Financial Condition Report:

Canopius Reinsurance Limited

December 31, 2022

Contents

Background

Canopius is a privately owned global specialty (re)insurance company. The Group is domiciled in Jersey and operates in Australia, Bermuda, Singapore, the UK and the US. The Group operates through the following underwriting platforms:

- Lloyd's Syndicate 4444 ("S4444"), managed by Canopius Managing Agents Limited ("CMA") (AM Best: 'A'; S&P: 'A+'; Fitch: 'AA-');
- Canopius Reinsurance Limited ("CRe"), a Bermudian Class 4 insurer (AM Best: 'A-'); and
- Canopius US Incorporated ("CUSI"), a US excess and surplus lines insurer (AM Best: 'A-').

CRe was granted regulatory approval to operate as a Class 4 insurer effective in January 2021. A Class 4 insurer is defined as an insurer or reinsurer underwriting direct excess liability insurance and/or property catastrophe reinsurance risk. Class 4 insurers are required to maintain a minimum capital and surplus of $100 million.

The majority of CRe's business is to supply capacity, via reinsurance, to Syndicate 4444 operated by the Canopius Group (via its corporate member vehicle Canopius Corporate Capital Limited "CCCL"). As a result, the majority of CRe's income and exposure in 2022 came from its quota share with CCCL. In 2022, CRe started to expand its unrelated business portfolio by underwriting a casualty quota share and starting its Management and Professional Lines line of business. In 2023, CRe is continuing to grow its unrelated business, expanding into Marine and Specialty Lines on a pro rata and/or retro basis.

CRe aims to maximise returns while taking an appropriate level of risk such that the ability of the business to trade post a significant market changing event is not impaired. The Board of CRe sets the risk appetite in line with strategic planning and the risk profile is regularly monitored to ensure that it remains within risk appetite and associated tolerances/limits. The risk appetite statement links the strategy of the business to the risk appetite.

Risk appetite is allocated to different risks depending on risk/reward considerations and alignment to strategic objectives. Risks are not taken that will expose CRe to an unacceptable level of operational risk or risk to the reputation of the Canopius brand. The risk appetite is primarily allocated to Insurance risk. Returns on investments can also make a positive contribution to profit and so there is some appetite for market/investment risk. For other risks, the focus is primarily on risk mitigation through the control framework.

i. Business and Performance

a) Insurer

CRe continued into Bermuda on June 28, 2019 from Switzerland and was licensed as a Class 3A insurer with the BMA on that date. In January 2021, it was relicensed as a Class 4 insurer. It is an insurance company owned fully by Canopius Group Limited. Fortuna Holdings Ltd. is the ultimate controlling party, owning 100% of the Group.

b) Insurance Supervisor and Group Supervisor

CRe is supervised by the BMA. The contact details are as follows:

The Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton, Bermuda
Lead Supervisor: Sarah Matchett
Email: smatchett@bma.bm
Phone: +1-441-278-0381

Each of Canopius' regulated entities are supervised by the local regulator in the jurisdictions in which they are registered.

c) Approved Auditor

CRe's auditor is Ernst & Young Ltd. The contact details are as follows:
Ernst & Young Ltd.
3 Bermudiana Road
Hamilton, Bermuda
Engagement Partner: Craig Redcliffe
Email: craig.redcliffe@bm.ey.com
Phone: +1-441-294-5318

d) Ownership Details

Below is an abridged structure chart showing ownership details and ownership interest.

Name	Immediate %	Ultimate %	Interest
Fortuna Topco Limited	100.000%	100.000%	964,420,286 Ordinary shares
Fortuna Midco Limited	100.000%	100.000%	1,006,075,000 Ordinary shares
Fortuna Holdings Limited	100.000%	100.000%	100,000 Ordinary shares
Canopius Group Limited	100.000%	100.000%	100,000,000 common shares
Canopius Reinsurance Limited			

e) Group Structure Chart

Please see Appendix 1 for the Canopius Group structure chart as at April 1, 2023.

f) Key Business Segments

CRe's primary source of business is underwriting a quota share of Canopius Corporate Capital Limited ("CCCL"), Canopius' corporate member vehicle for Lloyd's Syndicate 4444.

The following represents the (re)insurance business written for the period by business segment:

Line of Business	2022 GWP ($000s)	2021 GWP ($000s)
Property Catastrophe	58,804	42,811
Property	101,264	79,927
Personal Accident	44,459	32,638
Aviation	2,257	2,020
Credit/Surety	47,595	(2,479)
Energy Offshore/Marine	97,269	65,886
US Casualty	49,518	39,302
US Professional	21,100	27,839
US Specialty	7,026	4,380
International Motor	1,117	862
International Casualty Non-Motor	45,017	19,656
Retro Property	5,264	4,762
Health	4,395	3,376
Total	**485,085**	**320,980**

The negative GWP for credit surety relates to the unearned premium accounted for under the loss portfolio transfer that occurred at the end of 2021 as described in h) below.

The following represents the (re)insurance business written for the period by geographical region:

Geographical Location	2022 GWP ($000s)	2021 GWP ($000s)
North East United States	54,187	47,974
South East United States	113,134	57,928
Mid-West United States	12,841	9,941
Western United States	34,078	30,172
Northern Europe	111,022	70,103
Western Europe	26,236	16,206
North America, excluding United States	18,497	12,965
Oceania	31,601	20,238
South and South-East Asia	20,533	16,924
Caribbean and Central America	8,716	6,996
Eastern Asia	17,719	14,430
Southern Africa	4,640	2,402
Southern Europe	7,909	2,776
North, Southern, and Western South America	2,966	1,609
Eastern South America	3,877	1,281
Central and Western Asia	11,124	6,289
Eastern Europe	871	1,253
Northern Africa	4,134	1,493
Total	**484,085**	**320,980**

g) Investment Performance and Material Income and Expenses

Investment Performance by Asset Class

The primary objective of CRe's investment portfolio is to create economic value subject to the maintenance of appropriate liquidity to meet expenses and claims. A diversified portfolio of appropriate nature, term and liquidity profile is preserved to ensure that sufficient cash is available to meet obligations as and when they fall due, having regard also to the expected payment of claims and other liabilities.

CRe's investment strategy is to broadly align with a Strategic Asset Allocation (SAA) which is underpinned by a 'Core' exposure to high quality fixed income securities which are desirable in terms of broadly matching the duration of liabilities and meeting cash flow requirements. Following the upwards movements in interest rates observed over 2022, the asset portfolio is expected to return over 5% in 2023.

The benefits of a modest exposure to 'Non-Core' asset classes arise from increased diversification across the wider portfolio and generation of additional investment income. Within this allocation, CRe has exposure to an Absolute Return vehicle to generate lesser-correlated consistent returns above a cash benchmark over the medium to long term. CRe also has a modest exposure to London-listed closed-end funds (otherwise known as Investment Companies), which provide CRe with a means of acquiring exposure to a portfolio of privately-originated yet publicly traded assets with desirable risk adjusted return characteristics.

The following represents the market values and performance of the investment portfolio:

Type of Security	**2022 Market Value ($000s)**	**2021 Market Value ($000s)**
Fixed income securities:		
U.S. government and government agency securities	146,015	148,676
Corporate and other securities	57,253	46,059
Mortgage-backed securities	7,753	7,600
Asset-backed securities	132,760	128,220
Total fixed income securities	343,781	330,555
Equity shares	9,628	16,017
Other investments	143,329	61,029
Total	**496,738**	**407,601**

The value of CRe's investment portfolio fluctuates with changes cash flow needs, changes in the interest rate environment and overall economic conditions.

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

	2022 ($000s)	2021 ($000s) (reclassified)
Fixed income securities	6,807	4,907
Equities	676	1,000
Cash and cash equivalents	240	3
Total gross investment income	7,723	4,907
Investment expenses	(424)	(386)
Net investment income	**7,299**	**5,524**

2021 figures have been restated to conform current financial statement classifications. Previously, the net investment result from the CCCL quota share was included in investment income. So as to not skew investment return calculations, the net investment result from the CCCL quota share is now included in Other Income (Expenses) in the financial statements.

Net investment income for 2022 was $7,299, an increase of $1,775 driven by increased interest rates in 2022.

Material Income and Expenses

The following tables provide summaries of CRe's material income and expense lines:

Type of Income	2022 Value ($000s)	2021 Value ($000s) (Reclassified)
Gross Written Premium	485,085	320,980
Investment income	7,299	5,524
Realized and Unrealized Losses	(17,701)	(889)
Other Income (Expenses), net	(42,279)	(21,754)

Type of Expense	2022 Value ($000s)	2021 Value ($000s) (Reclassified)
Net Loss and Loss expenses	323,770	288,024
General and Administration expenses	3,603	5,887

Gross written premium increased by $164,105 over 2021. In 2022, CRe commenced underwriting an unrelated business portfolio contributing $70,459 of growth. Additionally gross written premiums assumed from the CCCL quota share increased by $93,646 due to growth in the USA and Asia Pacific.

Realized and unrealized losses was driven by upward movements in interest rates as central banks tightened monetary policy to control rising inflation, resulting in material mark-to-market losses in particular for the first three quarters of the year.

The CCCL quota share is on a whole account, funds withheld basis, whereby CRe assumes a share of CCCL's investment income and expenses. Previously CRe classified this investment income and expense in separate line items; however this led to skewing of the investment ratio. In 2022, management combined these line items into one, Other Income (Expenses), net. The 2021 values have been reclassified to conform with 2022 presentation. Other Income (Expenses), net consists of net investment losses and foreign exchange gains and losses assumed of $(9,719) (2021: $10,254) and expenses assumed of $32,560 (2021: $32,008).

h) Other Material Information

In December 2021 CMA entered into a Loss Portfolio Transfer Reinsurance (LPT) agreement with RiverStone Managing Agency Limited ("RiverStone") covering the majority of classes of business no longer written by Syndicates 4444 (2020 & prior years) and 1861 (2020 year of account only). Under the terms of the agreement the syndicates purchased reinsurance from RiverStone's managed syndicate (Lloyd's syndicate 3500) to provide loss portfolio reinsurance on the agreed policies. The results for the year include the premium ceded to RiverStone for the unearned proportion of the claims reinsured ($47,757), with the earned proportion of the claims reinsured ($294,924) accounted for as a balance sheet transaction, reducing the gross reserves for losses, with a corresponding reduction in the Reinsurance balances receivable.

ii. Governance Structure

a) Board and Senior Executive

i) Structure of the board and senior executive, roles, responsibilities and segregation of these responsibilities

The Board of Directors of CRe is responsible for ensuring strong governance and has ultimate accountability for ensuring the effective management and control of risk from all sources. CRe's Board consisted of the following directors during 2022.

Name	Board Position	Additional Responsibilities
Michael Watson	Chairman and Non-Executive Affiliate Director	Group Chairman
Charles Craigs	Executive Director	CRe Chief Executive Officer and CRe Chief Underwriting Officer
Teresa Gallant	Executive Director	CRe Chief Finance Officer and CRe Chief Operations Officer
Robert Forness,	Non-Executive Affiliate	Robert Forness is the CEO and CUO of Multi-Strat, a Canopius Group affiliate

The Board of Directors is guided by CRe's Bye-Laws, Corporate Governance Framework and Enterprise Risk Management Framework. Given the majority of CRe's business comes from an internal quota share, the Board of Directors has not appointed any formal board committees. Given CRe is a wholly owned subsidiary of Canopius Group, its activities are overseen by Committees designated by the Group board, such as the Audit Committee and the Risk Committee.

CRe's senior management is responsible for the day-to-day management of CRe and is held accountable by the Board. Below are the executive officers of CRe during 2022.

CRe outsources many of its operational functions to other Canopius Group entities.

ii) Remuneration policy and practices and performance-based criteria governing the board, senior executive and employees

The directors are not separately compensated for their Board roles.

CRe outsources all its Bermuda-based functions to Canopius Underwriting Bermuda Limited ("CUBL"). Executive remuneration currently consists of elements of base salaries, employee benefits, annual bonuses, and long-term incentive compensation. Employee renumeration currently consists of base salaries, employee benefits and annual bonuses. Base salary provides the fixed portion of compensation and is established based upon the scope of responsibilities and market compensation for similar roles. Annual bonuses are awarded based upon Group performance in the preceding year and individual performance.

iii) Supplementary pension or early retirement schemes for the board, senior executive and employees

All executives and employees of CUBL receive an amount equal to 10% of their base salaries in respect of a retirement benefit contribution.

iv) Material transactions with shareholder controllers, persons who exercise significant influence, the board or senior executive

None outside that described in the Background section and Outsourcing section.

b) Fitness and Propriety Requirements

i) Fit and Proper Process

The Chairman monitors the composition of the Board and considers its diversity, balance of skills, experience, independence, and knowledge and ensures that it remains appropriate. Additionally, board members complete a confidential Board Performance Review overseen by the Chairman on an annual basis.

The Directors should be and remain qualified for their positions. They should have clear understanding of their role in corporate governance and be able to exercise sound and objective judgement about the affairs of CRe. Board training sessions are held on an ad hoc basis when it is determined there may be a knowledge deficiency in an area.

Senior executives and employees are assessed when the individual is hired and on an ongoing basis. The initial assessment is conducted during the recruitment stage through the interview process. Ongoing assessments are conducted by the Group's Continuous Performance Management approach through performance and development discussions and feedback. All senior executive roles are defined by Terms of Reference, which are approved by the Board.

ii) Board and Senior Executive Qualification

Michael Watson, Canopius Group and Board Chairman
Mr. Watson has been Chairman of Canopius Group since May 2001 and Chairs the Groups regulated insurance carriers including CRe. He relinquished the role of Chief Executive Officer in December 2021. As Chairman and CEO of Canopius, Mr. Watson led the original management buy-out of Canopius in 2003 (financed by Bregal Capital), the sale of Canopius to Sompo Holdings in 2014, and the second management buy-out in 2018 (financed by Centerbridge). Under Mr. Watson's leadership, Canopius undertook numerous acquisitions including Creechurch (2006), KGM (2010), Omega (2012), and AmTrust at Lloyd's ("ATL") (2019). In conjunction with the ATL acquisition, Michael secured investment from AmTrust Financial and Samsung Fire & Marine Insurance.

Mr. Watson has over 40 years' experience in financial services gained in London, Bermuda, Ireland, and New York. His sector focus includes commercial and investment banking, trade finance, securities dealing, and life insurance (US and Canada, Spain and Italy, Japan, Korea and Taiwan). For the past 28 years, Mr. Watson's focus has been on specialty property and casualty insurance and reinsurance on a global basis. This has included managing regulated businesses in London (Lloyd's and Companies), Ireland, the Netherlands, Switzerland, Singapore, China and Australia.

From 2012-2021 Mr. Watson was a Board Member of the Lloyd's Market Association and from 2013-2022 a Member of the Council of Lloyd's. Mr. Watson began his career with Arthur Andersen & Co where he qualified as a Chartered Accountant.

Charles Craigs, Director, CRe Chief Executive Officer and CRe Chief Underwriting Officer
Mr. Craigs has over 20 years' experience in reinsurance in a variety of Management and Underwriting roles. Joining the Canopius Group in 2009 he relocated to Bermuda in 2016 to establish a Treaty Property underwriting operation. In 2017, he was appointed CEO of Canopius Underwriting Bermuda Limited and CUO of CRe for the then Zurich domiciled entity. He led the successful re-domiciliation of CRe to Bermuda in 2019 and was appointed CEO at that time. In addition to his role with CRe he was instrumental in establishing an ILS platform for the Canopius Group in 2018 and was appointed CEO of Canopius ILS Ltd., a service company structuring and sourcing capital for ILS transactions on behalf of the Canopius Group. In 2022 he became the Global Product Head of Reinsurance.

Teresa Gallant, Director, CRe Chief Finance Officer and Chief Operating Officer
Ms. Gallant has more than 20 years' experience in accounting and finance. Ms Gallant joined Canopius in Bermuda in 2018 as Head of ILS Operations and moved into the Chief Finance and Operations roles in 2019. Prior to joining CRe, Ms. Gallant spent 2 years as Chief Financial Officer and Chief Compliance Officer at ILS Capital Management. She had previous roles in Senior Management with Prime Management, Deloitte, Institute of Chartered Accountants of British Columbia and Ernst & Young in Canada, Bermuda and Australia. Ms Gallant holds a Chartered Professional Accountant (Chartered Accountant) designation from Canada (Bermuda & British Columbia).

Robert Forness, Director
Mr. Forness has been Chief Executive and Chief Underwriting Officer of Multi-Strat Holdings, Ltd. since it began operations in 2014. As part of MultiStrat, Mr. Forness is CEO of Multi-Strat Re Ltd. and MultiStrat Advisors Ltd. in Bermuda and President of Garden Insurance Company of Vermont. Mr. Forness leads a team innovating casualty reinsurance underwriting and placement with capital market investors.

Mr. Forness brings more than 30 years of international insurance industry experience that includes being the former Chief Underwriting Officer and Interim CEO of the Imagine Group and Head of Underwriting and Managing Director of Imagine's Lloyd's operation. Before Imagine, Mr. Forness was Chief Operating Officer of Odyssey Re's London and Bermuda companies as well as managing director of newly launched Riverstone UK, an affiliate of Odyssey Re. Mr. Forness also worked previously at Prudential Financial, where his last role was Managing Director of Prudential Direct Mutual Funds.

c) Risk Management and Solvency Self-Assessment

i) Risk management process and procedures to identify, measure, manage and report on risk exposures

CRe's Enterprise Risk Management (ERM) Framework has been developed in line with its risk management strategy and principles. Risk taking and risk management are an inherent part of its business activities. The adoption of sound risk management practices is considered imperative by management and the Board and is fundamental to the ongoing success of the entity. The high-level business and risk strategies are owned and directed by the Board.

The entity operates a 'three lines of defence' risk governance model. The first line of defence comprises underwriting divisions and operations (risk ownership), the second line of defence comprises risk and compliance functions (risk oversight) and the third line of defence comprises internal and external audit (independent risk assurance).

An overview of the ERM Framework is shown below.

The practical application of the ERM Framework comprises a range of policies, processes and procedures but in order to work effectively, all of these have to be underpinned by an appropriate risk culture. The Risk team continues to promote and embed a strong risk culture through:

- Clearly defined risk ownership/ roles and responsibilities within the first line;
- Staff training (ad hoc and as part of other regular processes);
- An open and transparent communication style which is leading to more timely escalation and remediation of issues; and

- Supporting wider Group and entity specific culture initiatives, including encouraging individuals to self-identify issues to enable the business to learn from mistakes.

ii) Implementation of Risk Management and Solvency Self-Assessment

Key exposures are identified, measured, managed and reported using various processes and tools, including:

- Assessing risk exposure in aggregate and by type against Board-approved risk appetite and limits
- Performing independent model validation of risk and capital models via the Model Oversight Group
- Risk reporting focused on issues with actions and mitigation plans
- Stress and reverse stress testing scenarios to provide management and the Board with both a quantitative and qualitative view of how materialisation of existing and plausible risks could impact the business
- The Risk Register, which outlines the identified risks, board level and management level risk owners and the assessment of the impact and probability of each risk along with the adequacy of controls in place.
- Risk and Control Self-Assessments are conducted quarterly, and any controls assessed as partially operating as intended or not operating as intended are assigned an action plan, action owner and an action due date.

Risk taking and risk management are an inherent part of CRe’s business activities. The adoption of sound risk management practices is considered imperative by management and the Board and is fundamental to the ongoing success of CRe. The high-level business and risk strategy are owned and directed by the Board.

In line with the Group approach, CRe’s risk management strategy is to generate attractive returns on investor capital through informed risk taking, i.e. by exposing capital to risk in order to generate suitable returns. As such, the effective management and control of both the upside of risk taking and the potential downside is a fundamental core competency of the organisation. CRe’s Risk strategy is aligned to its corporate strategy and focuses on:

- Underwriting discipline;
- Sophisticated exposure management;
- Robust reserving;
- Conservative and sophisticated investment management;
- Efficient, effective and robust operations;
- Effective cost management; and
- Strong focus on capital management and delivering appropriate returns.

iii) Relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

The CISSA will consider all relevant and material risks to which CRe is exposed. The CISSA uses quantitative methods to assess the risk profile of the business where sufficient quantitative information exists; this is supplemented by qualitative risk assessment methods to ensure a holistic view of the risk profile.

Risk appetite is the articulation of the amount of risk from all sources that CRe is prepared to accept to meet its strategic objectives. The Board has responsibility for ensuring the effective management and control of risk. Accordingly, the Board approves the ERM Framework and risk appetite in line with the business plan.

The CISSA compares CRe's risk profile against risk appetite to confirm whether the business has operated within the Board approved risk appetite. The CISSA is also forward looking and assesses risk and capital required for the duration of the strategic business plan time horizon (typically three to five years). The CISSA compares this against available capital resources (quantity and quality) to ensure CRe's overall solvency needs are met throughout.

The assessment also includes an analysis of the extent to which the CISSA may deviate from the regulatory capital required, as calculated by the BSCR formula, to understand the drivers of any material variances between capital perspectives.

By consolidating risk appetite, risk-based capital requirements and overall business strategy, the CISSA process provides a basis to communicate the strength of CRe's solvency position (both on an economic and regulatory basis) and the extent to which ERM processes and practices are embedded within the business.

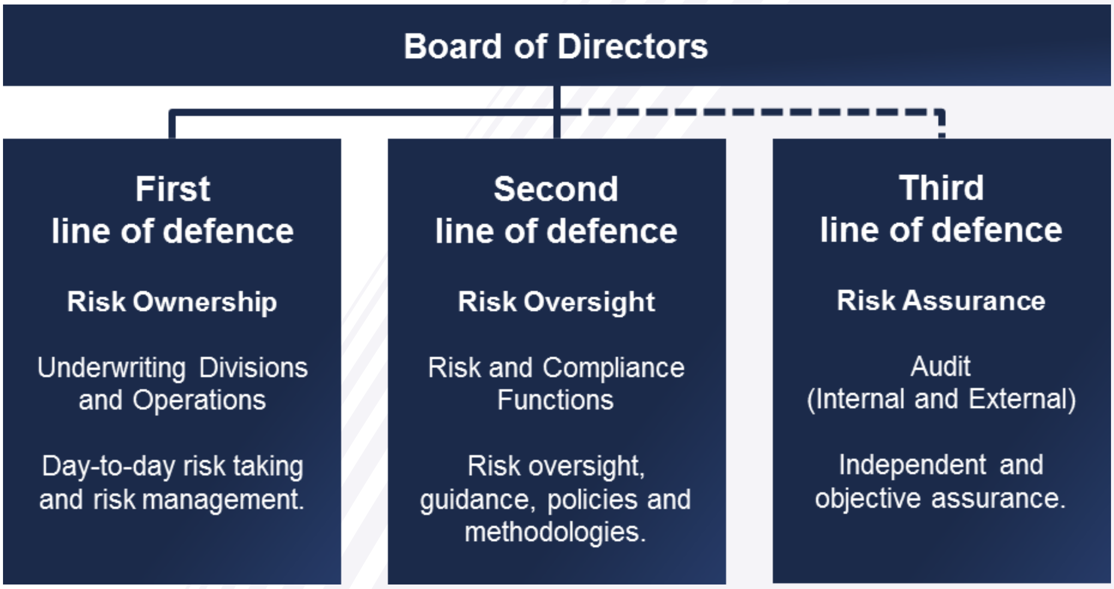
iv) Approval process

The CISSA is prepared by CRe's risk manager in consultation with relevant functions and business units. The CISSA is then reviewed and approved by CRe's CFO, CEO and Group CRO. Finally, it is approved by the Board as part of CRe's Capital and Solvency Return submission.

d) Internal Controls

i) Internal Control System

CRe operates a 'three lines of defence' risk governance model.



Risk management and oversight begins with the Board which has the ultimate accountability for ensuring the effective management and control of risk from all sources.

The first line of defence (first line) involves everyone involved in day-to-day risk taking and comprises all underwriting and operational (e.g. Actuarial, Claims, Finance, HR, IT, etc.) areas. The first line has direct responsibility for the management and control of risk which includes:

- The implementation of appropriate and cost effective controls;
- monitoring control effectiveness;
- ensuring the risk profile of the business is in line with the Board's expectations and risk appetite;
- implementing risk management processes and risk mitigation where appropriate;
- identifying emerging risks; and
- reporting material risks, control breakdowns upwards within the governance structure.

Internal controls are documented in the internal control framework, which outlines the risks identified, the controls in place to mitigate those risks and who is responsible for operating the control. These controls are assessed for operational effectiveness on a quarterly basis.

The second line of defence provides oversight and challenge to the risk-taking business as the first line of defence. This comprises the Risk and Compliance Functions. The second line is primarily responsible for:

- Providing oversight of all material risks;
- Establishing policies, systems, processes and tools for risk management; and

- Ensuring the risk management framework is robust and effective.

ii) Risk and Compliance Function

The second line of defence is the Risk and Compliance functions.

The Risk team is responsible for facilitating and monitoring the implementation of effective risk management across the business, enabling the business to effectively manage risk in pursuit of its business strategies and objectives.

Key responsibilities of the Risk function are:

- The implementation, maintenance, embedding and continuous improvement of the ERM Framework;
- Managing the Commercial Insurer Solvency Self Assessment and annual reporting;
- Co-ordinating the defining of risk appetite and supporting risk tolerances/ limits and ongoing monitoring;
- Facilitating the identification, analysis and reporting of risk incidents and near misses;
- Supporting the identification of new and emerging risks;
- Annual risk and quarterly control assessments;
- Helping to facilitate an appropriate risk culture, through training, coaching and support to staff as required;
- Testing and validating the internal model in addition to analysing its performance, and
- Stress & Scenario Testing to inform business planning and strategic initiatives.

The Compliance function has an overarching strategic goal of demonstrating compliance with all regulatory requirements. The Compliance function provides advice, guidance and challenge in line with Canopius' objectives and risk profile, regulator expectations and the emergence of new regulatory requirements. In broad terms the Compliance function:

- acts in an advisory capacity, guiding and supporting the first line business management in discharging the firm's regulatory related obligations;
- works in partnership with the business to explain regulatory responsibilities of the business and helping to frame regulatory compliance policies;
- acts as a guide to help prevent regulatory breaches from occurring within the business;
- acts as an independent and objective review, oversight and monitoring function;
- assesses the systems and controls in place to meet regulatory responsibilities providing challenge and identifying potential regulatory risk areas;
- provides MI to senior management on the adequacy and effectiveness of compliance with key applicable laws, regulations and policies.

e) Internal Audit

The third line of defence principally involves the independent Internal Audit Function. The Internal Audit Function resides at Group level and has oversight over CRe.

Internal Audit contributes to the achievement of business objectives by bringing a systematic, disciplined approach to evaluating and strengthening the effectiveness of risk management, control and governance processes. This is done by:

- Providing independent, objective, timely and relevant assurance to the Group Audit Committee, senior management, the Board including any sub committees of the Board, as appropriate, on the adequacy and effectiveness of the ERM activities, including the system of internal control, and compliance with key applicable laws, regulations, policies and other governance requirements;
- Reviewing and evaluating the adequacy and effectiveness of risk management practices, internal control systems, information systems, and governance processes through periodic reviews and testing of transactions, 'good practice' reviews, special investigations, appraisals of regulatory requirements and measures to help prevent and detect fraud and operational inefficiencies;
- Providing assurance that significant risks are proactively identified, reported and competently evaluated by management;
- Reviewing the effectiveness of the management of significant risks; and
- Following up on the status of recommendations and confirm that effective and timely remedial action has been taken.

f) Actuarial

The Actuarial Function is a Group function within Canopius and is made up of Fellows and Members of the Institute and Faculty of Actuaries, statisticians and business analysts. The Actuarial Function is headed by the Chief Actuary who ensures that work is performed by suitably qualified people and that a suitable system of checking and peer review is in place.

The Chief Actuary is a member of the Group Executive Committee and sits on the Group Model Oversight Group and Group Reserving Committee. The Model Oversight Group and Reserving Committee report to the Group Audit Committee. Additionally, the Chief Actuary has separate discussions with the Chairman and Group Risk Committee. This allows the Actuarial Function to remain free from influence of the Board.

All members of the Actuarial Function follow the professional standards required by the Institute and Faculty of Actuaries. There is an annual training session for the Actuarial team covering professional issues such as conflicts of interest and whistleblowing. This helps ensure all member of the team know how to deal with conflicts should they arise.

The Actuarial Function is responsible for:

- Supporting underwriting by developing and maintaining a pricing policy, reviewing and updating pricing models, and by providing individual case pricing
- Reviewing reserves on a quarterly basis (including holding tracking meetings with underwriting and claims staff) and calculating technical provisions
- Calculating the capital required to support each underwriting plan and ensuring the standards for calculation as set out by the relevant regulatory bodies are met.

g) Outsourcing

i) Outsourcing Policy and key functions outsourced

Outsourcing involves entering into an agreement with a service provider in any number of functions to perform ongoing business activities on a continuing basis (including agreements for a limited period), a business activity which currently is, or could be, undertaken by the CRe. CRe has adopted the Canopius Group Outsourcing Policy. The Canopius Group manages all outsourcing arrangements to a minimum standard and in a manner which appropriately reflects the materiality of the arrangement. Enhanced scrutiny shall be applied to outsourcing of Material Business Functions or Activities and outsourcing of Critical or Important Functions or Activities.

A Material Business Activity is one of such importance that weakness, or failure, of the activity would cast serious doubt on the CRe's satisfaction of the threshold conditions (that is, the minimum standards that the regulator expects firms to satisfy to become and remain regulated by it) or compliance with the Insurance Code of Conduct (for example, our obligation to take reasonable care to organise and control our affairs responsibly and effectively with adequate risk management systems). This expressly includes Critical or Important Functions or Activities.

A Critical or Important Function or Activity is defined as any function or activity that is essential to the operation of the CRe such that it would be unable to deliver its services to policyholders without the function or activity. CRe considers that this would include where a failure in the outsourced service provider's performance would materially impair CRe's financial performance, reputation, ability to comply with its conditions of authorisation and regulatory obligations, and the continuity of its services to policyholders.

Where CRe outsources a "key function" (risk management, compliance, internal audit, actuarial, the function of effectively running the insurer, or any other function that is of specific importance to its sound and prudent management), will also ensure:

- it applies the "fit and proper" requirements to persons employed by the service provider that will perform the outsourced key function
- it designates a person with overall responsibility for outsourced key functions who is fit and proper, and possesses sufficient knowledge and experience regarding the outsourced key function to be able to challenge the performance and the results of the service provider
- it notifies the relevant regulator of the reasons for selection the function as key, information about any changes and the identity of the persons effectively running a key function.

ii) Intra-Group Outsourcing

CRe will seek to achieve operational efficiencies through Intra-group outsourcing. To manage operational risk to regulated operating entities, rules and requirements contained in its Outsourcing Policy will be applied to Intra-group outsourcing and CRe will consider if Intra-group outsourcing constitutes an outsourcing of Material Business Activity and/or a Critical or Important function or Activity.

As part of Intra-group outsourcing, CRe ensures that:

- Ongoing assessment is carried out to determine that the insurer should rely on functions and activities provided by a service provider within the Canopius Group
- A written agreement exists to stipulate the duties and responsibilities of both parties
- Overall responsibility shall be robustly managed with business contingency plans in place.

The provision of staff required to operate the business is conducted through Group service companies and documented in Service Agreements. Underwriting, claims handling, finance decision making and the function of effectively running CRe are outsourced to CUBL, which acts as the Bermuda service company. Actuarial, investment management, IT & cyber security, compliance, risk management and internal audit are outsourced to CSL, the UK service company.

h) Other Material Information

There is no other material information to report regarding the governance structure.

iii. Risk Profile

a) Material Risks – how they are measured and material changes

The key risks CRe is exposed to consist of insurance risk (underwriting risk and reserve risk), market risk (investment interest rate, asset price and foreign exchange risk), liquidity risk, credit risk, operational risk (people, regulatory, fraud, outsourcing, systems, IT and physical risk) and emerging risks.

Insurance Risk

In line with the business model and strategic objectives, insurance risk is CRe's dominant risk. Insurance risk is defined as the risk of loss arising from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Insurance risk encompasses the risks that policies will be written for inadequate premium or provide inappropriate cover or that the frequency and/or severity of insured events will be higher than expected (premium risk), or that estimates of claims subsequently prove to be insufficient (reserve risk).

CRe utilizes in-Group exposure management tools, third party exposure management tools, expected loss modelling outputs and both internal and external capital model calculations to measure risk.

Market Risk

Market risk is defined as the risk of loss resulting directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. This is further broken down into interest rate risk, asset price risk and foreign exchange risk.

Interest rate risk is the risk that rising interest rates and/or credit spreads of fixed income securities can reduce the market value of the investment portfolio.

Asset price risk is the risk of decline in market values of equity securities.

Foreign exchange risk is the risk that changes in foreign exchange rates on both assets and liabilities could impact CRe's net capital.

Market risk factors are measured against yield curve movements, credit risk spreads, equity price movements, and foreign exchange movements using stress tests.

CRe's investment portfolio remains defensively positioned and therefore no material changes occurred in 2022.

Liquidity Risk

Liquidity risk is the risk that CRe is unable to meet its liabilities as they fall due as a result of insufficient liquid assets.

The majority of CRe's liabilities are through the CCCL quota share for which CRe posts Funds at Lloyds to cover. Liquidity risk is measured using cash flow forecasting tools. All CRe's unencumbered assets have a liquidity profile of 7 days and under.

There have been no material changes with respect to liquidity risk during the year.

Credit Risk

Credit risk is defined as the risk of loss if the counterparties fail to perform their obligations or fail to perform them in a timely fashion. The key business counterparties are reinsurance receivables, both intragroup and external, and outwards reinsurers. Credit risk also exists with investment counterparties, including banks holding cash and cash equivalents.

Credit risk is measured in terms of exposure to counterparty default. External credit ratings are used as a key indicator to measure credit risk as well as concentrations with counterparties.

There were no material changes with respect to credit risk during the period.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This includes failure to protect the interests of customers in terms of business conduct. Operational risks, if not managed properly, can lead to a number of issues such as increased expenses, regulatory fines or other censure, and through less quantifiable areas such as reputational damage.

Operational risk includes people risk, regulatory risk, fraud risk, outsourcing risk, systems risk, cyber risk and business continuity risk.

People risk is the risk that there are shortfalls in skills, training and/or competency of employees, shortfalls in recruiting and/or head count, risk of deliberate or unintentional actions of, including fraud, of employees or third parties leading to operational disruptions.

Regulatory risk is the risk of a change in regulations or laws that may affect the business.

Fraud risk is the risk that someone materially misstates financial results or redirects company assets for personal gain.

Outsourcing risk includes the uncertainty of unintentional or deliberate failure of service providers delivering services in accordance with service contracts or engaging service providers with no service standards in place.

Systems risk is the risk of errors or omissions occurring within any of the operational functions such as underwriting, claims, exposure management, reserving, capital management, finance, investment human resources, IT services, facilities management and legal.

Cyber risk is the probability of exposure or loss resulting from a cyber-attack or data breach.

Business continuity risk is the risk that external or internal events that could occur in the future that cause normal business operations to be halted or disrupted.

Operational risks are assessed via the enterprise risk management framework, with each risk being assigned an inherent probability and impact that reflects the level of risk in absence of internal controls.

Financial Risk from Climate Change

Climate change and society's response present several financial risks, including physical, transition and liability risks. These risks have the potential to adversely impact our business, but they also create opportunities. Climate change risk management therefore requires a strategic approach.

While presented as a separate section in this report, the financial risks of climate change are inherent in a number of other risk categories, particularly Insurance and Market risks.

b) Risk Mitigation Methods and Effectiveness Monitoring

Insurance Risk Mitigation

Insurance risk is mitigated by the actions of the CRe in maintaining a diversified business mix (underwriting classes and risks), suitable reinsurance protection and control activities.

The business plan sets out targets for volumes, pricing, line sizes, aggregate exposures. Performance against these targets is monitored regularly by senior management, and the Board.

CRe benefits from the pricing policies that are in place for each class of business supported, where appropriate, with class level technical underwriting guidelines. Risks written are also subject to peer review and, on a selective basis, independent expert review. Controls over the aggregation of claim exposures include limiting total exposures written in defined geographical zones, monitoring aggregation by country/ region, and applying line size limits in all classes.

Similarly, CRe benefits from the reinsurance cover purchased to arrive at an acceptable net risk in line with the approved risk appetites and tolerance limits. For unrelated party exposures, CRe participates on the Group reinsurance programmes and currently does not purchase any specific cover on a standalone basis.

Catastrophe risk modelling and other techniques are used to model expected loss outcomes for Realistic Disaster Scenario (RDS) and in-house catastrophe event scenarios. Gross and net aggregate exposures against risk appetites and tolerance limits are monitored and reported at least on a quarterly basis.

Reserves are reviewed for adequacy on a quarterly basis by in-house actuaries and reported to the Group Reserving Management Committee and the Group Audit Committee. Syndicate reserves are also subject to external independent actuarial review on at least an annual basis. An appropriate level of reserves in excess of actuarial best estimates is held in line with appetite.

Market Risk and Liquidity Risk Mitigation

Market and Liquidity risks are principally mitigated by way of control activities, including asset-liability management policy.

Investment risk is managed through compliance with the investment management and asset-liability management policies. This includes setting limits by investment type, grade and exposure to any entity group.

Our overall investment strategy is developed by reference to an investment risk appetite, set annually by the Board as part of the overall risk appetite framework of the business. Investment management is outsourced to professional fund managers whose performance is monitored regularly by the Investment team, the CRe Investment Working Group (of which the CFO is a member) and the Board.

The Group asset-liability management policy sets out the framework that governs the matching of asset and liabilities to control risks associated with foreign exchange and interest rates. Where appropriate, hedging instruments are used from time to time to manage the exposures to foreign exchange and interest rate risks.

In respect of liquidity risk, our policy is to manage the liquidity position so that we can reasonably meet a significant individual or market loss event. This means maintaining sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. The availability of liquidity in the event of a major disaster is regularly tested using internal cash flow forecasts and realistic disaster scenarios.

Credit Risk Mitigation

Credit risk is principally mitigated by way of control activities including the setting of limits for each counterparty.

Credit risk in respect of premium debt is overseen by the Credit Control and Finance functions. Key controls include a robust broker and coverholder approval process, annual financial review of brokers and coverholders, and regular monitoring of premium settlement performance.

Outwards reinsurances are placed with reinsurers who have good credit rating, or have alternative collateral provided, and who have a good record of claims payment. Limits are set as to the maximum exposures to reinsurers, and these are monitored quarterly.

Investment guidelines ensure that investments are of appropriate quality to match the risk appetite of the business. The portfolio is restricted and monitored for concentration with respect to any one issuer and credit ratings across the portfolio.

Operational Risk Mitigation

Operational risk is mitigated by way of control activities covering (not exhaustive): people, IT systems, outsourcing arrangements, governance, regulation, and business continuity. Processes, policies and procedures, are reviewed on a regular basis. The performance of control activities is reviewed on (at least) a quarterly basis.

In addition, the Internal Audit function provides independent assurance on the control environment and control activities, including compliance with internal policies and procedures for controlling activities and managing risk. Periodic reports are issued to management and the Group Audit Committee, summarising results of audit activities and any significant issues. The Board regularly review and manage risks arising from the group and their impact on the business.

Climate Change Risk Mitigation

Canopius has been considering the impacts of climate change for a number of years and have made significant progress with its climate risk framework as it continues to embed and mature. The framework has been developed across four key areas: Governance, Risk Management, Scenario Analysis, and Disclosures. The framework was developed with regulatory expectations in mind.

Key milestones have been achieved to help ensure climate change risk is now better understood, to better support decision making and risk management, and allow us to meet external stakeholder expectations. Key achievements include:

- Group Board approved sustainability strategy linked to Goals and Ambition;
- Climate risk appetite development, along with qualitative and quantitative tools for monitoring (e.g. implementation of Moody's ESG Solution);
- Scenario analysis performed (CBES aligned) and mitigation plans identified. Further details can be found in Section **Error! Reference source not found.**;
- Establishment of a new ESG Board committee, a sub-committee of the Group Board, which will drive the strategic direction of our sustainability ambitions. This group is supported by an ESG Forum responsible for the day-to-day oversight of ESG activities; and
- Submission of our first climate-related disclosures (TCFD aligned) through ClimateWise membership.

Climate change risk is primarily mitigated by way of control activities that fall under the climate risk framework. Risk mitigation plans are in place for underwriting and investment activities. We aim to:

- consider physical, liability and investment risks with varying time horizons and different emissions pathways, and build tools that the business can use to inform plans, risk management and mitigation of climate change risks;
- reposition the underwriting portfolio to ensure the impacts of climate change are carefully managed in tandem with the desire to work with clients in their transitions from carbon intensive activities, and;
- operate within investment policy and processes in place for managing the risks from climate change through investment strategy, as well as considerations that may warrant further refinement/ changes to the existing approach.

c) Material Risk Concentrations

CRe maintains and monitors tolerances around key risk exposures, particularly around catastrophe risk and investment risk. Exposures are monitored by the Risk Function. CRe has adopted policies governing risk concentrations in relation to counterparties and their credit quality.

d) Assets Are Invested According to the Prudent Person Principle

In accordance with the prudent person principle, CRe only assumes risks that any reasonable individual with objectives of capital preservation and return on investment would accept on their own investments. The Board has considered alternative ways of establishing risk limits for CRe and have considered and approve the use of a Value at Risk limit at the 1:200 level. The Board has established a monetary limit of VAR at the 1 in 200 level, equivalent to a risk appetite of approximately $25m for 2022 (2021 - $35m).

e) Stress Testing and Sensitivity Analysis to Assess Material Risks

A number of stress and scenario tests and reverse stress tests have been carried out as part of the CISSA process. The purpose of these is to provide management with both a quantitative and qualitative view of how materialisation of existing and plausible risks could impact the business.

In addition to the impact on the company's solvency position, the results are evaluated in the wider context of the risk management framework. In particular to:

- Identify and recommend to senior management, as applicable, realistic management actions or capabilities to enhance the control framework, which further manage or mitigate the certain risks; and
- Escalate, as applicable, the extent to which the consistency of the risk appetites is met.

A variety of scenarios have been considered to capture a number of different risk exposures. An important part of this process has been the discussions about potential future risks and management actions.

The conclusions and recommendations are reported to the Board. The most recent stress testing and scenario analysis demonstrate that the business is resilient against stresses. The solvency ratio remains greater than 100% for all individual scenarios considered, with only a combination or aggregation of events that could result in a breach of the regulatory capital requirement (ECR).

f) Other Material Information

No other material information to report.

iv. Solvency Valuation

a) Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

CRe's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The financial statements form the basis for the preparation of both the Statutory Financial Statements (SFS") and the Economic Balance Sheet ("EBS") as required under Bermuda insurance regulations. The SFS and EBS are used by CRe and the Bermuda Monetary Authority ("BMA") in assessing minimum solvency and capital requirements.

The following paragraphs detail how the asset classes are valued in accordance with US GAAP and discusses differences in valuation between US GAAP and the EBS.

Fixed Income Securities

The fixed income securities portfolio comprises securities issued by governments and government agencies, corporate bonds, mortgage and other asset-backed securities. Investments in fixed income securities are classified as held for trading and are reported at estimated fair value on the Balance Sheets. Fair values are based on quoted market prices and other data provided by third-party pricing services. No adjustments are made to get to the EBS valuation.

Equities

Equities consist of stock of public companies traded on stock exchanges and are classified as held for trading and carried at fair value. Fair values are based upon quoted market prices. No adjustments are made to get to the EBS valuation.

Other Investments

Other investments consist of holdings in collective investment schemes and are classified as held for trading and valued using net asset values as provided by their investment managers. No adjustments are made to get to the EBS valuation.

Cash and Cash Equivalents

Cash and cash equivalents are carried at fair value. Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments due to mature within three months from the date of purchase and which are subject to insignificant risk of change in fair value. No adjustments are made to get to the EBS valuation.

Loss Reserves Recoverable

Under EBS valuation, loss reserves recoverable are transferred to technical provisions. See section b).

Accrued Investment Income and Receivable for Securities Sold

Accrued investment income and receivable for securities sold are valued at undiscounted historical cost. Given the short-term maturity of these assets, the US GAAP valuation policy is considered to be a close approximation to fair value and considered sufficient for EBS valuation purposes.

Reinsurance Balances Receivable

Reinsurance balances receivable primarily consists of the net receivable of the CCCL quota share on a funds withheld basis, as well as premiums receivable on unrelated business. CRe monitors credit risk associated with premiums receivable. Amounts deemed uncollectable are charged to net earnings in the period in which they are determined.

Under the EBS approach, reinsurance balances receivable are valued in line with US GAAP with the exception that any balance due in more than one year is discounted. In addition, premium that is not contractually due or is deferred as at the balance sheet date is included within technical provisions at section b) below.

Amounts Receivable from Related Parties
These are valued at undiscounted historical cost. Not adjustments are made to get to the EBS valuation.

b) Valuation Bases, Assumptions and Methods to Derive Values of Technical Provisions, and Level of Uncertainty Involved

Reserves for losses and LAE are based in part upon the estimation of case reserves reported from brokers, insureds and ceding companies. CRe also uses statistical and actuarial methods to estimate ultimate expected losses and LAE. The period from the occurrence of a loss, the reporting of a loss to CRe and the settlement of CRe's liability may be several months or years. During this period, additional facts and trends may be revealed. As these factors become apparent, case reserves will be adjusted, sometimes requiring an increase or decrease in the overall reserves of CRe, and at other times requiring a reallocation of incurred but not reported reserves to specific case reserves. These estimates are reviewed regularly, and such adjustments, if any, are recorded in earnings in the period in which they become known. While management believes it has made a reasonable estimate of ultimate losses, there can be no assurances that ultimate losses and loss expenses will not exceed the total reserves.

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty contained inherent in the underlying cash flows, which is calculated using the cost of capital approach and a risk-free discount structure. The discount rate term structures are prescribed by the BMA (and EIOPA risk free rates).

The GAAP reserving estimates are used as the starting point for the technical provisions and are adjusted to reach a best estimate reserve as follows:

- Remove any management margin
- Remove any implicit margin to get to internal best estimates, which corresponds to the probability-weighted average of reasonably foreseeable outcomes.
- Add claims and premium provisions on future premiums
- Incorporate loading for Events Not In Data (ENIDs)
- Adjust for expense provision
- Discount cash flows
- Add the Risk Margin

The best estimate earned reserve position from the quarterly reserving process is used to form the basis of the claims provisions. The reserves are then adjusted for ENIDs, which are calculated by applying a series of uplift factors to the gross and net reserves for each class of business.

Cash flow patterns are applied by class, currency and year of account. Cash flows are then discounted using EIOPA prescribed rates.

The best estimate for premium provision is calculated using the unearned premium reserve under US GAAP and adjusted for bound but not incepted business as at December 31, 2022, and applying expected future loss ratios, expense ratios and expected claims pay-out patters to derive cash flows. These cash flows are then discounted using EIOPA prescribed rates.

Technical Provisions	**2022 (000s)**	**2021 (000s)**
Best estimate loss and loss expense provision	560,724	603,573
Best estimate premium provision	51,032	312,609
Risk Margin	22,165	25,064
Total	**633,921**	**940,789**

December 31, 2022, the reserves relating to the 2019 and Prior Years of Account of Syndicate 4444 were reinsured into the 2020 Year of Account. As per the quota share with the Corporate Member written in 2020, the technical provisions relating to the 2019 and Prior Years of Account have been included on to the 2022 EBS. The 2019 and prior years of account were previously included at a 60% share. The 2020 year of account is at a 35% share. This drives the significant decrease in the premium provision between 2021 and 2022, along with the partial payment of LPT premiums during 2022.

December 31, 2021, the reserves relating to the 2018 and Prior Years of Account of Syndicate 4444 were reinsured into the 2019 Year of Account. As per the quota share with the Corporate Member written in 2019, the technical provisions relating to the 2018 and Prior Years of Account have been included on to the 2021 EBS.

c) Description of Recoverables from Reinsurance Contracts

CRe enters into reinsurance agreements in order to mitigate its accumulation of loss. Reinsurance recoveries are estimated using known estimates plus an expected recovery rate to the gross IBNR estimates. The recovery rates are based upon the reinsurance program purchased, historic recovery rates and underwriter estimates. A deduction for counterparty risk is made to future reinsurance recoveries.

d) Valuation Bases, Assumptions and Methods Used to Derive Value of Other Liabilities

The carrying values of payables for securities purchased, payables to related parties and other liabilities approximated their fair values due to their respective short maturities. No adjustments are made to get to the EBS valuation.

e) Other Material Information

There is no other material information relating to the solvency valuation.

v. Capital Management

a) Eligible Capital

i) Description of Capital Management Policy and Process to Determine Capital Needs for Business Planning, How Capital Is Managed and Changes During the Reporting Period

CRe maintains capital adequacy that fully satisfies its regulatory and rating capital requirements. The capital structure has been designed to deliver a strong investment return while maintaining liquidity and financial flexibility to achieve management's underwriting, investment and strategic plans.

CRe sets the amount of capital required in proportion to risk. It then manages the capital structure and makes changes based upon changes in economic conditions and risk characteristics of the underlying assets.

CRe's activities are funded primarily by issued equity share capital, contributed surplus and retained earnings. CRe has access to additional capital provided by its parent company in the form of debt or equity if needed.

ii) Description of Eligible Capital Categorized by Tiers in Accordance with Eligible Capital Rules

The BMA uses a three-tiered capital quality assessment for assessing statutory capital and surplus. The tiered capital system classifies capital instruments with different qualities into different tiers. Tier 1 capital is the most loss absorbent and Tier 3 is the least loss absorbent. There are eligibility limits applied to each tier to determine the amounts eligible to cover regulatory capital requirements.

CRe's total Tier 1 Eligible Capital and total Eligible Capital is $576,765 (2021: $475,956).

iii) Description of Eligible Capital Classified by Tiers in Accordance with Eligible Capital Rules Used to Meet the Enhanced Capital Requirement ("ECR") and Minimum Margin of Solvency ("MSM")

The BMA requires at least 80% of the minimum solvency margin (MSM) and 60% of the enhanced capital ratio (ECR) to be met by Tier 1 capital. CRe only holds Tier 1 capital as noted above and this is used to meet its ECR and MSM.

iv) Confirmation that Eligible Capital is Subject to Transitional Arrangements as Required Under Eligible Capital Rules

N/A

v) Factors Affecting Encumbrances Affecting the Availability and Transferability of Capital to Meet ECR

As at December 31, 2022, CRe had cash and cash equivalents, fixed income securities and other investments that were pledged during the normal course of business as either to benefit cedants and policyholders. These assets are released to CRe upon payment of obligations.

vi) Ancillary Capital Instruments Approved by the BMA

N/A

vii) Differences of Shareholder's Equity in the Financial Statements vs Available Statutory Capital and Surplus

Other than the impact of statutory based technical provision valuation techniques, the differences between shareholder's equity under US GAAP and available statutory capital and surplus is the removal of prepaid expenses.

b) Regulatory Capital Requirements

i) Amount of ECR and MSM at the End of the Reporting Period

As at December 31, 2022, regulatory capital requirements were assessed as follows:

	2022 ($000s)	2021 ($000s)
MSM	242,081	159,856
ECR	324,908	335,929

ii) Non-Compliance with MSM and ECR

During the year, CRe was compliance with its regulatory capital requirements.

iii) Amount and Circumstances Surrounding Non-Compliance and Remedial Measures Taken

N/A

iv) Description of Non-Compliance at End of the Reporting Period

N/A

c) Approved Internal Capital Model

CRe does not use an approved internal capital model to derive ECR. The ECR is based upon the BSCR model.

vi. Subsequent Events

There were no other transactions or events beyond those addressed in the notes to the Financial Statements that were outside of events occurring in the ordinary course of business, between December 31, 2022 and April 21, 2023 that materially affected the Financial Statements.

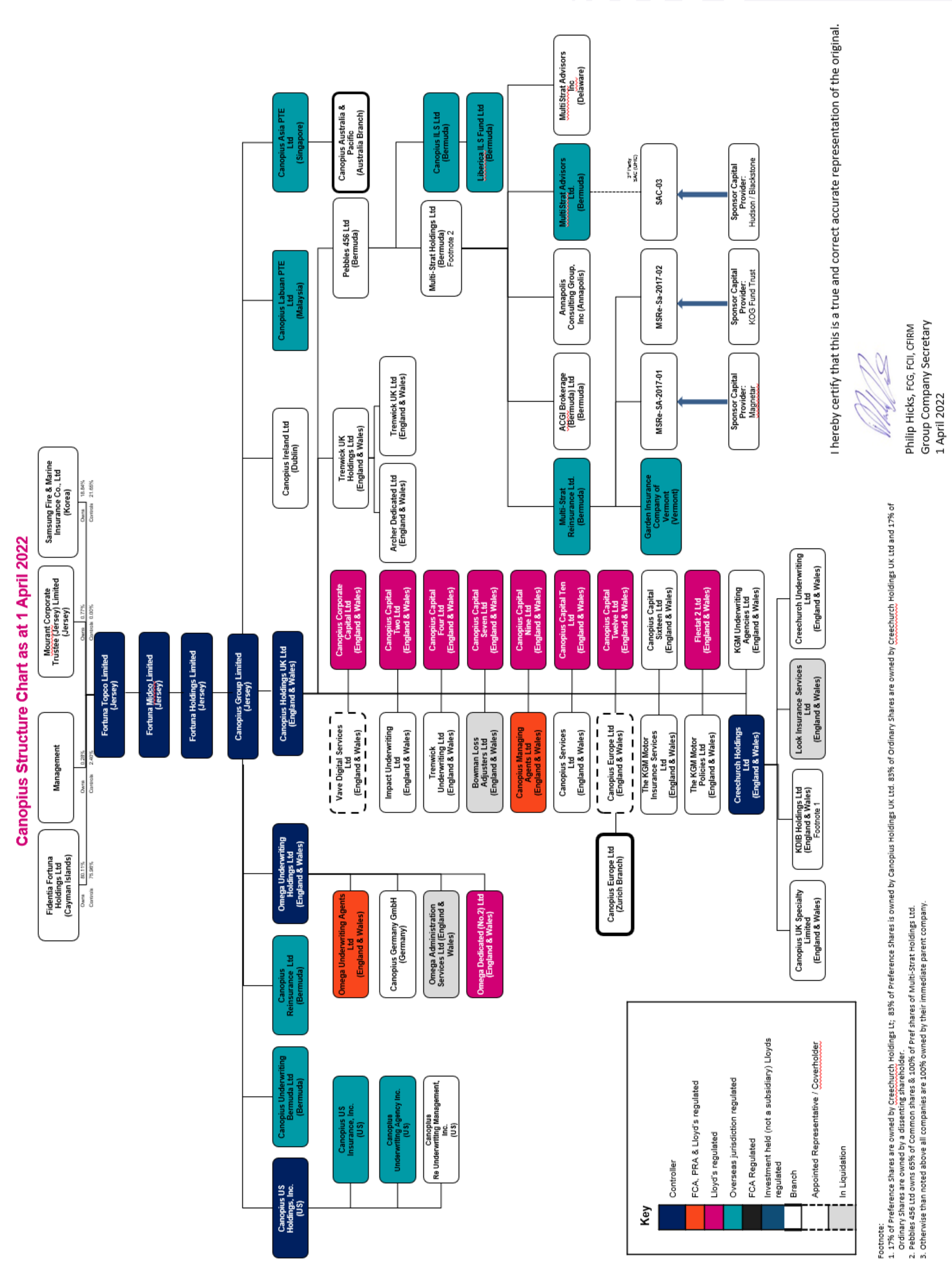
FCR Declaration

To the best of my knowledge and belief, this financial condition report represents the financial condition of Canopius Reinsurance Limited as at December 31, 2022, in all material respects.

Charles Craigs
Chief Executive Officer
Canopius Reinsurance Limited

Teresa Gallant
Chief Financial Officer
Canopius Reinsurance Limited

Appendix 1



Canopius Structure Chart as at 1 April 2022
Fidentia Fortuna Holdings Ltd (Cayman Islands)
Management
Mourant Corporate Trustee (Jersey) Limited (Jersey)
Samsung Fire & Marine Insurance Co., Ltd (Korea)
Fortuna Topco Limited (Jersey)
Fortuna Midco Limited (Jersey)
Fortuna Holdings Limited (Jersey)
Canopius Group Limited (Jersey)
Canopius Holdings UK Ltd (England & Wales)
Canopius US Holdings, Inc. (US)
Canopius Underwriting Bermuda Ltd (Bermuda)
Canopius Reinsurance Ltd (Bermuda)
Omega Underwriting Holdings Ltd (England & Wales)
Canopius Ireland Ltd (Dublin)
Canopius Labuan PTE Ltd (Malaysia)
Canopius Asia PTE Ltd (Singapore)
Canopius US Insurance, Inc. (US)
Canopius Underwriting Agency Inc. (US)
Canopius Re Underwriting Management, Inc. (US)
Omega Underwriting Agents Ltd (England & Wales)
Canopius Germany GmbH (Germany)
Omega Administration Services Ltd (England & Wales)
Omega Dedicated (No.2) Ltd (England & Wales)
Vave Digital Services Ltd (England & Wales)
Impact Underwriting Ltd (England & Wales)
Trenwick Underwriting Ltd (England & Wales)
Bowman Loss Adjusters Ltd (England & Wales)
Canopius Managing Agents Ltd (England & Wales)
Canopius Services Ltd (England & Wales)
Canopius Europe Ltd (England & Wales)
Canopius Europe Ltd (Zurich Branch)
The KGM Motor Insurance Services Ltd (England & Wales)
The KGM Motor Policies Ltd (England & Wales)
Creechurch Holdings Ltd (England & Wales)
Canopius UK Specialty Limited (England & Wales)
KDIB Holdings Ltd (England & Wales) Footnote 1
Look Insurance Services Ltd (England & Wales)
Creechurch Underwriting Ltd (England & Wales)
Canopius Corporate Capital Ltd (England & Wales)
Canopius Capital Two Ltd (England & Wales)
Canopius Capital Four Ltd (England & Wales)
Canopius Capital Seven Ltd (England & Wales)
Canopius Capital Nine Ltd (England & Wales)
Canopius Capital Ten Ltd (England & Wales)
Canopius Capital Twelve Ltd (England & Wales)
Canopius Capital Sixteen Ltd (England & Wales)
Flectat 2 Ltd (England & Wales)
KGM Underwriting Agencies Ltd (England & Wales)
Trenwick UK Holdings Ltd (England & Wales)
Archer Dedicated Ltd (England & Wales)
Trenwick UK Ltd (England & Wales)
Pebbles 456 Ltd (Bermuda)
Canopius Australia & Pacific Ltd (Australia Branch)
Multi-Strat Holdings Ltd (Bermuda) Footnote 2
Canopius ILS Ltd (Bermuda)
Liberica ILS Fund Ltd (Bermuda)
Multi-Strat Reinsurance Ltd. (Bermuda)
ACGI Brokerage (Bermuda) Ltd (Bermuda)
Annapolis Consulting Group, Inc (Annapolis)
Multi-Strat Advisors Ltd. (Bermuda)
Multi Strat Advisors Inc (Delaware)
Garden Insurance Company of Vermont (Vermont)
MSRe-SA-2017-01
MSRe-Sa-2017-02
SAC-03
Sponsor Capital Provider: Magnetar
Sponsor Capital Provider: KOG Fund Trust
Sponsor Capital Provider: Hudson / Blackstone
Key
Controller
FCA, PRA & Lloyd's regulated
Lloyd's regulated
Overseas jurisdiction regulated
FCA Regulated
Investment held (not a subsidiary) Lloyds regulated
Branch
Appointed Representative / Coverholder
In Liquidation
Footnote:
1. 17% of Preference Shares are owned by Creechurch Holdings Lt; 83% of Preference Shares is owned by Canopius Holdings UK Ltd. 83% of Ordinary Shares are owned by Canopius Holdings UK Ltd and 17% of Ordinary Shares are owned by a dissenting shareholder.
2. Pebbles 456 Ltd owns 65% of common shares & 100% of Pref shares of Multi-Strat Holdings Ltd.
3. Otherwise than noted above all companies are 100% owned by their immediate parent company.
I hereby certify that this is a true and correct accurate representation of the original.
Philip Hicks, FCG, FCII, CFIRM
Group Company Secretary
1 April 2022

canopius

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