual Report, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. These forward- looking statements may include projections and estimates concerning the timing and success of specific projects and the Company's future production, revenues, income and capital spending. The Company's forward-looking statements are generally, but not always, accompanied by words such as "estimate," "believe," "expect," "anticipate," "would," "will," "may," "plan," "goal," "target," "could," "continue," "intend" or other words that convey the uncertainty of future events or outcomes. While the Company's management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control.*

*Examples of forward-looking statements include the plans and objectives of management for future operations, including those relating to future growth of our business, and are based on current expectations that involve assumptions that are difficult or impossible to predict accurately and many of which are beyond our control. There can be no assurance that actual developments will be those anticipated by us, and therefore you are cautioned not to place undue reliance on such statements. Actual results may differ materially from those expressed or implied in these statements as a result of significant risks and uncertainties, including, but not limited to, our ability to recover from our capacity providers, the cost and availability of reinsurance coverage, challenges to our use of issuing carrier or fronting arrangements by regulators or changes in state or federal insurance or other statutes or regulations, our dependence on a limited number of business partners, our ability to compete effectively, our ability to continue to compete without a financial strength rating of our insurance subsidiaries, our ability to accurately underwrite and price our products and to maintain and establish accurate loss reserves, changes in interest rates or other changes in the financial markets, the effects of emerging claim and coverage issues, changes in the demand for our products, the effect of general economic conditions, the impact of the COVID-19 pandemic, breaches in data security or other disruptions with our technology, and changes in pricing or other competitive environments.*

*Forward-looking statements involve inherent risks and uncertainties and the Company cautions readers that various factors could cause its actual financial and operational results to differ materially from those indicated by forward-looking statements made from time-to-time in news releases, reports, proxy statements, registration statements, and other written communications, as well as oral statements made from time-to-time by representatives of the Company. Those and other important factors, including those contained in this Annual Report, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. The forward-looking statements contained in this Annual Report speak only as of the date hereof, and the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.*

## Business

### History

American Overseas Group Limited ("AOG") was incorporated on January 28, 1998, under the laws of Bermuda. AOG was originally organized to operate a mono-line financial guaranty reinsurance subsidiary which was subsequently placed in voluntary run-off in 2009.

On May 2, 2006, AOG completed an initial public offering ("IPO"), and AOG's common shares were thereafter traded on the NASDAQ Global Market. Effective May 14, 2009, AOG's common shares were voluntarily delisted from the NASDAQ Global Market and thereafter have traded on the Pink Sheets. In addition, AOG obtained a primary listing on the Bermuda Stock Exchange effective May 14, 2009.

AOG and Orpheus Group Ltd. ("OGL") came under common control on June 26, 2013 and, on October 28, 2014, AOG acquired all of the outstanding stock of OGL for a combination of Senior Notes and AOG common stock. In this Annual Report AOG, OGL and all of its subsidiaries are referred to as the "Company," "we," "us" or "our."

The Company received all regulatory approvals prior to December 31, 2023 to dissolve American Overseas Reinsurance Company Limited ("AORE") and the Certificate of Dissolution was dated January 25, 2024. There was no ultimate gain or loss related to the dissolution.

Old American Indemnity Company ("OAIC") received approval to redomicile to Texas on December 27, 2023.

### Our Businesses

Our business group comprises the following categories:

1. U.S.-based property and casualty insurance companies that provide non-standard auto insurance through specialty managing general agents("MGAs")
2. A Barbados domiciled affiliate reinsurance company that assumes and reinsures a small portion of the U.S.-sourced non-standard auto business
3. U.S based management services company

The source of our active property and casualty business consists of two U.S. operating subsidiaries: Old American County Mutual Fire Insurance Company ("OACM"), a Texas insurance company that is licensed to write certain property and casualty business under the unique Texas-only County Mutual license, and OAIC, an admitted carrier domiciled in Texas that is licensed to write property and casualty insurance in 16 states. Both of these subsidiaries are managed exclusively by us. These companies specialize in the niche of non-standard automobile insurance sold through MGAs and operate principally on a fee-based business model.

Our fee-based model means that, unlike traditional insurance companies, we historically generate the majority of our income from fees, not underwriting profits. Our business generates fee income based upon underwriting volume, by offering issuing carrier capacity to specialty MGAs who sell, control and administer books of insurance business that are supported by reinsurance. At OACM, we retain a small portion of certain MGA programs through our affiliate reinsurer, Orpheus Re Limited, ("ORE"), and cede over 95% of the business written at OACM into the third-party reinsurance market. At OAIC, we retain 10% or less of the underwriting risk within OAIC, and then cede half of that retention to ORE.

Our management services subsidiary is based in the U.S. and provides services to OACM, OAIC, and AOG. While the fees for providing services to our U.S. regulated subsidiaries are eliminated from income in our GAAP consolidation, they represent a substantial stream of cash flow that is available within the Company outside of the normal dividend restrictions imposed by local regulation.

AORE had historically been a legacy financial guaranty reinsurance company. The last financial guaranty reinsurance contacts were fully commuted in April of 2020. In 2019, AORE began assuming affiliated property and casualty business from ORE through a 100% retrocessional quota share agreement. This agreement was commuted on January 1, 2023, and AORE was effectively dissolved in December of 2023.

**U.S Property and Casualty Insurance Companies**

***The Role of MGAs:***

We provide access to U.S. property and casualty insurance underwriting capacity in the specialty niche of non-standard auto insurance through MGAs for a fee. This fee is generally based upon underwriting volume (gross written premium plus policy fees). MGAs who specialize in non-standard auto insurance and seek our fee-based underwriting capacity are generally in one of the following categories:

- MGAs writing specialized books of business supported by reinsurers; or
- MGAs affiliated with insurance companies seeking a fronting arrangement for the following reasons:
  - Their insurers have access to origination but require access to licensing in our states;
  - Their insurers wish to utilize OACM's County Mutual licensed authority to impose rating surcharges for insureds' driving violations and other undesirable risk characteristics.

Our business model relies on our MGAs to provide the infrastructure associated with underwriting, policy administration, claims handling, cash management and other services traditionally associated with insurance companies. As a result, our gross written premiums and fees are scalable. Significant additional premium volume can be generated with minimal incremental expense.

Our business model also relies upon significant risk mitigation practices. We retain a small percentage of the underwriting risk at OACM and OAIC. We remain exposed to the credit risk of the reinsurers, including the risk that one of our reinsurers becomes insolvent or otherwise unable or unwilling to pay claims. To mitigate this credit risk, we have established financial criteria for selecting reinsurers as well as comprehensive methodologies, collateral arrangements and monitoring systems. To mitigate the financial and operational risks associated with MGAs, we have several risk mitigation procedures and requirements in place.

***Business Philosophy:***

We recognize that there are significant potential risks associated with a business model that relies upon third parties to underwrite, administer, and handle claims on the insurance policies we provide. However, we approach this business opportunity with the fundamental goal of building long-term partnerships with both our MGAs and third-party reinsurers. We strive to avoid any MGA or reinsurer who is aiming for rapid growth based solely on generating premium volume because of the obvious pitfalls, such as problems with pricing, policy service, claims handling and customer service that can occur from that type of approach. We believe that it is critically important to select MGAs and reinsurers who have a long-term commitment to this product niche and who adhere to our standards of managing their business.

As part of our MGA selection process, we perform extensive due diligence on our prospects. Once selected, we perform regular audits to ensure that the MGAs are managing their programs in accordance with our MGA agreements and expectations. We emphasize to our MGAs the importance of producing a profitable book of business that will garner and retain support from the reinsurance market.

We also cultivate long-standing relationships with our reinsurance partners and meet with senior management on a regular basis to ensure clear and direct communication between our reinsurance partners and our executive team. We share the results of our regular MGA audits with both the MGAs and the reinsurers, so that there is regular and consistent communication between all business partners involved.

Our experienced professional management team offers substantial resources to our MGAs in the form of value-added services, such as: advice and assistance with general business expertise and the necessary IT system requirements, support with product design and rate filings, review and approval of reinsurance submissions, and monitoring of regulatory compliance matters. Our senior management team has substantial experience in the specialized niche of non-standard auto business as well as the broader property and casualty insurance and reinsurance industry. Biographies of the senior executive team can be found under "Directors and Executive Officers Information."

***Contractual Relationships with MGAs and Reinsurers:***

In connection with writing non-standard auto business, we enter into agency and reinsurance agreements with the MGAs and the reinsurers. In some cases, the MGAs and the reinsurers for a program are part of the same organization or are otherwise affiliated. The MGA generally is the party that will handle the marketing and underwriting of the policies (subject to certain limitations), the overall administration of the business, including preparing reports and fiduciary responsibilities (e.g. collecting premiums, paying commissions, losses and loss adjustment expenses, assessments) required pursuant to the applicable agreements, and handling of claims (up to certain limits as set forth in the specific program).

As a result of our contract design, only a small portion of the underwriting risk and business risk inherent in the arrangement is retained by the Company. We have residual exposure to Extra Contractual Obligations and Excess of Policy Limits Losses (ECO and XPL), when such amounts exceed the limits stated in our program reinsurance contracts, and we have purchased additional reinsurance coverage for such exposure.

We regularly review and update the minimum capital and ratings requirements for our reinsurers. We also review historical financial results of proposed reinsurers to assess financial stability. Some MGAs have affiliated insurance carriers that serve as reinsurers on the programs fronted by us. If such a reinsurer does not meet our standard selection criteria, we ensure adequate security through various risk mitigating requirements, such as letters of credit, funds held, or trust agreements. We monitor our collateral on a regular basis and set our collateral requirements to limit our credit exposure.

***Our contracts relating to collateral typically provide for changes in the level of collateral required based on estimates of reinsurance recoverables. As of December 31, 2023, we held $214.0 million in collateral against $397.4 million in total reinsurance recoverable, which includes recoverables from highly-rated domestic reinsurers that are not required to provide collateral.***

***Geographic Distribution and Licensing:***

Through 2018 we predominantly wrote business through OACM in the state of Texas. OACM is only licensed to write business in Texas and possesses a unique and valuable license which allows it to submit multiple rate filings to the Texas Department of Insurance, its regulator. This allows OACM to appoint multiple MGAs, each of which can submit one or more rate filings through OACM. This enables each of the MGAs to produce business through their own distribution channel in the name of OACM, but each MGA program remains independent from the business written by other MGA producers. In addition, County Mutual licenses have certain competitive advantages which include surcharge rating flexibility and effective exemption from Texas Automobile Insurance Plan Association (TAIPA) assignments for assigned risk auto business via earned credits for the non-standard auto policies written.

OAIC operates outside of Texas, and in 2023 wrote non-standard auto business in Florida, Louisiana, Oklahoma, and Utah. OAIC is licensed in sixteen states and expects to add new MGA programs each year as part of its growth strategy. Unlike the unique license held by OACM, the license of OAIC generally only allows rate filings attached to a single MGA in each state, with a few exceptions.

**Affiliated Reinsurance Business**

Our affiliated reinsurance company provides reinsurance capacity for a portion of the retained underwriting risk of OAIC and to a certain number of MGA programs underwritten by OACM. Such reinsurance is provided through our Barbados-based reinsurance subsidiary, ORE. We have assessed our overall risk appetite for underwriting risk and have determined to participate in the U.S.-sourced non-standard auto risk on a limited basis for the foreseeable future.

**Management Services Business**

The Management Services business has an exclusive management contract with OACM which expires on January 1, 2036. The OACM management contract is transferable, subject to regulatory approval. The OACM management contract provides that the fee earned by the Management Services business is calculated and settled on a monthly basis. Besides the management fee paid to the Management Services business, OACM generally incurs direct expenses for actuarial, audit and legal fees.

The Management Services business also has a management contract with OAIC. The fee earned by the Management Services business under the OAIC management contract is settled quarterly.

The Management Services business also provided services to AORE which ended in February 2023, and continues to provide services to AOG. The contract with AORE and AOG provides that each pay an arms-length fee using hourly rates that are comparable to other sophisticated captive managers based in Bermuda. Management services are also provided to ORE through an external management and consulting company in Bermuda.

**Capital Resources**

At year-end 2023, we had $6.0 million of Senior Notes outstanding originally issued by American Overseas Group Limited. In 2021 these notes were assigned to our U.S. holding company subsidiary, OACC, in exchange for a dividend in kind. $6.0 million remains outstanding on these Senior Notes. In addition, the U.S. property and casualty business had $14.8 million of Senior Secured Notes outstanding at OACC. The Company believes that its existing resources will be sufficient to service these obligations for the foreseeable future.

The highlights of the above securities are as follows:

***OACC Senior Notes:***

The Company has $6.0 million of Senior Notes outstanding at December 31, 2023. These notes bear interest at 9.0% per annum which is payable quarterly. No principal is due until maturity on October 28, 2039. Principal can be prepaid at any time without penalty. During 2021, the notes were transferred from AOG to OACC as a dividend in kind. The terms on the Notes remain the same.

***U.S. Property and Casualty Senior Secured Notes:***

OACC has $14.8 million of Senior Secured Notes outstanding at December 31, 2023. These notes bear interest at 12.0% per annum which is payable quarterly. No principal is due until maturity on January 1, 2040. Principal can be prepaid at any time without penalty.

***AORE Class B Preference Shares:***

As a result of the dissolution process, on September 15, 2023 AORE retired the remaining 336.01 of its Class B preference Shares at a liquidation value of $3.0 million. The Class B shares carried a 6.276% dividend, had a liquidation preference of $100,000 per share and were perpetual. There were dividends of nil paid to the Class B preference shareholders in 2023.

AORE established an irrevocable trust for the benefit of the holders of the Class B shares on July 15, 2014 (the “Class B Trust”). An initial contribution of $2.0 million was made to the Class B Trust on that date. The assets of the Class B Trust were invested in a global equity index fund. The Company was authorized to use assets in the Class B Trust to redeem Class B shares at any time for an amount not in excess of a holder’s pro-rata share of the assets in the Class B Trust as of the date of any such redemption. In 2023, the assets held in the Series B Security Trust were liquidated and distributed to the Class B shareholders as part of the dissolution of AORE.

## Selected Five Year Financial Data

The following tables set forth our selected historical consolidated financial information for the periods ended and as of the dates indicated. These selected historical consolidated results are not necessarily indicative of results to be expected in any future period. You should read the following selected financial information together with the other information contained in this report, including the consolidated financial statements and related notes included herein.

| ($ in millions, except for share information) | December 31 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| **OPERATING RESULTS** | | | | | |
| Gross written premium | $ 666.6 | $ 453.1 | $ 420.5 | $ 364.9 | $ 452.4 |
| Net written premium | 35.3 | 21.3 | 21.6 | 17.3 | 11.2 |
| Fee income | 16.5 | 11.7 | 11.2 | 9.9 | 11.6 |
| Premiums earned | $ 29.4 | $ 20.1 | $ 20.8 | $ 12.3 | $ (5.4) |
| Net loss and loss adjustment expenses | (20.3) | (14.5) | (14.4) | (10.5) | (7.5) |
| Acquisition costs | (8.9) | (6.3) | (7.1) | (4.8) | (1.6) |
| Underwriting income (loss) | $ 0.2 | $ (0.7) | $ (0.7) | $ (3.0) | $ (14.5) |
| Net par outstanding, net of escrowed transactions | - | - | - | - | 362 |
| Net debt service outstanding | - | - | - | - | 508 |
| Reconciliation of operating income: | | | | | |
| Net income (loss) income attributable to common shareholders | $ 5.3 | $ (1.5) | $ (5.5) | $ (5.0) | $ (3.7) |
| Reconciling adjustments: | | | | | |
| Dividends on preference shares | - | 0.5 | 0.6 | - | 0.6 |
| Net change in fair value of credit derivatives | - | - | - | - | (0.2) |
| Net realized investment (gains) | (2.8) | (0.2) | (0.1) | (29.8) | (1.8) |
| Fair value adjustments | - | - | - | 12.4 | (4.0) |
| Amortization of intangibles | - | - | - | - | - |
| Operating income (loss) | $ 2.5 | $ (1.2) | $ (5.0) | $ (22.4) | $ (9.1) |
| **SELECTED BALANCE SHEET DATA** | | | | | |
| Investments and cash | $ 190.4 | $ 136.5 | $ 142.8 | $ 101.6 | $ 164.1 |
| Premiums receivable | 174.3 | 94.7 | 76.6 | 73.1 | 81.0 |
| Deferred reinsurance premiums | 219.8 | 132.6 | 108.9 | 101.8 | 125.7 |
| Reinsurance balances receivable, net | 348.9 | 248.2 | 224.0 | 194.9 | 210.4 |
| Deferred acquisition costs | 9.2 | 4.0 | 4.6 | 3.6 | 0.5 |
| Goodwill and intangible assets | 37.9 | 37.9 | 37.9 | 37.9 | 37.9 |
| Total assets | 985.2 | 658.4 | 598.5 | 517.0 | 623.8 |
| Loss and LAE reserve | 332.6 | 253.9 | 215.6 | 192.9 | 263.7 |
| Unearned premium reserve | 230.1 | 137.9 | 113.4 | 105.7 | 128.8 |
| Ceded premium payable | 184.0 | 88.1 | 82.1 | 72.0 | 89.1 |
| Derivative liabilities | - | - | - | - | - |
| Notes payable | 20.8 | 18.0 | 16.5 | 16.5 | 16.5 |
| Funds withheld | 136.5 | 99.4 | 104.3 | 65.0 | 52.8 |
| Redeemable Series A preference shares | - | - | - | - | 7.3 |
| Fair Value Adjustment | - | - | - | - | 2.9 |
| Total liabilities | 948.9 | 622.8 | 555.4 | 467.6 | 570.3 |
| Shareholders equity | 36.3 | 30.2 | 37.0 | 43.3 | 47.5 |
| Non-controlling interest | - | 5.5 | 6.1 | 6.1 | 6.1 |
| Total equity | 36.3 | 35.6 | 43.1 | 49.4 | 53.5 |
| **SHARE INFORMATION** | | | | | |
| Basic earnings per share | $ 113.55 | $ (31.42) | $ (117.08) | $ (107.76) | $ (80.34) |
| Diluted earnings per share | 113.55 | (31.42) | (117.08) | (106.53) | (80.13) |

# American Overseas Group Limited

## Consolidated Financial Statements
## For the Year Ended
## December 31, 2023

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Overseas Group Limited

## Opinion

We have audited the consolidated financial statements of American Overseas Group Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023, and 2022, and the related consolidated statements of operations, comprehensive income (loss), equity and retained deficit, and 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, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

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

## Responsibilities of Management for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included within Note 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United Stated of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 19, 2024

**AMERICAN OVERSEAS GROUP LIMITED**
**CONSOLIDATED BALANCE SHEETS**
**December 31, 2023 and December 31, 2022**

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| Fixed-maturity securities held as available for sale, at fair value | $ | 132,600,206 | $ | 97,645,890 |
| Equity investments available for sale, at fair value | | - | | 2,708,440 |
| Cash and cash equivalents | | 56,853,732 | | 32,211,928 |
| Restricted cash | | 964,244 | | 3,968,280 |
| Accrued investment income | | 972,386 | | 455,320 |
| Premiums receivable | | 174,349,810 | | 94,703,896 |
| Deferred reinsurace premiums | | 219,827,766 | | 132,602,466 |
| Reinsurance balances receivable, net | | 348,929,520 | | 248,233,879 |
| Deferred policy acquisition costs | | 9,152,180 | | 4,028,856 |
| Intangible assets | | 4,800,000 | | 4,800,000 |
| Goodwill | | 33,050,000 | | 33,050,000 |
| Other assets | | 3,718,700 | | 3,976,657 |
| **Total assets** | $ | 985,218,544 | $ | 658,385,612 |
| **Liabilities and Shareholders' Equity** | | | | |
| **Liabilities:** | | | | |
| Losses and loss expense reserve | $ | 332,572,963 | $ | 253,885,512 |
| Deferred commission income | | 6,877,542 | | 2,660,863 |
| Unearned premiums | | 230,122,576 | | 137,929,468 |
| Ceded premium payable | | 183,969,266 | | 88,116,788 |
| Payable to general agents | | 10,884,582 | | 5,468,993 |
| Fund withheld | | 136,471,097 | | 99,408,544 |
| Accounts payable and accrued liabilities | | 25,724,321 | | 16,499,812 |
| Notes payable | | 20,770,907 | | 18,020,907 |
| Non-owned interest in VIE | | 300,000 | | 300,000 |
| Interest payable | | 578,268 | | 463,770 |
| Deferred tax liability | | 647,940 | | - |
| **Total liabilities** | | 948,919,462 | | 622,754,657 |
| **Shareholders' equity:** | | | | |
| Common shares | | 4,697,900 | | 4,697,900 |
| Additional paid-in capital | | 189,178,987 | | 189,178,987 |
| Accumulated other comprehensive (loss) | | (3,453,857) | | (4,240,403) |
| Retained deficit | | (154,123,948) | | (159,458,452) |
| **Total shareholders' equity** | | 36,299,082 | | 30,178,032 |
| Non-controlling interest in preferred shares in subsidiaries | | - | | 5,452,923 |
| **Total equity** | | 36,299,082 | | 35,630,955 |
| **Total liabilities and equity** | $ | 985,218,544 | $ | 658,385,612 |

See Accompanying Notes to the Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

**December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| Net premiums earned | $ 29,351,222 | $ 20,125,770 |
| Fee income | 16,539,764 | 11,693,111 |
| Net investment income | 828,543 | 263,108 |
| Net realized gain | 2,809,259 | 236,915 |
| Other income | 87,000 | 936,283 |
| **Total revenues** | 49,615,788 | 33,255,187 |
| Net losses and loss adjustment expenses | 20,314,693 | 14,506,031 |
| Acquisition costs | 8,939,201 | 6,342,239 |
| General and administrative expenses | 12,141,870 | 11,539,702 |
| Interest expense | 2,237,580 | 1,816,081 |
| **Total expenses** | 43,633,344 | 34,204,053 |
| **Income (loss) before income tax expense** | 5,982,444 | (948,866) |
| Income tax (expense) | (647,940) | - |
| **Income (loss) before non-controlling interest** | $ 5,334,504 | $ (948,866) |
| **Net income (loss) attributable to non controlling interest** | | |
| Non-controlling interest - dividends on Class B preference shares of subsidiary | - | (527,200) |
| Net income (loss) attributable to common shareholders | $ 5,334,504 | $ (1,476,066) |
| Net income (loss) per common share: | | |
| Basic | $ 113.55 | $ (31.42) |
| Diluted | $ 113.55 | $ (31.42) |
| Weighted-average number of common shares outstanding: | | |
| Basic | 46,979 | 46,979 |
| Diluted | 46,979 | 46,979 |

See Accompanying Notes to the Consolidated Financial Statements.

**AMERICAN OVERSEAS GROUP LIMITED**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Net income (loss) before non-controlling interest** | $ 5,334,504 | $ (948,866) |
| **Other comprehensive income (loss)** | | |
| Change in unrealized fair value of investments | 3,595,805 | (5,127,563) |
| Reclassification adjustment for net realized investment gains and (losses) included in income | (2,809,259) | (236,915) |
| Other comprehensive income (loss) | 786,546 | (5,364,478) |
| **Comprehensive income (loss)** | $ 6,121,050 | $ (6,313,344) |

See Accompanying Notes to the Consolidated Financial Statements.

**AMERICAN OVERSEAS GROUP LIMITED**
**CONSOLIDATED STATEMENTS OF EQUITY AND RETAINED DEFICIT**
**December 31, 2023 and 2022**

| | Share capital | Noncontrolling Interest | Additional paid-in-capital | Accumulated other comprehensive income (loss) | Retained deficit | Total stockholders' equity |
|---|---|---|---|---|---|---|
| Balance, December 31, 2021 | 4,697,900 | 6,053,376 | 189,178,987 | 1,124,075 | (157,982,386) | 43,071,952 |
| | | | | | | - |
| Net loss | - | - | - | - | (948,866) | (948,866) |
| Net change in unrealized gains | | | | | | - |
| and losses on investments | - | - | - | (5,364,478) | - | (5,364,478) |
| Repurchase class B preferance shares | | (600,453) | - | - | - | (600,453) |
| Dividends paid on preferred shares | - | - | - | - | (527,200) | (527,200) |
| Balance, December 31, 2022 | 4,697,900 | 5,452,923 | 189,178,987 | (4,240,403) | (159,458,452) | 35,630,955 |
| Net income | - | - | - | - | 5,334,504 | 5,334,504 |
| Net change in unrealized gains | | | | | | |
| and losses on investments | - | - | - | 786,546 | - | 786,546 |
| Repurchase class B preferance shares | | (5,452,923) | | | | (5,452,923) |
| Balance, December 31, 2023 | $ 4,697,900 | - | $ 189,178,987 | $ (3,453,857) | $ (154,123,948) | $ 36,299,082 |

See Accompanying Notes to the Consolidated Financial Statements

**AMERICAN OVERSEAS GROUP LIMITED**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) for the year | $ 5,334,504 | $ (948,866) |
| **Adjustments to reconcile net income (loss) to net cash used in operating activities:** | | |
| Net realized (gain) on sale of investments | (361,354) | (46,462) |
| Net realized (gain) sale of preferred shares | (2,447,905) | (190,453) |
| Interest expense | 2,237,580 | 1,816,081 |
| Amortization of bond discount | (741,122) | 113,332 |
| **Changes in operating assets and liabilities:** | | |
| Accrued investment income | (517,066) | 97,425 |
| Premiums receivable | (79,645,914) | (18,077,701) |
| Deferred reinsurance premiums | (87,225,300) | (23,698,317) |
| Reinsurance balance receivable, net | (100,695,641) | (24,251,500) |
| Deferred acquisition costs, net | (906,645) | 10,082 |
| Other assets | 257,957 | (810,713) |
| Unpaid losses and loss adjustment expenses | 78,687,451 | 38,243,831 |
| Unearned premiums | 92,193,108 | 24,506,912 |
| Ceded premium payable | 95,852,478 | 6,058,235 |
| Payable to general agents | 5,415,589 | (1,652,315) |
| Funds withheld | 20,900,691 | (131,959) |
| Accounts payable and accrued liabilities | 9,224,509 | 4,077,868 |
| Deferred tax liability | 647,940 | - |
| **Net cash provided by operating activities** | **38,210,860** | **5,115,480** |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of available for sale securities | (60,530,639) | (60,949,179) |
| Proceeds from sales of fixed income investments | 12,010,287 | 15,504,061 |
| Proceeds from sales of equities | 2,891,996 | 346,930 |
| Proceeds from maturities of fixed income investments | 31,433,364 | 41,055,328 |
| **Net cash (used in) investing activities** | **(14,194,992)** | **(4,042,860)** |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance senior note payable | 3,500,000 | 1,500,000 |
| Payment on senior note payable | (750,000) | - |
| Interest paid | (2,123,082) | (1,803,081) |
| Payment on preferred shares | (3,005,018) | (410,000) |
| Dividends paid on preferred shares | - | (527,200) |
| **Net cash (used in) financing activities** | **(2,378,100)** | **(1,240,281)** |

**AMERICAN OVERSEAS GROUP LIMITED**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Net increase (decrease) in cash, cash equivalents and restricted cash** | 21,637,768 | (167,661) |
| Cash and cash equivalents - Beginning of year | 36,180,208 | 36,347,869 |
| **Cash and cash equivalents - End of year** | $ 57,817,976 | $ 36,180,208 |
| **Net taxes paid** | $ - | $ - |
| *Reconciation of cash and restricted cash and equivalents to Balance Sheet* | | |
| Cash and cash equivalents, end of year | $ 56,853,732 | $ 32,211,928 |
| Restricted cash and cash equivalents, end of year | 964,244 | 3,968,280 |
| **Total cash and cash equivalents and restricted cash and equivalents, end of year** | $ 57,817,976 | $ 36,180,208 |
| **Supplemental Disclosure of Non-Cash Transactions:** | | |
| Transfer of securities from Trust Account being maintained for Funds Held | (14,010,269) | 1,942,298 |

See Accompanying Notes to the Consolidated Financial Statements.

## BACKGROUND

American Overseas Group Limited ("AOG" or the "Company") was incorporated on January 28, 1998, under the laws of Bermuda. The Company was originally organized to operate a mono-line financial guaranty reinsurance subsidiary which was placed in voluntary run-off in 2009. After substantially reducing its financial guaranty exposure, AOG entered the property and casualty reinsurance business in 2012. On June 26, 2013 the Company's principal shareholder at that time, Orpheus Group Ltd. ("OGL"), acquired voting control of AOG. On October 28, 2014, AOG acquired OGL for a combination of common stock and senior notes. The Company is now a major writer of non-standard auto insurance through its U.S. subsidiaries. All earned premium and fee income are related to its property and casualty book of business. The financial guaranty book of business was eliminated in 2020.

The Company received all regulatory approvals prior to December 31, 2023 to dissolve American Overseas Reinsurance Company Limited ("AORE") and the Certificate of Dissolution was dated January 25, 2024. There was no ultimate gain or loss related to the dissolution.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ materially from those estimates.

### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries, as well as those of Old American County Mutual Fire Insurance Company ("OACM"), a variable interest entity ("VIE") which the Company is required to consolidate. All significant intercompany balances have been eliminated in consolidation.

### (c) Cash and cash equivalents

The Company considers all highly liquid investments, including fixed-interest and money market fund deposits, with a maturity of 90 days or less when purchased, as cash equivalents. Cash equivalents are carried at cost which approximates fair value.

### (d) Investments

The Company has classified its fixed-maturity and equity investments as available-for-sale. Available-for-sale investments are carried at fair value, with unrealized appreciation or depreciation reported as a separate component of accumulated other comprehensive income. A portion of the unrealized appreciation or depreciation related to a reinsurer is included in funds held instead of accumulated other comprehensive income as the investments are pledged and all related investment movements, income, expenses, etc inure back to the reinsurer not the Company. The Company's fair values of fixed-maturity investments are based on prices obtained from nationally recognized independent pricing services and represent quoted prices in active markets when available. Equity securities include investments in shares of publicly traded companies and offshore mutual funds. All investment transactions are recorded on a trade date basis. Realized gains and losses on sales of fixed-maturity investments are determined on the basis of amortized cost. Gains and losses on sale of investments are included in "net realized gains on sale of investments" when realized. The cost of securities sold is determined using the specific identification method. The Company's investment guidelines require the orderly sale of securities that do not meet investment guidelines due to a downgrade by rating agencies or other circumstances, unless otherwise authorized by management to hold.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(e) Investments (Cont'd)**

**Current Expected Credit Losses (CECL)**

The Company and our investment services provider, New England Asset Management ("NEAM"), review it's investment portfolio no less than quarterly in order to determine whether an unexpected credit loss exists.

Factors considered when assessing for any credit loss may include, but are not limited to: a screening process to determine if any securities held by the Company are flagged by our investment provider and a qualitative analytic review of factors such as the market position, regional economic and demographic trends, bond structure, liquidity and governance frameworks.

If an expected credit loss is determined to be needed, an allowance would be booked and adjusted as warranted by subsequent analysis.

**(f) Guaranty fund asset**

Guaranty fund assets are included in other assets on the Consolidated Balance Sheet assessed to the Company from various states when the cost of defaulted insurance companies exceed the current fund balance. Depending on when the Company receives notice of an assessment, the Company will either accrue or pay the assessment and, if allowed by the assessing state, setup a corresponding guaranty fund asset for any premium tax credits allowed. This asset is reviewed annually for collectability and will be written off, if needed.

**(g) Revenue recognition**

The Company earns property casualty insurance and reinsurance premium revenue over the terms of the related policies. Unearned premiums represent the unexpired portion of premiums written. In addition, the Company earns fee income for providing insurance capacity for its nonstandard automobile liability and physical damage insurance products produced by managing general agents or other producers and ceded to reinsurers. Fee income is the excess of the ceding commission received from the reinsurers over the commission expense paid to the managing general agents or other producers.

Premium receivables and reinsurance recoverables are evaluated for credit losses at the underwriting company level. These are evaluated based on a number of factors including, but not limited to, the current aging of the receivables, the financial monitoring of the MGA/Reinsurers, the collateral of reinsurers, and the structure of the business of the underwriting company. As of December 31, 2023, it was determined that there were no expected credit losses to be booked

**(h) Deferred policy acquisition costs**

Deferred policy acquisition costs comprise those expenses that vary with and are primarily related to the production of business, including ceding commissions paid.

When assessing the recoverability of deferred policy acquisition costs, the Company considers the future earnings of premiums and anticipated investment income and compares this to the sum of unamortized policy acquisition costs, expected loss and loss adjustment expenses and expected maintenance costs. If a deficiency were calculated, the unamortized acquisition costs would be reduced by a charge to expense. Any deficiency driven by the maintenance costs that is greater than the balance of the deferred acquisition costs for the underwriting year and risk type is recorded as a premium deficiency.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) Losses and loss adjustment expenses

Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates ("case basis loss reserves") and an amount for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and adjustments are reflected in the period determined.

### (i) Fair value measurements

ASC 820 provides guidance for fair value measurement of assets and liabilities and associated disclosures about fair value measurement. Under this standard, the definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). ASC 820 clarifies that fair value is a market-based measurement, not an entity-specific measurement. ASC 820 establishes a fair value hierarchy of inputs in measuring fair value, with the highest level being observable inputs and the lowest being unobservable data as follows:

- Level 1 inputs – valuations based on quoted prices in active markets for identical assets or liabilities. Valuations in this level do not entail a significant degree of judgment.

- Level 2 inputs – valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and model derived valuations where all significant inputs are observable in active markets.

- Level 3 inputs – valuations based on significant inputs that are unobservable.

Disclosures relating to fair value measurements are included in Note 5 – Fair Value of Financial Instruments.

### (j) Goodwill and intangible assets

The Company tests for impairment of goodwill and indefinite-lived intangible assets on an annual basis, or more frequently if events or changes in circumstances indicate that impairment exists.

The Company amortizes finite-lived intangible assets over the respective useful lives of the assets. If events or changes in circumstances indicate that impairment of these assets exists, the Company will test for impairment. If, as a result of the evaluation, the Company determines that the value of the goodwill or intangible assets is impaired, then the value of the assets will be written-down through net income in the period in which the determination of the impairment is made.

### (k) Leases

At lease inception, the Company determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and noncurrent operating lease liabilities in the consolidated financial statements. ROU assets represent the Company's right to use leased assets over the term of the lease. Lease liabilities represent the Company's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the remaining lease payments plus

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (k) Leases

unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short term leases is included in lease expense in the income statement.

To the extent a lease arrangement includes both lease and fixed non-lease components, the Company has elected to account for the components as a single lease component. To the extent the non-lease component is not fixed in nature, the non-lease components are expensed separately.

### (l) Taxation

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the difference is reversed. A valuation allowance is recorded against gross deferred tax assets if it is more likely than not that all or some portion of the benefits related to the deferred tax assets will not be realized.

### (m) Share-based compensation

The Company measures and records compensation costs for all share-based payment awards based on grant-date fair value over the requisite service period. This includes consideration of expected forfeitures in determining share based-based employee compensation expenses.

### (n) Treasury shares

Common shares of AOG held by the Company and its subsidiaries are accounted for similar to share cancellations with the excess of the par value reflected in additional paid in capital.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (o) Recent Accounting pronouncements

***New accounting pronouncements adopted:***

***Income Taxes***

On Dec. 18, 2019, the FASB released Accounting Standards Update (ASU) 2019-12, which affects general principles within Topic 740, Income Taxes. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. The FASB has stated that the ASU was issued as part of its Simplification Initiative, which is meant to reduce complexity in accounting standards by improving certain areas of generally accepted accounting principles (GAAP) without compromising information provided to users of financial statements. For public business entities, the amendments in ASU 2019-12 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15,2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted. The Company implemented this ASU in 2022. None of the key changes impacted the Company therefore there was no impact to the balance sheet or income statement.

***Credit losses on financial instruments***

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The Company adopted and implemented this ASU during the 2023 fiscal year. As of December 31, 2023, there was no credit loss impact to the Company. See Note 6 – Current Expected Credit Losses.

***New accounting pronouncements not yet adopted:***

**Improvements to Reportable Segment Disclosures**

In November 2023, the FASB issued ASU 2023-07, Improvements to Reportable Segment Disclosures (Topic 280), to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. The amendments in this update will require public entities to disclose significant segment expenses that are regularly provided to the Company's chief operating decision maker and included within segment profit and loss, an amount and description of its composition for other segment items, and expanded interim disclosures. This guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the impact of adopting this guidance on its financial statement disclosures.

## 3. PLEDGED ASSETS

As of December 31, 2023 and 2022, there were investments of $2.1 million and $2.0 million, respectively, on deposit with state insurance department regulators related to a U.S. subsidiary.

As of December 31, 2022, AORE had restricted cash of $54 dollars and investments at fair value of $2.7 million, respectively, in trust accounts. These accounts include funds held in trust for the benefit of the holders of its Class B Preference Shares. As of December 31, 2023 there was nil restricted cash due to AORE dissolution.

On July 21, 2014 AORE established an irrevocable trust (the "Class B Security Trust") for the benefit of the holders of its Class B Preference Shares. Butterfield Trust Company was appointed as its trustee. AORE had been authorized to redeem Class B Shares at any time for the amount that is not in excess of the Holder's pro-rata share of the assets in the Class B Security Trust. In 2023, the Series B Security Trust was sold (see Note 4 – Investments for details). As of December 31, 2022 the asset value of the Series B Security Trust was $2.7 million included within investments.

Orpheus Re Ltd. ("ORE") held a Section 114 Trust in favor of OACM to support obligations from the reinsurance business assumed. As at December 31, 2023 and 2022 the assets value was $7.5 million and $4.8 million, respectively.

ORE held a Section 114 Trust in favor of OAIC to support obligations from the reinsurance business assumed. As at As of December 31, 2023 and 2022 the assets value was $2.6 million and $2.4 million, respectively.

## 4. INVESTMENTS

The amortized cost, gross unrealized gains, gross unrealized losses, CECL and estimated fair value recorded in accumulated other comprehensive income of the Company's available for sale investments at December 31, 2023 and 2022, were as follows:

| | | Included in Accumulated Other Comprehensive Income ("AOCI") | | | |
|---|---|---|---|---|---|
| | | | Gross Unrealized Losses [3] | | |
| | Amortized Cost | Gross Unrealized Gains | Related to Changes in Estimated Fair Value | CECL Included in Other Comprehensive Income [1] | Estimated Fair Value |
| **2023** | | | | | |
| US Treasuries and government agencies [2] | $ 37,493,560 | $ 317,272 | $ (80,986) | $ - | $ 37,729,846 |
| Corporate debt securities | 51,014,387 | 381,888 | (808,804) | - | 50,587,471 |
| Municipal securities | 33,608,716 | 38,840 | (3,878,681) | - | 29,768,875 |
| Mortgage-backed securities | 3,855,020 | 23,976 | (654) | - | 3,878,342 |
| Asset-backed securities | 10,704,775 | 37,651 | (106,754) | - | 10,635,672 |
| Total available for sale fixed-maturity investments | $ 136,676,458 | $ 799,627 | $ (4,875,879) | $ - | $ 132,600,206 |
| Unrealized loss reclassified to funds held As it inures to a reinsurer | $ - | $ - | $ 622,395 | $ - | $ - |
| **Total investment portfolio** | $ 136,676,458 | $ 799,627 | $ (4,253,484) | $ - | $ 132,600,206 |

## 4. INVESTMENTS (Cont'd)

| | | Included in Accumulated Other Comprehensive Income ("AOCI") | | | |
|---|---|---|---|---|---|
| | | | Gross Unrealized Losses [3] | | |
| **2022** | Amortized Cost | Gross Unrealized Gains | Related to Changes in Estimated Fair Value | OTTI Included in Other Comprehensive Income [1] | Estimated Fair Value |
| US Treasuries and government agencies [2] | $ 28,092,459 | $ 976 | $ (706,885) | $ - | $ 27,386,550 |
| Corporate debt securities | 37,851,941 | 57,722 | (1,417,773) | - | 36,491,890 |
| Municipal securities | 30,684,133 | 868 | (5,019,898) | - | 25,665,103 |
| Asset-backed securities | 8,269,168 | 11,008 | (177,829) | - | 8,102,347 |
| Total available for sale fixed-maturity investments | $ 104,897,701 | $ 70,574 | $ (7,322,385) | $ - | $ 97,645,890 |
| Unrealized loss reclassified to funds held As it inures to a reinsurer | $ - | $ - | $ 2,733,983 | $ - | $ - |
| Equity securities available for sale | 2,471,015 | 237,425 | - | - | 2,708,440 |
| **Total investment portfolio** | $ 107,368,716 | $ 307,999 | $ (4,588,402) | $ - | $ 100,354,330 |

(1) Represents the amount of CECL losses in accumulated other comprehensive income ("AOCI"), since adoption of the accounting guidance for CECL.

(2) Including US Government temporary liquidity guarantee program securities.

(3) $0.6 million of the unrealized appreciation or depreciation related to a reinsurer is included in funds held instead of accumulated other comprehensive income as the investments are pledged and all related investment movements, income, expenses, etc inure back to the reinsurer not the Company. This is reflected in the OACM balance included in collateral (see FN 12).

The Company did not have an aggregate investment in a single entity in excess of 10% of total investments at December 31, 2023 and 2022. The Company had no material investments in securities guaranteed by third parties and had no direct investments in financial guarantors as at December 31, 2023 and 2022.

## 4. INVESTMENTS (Cont'd)

The amortized cost and estimated fair value of fixed-maturity securities classified as available-for–sale, as of December 31, 2023 and 2022, by contractual maturity, are shown below. Expected maturities differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| Less than one year | $ 20,593,172 | $ 20,498,391 | $ 28,242,032 | $ 27,635,103 |
| One through five years | 74,167,198 | 72,953,849 | 40,801,858 | 38,746,781 |
| Greater than five years | 27,356,293 | 24,633,951 | 27,584,643 | 23,161,659 |
| Mortgage-backed securities: | | | | |
| RMBS | 3,855,020 | 3,878,343 | - | - |
| Asset-backed securities | 10,704,775 | 10,635,672 | 8,269,168 | 8,102,347 |
| **Total** | $ 136,676,458 | $ 132,600,206 | $ 104,897,701 | $ 97,645,890 |

The investments that have unrealized loss positions as of December 31, 2023 and 2022, aggregated by investment category and the length of time they have been in a continuous unrealized loss position, are as follows:

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| **2023:** | | | | | | |
| **Fixed-maturity investments:** | | | | | | |
| US Treasuries and government agencies | $ 4,928,969 | $ (6,344) | $ 1,824,278 | $ (74,642) | $ 6,753,247 | $ (80,986) |
| Corporate debt securities | 3,319,236 | (18,897) | 27,592,288 | (789,907) | 30,911,524 | (808,804) |
| Municipal securities | 2,469,016 | (8,238) | 23,620,507 | (3,870,443) | 26,089,523 | (3,878,681) |
| Mortgage-backed securities | 711,311 | (654) | - | - | 711,311 | (654) |
| Asset-backed securities | 2,970,617 | (10,471) | 3,725,649 | (96,283) | 6,696,266 | (106,754) |
| Total temporarily impaired securities | $ 14,399,149 | $ (44,604) | $ 56,762,722 | $ (4,831,275) | $ 71,161,871 | $ (4,875,879) |

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| **2022:** | | | | | | |
| **Fixed-maturity investments:** | | | | | | |
| US Treasuries and government agencies | $ 4,315,709 | $ (80,910) | $ 20,479,096 | $ (625,975) | $ 24,794,805 | $ (706,885) |
| Corporate debt securities | 29,743,384 | (1,255,249) | 2,250,131 | (162,524) | 31,993,515 | (1,417,773) |
| Municipal securities | 7,932,257 | (1,345,106) | 16,231,977 | (3,674,792) | 24,164,234 | (5,019,898) |
| Asset-backed securities | 5,627,730 | (126,563) | 788,814 | (51,266) | 6,416,544 | (177,829) |
| Total temporarily impaired securities | $ 47,619,080 | $ (2,807,828) | $ 39,750,018 | $ (4,514,557) | $ 87,369,098 | $ (7,322,385) |

**4. INVESTMENTS (Cont'd)**

The following table sets forth the investment ratings of the Company's available-for-sale corporate fixed income securities as at December 31, 2023 and December 31, 2022. Ratings are assigned by Standard & Poor's or AM Best in instances where Standard & Poor's do not issue a rating.

| **December 31, 2023** | Amortized Cost | % |
|---|---|---|
| AAA | $ 19,569,861 | 14.3% |
| AA | 60,553,109 | 44.3% |
| A | 48,846,560 | 35.7% |
| BBB and below | 7,706,928 | 5.7% |
| | $ 136,676,458 | 100% |

| **December 31, 2022** | Amortized Cost | % |
|---|---|---|
| AAA | $ 12,631,639 | 10.8% |
| AA | 48,304,057 | 62.0% |
| A | 40,162,747 | 23.8% |
| BBB and below | 3,799,258 | 3.4% |
| | $ 104,897,701 | 100% |

As of December 31, 2023, 186 out of 278 fixed maturity securities were in unrealized loss positions compared to 204 out of 223 as of December 31, 2022. As at December 31, 2023, the Company's unrealized loss position for fixed maturity securities was $4.9 million compared to $7.3 million at December 31, 2022. None of securities in an unrealized loss position was related to securities below investment grade or not rated. Unrealized gains and losses relating to fixed maturity investments, excluding any credit loss portion, are currently recorded in accumulated other comprehensive income in shareholders' equity as the Company does not intend to sell the securities in an unrealized loss position and it is more likely than not that the Company will not be required to sell these securities before the anticipated recovery of their amortized costs. One hundred sixty-three of the securities have been in an unrealized loss position for 12 months or more as of December 31, 2023 and there were fifty-nine securities in an unrealized loss position for 12 months or more as of December 31, 2022.

Proceeds from maturities and sales of investments in fixed-maturity securities available for sale during the years ended December 31, 2023 and 2022 were $43.4 million and $56.6 million, respectively. Gross gains of $39,595 dollars and $16,107 dollars in the years ended December 31, 2023 and 2022, respectively, and gross losses of $99,221 dollars and $31,268 dollars in the years ended December 31, 2023 and 2022, respectively, were realized on those sales. Proceeds from the sale of equity securities were $2.9 million and $0.3 million during the years ended December 31, 2023 and 2022, respectively. Gross gains of $0.4 million dollars and $61,623 in the years ended December 31, 2023 and 2022, respectively, and gross losses of nil for both the years ended December 31, 2023 and 2022 were realized on equity sales.

## 4. INVESTMENTS (Cont'd)

Major categories of net investment income are summarized as follows for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Interest from fixed-maturity securities (1) | $ 3,322,862 | $ 1,776,966 |
| Interest from cash equivalents | 4,257 | 736 |
| Amortization | 803,806 | 6 |
| Investment expense (1) | (3,302,382) | (1,514,600) |
| Net Investment income | $ 828,543 | $ 263,108 |

(1) Interest from fixed-maturity securities and Investment expense both include offsetting amounts of credit for funds held in the amount of $3.3 million and $1.3 million for the years ended December 31, 2023 and 2022, respectively.

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair value measurements

The Company follows the guidance of ASC 820 for fair value measurement of financial instruments. ASC 820 establishes a hierarchy of inputs in measuring fair value, with the highest level being observable inputs and the lowest being unobservable data, with the standard requiring that the use of observable inputs is maximized (see Note 2(i) - Significant Accounting Policies – Fair Value Measurements for a description of each of the three levels).

The following table presents the fair value measurement levels for assets and liabilities, which the Company has recorded at fair value as of December 31, 2023 and 2022. As required by ASC 820, items are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

| | Fair Value Measurements at Reporting Date Using | | | |
|---|---|---|---|---|
| | Balance as of December 31, 2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Financial Assets:** | | | | |
| U.S. treasuries and government agencies | $ 37,729,846 | $ 37,729,846 | $ - | $ - |
| Corporate debt securities | 50,587,471 | - | 50,587,471 | - |
| Municipal securities | 29,768,875 | - | 29,768,875 | - |
| Mortgage-backed securities | 3,878,342 | - | 3,878,342 | - |
| Asset-back securities | 10,635,672 | - | 10,635,672 | - |
| Investments available for sale fixed maturity investments | 132,600,206 | 37,729,846 | 94,870,360 | - |
| Cash and Cash Equivalents | 56,853,732 | 56,853,732 | - | - |
| Restricted Cash | 964,244 | 964,244 | - | - |

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

| | Fair Value Measurements at Reporting Date Using | | | |
|---|---|---|---|---|
| | Balance as of December 31, 2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Financial Assets:** | | | | |
| U.S. treasuries and government agencies | $ 27,386,550 | $ 11,154,619 | $ 16,231,931 | $ - |
| Corporate debt securities | 36,491,890 | - | 36,491,890 | - |
| Municipal securities | 25,665,103 | - | 25,665,103 | - |
| Asset-back securities | 8,102,347 | - | 8,102,347 | - |
| Investments available for sale fixed maturity investments | 97,645,890 | 11,154,619 | 86,491,271 | - |
| Cash and Cash Equivalents | 32,211,928 | 32,211,928 | - | - |
| Restricted Cash | 3,968,280 | 3,968,280 | - | - |

**Fixed-maturity investments**

The Company's fair values of fixed-maturity and short-term investments are based on prices obtained from nationally recognized independent pricing services. Where available, the prices are obtained from market quotations in active markets. Where there is no quoted price for an identical security, then the pricing service may use matrix pricing or model processes, such as the option adjusted spread model, to estimate the fair value of a security. The matrix pricing or model processes consist primarily of observable inputs, which may include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. The Company receives at least one fair value price for each of its investment securities and has not adjusted any of the prices received from the pricing services. At December 31, 2023 and 2022, all the Company's securities were valued using the independent pricing services.

As management is ultimately responsible for determining the fair value measurements for all securities, the Company assesses the reasonableness of the fair values received by comparing them to other pricing information readily available and management's knowledge of the current markets. The Company also assesses the pricing methodologies and related inputs used by the pricing services to estimate fair value. Any prices that, in management's opinion, may not be representative of fair value are challenged with the pricing service. Based on the information obtained from the above reviews, the Company evaluated the fixed-maturity securities in the investment portfolio to determine the appropriate fair value hierarchy level in accordance with ASC 820. Based on the Company's evaluation, each security was classified as Level 1, 2, or 3. Prices with observable market inputs were classified as Level 2, prices on money market funds and US treasuries were classified as Level 1. There were no market inputs classified as Level 3 as of December 31, 2023 and 2022. At December 31, 2022, the Company held an investment in a capital trust, classified as a corporate debt security available for sale, which was valued using an analysis to comparable securities, incorporating a spread to the yields on the comparable securities to derive the fair value. The investment was sold in 2023 for $2.9 million and was used to fund the redemption of the Class B Preference Shares (See Note 4 – Investments and Note 12 – Noncontrolling Interest for details).

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

### Equity investments

The Company's equity investments were comprised of funds invested in a range of diversified strategies. In accordance with U.S. GAAP, the fair values of the funds were based on the unadjusted net asset value of the funds and as such, the Company had adopted NAV as a practical expedient and this is not presented in the levelling table. The Company validated these prices through agreeing net asset values to audited financial statements where available, in conjunction with regular discussion and analysis of the investment portfolio's structure. As of December 31, 2023, there was nil in equity investments.

### Other fair value disclosures

Management has estimated the fair value of certain financial instruments based upon market information using appropriate valuation methodologies. Fair value estimates are not necessarily indicative of the amount the Company could realize in a current market exchange.

The Company considers carrying amounts of cash and cash equivalents, interest, other assets, accounts payable and accrued liabilities to be reasonable estimates of their fair values.

Carrying value of all financial assets and liabilities is equivalent to fair value.

## 6. CURRENT EXPECTED CREDIT LOSSES

Effective January 1, 2023, the Company adopted the Current Expected Credit Losses (CECL) methodology for estimating allowances for credit losses.

As of December 31, 2023, it was determined there were no expected credit losses related to investments, premium receivables, or reinsurance recoverables.

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## 7. GUARANTY FUND ASSET

During 2023, $0.4 million was paid by the Company's subsidiaries for guaranty fund assessments related to 2023. During 2022, $1.3 million was paid by the Company's subsidiaries for guaranty fund assessments related to 2021 and 2022. Liabilities of nil was recorded related to amounts that the Company received notice of being payable, but not yet paid as of December 31, 2023 and 2022, respectively. The Company has recorded $1.8 million and $1.6 million in Other Assets related to credits that can be taken against future premium tax assessments as of December 31, 2023 and 2022, respectively.

## 8. LOSSES AND LOSS EXPENSE RESERVE

The Company's loss and loss expense reserve as of December 31, 2023, represented case basis loss reserves and incurred but not reported reserves. Refer to Note 2 - Significant Accounting Policies for a description of the Company's accounting policy for insurance losses.

A summary of the movement in the provision for losses and LAE for the years December 31, 2023 and 2022 is presented in the following table:

| | 2023 | 2022 |
|---|---|---|
| Losses and loss expense reserve | | |
| Balance - Beginning of year | $ 253,885,512 | $ 215,641,682 |
| Less: reinsurance recoverable | (244,393,010) | (207,622,579) |
| Net balance - Beginning of year | 9,492,502 | 8,019,103 |
| Incurred related to: | | |
| Current year | 20,749,191 | 14,613,642 |
| Prior years | (569,772) | (44,281) |
| Premium deficiency reserve | 135,274 | (63,330) |
| Total incurred | 20,314,693 | 14,506,031 |
| Net losses paid related to: | | |
| Current year | (9,498,636) | (6,960,925) |
| Prior years | (6,662,423) | (6,071,707) |
| Total Paid | (16,161,059) | (13,032,632) |
| Net balance - End of year | 13,646,136 | 9,492,502 |
| Add: reinsurance recoverable | 318,926,827 | 244,393,010 |
| **Balance - End of year** | $ 332,572,963 | $ 253,885,512 |

For the year ended December 31, 2023, the Company incurred loss and LAE of $20.3 million (2022: $14.5 million). Incurred losses and LAE related to the current year are $20.7 million (2022: $14.6 million). The estimates used in establishing these reserves are continually reviewed and updated. Any resulting adjustments are reflected in current operations. Due to the nature of insurance risks written, including the impact of changes in claims severity, frequency, and other factors, the reserves established for losses and loss adjustment expenses may be more or less than the amount ultimately paid upon settlement of the claims. As a result of changes in estimates of insured events in prior years, the Company experienced favorable development in the reserve for loss and loss adjustment expense for prior years of approximately $569,772 and $44,281 in 2023 and 2022, respectively.

## 8. LOSSES AND LOSS EXPENSE RESERVE (cont'd)

The following presents information about incurred and paid claims development for the short-term duration contracts as of December 31, 2023, net of reinsurance. The information about incurred and paid claims development for the 2014 to 2023 years, and the average annual percentage payout of incurred claims by age as of December 31, 2023, is presented as required supplementary information. Claims count information is not reflected in the below tables. Due to the role of the U.S subsidiaries in the non-standard auto and the reinsurance business this information is not available.

**Incurred loss and allocated loss adjustment expenses, net of reinsurance For the Years Ended December 31,**

| Accident Year (dollars in thousands) | (unaudited) 2014 | (unaudited) 2015 | (unaudited) 2016 | (unaudited) 2017 | (unaudited) 2018 | (unaudited) 2019 | (unaudited) 2020 | (unaudited) 2021 | (unaudited) 2022 | 2023 | Total of incurred-but-not-reported liabilities plus expected |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ 38,858 | $ 38,245 | $ 38,013 | $ 38,057 | $ 37,913 | $ 37,879 | $ 37,880 | $ 37,880 | $ 37,880 | $ 37,880 | $ - |
| 2014 | 34,792 | 35,215 | 34,577 | 34,694 | 34,530 | 34,492 | 34,542 | 34,542 | 34,542 | 34,542 | - |
| 2015 | - | 5,182 | 5,076 | 5,332 | 5,173 | 5,206 | 5,200 | 5,198 | 5,199 | 5,193 | - |
| 2016 | - | - | 3,072 | 3,388 | 3,223 | 3,137 | 3,107 | 3,105 | 3,099 | 3,099 | - |
| 2017 | - | - | - | 3,125 | 2,852 | 2,699 | 2,631 | 2,629 | 2,631 | 2,631 | 2 |
| 2018 | - | - | - | - | 1,966 | 1,858 | 1,804 | 1,805 | 1,806 | 1,805 | - |
| 2019 | - | - | - | - | - | 4,070 | 4,164 | 4,122 | 4,095 | 4,087 | 27 |
| 2020 | | | | | | - | 8,963 | 8,888 | 8,785 | 8,769 | 120 |
| 2021 | | | | | | | - | 14,441 | 14,528 | 14,391 | 427 |
| 2022 | | | | | | | | | 14,614 | 14,212 | 1,260 |
| 2023 | | | | | | | | | | 20,749 | 6,279 |
| | | | | $ 84,596 | $ 85,657 | $ 89,341 | $ 98,291 | $ 112,610 | $ 127,179 | $ 147,358 | $ 8,115 |

**Cumulative paid claims and allocated loss adjustment expenses, net of reinsurance For the Years Ended December 31,**

| Accident Year (dollars in thousands) | (unaudited) 2014 | (unaudited) 2015 | (unaudited) 2016 | (unaudited) 2017 | (unaudited) 2018 | (unaudited) 2019 | (unaudited) 2020 | (unaudited) 2021 | (unaudited) 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ 30,676 | $ 35,199 | $ 37,208 | $ 37,919 | $ 38,137 | $ 38,196 | $ 38,270 | $ 38,281 | $ 38,290 | $ 38,310 |
| 2014 | 21,080 | 28,728 | 32,052 | 33,420 | 33,927 | 34,007 | 34,054 | 34,121 | 34,126 | 34,126 |
| 2015 | - | 3,392 | 4,708 | 5,332 | 5,384 | 5,467 | 5,467 | 5,465 | 5,465 | 5,473 |
| 2016 | - | - | 1,980 | 2,794 | 2,952 | 2,978 | 2,993 | 2,993 | 2,993 | 2,996 |
| 2017 | - | - | - | 1,810 | 2,571 | 2,694 | 2,714 | 2,721 | 2,730 | 2,733 |
| 2018 | - | - | - | - | 1,071 | 1,409 | 1,444 | 1,459 | 1,464 | 1,468 |
| 2019 | - | - | - | - | - | 2,034 | 3,300 | 3,691 | 3,804 | 3,852 |
| 2020 | | | | | | | 4,932 | 8,258 | 8,962 | 9,178 |
| 2021 | | | | | | | - | 7,706 | 12,933 | 14,085 |
| 2022 | | | | | | | | | 6,961 | 12,169 |
| 2023 | | | | | | | | | | 9,499 |
| | | | | $ 81,275 | $ 84,042 | $ 86,785 | $ 93,174 | $ 104,695 | $ 117,728 | $ 133,889 |
| All outstanding liabilities before 2013, net of reinsurance | | | | 72 | 21 | 14 | - | 14 | 14 | 16 |
| Liabilities for claims and claims adj expense, net of reinsurance | | | | $ 3,393 | $ 1,636 | $ 2,570 | $ 5,117 | $ 7,929 | $ 9,466 | $ 13,486 |

**Average annual percentage payout of incurred claims by age, net of reinsurance**

| Years | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| | 57% | 30% | 8% | 2% | 1% |

## 8. LOSSES AND LOSS EXPENSE RESERVE (cont'd)

**Reconciliation of the disclosure of incurred and paid claims development to the liability for unpaid claims and claims adjustment expenses**

| | 2023 |
|---|---|
| **Net Outstanding Liabilities** | |
| Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance | $ 13,646,136 |
| Total reinsurance recoverable on unpaid claims | 318,926,827 |
| | 332,572,963 |
| Total gross liability for unpaid claims and claims adjustment expense | $ 332,572,963 |

## 9. SEGMENT INFORMATION

The determination of reportable segments is based on how management monitors the Company's underwriting operations. Management monitors the performance of its underwriting operations based on the markets and customers served and the type of accounts written. The Company is currently organized into two operating segments: property/casualty insurance/reinsurance and corporate/other. All product lines fall within these classifications. The property/casualty segment provides insurance and reinsurance related to US short-tail personal lines.

## 9. SEGMENT INFORMATION (cont'd)

The following tables provide a summary of the segment results.

| | December 31, 2023 | | |
|---|---|---|---|
| **(dollars in thousands)** | **Property/Casualty** | **Corporate** | **Total** |
| Net premiums earned | $ 29,351 | $ - | $ 29,351 |
| Losses and loss adjustment expenses | (20,315) | - | (20,315) |
| Acquisition expenses | (8,939) | - | (8,939) |
| Underwriting gain | 97 | - | 97 |
| Fee income | 16,540 | - | 16,540 |
| Net investment income | - | 829 | 829 |
| Other income | - | 87 | 87 |
| Net realized gain on sales of investments | - | 2,809 | 2,809 |
| Operating expenses | (11,100) | (1,042) | (12,142) |
| Interest expense | - | (2,238) | (2,238) |
| Income tax | - | - | - |
| Net (loss) before non controlling interest | $ 5,537 | $ 445 | $ 5,982 |

| | December 31, 2022 | | |
|---|---|---|---|
| **(dollars in thousands)** | **Property/Casualty** | **Corporate** | **Total** |
| Net premiums earned | $ 20,126 | $ - | $ 20,126 |
| Losses and loss adjustment expenses | (14,506) | - | (14,506) |
| Acquisition expenses | (6,342) | - | (6,342) |
| Underwriting loss | (722) | - | (722) |
| Fee income | 11,693 | - | 11,693 |
| Net investment income | - | 263 | 263 |
| Other income | 804 | 132 | 936 |
| Net realized gain on sales of investments | - | 237 | 237 |
| Operating expenses | (10,610) | (930) | (11,540) |
| Interest expense | - | (1,816) | (1,816) |
| Income tax | - | - | - |
| Net income (loss) before non controlling interest | $ 1,165 | $ (2,114) | $ (949) |

## 10. COMMITMENTS AND CONTINGENCIES

The insurance and reinsurance subsidiaries of the Company are involved in various claims and legal actions arising in the ordinary course of business. Some claims allege breach of good faith and fair dealing; however, those entities are vigorously defending their position, and in the opinion of management, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations or cashflows.

## 11. LEASES

The Company has 3 operating leases comprised of two vehicles and office space. The vehicles have remaining lease terms of 0.25 and 0.75 years with fixed lease payments. The office space has a remaining lease term of 4.67 years, includes a lease schedule reflecting increases each year and includes renewal options up to 10 years.

The components of lease expense were as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Operating lease cost | $ 327,875 | $ 331,062 |
| Total lease cost | $ 327,875 | $ 331,062 |

Supplemental cash flow information related to leases was as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilties | | |
| Operating cash flows from operating leases | $ 352,315 | $ 351,866 |

Supplemental balance sheet information related to leases was as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| *Operating leases* | | |
| Operating lease right-of-use assets | $ 1,150,586 | $ 1,385,486 |
| Current operating lease liabilties | $ 1,337,275 | $ 1,599,536 |
| Other information: | | |
| Weight average remaining lease term - operating | 4.61 | 5.52 |
| Weight average discount rate - operating | 6.04% | 6.09% |

## 11. LEASES (cont'd)

Future minimum lease payments as of December 31, 2023 are as follows:

| | | |
|---|---|---|
| 2024 | $ | 337,488 |
| 2025 | | 321,410 |
| 2026 | | 325,676 |
| 2027 | | 329,943 |
| Thereafter | | 221,857 |
| Total | $ | 1,536,374 |
| Less: Interest | | (199,099) |
| Lease Liability | $ | 1,337,275 |

As of December 31, 2023, the Company has no additional operating leases that have not yet commenced.

## 12. NONCONTROLLING INTEREST

On December 23, 2003, AORE entered into a $50.0 million soft capital facility whereby it was granted the right to exercise perpetual put options in respect of its Class B Preference Shares against the counterparty to the option agreement, in return for which it paid the counterparty a floating put option fee through February 17, 2009. The counterparty was a trust established by an investment bank. The trust was created as a vehicle for providing capital support to AORE by allowing it to obtain, at its discretion and subject to the terms of the option agreement, access to new capital through the exercise of a put option and the subsequent purchase by the trust of AORE's Class B Preference Shares. On February 17, 2009, AORE exercised the put option in the soft capital facility and issued 500.01 Class B Preference Shares to the trust in exchange for $50,001,000 of proceeds. On March 16, 2009, AORE elected to pay a fixed rate dividend on the Class B Preference Shares, as a result of which the Class B Preference Shares were distributed to the holders of the trust's securities. As a result of the fixed rate election, if declared by the board, dividends were payable on the Class B Preference Shares every 90 days at a rate of 6.276%. The Class B Preference Shares gave investors the rights of a preferred equity investor in AORE. Such rights were subordinate to insurance claims, as well as the general unsecured creditors of AORE. The Class B Preference Shares were not rated by S&P since AORE requested the withdrawal of its ratings during 2009 and had not been rated by Moody's. AORE had the option to redeem the Class B Preference Shares, subject to certain specified terms and conditions.

On June 24, 2022, AORE repurchased 37 of its Class B Preference Shares at a liquidation value of $3.7 million. Following the settlement of previous repurchases, 336.01 shares of Class B Preference Shares remained outstanding at December 31, 2022. The remaining value of the Class B Preference Shares of $5.5 million and is included as a "Noncontrolling Interest" in the Company's Consolidated Balance Sheets as of December 31, 2022. As a result of the dissolution process, on September 15, 2023 AORE retired the remaining 336.01 of its Class B preference Shares at a liquidation value of $3.0 million.

On July 21, 2014 AORE established an irrevocable trust (the "Class B Security Trust") for the benefit of the holders of its Class B Preference Shares. The Company deposited assets valued at $2.050 million in the Class B Security Trust. Butterfield Trust Company had been appointed as its trustee. The Company had been authorized to redeem Class B Shares at any time for the amount that is not in excess of the Holder's pro-rata share of the assets in the Class B Security Trust. In 2023, the Class B Security Trust was sold for $2.9 million and was used to fund the redemption of the Class B Preference Shares (See Note 4 – Investments and Note 5 – Fair Value of Financial Instruments). The market value of the Class B Security Trust was $2.7 million as of December 31, 2022.

## 12. NONCONTROLLING INTEREST (cont'd)

If declared by the board, dividends were payable on the Class B Preference Shares every 90 days at a rate of 6.276%. The dividend payment was also to be subject to the Companies Act of Barbados which restricts dividend payments except from realizable profits (retained earnings). Dividends on the Class B Preference Shares were non-cumulative. The terms of AORE's Class B Preference Shares restricted AORE's ability to pay dividends on its common shares unless all accrued and unpaid dividends on the Class B Preference Shares for the then current dividend period had been declared and paid or a sum sufficient for payment thereof set apart, except that AORE may to declare dividends on its common shares in such amounts as are necessary for AOG (i) to service indebtedness for borrowed money as such payments became due (or to satisfy any of its guaranty obligations made in respect of AORE or AOG) or (ii) to pay its operating expenses.

If AORE failed to pay dividends in full on the Class B Preference Shares for eighteen consecutive months then the number of members on the Board of Directors of AORE were automatically increased by two with the holders of the Class B Preference Shares having the ability to elect the two additional directors. In 2017, as a dividend had not been paid for 18 months, pursuant to the Articles of Continuance of the Company, the number of directors on the Board automatically increased by two and the holders of the Class B shares were entitled to elect directors to serve. The Company thus called a Special Meeting of the Class B shareholders for July 14, 2017. As a quorum of holders of Class B Preference Shares was not present for the meeting, no meeting was held.

There were dividends of $0.5 million paid to the Class B preference shareholders in the year ended December 31, 2022.

## 13. SHARE CAPITAL

As at December 31, 2023 and 2022, authorized common share capital was $9,000,000. As at December 31, 2023 and 2022, there were 10,000,000 authorized undesignated preference shares with a par value of $0.10 each. Common shares and additional paid in capital are presented net of treasury shares held by the company and its subsidiaries.

The following table shows a roll forward of the issued, outstanding and unissued common shares for the years ended December 31, 2023 and 2022:

| | Outstanding share capital | Outstanding Shares | Treasury Shares | Issued Shares | Unissued Shares |
|---|---|---|---|---|---|
| **As at December 31, 2021** | $ 4,617,900 | 46,979 | 42 | 47,021 | 42,979 |
| Issued restricted stock awards during the year | - | - | - | - | - |
| **As at December 31, 2022** | $ 4,617,900 | 46,979 | 42 | 47,021 | 42,979 |
| Issued restricted stock awards during the year | - | - | - | - | - |
| **As at December 31, 2023** | $ 4,617,900 | 46,979 | 42 | 47,021 | 42,979 |

## 14. SHARE BASED COMPENSATION

As of April 26, 2006, AOG adopted the 2006 Equity Plan (the "AOG Plan"). The number of common shares that may be issued under the AOG Plan may not exceed 4,500. In the event of certain transactions affecting the common shares of the Company, the number or type of shares subject to the AOG Plan, the number and type of shares subject to outstanding awards under the Plan, and the exercise price of awards under the AOG Plan will be adjusted in accordance with the terms of the AOG Plan. The AOG Plan authorizes the grant of share options, share appreciation rights, share awards, restricted share units, performance units, or other awards that are based on AOG's common shares. The awards granted are contingent on the achievement of service conditions during a specified period and may be subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the participant. Awards under the AOG Plan may accelerate and become vested upon a change in control of the Company. The AOG Plan is administered by the Board of Directors. The AOG Plan is subject to amendment or termination by the board.

As at December 31, 2023, outstanding awards under the AOG Plan consisting of 1,275 share options and nil restricted share units had been granted to the Company's directors, officers, employees and consultants. Each of the options vest in equal annual installments over a four-year period and will expire at the earlier of the tenth anniversary of the date of grant or the expiration of the AOG Plan. The grant price is the average of the highest and lowest quoted selling price on the grant date. In 2023 and 2022, there were no stock options granted. Restricted share units vest in equal annual installments over a four-year period.

### *Stock options*

Compensation cost is recognized on a straight-line basis over the vesting period and is net of estimated pre-vesting forfeitures of 10% for both periods. The estimated forfeiture rate is based on future forfeiture expectations. At December 31, 2023, the weighted average grant date fair value for options issued subsequent to January 1, 2006 was $799.71. The Company expensed nil in compensation expense related to the stock options for the years ended December 31, 2023 and 2022, respectively. As at December 31, 2023, there was nil of unrecognized compensation expense related to the stock options granted subsequent to January 1, 2006. For both the twelve-month periods ended December 31, 2023 and 2022, the Company recognized no compensation expense for share options with an exercise price less than the market value of the underlying common shares on the date of the grant.

## 14. SHARE BASED COMPENSATION (cont'd)

The following tables summarize the stock option activity for the years ended December 31, 2023 and 2022:

**Stock option activity**

| | Number of Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value (1) |
|---|---|---|---|---|
| **Year ended December 31, 2023** | | | | |
| **Options** | | | | |
| Outstanding - beginning of year | 1,275 | $ 800.00 | | |
| Granted | - | - | | |
| Expired | - | - | | |
| Forfeited | - | - | | |
| Outstanding - end of year | 1,275 | 800.00 | 2.38 | $ - |
| Exercisable - end of year | 1,275 | $ 800.00 | 2.38 | $ - |

| | Number of Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value (1) |
|---|---|---|---|---|
| **Year ended December 31, 2022** | | | | |
| **Options** | | | | |
| Outstanding - beginning of year | 1,410 | $ 805.90 | | |
| Granted | - | - | | |
| Expired | (135) | 861.67 | | |
| Forfeited | - | - | | |
| Outstanding - end of year | 1,275 | 800.00 | 3.38 | $ - |
| Exercisable - end of year | 1,275 | $ 800.00 | 3.38 | $ - |

1) The aggregate intrinsic value was calculated based on the market value of $150.00 and $202.00 as at December 31, 2023 and 2022, respectively, and is calculated as the difference between the market value and the exercise price of the underlying options.

There are nil restricted share units at December 31, 2023 and 2022, respectively.

The Company expensed nil thousand in compensation expense related to the restricted share units for the years ended December 31, 2023 and 2022 respectively under the AOG Plan. The compensation expense for restricted share units is expensed on a prorated basis over the vesting period. At December 31, 2023, there is no remaining unrecognized compensation expense related to the non-vested restricted share units under the AOG Plan.

## 15. EARNINGS (LOSS) PER SHARE

Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share shows the dilutive effect of all stock options and restricted share units outstanding during the period that could potentially result in the issuance of common shares. The calculation of diluted earnings (loss) per share excludes the dilutive effect of stock options and restricted share awards outstanding because it would otherwise have an anti-dilutive effect on net earnings (loss) per share. The weighted average number of common and common share equivalents outstanding is calculated using the treasury stock method for all potentially dilutive securities.

As of December 31, 2023 and 2022, there were 1,275, respectively, of stock options excluded from the diluted earnings per share calculation because they were anti-dilutive.

The table sets forth the computation of basic and diluted earnings per share for following:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Net income (loss) available to common shareholders | $ | 5,334,504 | $ | (1,476,066) |
| Basic weighted-average shares | | 46,979 | | 46,979 |
| Effect of stock options | | - | | - |
| Effect of restricted share units | | - | | - |
| Diluted weighted-average shares | | 46,979 | | 46,979 |
| Basic earnings (loss) per share | $ | 113.55 | $ | (31.42) |
| Diluted earnings (loss) per share | $ | 113.55 | $ | (31.42) |

## 16. RISKS AND UNCERTAINTIES

The Company evaluates its financial condition and capital adequacy on an ongoing basis and may pursue a different set of strategies in the future. There can be no assurance that the strategies that have been implemented or that will be pursued in the future in connection with this evaluation will improve the Company's business, financial condition, liquidity or results of operations or will not have a material adverse effect on the Company. Management believes that the Company has sufficient capital resources and liquidity to meet its obligations and therefore that the Company remains a "going concern."

AOG is a holding company and therefore its liquidity, both on a short-term basis (for the next twelve months) and a long-term basis (beyond the twelve months), is largely dependent upon (1) the ability of its subsidiaries to pay dividends or make other payments to AOG and (2) its ability to access debt and equity markets, which is unlikely in the near term given current market conditions and AOG's current share valuation. AOG's principal uses of liquidity are for payment of operating expenses, and capital investments in its subsidiaries. As of December 31, 2023, AOG has $0.2 million of cash and investments and believes that it will have sufficient liquidity to meet its requirements over at least the next twelve months. The subsidiaries' ability to declare and pay dividends to AOG may be influenced by a variety of factors such as adverse loss development, amount and timing of claims payments, adverse market changes, insurance regulatory changes, changes in general economic conditions beyond the next twelve months and Barbados law. The Company believes that AOG's expected liquidity needs can be funded from its operating and investing cash flows for the next twelve months.

## 16. RISKS AND UNCERTAINTIES (cont'd)

AOG's property/casualty segment generates substantial cash flows from its fee-based model. The principal uses of liquidity for those entities are the payment of operating expenses, debt service on subsidiary notes and capital investment in property/casualty subsidiaries. The property/casualty subsidiaries are highly leveraged through their reinsurance arrangements, and disputes with reinsurers could severely impact the liquidity of these subsidiaries. The property/casualty subsidiaries attempt to mitigate this exposure by holding collateral from their reinsurers. At December 31, 2023, the subsidiaries held $214.0 million of collateral compared to $216.5 million of balances at December 31, 2022 and such amounts are included in reinsurance balances received net on the consolidated balance sheet.

At December 31, 2023, the Company had $190.4 million of cash and investments of which approximately $161.0 million was held in trust for the benefit of our ceding companies and others, leaving $29.4 million cash and investments available to support ongoing business. See Note 3 – Pledged Assets, for further information regarding these trust accounts.

## 17. VARIABLE INTEREST ENTITIES

OACM is a mutual insurance company that is owned by its policyholders; however, the Company effectively has complete control over OACM through the management contract in place between the two entities, and is therefore the primary beneficiary. The Company has determined that OACM is a variable interest entity and is included in these consolidated financial statements. The interests that OACM's policyholders have in its financial position are included as non-owned interest in VIE totaling $0.3 million at December 31, 2023 and December 31, 2022.

Creditors have no recourse against the Company in the event of default by OACM nor does the Company have any implied or unfunded commitments to OACM. The Company's financial or other support provided to OACM is limited to its management services and original investment.

The following OACM balances have been included in the Company's consolidated financial statements at December 31, 2023 and 2022 with appropriate eliminations being made for intercompany balances:

| | 2023 | 2022 |
|---|---|---|
| ASSETS: | | |
| Cash | $ 35,704,552 | $ 27,749,948 |
| Investments | 102,855,228 | 74,738,722 |
| Premiums receivable | 121,754,589 | 73,335,028 |
| Reinsurance balances receivable | 312,008,207 | 222,753,431 |
| Deferred reinsurance premiums | 182,494,166 | 118,207,559 |
| Other assets | 1,359,433 | 987,285 |
| Total assets | $ 756,176,175 | $ 517,771,973 |
| LIABILITIES: | | |
| Unpaid losses and loss adjustment expenses | $ 279,353,937 | $ 213,273,175 |
| Unearned premium | 182,494,166 | 118,207,559 |
| Ceded premium payable | 154,556,944 | 81,206,121 |
| Payable to general agents | 284,756 | 360,709 |
| Funds withheld | 118,449,914 | 87,447,783 |
| Accounts payable and accrued expenses | 15,072,807 | 11,665,490 |
| Due to parent and affiliates | 963,651 | 670,349 |
| Total liabilities | $ 751,176,175 | $ 512,831,186 |
| EQUITY: | | |
| Policyholders' surplus | $ 300,000 | $ 300,000 |
| Surplus debenture | 4,700,000 | 4,700,000 |
| Accumulated other comprehensive loss | - | (59,213) |
| Total equity | $ 5,000,000 | $ 4,940,787 |
| Total Liabilities and Equity | $ 756,176,175 | $ 517,771,973 |

## 18. BUSINESS CONCENTRATION

The Company's property casualty insurance subsidiaries, OACM and Old American Indemnity Company ("OAIC "), produce business through unrelated managing general agencies. In 2023, six of these managing general agencies produced approximately 72.6% of OACM's gross premium writings and of the 72.3% Company's gross written premiums plus policy fees. In 2023, two managing general agent produced approximately 75.0% of OAIC's gross premium writings and 74.8% of the Company's gross written premiums plus policy fees.

## 19. GOODWILL AND INTANGIBLE ASSETS

The Company performs its impairment analysis of goodwill and indefinite-lived intangible assets annually as of December 31.

In conjunction with the acquisition of OAIC in 2010, the Company recorded intangible assets of $300,000, representing the fair value of six insurance licenses acquired. The impairment analysis for this indefinite-lived intangible asset is performed on the licenses aggregated as a single unit of accounting. The fair value is determined by comparing the fair value of insurance company licenses based on observable inputs. Based upon the results of the assessment, the Company concluded that the carrying value of this intangible asset was not impaired as of December 31, 2023.

In conjunction with the acquisition of OACM in 2012, the Company recorded intangible assets and goodwill. The impairment analysis for the indefinite-lived asset of $4,500,000 associated with the insurance license acquired was performed on this license as a unit of accounting separate from the insurance licenses of OAIC. The fair value is determined by comparing the fair value of insurance company licenses, with the underlying assumption that OACM's license continues to represent the value of multiple insurance licenses due to its unique ability to operate under multiple rate filing structures within a single state. Based on the number of active managing agencies using multiple rate filings in OACM, the Company concluded that the carrying value of this intangible asset was not impaired as of December 31, 2023.

The impairment analysis was performed on OACM as the reporting unit. The fair value was determined using a discounted cash flow analysis for the revenues and operating expenses associated with this reporting unit. The fair value was compared to the carrying value of the goodwill and intangible assets net of accumulated amortization, and the fair value exceeded the carrying value of those items. Accordingly, it was determined that the carrying value of goodwill was not impaired as of December 31, 2023.

## 19. GOODWILL AND INTANGIBLE ASSETS (cont'd)

The gross and net carrying amounts of intangible assets by major category as of December 31, 2023 and 2022 are as follows:

| | Gross | Accumulated Amortization | Net |
|---|---|---|---|
| As of December 31, 2023 | | | |
| Insurance licenses | $ 4,800,000 | $ - | $ 4,800,000 |
| Customer relationships | 12,100,000 | 12,100,000 | - |
| Internally developed software | 350,000 | 350,000 | - |
| Intangible assets | $ 17,250,000 | $ 12,450,000 | $ 4,800,000 |
| As of December 31, 2022 | | | |
| Insurance licenses | $ 4,800,000 | $ - | $ 4,800,000 |
| Customer relationships | 12,100,000 | 12,100,000 | - |
| Internally developed software | 350,000 | 350,000 | - |
| Intangible assets | $ 17,250,000 | $ 12,450,000 | $ 4,800,000 |

Insurance licenses are not amortized because they have an indefinite life. Finite-lived intangible assets are amortized over their respective useful lives. Customer relationships were amortized to align with the expected economic benefit of the income associated with those relationships, through 2015. Internally developed software was amortized on a straight-line basis over its useful life of 3 years. The management contract will expire on January 1, 2036. Unless renewed, the Company will not own the rights to manage OACM after that date.

## 20. NOTES PAYABLE

In 2015, a partial repayment of $1.6 million of principal was made on the 2014 OACC Notes and a series of new Series A Secured Senior Notes (the "2015 OACC Notes") were issued to replace and superseded the note that had been previously issued. The notes will mature on January 1, 2040 and pay interest in quarterly installments at a fixed rate of 12.0% per annum. Principal repayments of $0.8 million and nil were made in 2023 and 2022, respectively, on the 2015 OACC Notes. On December 6, 2022 four new notes were issued as part of the 2015 OACC Notes totaling $1.5 million. On April 14, 2023 six new notes were issued as part of the 2015 OACC notes totaling $3.0 million. On May 31, 2023 there was a paydown on two notes of the 2015 OACC notes totaling $0.5 million which was offset by an issuance of one new note on June 8, 2023 totaling $0.5 million. On December 15, 2023 there was a paydown on one of the 2015 OACC notes totaling $0.3 million. As of December 31, 2023, $0.4 million in interest was accrued and unpaid on the $15.0 million remaining balance of the 2015 OACC Notes.

## 20. NOTES PAYABLE (cont'd)

In connection with the acquisition of OGL, AOG issued $43.9 million of Senior Notes (the "AOG Notes") to the former shareholders of OGL that mature on October 28, 2039. During 2021, the AOG notes were transferred to OACC (now the "2021 OACC Notes") as a dividend in kind. The terms on the 2021 OACC Notes remain the same. Interest on the 2021 OACC Notes is payable in quarterly installments at a fixed rate of 9.0% per annum. Principal repayments of nil were made in 2023 and 2022, respectively, on the 2021 OACC Notes. As of December 31, 2023, $0.1 million in interest was accrued and unpaid on the remaining balance of $6.0 million on the 2021 OACC Notes.

Directors and family members of AOG and its subsidiaries held notes payable in the aggregate principal amount of approximately $12.9 million and $10.2 million at December 31, 2023 and 2022, respectively.

On January 27, 2020, AORE entered into a $4.0 million promissory note with AOG that has a 6% interest rate that was fully paid off in 2022. On October 19, 2020, AORE entered into a $4.0 million promissory note with AOG that has a 6% interest rate.

On December 12, 2022 a $1.8 million principal payment was made on the October 19, 2020 promissory note. On April 20, 2023 the balance of the promissory note of $2.2 million was paid off. As of December 31, 2023 and 2022, the balance of the promissory note was nil and $2.2 million, respectively and nil in accrued interest.

## 21. TAXATION

The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At the present time, no such taxes are levied in Bermuda.

In September 2014, AOG became tax resident in the U.K., although will remain a Bermuda-based company. The Bermuda Corporate Income Tax Act 2023 ("Bermuda Act") was enacted on December 27, 2023. The Company is not within the scope of the legislation and therefore will not be subject to tax under the Bermuda Act. As the company is not incorporated in the U.K., it intends to manage its affairs in such a way as to establish and maintain status as tax resident in the U.K. As an U.K. tax resident company, AOG is required to file a corporation tax return with His Majesty's Revenue & Customs ("HMRC"). AOG is subject to U.K. corporation tax in respect of its worldwide profits (both income and capital gains), subject to any applicable exemptions. The main rate of corporation tax is 25% currently; such rate increased from 19% as of April 1, 2017. The Company does not expect that AOG's becoming U.K. tax resident will result in any material change in the group's overall tax charge. The Company expects that the dividends received by AOG from its direct subsidiaries will be exempt from U.K. corporation tax due to the exemption in section 931D of the U.K. Corporation Tax Act 2009. In addition, any dividends paid by AOG to its shareholders should not be subject to any withholding tax in the U.K. The U.K. government implemented a new tax regime for "controlled foreign companies" ("CFC regime") effective January 1, 2013. The Company does not expect any profits of non-U.K. resident members of the group to be taxed under the CFC regime.

Insurance entities are assigned one of the classes below depending on whether they underwrite third or related party risks and the percentage of related party risk they can underwrite.

- Class 1 category will include insurance companies which restrict the business they can underwrite to related party business. These insurance entities will be taxed at zero percent.
- Class 2 category will include insurance entities which can underwrite risks of third parties. These companies will be taxed at a rate of 2%.
- Class 3 will include insurance intermediaries, insurance management companies and insurance holding companies. These companies will be taxed at a rate of 2%.

## 21. TAXATION (cont'd)

Some of our subsidiaries are subject to U.S. taxation and file a consolidated U.S. federal income tax return. We believe that our other non-US companies are not engaged in a trade or business in the U.S. and, accordingly, we do not expect those companies to be subject to U.S. taxation.

The provision for income taxes for the years ended December 31, consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Current tax expense | $ - | $ - |
| Deferred tax expense | 647,940 | - |
| Net income tax expense | $ 647,940 | $ - |

There is $0.6 million and nil provision for income taxes as of December 31, 2023 and December 31, 2022, respectively.

The expected tax provisions in taxable jurisdictions is calculated as the sum of pretax income in those jurisdictions multiplied by the statutory tax rate of the jurisdiction by which it will be taxed. Pretax income of the Company's subsidiaries which are not U.S. domiciled but are subject to U.S. tax by election are included at the U.S. statutory tax rate of 21% for 2023 and 2022.

| | 2023 | 2022 |
|---|---|---|
| Net income (loss) before income tax | $ 5,982,444 | $ (948,866) |
| Adjustment for non-taxable entities | 939,451 | 4,864,825 |
| Taxable income before income tax expense | $ 6,921,895 | $ 3,915,959 |
| Expected tax benefit at statutory rates in taxable jurisdictions | 1,453,598 | 822,351 |
| Increases (reductions) in taxes resulting from: | | |
| Exclusion of profit from VIE not included in consolidated | | |
| Valuation allowance | (386,766) | (874,925) |
| Other | (418,892) | 52,574 |
| Income tax expense | $ 647,940 | $ - |
| Effective tax rate | 9% | 0% |

## 21. TAXATION (cont'd)

Tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and deferred tax liabilities at December 31, 2023 and December 31, 2022 were as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carryforward | $ 4,956,072 | $ 5,380,299 |
| Unearned premium reserves | 432,382 | 41,416 |
| Discounted unpaid losses and loss adjustment expenses | 107,955 | 18,827 |
| Goodwill and other intangible assets | - | - |
| Total deferred tax assets | 5,496,409 | 5,440,542 |
| Deferred tax liabilities: | | |
| Deferred acquisition costs | 477,674 | 91,301 |
| Intangible Assets with permanent differences | 5,666,675 | 4,962,475 |
| | 6,144,349 | 5,053,776 |
| Deferred tax assets (liabilities), net, before valuation allowance | (647,940) | 386,766 |
| Valuation allowance | - | (386,766) |
| Deferred tax assets (liabilities), net | $ (647,940) | $ - |

As of December 31, 2023, the Company had net operating loss carry forwards of $23,600,341 the expiration of which is as follows:

| | December 31, 2023 |
|---|---|
| 2032 | 3,337,562 |
| 2033 | 9,215,338 |
| 2034 | 8,016,412 |
| 2035 | (18,349) |
| 2036 | - |
| 2037 | - |
| 2038 | - |
| 2039 | - |
| 2040 | - |
| 2041 est | 3,049,378 |
| 2042 est | - |
| 2043 est | - |
| | $ 23,600,341 |

## 21. TAXATION (cont'd)

As of December 31, 2023 and December 31, 2022, the Company has no tax positions for which management believes a provision for uncertainty is necessary. The Company's U.S. federal income tax returns for all tax years are subject to examination by the Internal Revenue Service.

## 22. REINSURANCE

The Company has various quota share reinsurance agreements with reinsurers. The Company remains liable to its policyholders for all of its policy obligations and the reinsuring companies are obligated to the Company to the extent of the reinsured portion of the risks. Balances are presented gross of the reinsurance agreements in the accompanying consolidated financial statements.

Due to the nature of the OACM's reinsurance programs, a concentration of credit risk exists with four reinsurers that have net balances due in excess of 5% of OACM's total receivable balances in 2023. These four reinsurers account for approximately 68% of the total net recoverable from reinsurers, and 72% for 2022. OACM reinsures substantially all of its business, and monitors the credit quality of its reinsurers to ensure that its cessions are to financially sound reinsurers. Collateral which includes funds held in trust and letters of credit are obtained both to satisfy regulatory requirements for reinsurers not authorized, and to address the Company's credit concerns related to less highly rated reinsurers. As of December 31, 2023, all of the reinsurance recoverables were either collateralized or due from A.M. Best rated A- or better reinsurers. Substantially all of the balances ceded to reinsurers rated less than A- are collateralized. During 2023 and 2022, OACM obtained collateral totaling $184.0 million and $183.0 million respectively, to offset the overall reinsurance credit risk. If the counterparties to these reinsurance contracts completely failed to perform under these contracts, which management believes is a remote possibility, the potential loss to the Company is the amount of the uncollateralized reserves for losses and loss adjustment expenses, reinsurance recoverable, and unearned premium net of reinsurance payable, which is approximately $173.4 million as of December 31, 2023 as compared to $116.0 million for 2022.

With OAIC's reinsurance programs, a concentration of credit risk exists with six reinsurers that have net balances due in excess of 5% of OAIC's total receivable balances in 2023. These six reinsurers account for approximately 75% of the total net recoverable from reinsurers, and ten reinsurers account for approximately 90% for 2022. During 2023, OAIC obtained collateral and letters of credit totaling $30.4 million to offset the overall reinsurance credit risk. If the counterparties to these reinsurance contracts completely failed to perform under these contracts, which management believes is a remote possibility, the potential loss to the Company is the amount of the uncollateralized reserves for losses and loss adjustment expenses, reinsurance recoverable, and unearned premium net of reinsurance payable, which is approximately $35.8 million as of December 31, 2023 as compared to $22.0 million as of December 31, 2022.

## 23. STATUTORY REQUIREMENTS

Each of the Company's insurance companies' ability to pay dividends depends, among other things, upon their financial condition, results of operations, cash requirements, compliance with rating agency requirements, and is also subject to restrictions contained in the insurance laws and related regulations of their state of domicile and other states. Financial statements prepared in accordance with accounting practices prescribed or permitted by local insurance regulatory authorities differ in certain respects from GAAP.

The Company's U.S. domiciled insurance companies are subject to risk-based capital standards and other minimum and capital and surplus requirements. The Company's U.S. domiciled insurance companies prepare statutory financial statements in accordance with accounting practices prescribed or permitted by the National Association of Insurance Commissioners ("NAIC") and their respective insurance departments. Prescribed statutory accounting practices are set forth in the NAIC Accounting Practices and Procedures Manual. The Company has no permitted accounting practices on a statutory basis. OAIC is subject to NAIC risk-based capital standards and other minimum capital and surplus requirements, including the laws of Texas. Texas laws provide that without prior approval of its domiciliary commissioner, dividends to shareholders may not be paid except out of the part of surplus funds which is derived from realized net profits. Surplus funds for the purposes of this calculation are defined as the excess of assets over liabilities,

## 23. STATUTORY REQUIREMENTS (cont'd)

including capital stock as a liability. There are no other restrictions placed on the portion of OAIC's profits that may be paid as ordinary dividends to its shareholder. As of December 31, 2023, OAIC had statutory capital and surplus of $15.9 million, which was in excess of any risk-based capital levels that would require corrective actions. As a Texas county mutual, OACM is not subject to NAIC risk-based capital provisions. The minimum required capital and surplus of OACM is $5 million as provided by Texas insurance law, which is the amount of capital and surplus of the entity as of December 31, 2023.

As an insurance company under the Insurance Act as amended in 2018, ORE is required to maintain a minimum level of solvency under the Barbados Exempt Insurance Act 1983 (the "Exempt Insurance Act"). For the purpose of compliance with the solvency criteria under the Exempt Insurance Act, assets and liabilities are calculated in accordance with US GAAP. The Barbados domiciled insurance company also must comply with the provisions of the Barbados Companies Act regulating the payment of dividends and making of distributions from contributed surplus. A company is prohibited from declaring or paying a dividend, if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due or (b) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and stated capital. The excess of the ORE's assets over the aggregate of its liabilities was $1.6 million. The minimum required solvency margin for those entities was $125 thousand.

On November 29, 2019, the Barbados government repealed the Business Companies (Economic Substance) Act, 2018-41, and replaced it with the Companies (Economic Substance) Act, 2019-43 ("the Barbados Act"). Under the Barbados Act, all resident companies/societies (other than those being grandfathered) must comply with the economic substance rules for fiscal periods commencing on or after January 1, 2020. The Barbados Act will require a resident entity which derives income from the carrying on of a relevant activity to satisfy the economic substance test in relation to that relevant activity, and will require the entity to file an economic substance declaration annually. If the Director of International Business determines that a resident entity has failed to meet the economic substance test for a fiscal period, the Director may impose a penalty. ORE is not considered a resident company under the Barbados Act, as its taxing authority is the United States of America, so the Company does not have to satisfy the economic substance test but will file an economic substance declaration each year. In 2023, ORE filed the declaration related to 2022 and will file the 2023 declaration in 2024.

AOG must comply with the provisions of the Bermuda Companies Act regulating the payment of dividends and making of distributions from contributed surplus. A company is prohibited from declaring or paying a dividend, or making a distribution out of contributed surplus, if there are reasonable grounds for believing that: (a) the company is, or would after the payment, be unable to pay its liabilities as they become due or (b) the realizable value of the company's assets would thereby be less than its liabilities. The Board of Directors of AOG will evaluate any dividends in accordance with this test (and any other restrictions as discussed in Note 12 – Non-controlling interest) at the time such dividends are declared.

## 24. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 19, 2024, which is the date the financial statements were issued.

The final Certificate of Dissolution for AORE was dated January 25, 2024. All regulatory approvals had been received prior to December 31, 2023. There was no ultimate gain or loss related to the dissolution.

**Director Biographies**

Set forth below is biographical information concerning each current director and director nominee of AOG, including each such individual's principal occupation and the period during which such person has served as a director of AOG, or AORE if applicable. AORE was dissolved at the end of 2023. Information about share ownership of certain directors and executive officers as of December 31, 2023, can be found under "Directors and Executive Officers—Security Ownership of Executive Officers and Directors" in our 2023 Annual Report delivered herewith.

| | |
|---|---|
| **Debra J. Roberts**<br>Age 70<br>Chief Executive Officer,<br>Director since 2011 | Ms. Roberts is the President and Chief Executive Officer of the Company, and also serves as Chair of the AOG Board. She also serves Chairperson and/or Chief Executive Officer of all of the Company's subsidiaries in Barbados and the United States. Since 1993, Ms. Roberts has served as the Chief Executive Officer of Debra Roberts & Associates, Inc. which provides risk transfer consulting and arbitration-related services to the domestic and international reinsurance industries. From 1981 through 1993, Ms. Roberts held various senior positions at three companies within the Swiss Reinsurance Group. She holds an MBA from Fordham University Graduate School of Business and is a Chartered Financial Analyst. |
| **Andrew J. Kirkpatrick**<br>Age 50<br>President of Old American County Mutual Fire Insurance Company and Old American Indemnity Company<br>Director since 2018 | Mr. Kirkpatrick is a director of the Company. Mr. Kirkpatrick is President and director of two of the Company's U.S. subsidiaries: Old American County Mutual Fire Insurance Company and Old American Indemnity Company. Mr. Kirkpatrick received a BBA in Finance and a BA in Psychology from Southern Methodist University. Mr. Kirkpatrick also holds an Associate in Reinsurance and an Associate in Risk Management designation. |
| **Ronald J. Ballard**<br>Age 56<br>Chief Financial Officer<br>Director since 2020 | Mr. Ballard is Chief Financial Officer and director of the Company, and also an officer of various direct and indirect subsidiaries of the Company in Barbados and the United States. Mr. Ballard has over 30 years of experience in the property and casualty insurance industry. Mr. Ballard was most recently CFO of the non-standard automobile and commercial vehicle business for Kemper Corp, and has held a variety of financial and business leadership roles across the property and casualty spectrum at Kemper Corp, f/k/a Unitrin, Inc. Mr. Ballard has a BA in Economics from The University of Texas and a BBA in Accounting from Texas A&M University. |

**Executive Biographies**

**For biographical information regarding our executive officers, Debra J. Roberts, the President and Chief Executive Officer of AOG, and Ronald J. Ballard, Chief Financial Officer of AOG please refer to the "Director Biographies" section of this Proxy Statement.**

**Security Ownership of Executive Officers and Directors**

Pursuant to Regulation 6.9(2)(x)(a) and (b) of Section IIA of the Bermuda Stock Exchange Listing Regulations, the total interests of all directors and executive officers of the Company in the common shares of the Company as at December 31, 2023, was 2,726 shares or 5.8% of the common shares outstanding, net of treasury shares.

**Equity Compensation of Directors**

The table below sets forth the aggregate number of shares underlying option awards and restricted stock unit ("RSU") awards outstanding at fiscal year-end 2023 for each director as of December 31, 2023, (other than Ms. Roberts, whose equity awards are set forth in "Equity Compensation of Executive Officers" below).

**Equity Compensation of Directors**

| Name | Shares Underlying Options at Dec 31, 2023 (Outstanding) | Shares Underlying Options at Dec 31, 2023 (Vested and Exercisable) | RSUs: That Have Not Vested |
|---|---|---|---|
| **Andrew J. Kirkpatrick** ………………. | 300.00 | 300.00 | - |

Share options granted to the directors under our 2001 Stock Option Plan prior to 2006 vested quarterly over a three year period. Share Options granted to directors beginning in 2006 under the 2006 Equity Plan vest in four equal annual installments on the first four anniversaries of the date of grant. RSUs vest annually in equal installments over a four-year period.

**Equity Compensation of Executive Officers**

The following table shows equity awards granted to officers of the Company outstanding at December 31, 2023:

| | Option Awards | | | | RSU Awards | | Restricted Stock Awards Subject to Forfeiture | |
|---|---|---|---|---|---|---|---|---|
| Name | Number of Common Shares Underlying Unexercised Options Exercisable | Number of Common Shares Underlying Unexercised Options Unexercisable | Option Exercise Price | Option Expiration Date | Number of Shares that Have Not Vested | Market Value of Shares That Have Not Vested (1) | Number of Shares that Have Not Vested | Market Value of Shares That Have Not Vested (1) |
| **Debra J. Roberts** | 500.00 | — | $850.00 | 12/15/2025 | — | — | — | — |
| | 175.00 | — | $700.00 | 3/21/2027 | — | — | — | — |

(1) Based on the closing price of $150.00 per share on December 29, 2023, the last business day of 2023.

Options granted prior to May 2006 were awarded under our 2001 Stock Option Plan and vest in 8.33% increments at the end of each quarter, beginning with the quarter in which the grant occurred. Our 2001 Stock Option Plan was terminated in May 2006, except as to awards that were already outstanding at that date. No further awards will be granted under our 2001 Stock Option Plan.

Options granted beginning in May 2006 were awarded under our 2006 Equity Plan, and vest in four equal installments on the first four anniversaries of the date of grant. RSUs vest annually in equal installments over a four-year period.

There were no options exercised in 2023.