Canopius Reinsurance Limited

US GAAP Financial Statements

(With Independent Auditor's Report Thereon)

December 31, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
Canopius Reinsurance Limited

Opinion

We have audited the financial statements of Canopius Reinsurance Limited (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in shareholder's equity and cash flows for the years then ended, and the related notes (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 at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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 of 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 one year after the date that the financial statements are available to be 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 of 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 require that the incurred claims and claim adjustment expenses, net of reinsurance and the cumulative paid claims and allocated adjustment expenses, net of reinsurance for the years ending 2020 and prior and the average annual percentage payout of incurred claims by age disclosed on pages 24 to 31 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 States, 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 financial statements, and other knowledge we obtained during our audit of the 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.

Ernst & Young Ltd.

Hamilton, Bermuda
May 25, 2022

Canopius Reinsurance Limited
Balance Sheets
As at December 31, 2021 and 2020

(Expressed in thousands of United States dollars, except share data)

Assets	**Note**	**2021**	**2020**
Investments:			
Fixed income securities, at fair value		330,555	318,341
(Cost: 2021 - $330,981; 2020 - $313,244)			
Equities, at fair value		16,017	15,434
(Cost: 2021 - $17,362; 2020 - $19,190)			
Other investments, at fair value		61,029	59,971
(Cost: 2021 - $54,088; 2020 - $53,813)			
Total investments	3,4,12	407,601	393,746
Cash and cash equivalents	12	85,802	142,128
Loss reserves recoverable	6	292	-
Ceded unearned premium		-	92
Accrued investment income		1,243	1,231
Receivable for securities sold		11,979	28,546
Reinsurance balances receivable	8, 11	791,639	1,050,700
Amounts receivable from related parties	8	3,254	3,165
Other assets		-	405
Total Assets		**1,301,810**	**1,620,013**

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

Canopius Reinsurance Limited
Balance Sheets
As at December 31, 2021 and 2020
(Expressed in thousands of United States dollars, except share data)

Liabilities	Note	2021	2020
Loss and loss adjustment expense reserves	6	617,088	914,065
Unearned premium reserve		204,011	240,650
Reinsurance balances payable		1,031	140
Payable for securities purchased		11,744	28,522
Amounts payable to related parties	8	1,892	5,955
Other liabilities	4, 5	218	1,573
Total Liabilities		**835,984**	**1,190,905**
Shareholder's Equity			
Common shares, 100,000,000 authorized, $1.00 par value, issued and outstanding (2021: 100,000,000; 2020:100,000,000)	9	100,000	100,000
Contributed surplus		387,339	387,339
Retained earnings		(21,513)	(58,231)
Total Shareholder's Equity		465,826	429,108
Total Liabilities and Shareholder's Equity		**1,301,810**	**1,620,013**

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

Signed on behalf of the Board

Director

Director

Canopius Reinsurance Limited
Statements of Income
For the years ended December 31, 2021 and 2020
(Expressed in thousands of United States dollars)

Revenues	**Note**	**2021**	**2020**
Gross premiums written		320,980	356,148
Reinsurance premiums ceded	7	(1,268)	(409)
Net premiums written		319,712	355,739
Change in unearned premiums		32,862	59
Net premiums earned	7	352,574	355,798
Net investment income	3	10,109	22,478
Net realized and unrealized (losses) gains from investments	3	(889)	2,149
Net realized and unrealized gains (losses) on derivatives	5	89	(165)
Net foreign exchange gains		5,529	1,296
Other (expenses) income		(13)	346
Total Revenues		**367,399**	**381,902**
Expenses			
Losses and loss adjustment expense	6,7	288,024	391,165
Acquisition costs		4,775	8,698
General and administrative expenses		37,882	32,493
Total Expenses		**330,681**	**432,356**
Net Income (Loss)		**36,718**	**(50,454)**

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

Canopius Reinsurance Limited
Statements of Changes in Shareholder's Equity
For the years ended December 31, 2021 and 2020
(Expressed in thousands of United States dollars)

	Note	2021	2020
Common Shares	9	100,000	100,000
Contributed Surplus	9	387,339	387,339
Retained Earnings			
Balance, beginning of year		(58,231)	(7,777)
Net income (loss)		36,718	(50,454)
Balance, end of year		(21,513)	(58,231)
Total Shareholder's Equity		**465,826**	**429,108**

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

Canopius Reinsurance Limited
Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in thousands of United States dollars)

Cash flows used in operating activities:	**2021**	**2020**
Net income (loss)	36,718	(50,454)
Adjustment to reconcile net income to net cash flows provided by / (used in) operating activities:		
Net realized and change in unrealized losses (gains) from investments	947	(1,907)
Changes in operational assets and liabilities:		
Loss reserves recoverable	(292)	-
Ceded unearned premiums	92	(92)
Reinsurance balances receivable	259,061	(522,921)
Amounts receivable from related parties	(89)	2,037
Other assets	405	205
Loss and loss adjustment expense reserves	(296,977)	565,291
Unearned premium reserve	(36,639)	883
Reinsurance balances payable	891	139
Amounts payable to related parties	(494)	(627)
Other liabilities	(1,355)	(236)
Net cash used in operating activities	**(37,732)**	**(7,682)**
Cash flows used in investing activities:		
Accrued investment income	(12)	793
Purchases of fixed maturity securities	(539,729)	(359,303)
Purchases of other investments	(275)	(643)
Proceeds from sales of fixed maturity securities	523,353	269,047
Proceeds from sales of equities	1,638	31,677
Net cash used in investing activities	**(15,025)**	**(58,429)**
Cash flows (used in) provided by financing activities:		
Loans to intergroup companies	(3,569)	40,384
Net cash (used in) provided by financing activities	**(3,569)**	**40,384**
Net decrease in cash and cash equivalents	(56,326)	(25,727)
Cash and cash equivalents, beginning of year	142,128	167,855
Cash and cash equivalents, end of year	**85,802**	**142,128**

1. Organization and Nature of the Business

Canopius Reinsurance Limited (the "Company"), originally Omega Specialty Insurance Company Limited, was incorporated under the laws of Bermuda on January 26, 2006. The Company redomiciled to Switzerland on November 23, 2015, and redomiciled back to Bermuda on June 28, 2019. The Company was registered as a Class 3A insurer under The Insurance Act 1978 (Bermuda) until December 31, 2020 and re-registered as a Class 4 insurer under The Insurance Act 1978 (Bermuda) effective January 1, 2021.

The Company is directly owned by Canopius Group Limited ("CGL"), incorporated and domiciled in Jersey.

The bulk of the Company's business is underwritten through a quota share agreement whereby it assumes 35% (2020: 35%) of the risks underwritten by Canopius Corporate Capital Limited ("CCCL"), a wholly owned subsidiary of CGL. This has been ongoing since the 2018 Year of Account. CCCL underwrites as a Corporate Member of Lloyd's of London on Syndicate 4444 ("Syndicate 4444" or "S4444") and Syndicate 1861 ("Syndicate 1861" or "S1861").

Syndicate 1861 did not underwrite the 2021 year of account following the pooling of its capacity with Syndicate 4444 which underwrote all risks from the 2021 year of account onwards. For the 2020 Year of Account, Syndicate 4444 and Syndicate 1861 underwrote on a split stamp basis whereby risks are split in the proportion of 65% for Syndicate 4444 and 35% for Syndicate 1861. For the 2021 Year of Account, CCCL has a 93.99% participation in S4444 (2020 Year of Account: 88.82%) and previously, 100% participation in S1861 on the 2020 Year of Account. The Syndicates underwrite a mixture of reinsurance and insurance of property, marine and energy, a range of specialty lines including accident and health, trade credit, political risk, and specialist consumer products.

In addition to this the Company underwrote a small portfolio of third-party property reinsurance/retrocession catastrophe excess of loss business as well as an intra-group transactions with Syndicate 4444 and Canopius US Insurance Inc. ("CUSI"), both affiliated companies within the Canopius Group.

2. Significant Accounting Policies

a) Basis of presentation

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include (1) reserve for losses and loss adjustment expenses, (2) reinsurance recoverables, (3) fair value determination of the investment portfolio and (4) recoverability of deferred acquisition costs While the amounts included in the financial statements reflect management's best estimates and assumptions, these amounts ultimately could vary.

The prior year Condensed Financial Statements were prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016, with respect to Condensed General Purpose Financial Statements (the "Legislation"). Prior year numbers have been reclassified to conform with full US GAAP presentation noted above.

b) Accounting for Reinsurance Operations

Premiums Earned

Premiums are recorded as written on the inception date of a policy. Premiums are primarily recognized as revenues over the coverage period. Premiums earned are recorded in the Statements of Income. Premiums written that are not yet recognized as earned premium are recorded on the Balance Sheets as unearned premiums, gross of any ceded unearned premium. Written and earned premium and the related costs include estimates for premiums that have not been finally determined. These relate primarily to contractual provisions for the payment of adjustment or additional premiums, premium payable under proportional treaties and delegated underwriting authorities, and reinstatement premiums.

Adjustments and additional premiums are charged based upon the relationship to experience during the policy term. The proportion of adjustable premiums included in premium estimates varies between business lines.

Premiums under proportional treaty contracts and delegated underwriting authorities are generally not reported to the Company until after reinsurance coverage is in force. As a result, an estimate of these premiums is recorded. The Company estimates these premiums based on projections with ultimate premium taking into account reported premiums and expected development patterns.

Reinstatement premiums on excess of loss reinsurance contacts are provided based on experience under such contracts. Reinstatement premiums are premiums charged for the restoration of the reinsurance limit in excess of loss contract to its full amount after payment by the reinsurer of losses as a result of an occurrence. Reinstatement premiums are recognized as revenue in full at the date of loss that triggers the payment of reinstatement premiums. Reinstatement premiums provide future insurance cover for the remainder of the initial policy term. An allowance for uncollectible premiums is established for possible non-payment of premiums, as necessary.

Outwards reinsurance premiums, which are paid when the Company purchases reinsurance or retrocessional coverage, are accounted for using the same accounting methodology as the Company uses for inwards premiums. Premiums payable under reinsurance contracts that operate on a "losses occurring during" basis are accounted for in full over the period of coverage. Adjustment premiums and reinstatement premiums in relation to outward reinsurance are accrued when it is determined that the ultimate losses will trigger a payment and recognized within premiums payable.

Loss and Loss Adjustment Expenses

Losses represent the amount paid or expected to be paid to claimants in respect of events that have occurred on or before the balance sheet date. The costs of investigating, resolving and processing these claims are known as loss adjustment expenses ("LAE"). The Statements of Income record these losses net of reinsurance, meaning that gross losses and loss adjustment expenses incurred are reduced by amounts recovered to expected to be recovered under reinsurance contracts.

Reinsurance

Written premiums, earned premiums, incurred claims, LAE and the amortization of deferred acquisition costs all reflect the net effect of assumed and ceded reinsurance transactions. Assumed reinsurance refers to the Company's acceptance of certain insurance risks that other insurance companies have underwritten. Ceded reinsurance arises from contracts under which other insurance companies agree to share certain risks with the Company.

Reinsurance accounting is followed when there is significant timing risk, significant underwriting risk, and a reasonable possibility of significant loss. Reinsurance and retrocession do not isolate the ceding company from its obligations to policyholders. If a reinsurer or retrocessionaire fails to meet its obligations, the ceding company's obligations remain. The Company regularly evaluates the financial condition of its reinsurers' and retrocessionaires' solvency. Where it is considered required, appropriate provision is made from balances deemed irrecoverable from reinsurers.

Reserves

Insurance reserves are established for the total unpaid costs of claims and LAE in respect of events that have occurred by the balance sheet date, including the Company's estimates of total cost of claims incurred but not yet reported ("IBNR"). Claim reserves are reduced for estimated amounts of salvage and subrogation recoveries. Estimated amounts recoverable from reinsurers on unpaid losses and LAE are reflected as assets.

For reported claims, reserves are established on a case-by-case basis within the parameters of coverage provided in the insurance policy or reinsurance agreement. For IBNR claims, reserves are estimated using a number of established actuarial methods to establish a range of estimates from which a management best estimate is selected. Both case and IBNR reserve estimates consider variables such as past loss experience, changes in legislative conditions, changes in judicial interpretation of legal liability, policy coverages, and inflation.

As many of the coverages underwritten involve claims that may not be ultimately settled for many years after they are incurred, subjective judgements as to the ultimate exposure to losses are an integral and necessary component of the loss reserving process. The Company regularly reviews its reserves, using a variety of statistical and actuarial techniques to analyze current claims costs, frequency and severity data, and prevailing economic, social and legal factors. Reserves established in prior periods are adjusted as claim experience develops and new information becomes available. Adjustments to previously estimated reserves are reflected in the financial results of the period in which the adjustments are made.

The process of estimated required reserves involves considerable uncertainty. The level of uncertainty can be influenced by factors such as the existence of coverage with long duration payment patterns and changes in claims handling practices, as well as the factors noted above. Ultimate actual claims payments and LAE could turn out to be significantly different than the Company's estimates

Deferred Policy Acquisition Costs

The costs directly relating to writing an insurance policy are referred to as policy acquisition expenses and include brokerage, commissions, premium taxes, and profit commissions. Acquisitions costs are shown net of commission on reinsurance ceded. All other acquisition related costs, including market research, training, administration and unsuccessful acquisition or renewal efforts are expensed as incurred.

Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated loss and loss adjustment expenses based on historical and current experience and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs. Acquisition expenses also include profit commission. Profit commissions are recognized when earned.

Reinsurance to Close ("RITC")

A significant portion of the Company's business comes from underwriting a quota share with CCCL (as detailed in the Note 1). A syndicates' underwriting Year of Account is normally closed after the end of its third year by means of reinsurance into the following underwriting Year of Account, which reinsures all liabilities for the closing year in return for a premium determined by the Syndicate's managing agent.

To the extent the Company changes its quota share participation from one underwriting Year of Account to the next, it is a net receiver or payer of premiums to reinsure the earlier Year of Account into the latter. This RITC premium and the related net claim reserves are recognized as a balance sheet transaction with any related unearned premium recorded in the Statements of Income.

Loss Portfolio Transfer ("LPT")

Ceded LPT contracts for which insured loss events occurred prior to the inception of the contract are evaluated to determine whether they meet the definition for reinsurance accounting. If they meet the definition, premiums written are fully earned and corresponding loss and LAE are recognized at the inception of the contract. Otherwise, the contracts are accounted for as a balance sheet transaction.

c) Accounting for Investments, Cash and Cash Equivalents

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.

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.

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.

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 which has been used as a practical expedient of fair value.

Investment transactions are recorded on the trade date with balances pending settlement reflected on the Balance Sheets under receivables for investments sold or payables for investments purchased.

Gains and Losses

Realized gains or losses on the sale of investments are determined on the first-in first-out basis. Unrealized gains and losses represent the difference between fair value and cost or amortized cost as at the reporting date are included in realized and unrealized gains and losses from investments in the Statements of Income.

Investment Income

Investment income primarily consists of interest and dividends. Interest income is recognized on an accrual basis and dividend income is recognized on the ex-dividend date. Investment management and custody fees are charged against net investment income reported in the Statements of Income.

d) Accounting for Derivative Financial Instruments

The Company enters into derivative instruments such as forward foreign exchange contracts and options in order to manage certain market and credit risks. The Company records derivative instruments at fair value on the Balance Sheets as either other assets or other liabilities, depending on their rights and obligations. Gains and losses on derivatives are reported on the Statements of Income as they occur. In cases where derivative instruments are executed with the same counterparty under a master netting arrangement, the offsetting fair value amounts are presented on a net basis.

e) Accounting for Foreign Currency Translation

The Company's functional and reporting currency is United States Dollars ("USD"). USD reflects the currency in which the Company primarily generates and expends cash and therefore represents the primary economic environment in which the Company operates.

Transactions in foreign currencies are translated to USD at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currencies are re-measured at the exchange rates in effect at the balance sheet date. Exchange gains or losses are included in net income.

f) Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13 Measurement of Credit Losses on Financial Instruments (further clarified in November 2019 ASU 2019-11 Codification Improvements Financial Instruments - Credit Losses), which updated accounting guidance that replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to record credit loss estimates. This guidance is effective for annual periods beginning after December 15, 2022 for private companies. Early adoption is permitted for annual periods beginning after December 15, 2018. This guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

In March 2020, the FASB issued guidance which provides optional expedients and exceptions for applying U.S. GAAP to modification of contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. Along with the optional expedients, the amendments include a general principle that permits an entity to consider contract modifications due to reference reform to be an event that does not require contract re-measurement at the modification date or reassessment of a previous accounting determination. This guidance may be elected over time through December 31, 2022 as reference rate reform activities occur. The Company is currently evaluating the impact of adopting this guidance on its Financial Statements and disclosures.

3. Investments

The Company's Board of Directors establishes investment guidelines and supervises the Company's investment activity. The investment guidelines specify minimum criteria on the overall credit quality and liquidity characteristics of the portfolio. Management and the Investment Working Group review the Company's investment performance, its compliance with investment objectives and guidelines, and assess credit and market risk concentrations and exposers to issuers.

Income Statements

Investment Income
The following table summarizes investment income for the years ended December 31, 2021 and 2020:

	2021	2020
Fixed income securities	4,907	7,416
Equities	1,000	897
Cash and cash equivalents	3	782
Other investments(1)	4,585	13,748
Total gross investment income	10,495	22,843
Investment expenses	(386)	(365)
Net investment income	10,109	22,478

(1) Income from other investments relates to interest of intercompany loans and the net investment result from the CCCL quota share.

The following table summarizes the net realized and unrealized investment gains and losses recorded in the Statements of Income for the years ended December 31, 2021 and 2020:

Type of Security	2021	2020
Fixed income securities:		
Realized gains	2,240	4,799
Realized (losses)	(680)	(1,171)
Net change in unrealized (losses) gains	(5,512)	2,046
Equities:		
Realized (losses)	(333)	(1,205)
Net change in unrealized gains (losses)	2,555	(3,766)
Other investments:		
Net change in unrealized gains (losses)	783	1,204
Cash and cash equivalents:		
Realized gains	144	13
Net change in unrealized (losses)gains	(86)	229
Total net realized and unrealized gains from investments	(889)	2,149

Fixed Income Securities, Equities and Other Investments – Held for Trading

The following tables present the cost or amortized cost, gross unrealized gains and losses, and estimated fair market value of held for trading investments in fixed income securities, equities and other investments:

2021	**Cost/ Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Fixed income securities:				
U.S. government and government agency securities	149,090	585	(999)	148,676
Corporate and other securities	45,839	498	(278)	46,059
Mortgage-backed securities	8,876	62	(1,338)	7,600
Asset-backed securities	127,176	1,151	(107)	128,220
Total fixed income securities	330,981	2,296	(2,722)	330,555
Equities	17,362	2,382	(3,727)	16,017
Other investments	54,088	6,958	(17)	61,029
Total investments	402,431	11,636	(6,466)	407,601

2020	**Cost/ Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Fixed income securities:				
U.S. government and government agency securities	139,733	2,633	(33)	142,333
Non-U.S. government securities	2,502	75	-	2,577
Corporate and other securities	42,619	1,731	(8)	44,342
Mortgage-backed securities	13,779	197	(1,019)	12,957
Asset-backed securities	114,611	1,643	(122)	116,132
Total fixed income securities	313,244	6,279	(1,182)	318,341
Equities	19,190	1,194	(4,950)	15,434
Other investments	53,813	6,158	-	59,971
Total investments	386,247	13,631	(6,132)	393,746

The Company classifies all the above financial instruments as held for trading.

4. Fair value measurement

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach, which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's investment portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified based on the lowest level of input that is significant to the fair value measurement. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 — Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets or liabilities at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. The unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance on the overall reasonableness and consistent application of valuation methodologies and inputs and compliance with accounting standards through the execution of various processes and controls designed to ensure that the Company's assets and liabilities are appropriately valued. For fair values received from third parties or internally estimated, the Company's processes are designed to determine that the valuation methodologies and inputs are appropriate and consistently applied, the assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models.

The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third-party valuation sources for selected securities.

The Company used the following methods and assumptions in estimating the fair value of its financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed maturity securities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. government and government agency securities

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on active markets and unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Non-U.S. government securities

Non-U.S. government securities include bonds issued or guaranteed by Non-U.S. governments. The fair value of Non-U.S. government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of Non-U.S. government securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Mortgage-backed securities ("MBS")

The Company's portfolio of residential and commercial mortgage-backed securities is originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of mortgage-backed securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-backed securities ("ABS")

Asset-backed securities include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral originated by a variety of financial institutions. The fair value of asset-backed securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Corporate and other securities

Corporate and other securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Equity securities

Equity securities include common stocks. Common stocks with fair values based on quoted market prices in active markets are classified within Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified within Level 2.

Foreign exchange contracts

The foreign exchange contracts that the Company uses to mitigate currency risk are characterized as over the counter as they do not trade on a major exchange. These instruments are valued based upon observable for exchange rates and are classified as Level 2.

Other investments

The Company's other investments include investments in collective investment schemes that invest in a wide variety of investments and derivatives. The fair value of these investments is estimated using the net asset value ("NAV") as provided by investment managers.

The following tables present the level within the fair value hierarchy at which the Company's financial assets and liabilities are measured on a recurring basis as at December 31, 2021 and December 31, 2020:

2021	**Level 1**	**Level 2**	**Not Classified**	**Total [3]**
Fixed income securities:				
U.S. government and government agency securities	141,820	6,856	-	148,676
Corporate and other securities	-	46,059	-	46,059
Mortgage-backed securities	-	7,600	-	7,600
Asset-backed securities	-	128,220	-	128,220
Total fixed income securities	141,820	188,735	-	330,555
Equities	16,017	-	-	16,017
Other investments [1]	-	-	61,029	61,029
Total investments, trading, at fair value	157,837	188,735	61,029	407,601
Other financial assets and liabilities, at fair value				
Derivatives at fair value – foreign exchange contracts [2]	-	(41)	-	(41)
Total	157,837	188,694	61,029	407,560

2020	**Level 1**	**Level 2**	**Not Classified**	**Total [3]**
Fixed income securities:				
U.S. government and government agency securities	122,916	19,417	-	142,333
Non-U.S. government securities	-	2,577	-	2,577
Corporate and other securities	-	44,342	-	44,342
Mortgage-backed securities	-	12,957	-	12,957
Asset-backed securities	-	116,132	-	116,132
Total fixed income securities	122,916	195,425	-	318,341
Equities	15,434	-	-	15,434
Other investments [1]	-	-	59,971	59,971
Total investments, trading, at fair value	138,350	195,425	59,971	393,746
Other financial assets and liabilities, at fair value				
Derivatives at fair value – foreign exchange contracts [2]	-	(1,298)	-	(1,298)
Total	138,350	194,127	59,971	392,448

(1) Other investments represents investments in collective investment schemes and are measured at fair value using the net asset value per share practical expedient. As a result, this has not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair value hierarchy to amounts presented on the Balance Sheets.

(2) Recorded in other assets if positive and other liabilities if negative.

(3) The Company does not hold any level 3 investments.

Transfers of assets into or out of a particular level are recorded at their fair values as of the end of each reporting period consistent with the date of the determination of fair value. There were no transfers made between Levels for the years ended December 31, 2021 or December 31, 2020.

5. Derivative Financial Instruments

Foreign Exchange Contracts

The Company uses foreign exchange contracts to manage foreign currency risk associated with claims and operating expenses, as well as foreign exchange risk associated with net assets or liabilities in currencies other than the U.S. dollar. A foreign exchange contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign exchange contracts will not eliminate fluctuation in the value of the Company's assets and liabilities denominated in foreign currencies but rather allow it to establish a rate of exchange for a future point in time.

The following table summarizes information on the location and amounts of derivative fair values on the Balance Sheets as at December 31, 2021 and 2020:

		2021		2020	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Notional Amount**	**Fair value**	**Notional Amount**	**Fair Value**
Foreign Exchange Contracts	Other Liabilities	13,489	(41)	23,681	(1,298)

The following table summarizes the total unrealized and realized gains (losses) recorded in the Statements of Income for the years ended at December 31, 2021 and 2020:

		Amount of Gain / (Loss) recognized in Income	
Derivatives Not Designated as Hedging Instruments	**Location of Gain/(Loss) Recognized in Income**	**2021**	**2020**
Foreign Exchange Contracts	Net realized and unrealized gains (losses) on derivatives	89	(165)

6. Reserve for losses and loss adjustment expenses

Reserves for losses and LAE are based in part upon the estimation of case reserves reported from brokers, insureds and ceding companies. The Company 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 the Company and the settlement of the Company'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 the Company, 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.

The following table represents the activity in the reserve for losses and LAE for the years ended December 31, 2021 and 2020:

	2021	**2020**
Gross reserves for losses and LAE, beginning of year	914,065	348,774
Reinsurance recoverable balances, beginning of year	-	-
Net reserves for losses and LAE, beginning of year	914,065	348,774
Increase (decrease) in net loss and LAE incurred in respect of losses:		
Current year	298,860	392,464
Prior years	(10,836)	(1,299)
Total net incurred losses and LAE	288,024	391,165
Less net loss and LAE paid in respect of losses occurring in:		
Current year	(149,663)	(204,073)
Prior years	(202,555)	(163,043)
Total net losses paid	(352,218)	(367,116)
Adjustments:		
Effect of net foreign currency gain/(loss) on loss and LAE	(3,905)	20,492
Acquisition of loss reserves relating to RITC	65,754	520,750
Sale of loss reserves relating to LPT	(294,924)	-
Net reserves for losses and LAE, end of year	616,796	914,065
Reinsurance recoverable balances, end of year	292	-
Gross reserves for losses and LAE, end of year	617,088	914,065

Acquisition of loss reserves relating to RITC relates to the additional reserves the Company assumes as part of its quota share with CCCL. During 2021, the Company acquired additional reserves because of the increased quota share cession percentage when the 2018 Year of Account reserves reinsured into the 2019 Year of Account upon closure as at December 31, 2020. During 2020, the Company acquired the 2017 & Prior Years of Account reserves when the reserves reinsured into the 2018 Year of Account upon closure as at December 31, 2019. The Company receives a RITC premium equal to the reserves plus any unearned premiums.

Sale of loss reserves relating to LPT relates to the reserves the Company ceded as part of its quota share with CCCL. In December 2021, Canopius Managing Agency ("CMA") entered into a LPT with RiverStone Managing Agency Limited ("RiverStone") covering most classes of business no longer written by Syndicate 4444 (2020 & prior years) and Syndicate 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.

For the twelve months ended December 31, 2021, there was net favorable prior year loss development of $10,836 (excluding the impact of the RITC and LPT transactions). Prior years development was attributable to various lines of business. For the twelve months ended December 31, 2020, there was net favorable prior year loss development of $1,299 (excluding the impact of the LPT transaction).

6.1 Claims Development and Frequency

The information provided herein about incurred and paid accident year claims development, net of reinsurance, for the years ended prior to December 31, 2021, and the annual percentage payouts of incurred claims by age, net of reinsurance, is presented as supplementary information. For incurred and paid accident year claims denominated in foreign currency, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables herein.

The tables include the acquisition of loss reserves relating to the RITC in both the 2020 and 2021 calendar years and the reinsurance of historical loss reserves relating to LPT in the 2021 calendar year. Refer to Notes 6.2 and 6.3 for the breakdown of the incurred and paid claims by accident year, net of reinsurance, that are included in the loss development tables relating to the RITC and LPT transactions.

All of the business contained within the Company's Reinsurance segment represents treaty business that is assumed from other insurance and reinsurance companies, for which the Company does not have access to the underlying claim counts.

Further, this business includes both quota share and excess of loss treaty reinsurance, through which only a portion of each reported claim results in losses to the Company. As such, the Company has excluded claim count information for the loss development tables.

Management has determined that the appropriate level of disaggregation for the incurred and paid claims development information best falls into three categories: Property Reinsurance, Casualty Reinsurance, and Specialty Reinsurance.

The following tables show an analysis of incurred claims and allocated loss adjustment expenses, net of reinsurance and cumulative paid claims and allocated claims adjustment expenses, for the years ending December 31, 2016 (first financial year of operations) to December 31, 2021.

Property Reinsurance

Incurred Claims, IBNR and LAE, Net of Reinsurance

Accident Year	For the year ended December 31,						December 31, 2021
	supplemental and unaudited						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**IBNR**
2012					20,696	10,936	(1,529)
2013					13,914	12,038	326
2014					16,699	13,703	1,567
2015					30,170	22,507	1,707
2016	16,310	20,645	24,090	21,879	68,307	68,628	4,133
2017		75,059	115,888	110,304	195,331	189,327	11,708
2018			159,234	195,992	189,689	169,541	29,490
2019				219,972	229,268	211,694	22,334
2020					254,206	243,543	25,918
2021						181,522	42,764
Total						1,123,439	

Cumulative Paid Claims and Allocated Adjustment Expenses, Net of Reinsurance

Accident Year	For the year ended December 31,					
	supplemental and unaudited					
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
2012					1,783	4,392
2013					3,086	5,535
2014					2,921	3,690
2015					3,705	8,174
2016	1,168	7,596	15,408	17,003	35,303	44,345
2017		5,546	47,052	71,840	118,366	141,338
2018			29,098	68,039	85,800	95,059
2019				111,215	117,286	151,121
2020					142,384	176,517
2021						93,055
Total						723,226
Outstanding liabilities for 2012 and subsequent years, net of reinsurance						400,213
All outstanding liabilities before 2012						18,373
Liabilities for claims and claim adjustment expenses, net of reinsurance						418,586

Average annual percentage payout of incurred claims (supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
31.8%	18.9%	19.3%	10.6%	2.4%	2.0%

Casualty Reinsurance

Incurred Claims, IBNR and LAE, Net of Reinsurance

Accident Year	For the year ended December 31, --supplemental and unaudited--						December 31, 2021
	2016	2017	2018	2019	2020	2021	IBNR
2012					9,019	4,866	93
2013					8,712	4,625	(265)
2014					25,580	13,944	106
2015					47,158	23,297	607
2016	430	326	213	65	53,902	25,220	1,929
2017		4,558	1,270	390	39,317	23,579	3,065
2018			28,430	27,964	31,398	19,417	4,685
2019				61,384	61,218	54,546	20,142
2020					82,807	81,123	42,534
2021						84,823	37,608
Total						335,440	

Cumulative Paid Claims and Allocated Adjustment Expenses, Net of Reinsurance

Accident Year	For the year ended December 31, --supplemental and unaudited--					
	2016	2017	2018	2019	2020	2021
2012					1,373	4,301
2013					2,239	4,396
2014					10,590	12,595
2015					10,178	19,187
2016	-	-	-	-	12,355	21,380
2017		-	19	28	8,902	16,564
2018			4,373	4,457	10,576	18,232
2019				19,629	19,524	27,260
2020					24,368	25,100
2021						30,588
Total						179,603
Outstanding liabilities for 2012 and subsequent years, net of reinsurance						155,837
All outstanding liabilities before 2012						1,593
Liabilities for claims and claim adjustment expenses, net of reinsurance						157,430

Average annual percentage payout of incurred claims (supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
18.8%	0.7%	9.6%	14.0%	5.1%	-

Specialty Reinsurance

Incurred Claims, IBNR and LAE, Net of Reinsurance

Accident Year	For the year ended December 31, *supplemental and unaudited* 2016	2017	2018	2019	2020	2021	December 31, 2021 IBNR
2012					-	38	-
2013					688	414	-
2014					303	221	9
2015					7,861	4,595	65
2016	-	240	229	191	6,556	6,125	1,002
2017		1,950	915	228	15,721	15,736	516
2018			11,583	13,043	13,546	11,894	1,705
2019				41,250	39,561	40,013	12,427
2020					62,405	62,405	18,439
2021						18,472	(8,939)
Total						159,913	

Cumulative Paid Claims and Allocated Adjustment Expenses, Net of Reinsurance

Accident Year	For the year ended December 31, *supplemental and unaudited* 2016	2017	2018	2019	2020	2021
2012					-	38
2013					135	147
2014					94	132
2015					2,725	4,812
2016	-	-	-	55	1,569	2,611
2017		-	14	14	6,049	11,642
2018			2,733	3,981	5,617	6,735
2019				24,868	23,422	26,082
2020					37,321	40,914
2021						26,020
Total						119,133
Outstanding liabilities for 2012 and subsequent years, net of reinsurance						40,780
All outstanding liabilities before 2012						-
Liabilities for claims and claim adjustment expenses, net of reinsurance						40,780

Average annual percentage payout of incurred claims (supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
35.9%	3.3%	7.2%	6.9%	0.1%	-

6.2 Incurred and Paid Claims Development relating to RITC

The assumed loss reserves relating to the RITC has been presented retrospectively in the relevant years of accounts. As at December 31, 2021 and 2020, the Company acquired $65,754 and $520,750 respectively for claims and claim adjustment expense associated with the RITCs.

The following tables provide a breakdown of the incurred and paid claims by accident year, net of reinsurance, that are included in the loss development tables above that relate to the RITC transactions.

Property Reinsurance

	Incurred claims and allocated adjustment expenses, net of reinsurance		Cumulative paid claims and allocated adjustment expenses, net of reinsurance		Total incurred but not reported liabilities
Accident Year	2020[1]	2021	2020[1]	2021	2021
2012	20,696	17,479	1,783	4,392	(1,529)
2013	13,914	13,138	3,086	5,535	326
2014	16,699	15,149	2,921	3,690	1,567
2015	30,170	26,307	3,705	8,174	1,707
2016	44,484	48,385	17,778	26,174	3,270
2017	82,617	92,213	33,474	51,928	6,701
2018	3,904	3,851	2,635	1,967	1,349
2019	16	18	4	14	-
2020	146	2,276	4	1,203	556
2021	-	4	-	-	4
Total		218,820		103,077	
Outstanding liabilities for the 2012 and subsequent years, net of reinsurance				115,743	
All outstanding liabilities before 2012				42,532	
Liabilities for claims and claim adjustment expenses, net of reinsurance				158,275	

(1) The information presented is supplemental and unaudited

Casualty Reinsurance

	Incurred claims and allocated adjustment expenses, net of reinsurance		Cumulative paid claims and allocated adjustment expenses, net of reinsurance		Total incurred but not reported liabilities
Accident Year	2020[1]	2021	2020[1]	2021	2021
2012	9,019	9,731	1,373	4,301	93
2013	8,712	7,735	2,239	4,396	(265)
2014	25,580	22,292	10,590	12,595	106
2015	47,158	45,067	10,178	19,187	607
2016	53,807	45,892	12,355	21,380	1,912
2017	39,052	32,771	8,847	16,478	3,065
2018	7	7	7	7	-
Total		163,495		78,344	
Outstanding liabilities for the 2012 and subsequent years, net of reinsurance				85,151	
All outstanding liabilities before 2012				18,589	
Liabilities for claims and claim adjustment expenses, net of reinsurance				103,740	

(1) The information presented is supplemental and unaudited

Specialty Reinsurance

	Incurred claims and allocated adjustment expenses, net of reinsurance		Cumulative paid claims and allocated adjustment expenses, net of reinsurance		Total incurred but not reported liabilities
Accident Year	**2020[1]**	**2021**	**2020[1]**	**2021**	**2021**
2012	-	38	-	38	-
2013	783	420	135	147	-
2014	390	340	94	132	9
2015	7,989	7,284	2,725	4,812	65
2016	6,647	5,641	1,514	2,556	914
2017	15,523	15,768	6,035	11,628	464
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	55	7	-	5	-
Total		29,498		19,318	
Outstanding liabilities for the 2012 and subsequent years, net of reinsurance				10,180	
All outstanding liabilities before 2012				-	
Liabilities for claims and claim adjustment expenses, net of reinsurance				10,180	

(1) The information presented is supplemental and unaudited

6.3 Incurred Claims Development relating to LPT

The loss reserves relating to the LPT has been presented retrospectively in the relevant years of accounts. In the year ending December 31, 2021, the Company sold $294,924 (period end exchange rates: $290,302) relating to claims and claim adjustment expenses associated with the LPT transaction.

The following tables provide a breakdown of the loss reserves recoverable by accident year, that are included in the loss development tables above that relate to the LPT transaction.

Property Reinsurance

Accident Year	Incurred claims and allocated adjustment expenses, reinsurers' share **2021**	Total incurred but not reported liabilities, reinsurers' share **2021**
2012	9,500	2,957
2013	1,492	391
2014	1,463	17
2015	3,179	(621)
2016	4,937	1,137
2017	12,493	3,416
2018	21,186	10,053
2019	24,743	10,150
2020	10,548	5,129
Loss reserves recoverable for the 2012 and subsequent years	89,541	
All loss reserves recoverable before 2012	33,944	
Total loss reserves recoverable	123,485	

Casualty Reinsurance

Accident Year	Incurred claims and allocated adjustment expenses, reinsurers' share 2021	Total incurred but not reported liabilities, reinsurers' share 2021
2012	6,306	2,308
2013	4,925	1,245
2014	12,400	2,952
2015	28,405	6,632
2016	36,262	14,914
2017	20,019	9,134
2018	21,525	11,252
2019	8,547	4,208
2020	1,635	1,626
Loss reserves recoverable for the 2012 and subsequent years	140,024	
All loss reserves recoverable before 2012	21,990	
Total loss reserves recoverable	162,014	

Specialty Reinsurance

Accident Year	Incurred claims and allocated adjustment expenses, reinsurers' share 2021	Total incurred but not reported liabilities, reinsurers' share 2021
2012	68	63
2013	171	53
2014	2,963	273
2015	53	53
2016	1,516	1,202
2017	75	52
2018	(43)	(46)
2019	68	63
Loss reserves recoverable for the 2012 and subsequent years	4,803	
All loss reserves recoverable before 2012	-	
Total loss reserves recoverable	4,803	

6.4 Reconciliation of Incurred and Paid Claims Development to total Provision for Losses and Loss Adjustment Expenses (LAE)

	Year ended December 31, 2021
Net outstanding liabilities	
Property Reinsurance	418,586
Casualty Reinsurance	157,430
Specialty Reinsurance	40,780
Loss reserves recoverable	292
Provision for losses and LAE at the end of year	617,088

7. Reinsurance

In certain cases, the risks written by the Company are wholly or partially reinsured with third-party reinsurers. Reinsurance ceded varies based upon a number of factors, including market conditions. The primary benefit of ceding risks to third-party reinsurers is to reduce catastrophe risk and exposure on individual risks. Reinsurance ceded contracts do not discharge the Company from its liabilities to the original policyholder in respect of the risk being reinsured. In line with its risk management objectives, the Company evaluates the financial condition of its third-party reinsurers and monitors concentration of credit risk.

Effects of Reinsurance on Premiums Written and Earned

	2021	2020
Net premiums written		
Assumed	318,685	355,143
Direct	2,295	1,005
Ceded	(1,268)	(409)
Net premiums written	319,712	355,739
Net premiums earned		
Assumed	351,573	355,036
Direct	2,361	1,079
Ceded	(1,360)	(317)
Net premiums earned	352,574	355,798
Loss and Loss adjustment expenses		
Gross losses and loss adjustment expenses incurred	288,316	391,073
Losses and loss adjustment expense recoveries	(292)	92
Net loss and loss adjustment expenses	288,024	391,165

8. Related party transactions

The Company has service agreements with Canopius Services Limited ("CSL") and Canopius Underwriting Bermuda Limited ("CUBL"). Both entities are wholly-owned subsidiaries of CGL.

The service agreement with CSL, which is recharged through Canopius Holdings UK Limited ("CHUKL"), covers investment management, accounting services, claims analysis, legal, human resources, information technology, actuarial, capital modelling and other general corporate services. The service agreement with CUBL covers Bermuda staffing and office expenses, as well as services involving underwriting, modelling, operations, claims authorizations, expense authorizations and accounting services.

The Company writes a 35% whole account quota share with CCCL in respect to its participation on S4444 (2020: S4444 and S1861) for the 2021 and 2020 underwriting years and a 60% whole account quota share with CCCL in respect to its participation on S4444 for the 2019 and 2018 underwriting years, a catastrophe excess of loss contract with S4444 and S1861 and a catastrophe excess of loss contract with CUSI, subsidiaries of CGL.

CGL has an agreement with an investment manager to facilitate the management of a hedging portfolio which utilizes a range of derivative based hedging strategies and permitted assets to provide CGL with the desired exposures to allow it to manage its investment risks. CGL in turn has a facility in place with the Company outlining how GCL will utilize this arrangement for the Company. The Company provides collateral to CGL under this agreement and receives the benefits/losses of the allocated derivatives.

On March 1, 2019, the Company entered into a loan agreement with CGL where the Company agreed to lend CGL up to $20 million with an interest rate calculated on a daily basis at 2.5% per annum for the duration of the loan. On September 25, 2019, the loan amount was increased to up to $40 million. The loan was repayable by June 30, 2020 or immediately upon demand. This loan was repaid April 9, 2020.

On January 29, 2018, the Company entered into a loan agreement with S4444 where S4444 loaned the Company $5 million to provide collateral for a LOC with an interest rate of 0.55% per annum. During the year, $3.6 million was repaid as the related LOC was reduced. The remainder of the loan will be repaid within 10 business days of the LOC being cancelled.

Balances with related parties have been recorded on the Balance Sheet as at December 31, 2021 as follows:

	Amounts receivable from related parties	Amounts payable to related parties	Reinsurance balances receivable	Unearned premium reserve	Loss and loss adjustment expense reserves
Total	3,254	1,892	789,821	204,011	590,299

Balances with related parties have been recorded on the Balance Sheet as at December 31, 2020 as follows:

	Amounts receivable from related parties	Amounts payable to related parties	Reinsurance balances receivable	Unearned premium reserve	Loss and loss adjustment expense reserves
Total	3,165	5,955	1,047,822	240,650	874,926

Transactions with related parties have been recorded in the Statement of Income during the year to December 31, 2021 as follows:

	Net Premiums Earned	Net Losses	Commission	General and Administrative Expenses	Net Investment Income	Net foreign exchange gains
Total	352,266	293,142	4,570	33,944	4,585	5,681

Transactions with related parties have been recorded in the Statement of Income during the year to December 31, 2020 as follows:

	Net Premiums Earned	Net Losses	Commission	General and Administrative Expenses	Net Investment Income	Net foreign exchange gains	Other income
Total	355,301	389,327	8,619	30,226	13,748	6,597	408

9. Share Capital and Contributed Surplus

Share capital consists of 100,000,000 authorized, issued and fully paid commons shares with a par value of $1.00 each.

Contributed surplus consists of $387,339 (2020: $387,339) capital contributions from the parent company.

10. Taxation

Under current Bermuda law, the Company is not subject to any income or capital gains taxes. In the event that such taxes are imposed, the Company would be exempted from any such taxes until March 2035 pursuant to the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, as amended.

11. Concentration of Credit Risk

The creditworthiness of a counterparty is evaluated by the Company, taking into account credit ratings assigned by recognized rating agencies. The credit approval process involves an assessment of factors, including, among others, the counterparty, country and industry credit exposure limits. The areas where significant concentrations of credit risk may exist includes investments and cash and cash equivalent balances. The majority of the Company's premium is underwritten through intra-group reinsurance contracts, as disclosed in Note 8.

The Company's investment portfolio is managed in accordance with guidelines designed to ensure specific investment strategies are met. These guidelines include standards of diversification that limit the allowable holdings of any single issue.

The Company's cash and cash equivalents are on deposit with various financial institutions. Credit risk arises from the failure of the counterparty to perform according to the terms of a contract. The Company's deposits are with established banks to minimize this risk and they are located in the United Kingdom, Ireland, and France.

12. Restricted Assets

	2021	**2020**
Funds at Lloyd's		
Investments	379,797	363,833
Cash and cash equivalents	76,396	124,063
	456,193	487,896
Pledged Accounts		
Investments	5,151	4,911
Cash and cash equivalents	8	10
	5,159	4,921
Letter of Credit		
Cash and cash equivalents	6,843	14,469
Total restricted investments, cash and cash equivalents	468,195	507,286
Total investments, cash and cash equivalents	493,403	535,874
Percentage of investments, cash and cash equivalents	94.9%	94.7%

Funds at Lloyd's ("FAL")

In consideration for the Company entering into a limited liability quota share reinsurance agreement with CCCL, the Company has provided for 35% of CCCL's FAL requirement. The Company provides assets under a security and trust deed charged to Lloyd's of London ("Lloyd's"), to meet its share of liabilities that may occur from CCCL's interest in Syndicate 4444 and Syndicate 1861.

At December 31, 2021, the Company's limit, as established under the quota share agreement, was $425,000 (2020: $440,000). At December 31, 2021, the market value of the Company's FAL contribution was $456,193 (2020: $487,896).

Pledged Accounts

To support its run-off French mutual business, the Company has established pledged accounts to cover expected claims under these policies. As at December 31, 2021, the market value in these pledged accounts is $5,159 (2020: $4,921).

Letter of Credit

The Company has established a letter of credit with Barclays Bank PLC. Under this letter of credit, the Company can post collateral of $10,000 (2020: $20,000). As at December 31, 2021, the value in the letter of credit account is $6,843 (2020: $14,469).

Facility Agreement

Under a facility agreement dated July 22, 2019, CGL had granted ING Bank N.V, London Branch a charge over the entire issued share capital of the Company as security for its obligations under that agreement.

13. Statutory Financial Data

Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Insurance Act"), the Company is required to prepare statutory financial statements and to file with the BMA a statutory financial return. As a Class 4 insurer, the Company must maintain capital at the greater of a minimum solvency margin ("MSM") and its Enhanced Capital Requirement ("ECR"), which is established by reference to the Bermuda Solvency Capital Requirement ("BSCR") model. The BSCR model is a risk-based capital model that provides a method for determining an insurer's capital requirements (statutory capital and surplus) by taking into account the risk characteristics of different aspects of the insurer's business. The Insurance Act also requires the Company to maintain certain measures of solvency and liquidity. The MSM that must be maintained by a Class 4 insurer with respect to its general business is the greater of (i) $100,000, or (ii) 50% of net premiums written (iii) 15% of net reserve for losses and loss adjustment expenses or (iv) 25% of ECR.

As at December 31, 2021 and 2020, the Company was required to maintain a minimum statutory capital and surplus of $335,929 and $336,378, respectively. As at December 31, 2021 and 2020, the Company had statutory capital and surplus of $507,143 and $472,921, respectively and a statutory net income (loss) of $36,718 and $(50,454), respectively for the years then ended.

14. Subsequent Events

On 24 February 2022 Russia launched an invasion into Ukraine, receiving international condemnation and widespread sanctions. The directors consider that the ultimate cost of these events is highly uncertain, however, CGL, as a Group, has effectively mitigated its exposure to these events through its outwards reinsurance programmes. The directors continue to monitor the fast-developing situation closely and will take appropriate steps to manage the effect this has on CRE.

There were no other transactions or events beyond those addressed in these notes to the Financial Statements that were outside of events occurring in the ordinary course of business, between December 31, 2021 and May 25, 2022 that materially affected the Financial Statements.

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