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Canopius Reinsurance Limited

Financial Statements and Independent Auditor's Report

December 31, 2023 and 2022

Contents

Independent Audit Opinion 3
Balance Sheets 6
Statements of Income 8
Statements of Changes in Shareholder’s Equity 9
Statements of Cash Flows 10
Notes to Financial Statements 12

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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, 2023 and 2022, 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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred claims and claims adjustment expenses, net of reinsurance and the cumulative paid claims and allocated claims adjustment expenses, net of reinsurance for the years ending 2022 and prior and the average annual percentage payout of incurred claims by age, net of reinsurance disclosed on pages 32 through 34 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
April 30, 2024

Canopius Reinsurance Limited
Balance Sheets
As at December 31, 2023 and 2022
(Expressed in thousands of United States dollars, except share data)

	Note	2023	2022
Assets			
Investments:			
Fixed income securities, at fair value *(Cost: 2023 - $405,407; 2022 - $359,138)*		402,542	343,781
Equities, at fair value *(Cost: 2023 - $9,811; 2022 - $13,322)*		5,234	9,628
Other investments, at fair value *(Cost: 2023 - $53,737; 2022 - $134,898)*		65,563	143,329
Total investments	3,4,13	473,339	496,738
Cash and cash equivalents	13	77,709	9,719
Restricted cash	13	11,766	7,583
Reinsurance recoverable on losses and loss expenses	7	861	139
Prepaid reinsurance premiums		991	-
Accrued investment income		4,303	2,484
Receivable for securities sold		1,402	8,817
Premiums receivable	9, 12	1,163,694	876,832
Amounts receivable from related parties	9	35,513	2,101
Deferred acquisition costs	6, 9	5,322	797
Other assets		60	36
Total Assets		**1,774,960**	**1,405,246**

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

Canopius Reinsurance Limited
Balance Sheets
As at December 31, 2023 and 2022
(Expressed in thousands of United States dollars, except share data)

	Note	2023	2022
Liabilities			
Reserve for losses and loss expenses	7, 9	749,753	625,687
Unearned premium reserve	9	389,854	295,296
Reinsurance premiums payable		3,309	453
Payable for securities purchased		3,889	8,746
Amounts payable to related parties	9	4,041	1,048
Liabilities under derivative contracts	4, 5, 9	7,202	605
Other liabilities		475	1,010
Total Liabilities		**1,158,523**	**932,845**
Shareholder's Equity			
Common shares ($1.00 par value, authorized, issued and outstanding 2023 and 2022: 100,000,000)	10	100,000	100,000
Contributed surplus	10	387,339	387,339
Retained earnings (deficit)		129,098	(14,938)
Total Shareholder's Equity		616,437	472,401
Total Liabilities and Shareholder's Equity		**1,774,960**	**1,405,246**

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, 2023 and 2022
(Expressed in thousands of United States dollars)

	Note	2023	2022
Revenues			
Gross premiums written		609,443	485,085
Reinsurance premiums ceded	8	(5,317)	(924)
Net premiums written		604,126	484,161
Net change in unearned premiums		(101,635)	(91,201)
Net premiums earned	8	502,491	392,960
Net investment income	3	18,842	7,299
Net realized and unrealized gains (losses) from investments	3	13,361	(17,701)
Net realized and unrealized gains (losses) on derivatives	5,9	1,901	(1,197)
Net foreign exchange gains (losses)		34	(52)
Total Revenues		**536,629**	**381,309**
Expenses			
Losses and loss adjustment expense	7,8	361,397	323,770
Acquisition costs	6	13,219	5,082
General and administrative expenses		7,748	3,603
Other expenses		10,229	42,279
Total Expenses		**392,593**	**374,734**
Net Income		**144,036**	**6,575**

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, 2023 and 2022
(Expressed in thousands of United States dollars)

	Note	2023	2022
Common Shares	10	100,000	100,000
Contributed Surplus	10	387,339	387,339
Retained Earnings (Deficit)			
Balance, beginning of year		(14,938)	(21,513)
Net income		144,036	6,575
Balance, end of year		129,098	(14,938)
Total Shareholder's Equity		**616,437**	**472,401**

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

Canopius Reinsurance Limited
Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in thousands of United States dollars)

	2023	2022
Cash flows used in operating activities:		
Net income	144,036	6,575
Adjustment to reconcile net income to net cash flows (used in) provided by operating activities:		
Net realized and change in unrealized (gains) losses from investments	(13,017)	17,714
Changes in operational assets and liabilities:		
Reinsurance recoverable on losses and loss expenses	(722)	153
Prepaid reinsurance premiums	(991)	-
Premiums receivable	(286,862)	(85,193)
Amounts receivable from related parties	33	1,153
Deferred acquisition costs	(4,525)	(797)
Other assets	(24)	(36)
Reserves for losses and loss expenses	124,066	8,599
Unearned premium reserve	94,558	91,285
Reinsurance premiums payable	2,856	(578)
Amounts payable to related parties	2,989	291
Liabilities under derivative contracts	6,597	564
Other liabilities	(535)	832
Net cash used in operating activities	**68,459**	**40,563**
Cash flows provided by (used in) investing activities:		
Accrued investment income	(1,819)	(1,241)
Purchases of fixed maturity securities	(204,254)	(224,813)
Purchases of other investments	-	(80,935)
Proceeds from sales of fixed maturity securities	158,556	195,231
Proceeds from sales of equities	3,362	3,829
Proceeds from other investments	81,310	-
Net cash provided by (used in) investing activities	**37,155**	**(107,929)**

Canopius Reinsurance Limited
Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in thousands of United States dollars)

Cash flows used in financing activities:		
Loans to intergroup companies	(33,441)	(1,134)
Net cash used in financing activities	**(33,441)**	**(1,134)**
Net increase (decrease) in cash and cash equivalents	72,173	(68,500)
Cash and cash equivalents, beginning of year	17,302	85,802
Cash and cash equivalents, end of year	**89,475**	**17,302**

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 is registered as a Class 4 insurer under The Insurance Act 1978 (Bermuda).

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 45% (2022: 40%) 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 ("S4444") and Syndicate 1861 ("S1861").

S1861 has not underwritten since the 2020 Year of Account following the pooling of its capacity with S4444 which underwrote all risks from the 2021 Year of Account onwards. For the 2023 Year of Account, CCCL has a 96.57% participation in S4444 (2022 Year of Account: 95.38%). S4444 underwrites a mixture of reinsurance and insurance across property, liability, marine and energy lines, plus a range of specialty lines including accident & health, credit & political risk and cyber.

In addition, the Company underwrote a portfolio of third-party casualty, property, marine and specialty reinsurance and management and professional lines insurance business.

2. Basis of preparation and 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 financial statements have been compiled on a going concern basis. The financial statements are presented in thousands of U.S. dollars and all values are rounded to nearest dollar except where otherwise indicated.

b) Use of estimates

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 major estimates recorded in the Company's financial statements include, but are not limited to, estimates of written and earned premiums, provisions for estimated future credit losses, the reserve for losses and loss adjustment expenses and the fair value determination of the investment portfolio. While the amounts included in the financial statements reflect management's best estimates and assumptions, these amounts ultimately could vary.

c) Accounting for premium revenues and related expenses

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, net of the cost of purchased reinsurance. 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 of 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 contracts 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.

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 while those arising from "risks attaching during" policies are expensed over the earnings period of the underlying premiums written from the reinsured business. 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 reinsurance premiums payable.

Credit losses on premiums receivable

Underwriting premium receivable balances are reported net of an allowance for expected credit losses. The allowance, based on ongoing review and monitoring of amounts outstanding, historical loss data, including write-offs and other relevant factors, is charged to net income in the period the receivable is recorded and revised in subsequent periods to reflect changes in the Company's estimate of expected credit losses. Credit risk is partially mitigated by the Company's ability to cancel the policy if the policyholder does not pay the premium.

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.

Credit losses on reinsurance recoverables

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability with the reinsured business. The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimize its exposure to significant losses from individual reinsurers. Following the adoption of ASC 326, an allowance is established for expected credit losses to be recognized over the life of the reinsurance recoverable. The allowance considers the current financial strength of the individual reinsurer.

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 estimating 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.

Acquisition costs

The costs directly relating to writing a (re)insurance policy are referred to as acquisition expenses and include brokerage, commissions, premium taxes, and profit commissions. With the exception of profit commissions, these acquisition expenses are incurred when a policy is issued and are deferred and amortized over the same period as the corresponding premiums are recorded as revenues. Profit commissions are recognized when earned. Acquisition expenses 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.

Reinsurance to Close ("RITC")
A significant portion of the Company's business comes from underwriting a quota share with CCCL (as detailed in 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.

Other expenses
Investment income and expenses assumed from the CCCL quota share are accounted for in other expenses in the Statements of Income.

d) 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.

Realized and unrealized 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.

e) 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 Assets under derivative contracts or Liabilities under derivative contracts, depending on their rights and obligations. Gains and losses on derivatives are reported on the Statements of Income as they occur as Net realized and unrealized gains (losses) on derivatives. In cases where derivative instruments are executed with the same counterparty under a master netting arrangement, the offsetting change in fair value amounts are presented on a net basis.

f) 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.

g) Audit fees

Total audit and audit related fees were $190 and $160 for the years ended December 31, 2023, and 2022, respectively. Audit and audit related fees are recorded in general and administrative expenses within the Statements of Income. There were no non-audit related fees paid to the Company's external auditors during the years ended December 31, 2023 or 2022.

h) Accounting pronouncements

In March 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update No. ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326)". This update is a result of a post implementation review done on the issued ASU No.2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which 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 update was effective for fiscal years beginning after December 15, 2022. During the year, the Company evaluated and considered the provisions of this ASU update and has concluded that the guidance did not have a material impact on the Company's results of operations, financial position, or cash flows at the prior year end and therefore has not recorded a cumulative effective adjustment to opening retained earnings as of January 1, 2023. A provision as at December 31, 2023 has been booked as disclosed in note 8.

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.

a) Investment income

The following table summarizes investment income for the years ended December 31, 2023 and 2022:

	2023	2022
Fixed income securities	15,004	6,807
Equities	592	676
Cash and cash equivalents	2,238	240
Loans to related parties	1,447	-
Investment income before expenses	19,281	7,723
Investment expenses	(439)	(424)
Net investment income	18,842	7,299

b) Net investment gains (losses)

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, 2023 and 2022:

Type of Security	2023	2022
Fixed income securities:		
Realized gains	6,714	130
Realized (losses)	(10,357)	(3,227)
Net change in unrealized gains (losses)	14,148	(13,433)
Equities:		
Realized gains	116	69
Realized (losses)	(561)	-
Net change in unrealized (losses)	(588)	(2,629)
Other investments:		
Net change in unrealized gains	3,545	1,376
Cash and cash equivalents:		
Realized gains	214	157
Net change in unrealized gains (losses)	130	(144)
Net realized and unrealized gains (losses) from investments	13,361	(17,701)

c) 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:

2023	**Cost / Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Fixed income securities:				
U.S. government and government agency securities	147,891	1,333	(2,345)	146,879
Corporate and other securities	56,841	406	(1,279)	55,968
Mortgage-backed securities	8,188	35	(1,424)	6,799
Asset-backed securities	192,487	1,258	(849)	192,896
Total fixed income securities	405,407	3,032	(5,897)	402,542
Equities	9,811	133	(4,710)	5,234
Other investments	53,737	11,897	(71)	65,563
Total investments	468,955	15,062	(10,678)	473,339

2022	**Cost / Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Fixed income securities:				
U.S. government and government agency securities	153,082	80	(7,147)	146,015
Corporate and other securities	60,096	81	(2,924)	57,253
Mortgage-backed securities	9,640	11	(1,898)	7,753
Asset-backed securities	136,320	574	(4,134)	132,760
Total fixed income securities	359,138	746	(16,103)	343,781
Equities	13,322	492	(4,186)	9,628
Other investments	134,898	9,651	(1,220)	143,329
Total investments	507,358	10,889	(21,509)	496,738

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 uses 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 income 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.

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.

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.

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.

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.

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.

XOL contingency contract

The XOL contingency contract relates to a contract reinsuring recoveries due on the contingency event cancellation losses in respect of Covid-19 with S1861. It is characterized as over the counter as it can be valued based upon observable inputs and is classified as Level 2.

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, 2023 and December 31, 2022:

2023	**Level 1**	**Level 2**	**Not Classified**	**Total [3]**
Fixed income securities:				
U.S. government and government agency securities	132,272	14,607	-	146,879
Corporate and other securities	-	55,968	-	55,968
Mortgage-backed securities	-	6,799	-	6,799
Asset-backed securities	-	192,896	-	192,896
Total fixed income securities	132,272	270,270	-	402,542
Equities	5,234	-	-	5,234
Other investments [1]	-	-	65,563	65,563
Total investments, trading, at fair value	137,506	270,270	65,563	473,339
Other financial assets (liabilities)				
Derivatives at fair value – foreign exchange contracts [2]	-	(307)	-	(307)
Derivatives at fair value – XOL contingency contract [2]	-	(6,895)	-	(6,895)
Total	137,506	263,068	65,563	466,137

2022	**Level 1**	**Level 2**	**Not Classified**	**Total** [3]
Fixed income securities:				
U.S. government and government agency securities	140,583	5,432	-	146,015
Corporate and other securities	-	57,253	-	57,253
Mortgage-backed securities	-	7,753	-	7,753
Asset-backed securities	-	132,760	-	132,760
Total fixed income securities	140,583	203,198	-	343,781
Equities	9,628	-	-	9,628
Other investments [1]	-	-	143,329	143,329
Total investments, trading, at fair value	150,211	203,198	143,329	496,738
Other financial assets (liabilities)				
Derivatives at fair value – foreign exchange contracts [2]	-	(605)	-	(605)
Total	150,211	202,593	143,329	496,133

(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 Liabilities under derivative contracts.

(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, 2023 or December 31, 2022.

5. Derivative financial instruments

The following table summarizes information on the location and amounts of derivative fair values on the Balance Sheets as at December 31, 2023 and 2022:

		2023		2022	
Derivatives not designated as hedging instruments	**Balance Sheet location**	**Notional Amount**	**Fair value**	**Notional Amount**	**Fair Value**
Foreign exchange Contracts	Liabilities under derivative contracts	7,211	307	8,081	605
XOL contingency contract	Liabilities under derivative contracts	-	6,895	-	-

The following table summarizes the total unrealized and realized gains (losses) recorded in the Statements of Income for the years ended at December 31, 2023 and 2022:

		Amount of gain (loss) recognized in income	
Derivatives not designated as hedging instruments	**Location of gain (loss) recognized in income**	**2023**	**2022**
Foreign exchange contracts	Net realized and unrealized gains (losses) on derivatives	-	(1,197)
XOL contingency contract	Net realized and unrealized gains (losses) on derivatives	1,901	-

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.

XOL contingency contract

On December 31, 2022, the company entered into a one-year contract reinsuring recoveries due on the contingency event cancellation losses in respect of Covid-19 with S1861. The Company has accounted for this transaction under derivative accounting, where the derivative liability relates to the fair value of expected future claim payments.

6. Deferred acquisition costs

The following table represents the activity in the deferred acquisition costs for the years ended December 31, 2023 and 2022:

	2023	2022
Deferred acquisition costs, beginning of the year	797	-
Acquisition costs deferred	17,744	5,879
Amortization of deferred policy acquisition costs	(13,219)	(5,082)
Deferred acquisition costs, end of the year	5,322	797

7. Reserve for losses and loss adjustment expenses

Reserves for losses and Loss Adjustment Expenses (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.

For the twelve months ended December 31, 2023, there was net favourable prior year loss development of $3,522 (excluding the impact of the RITC transaction) with notable favourable development across cyber, liability and energy classes offset by deteriorations across the reinsurance book driven by a number of individual specific older year losses. For the twelve months ended December 31, 2022, there was net unfavorable prior year loss development of $295 (excluding the impact of the RITC transaction).

The following table represents the activity in the reserve for losses and LAE for the years ended December 31, 2023 and 2022:

	2023	**2022**
Gross reserves for losses and LAE, beginning of year	625,687	617,088
Reinsurance recoverable balances, beginning of year	(139)	(292)
Net reserves for losses and LAE, beginning of year	625,548	616,796
Increase (decrease) in net loss and LAE incurred in respect of losses:		
Current year	364,919	323,475
Prior years	(3,522)	295
Total net incurred losses and LAE	361,397	323,770
Less net loss and LAE paid in respect of losses occurring in:		
Current year	(103,204)	(82,868)
Prior years	(151,338)	(148,832)
Total net losses paid	(254,542)	(231,700)
Adjustments:		
Effect of net foreign currency gain (loss) on loss and LAE	10,120	(18,443)
Acquisition (reduction) of loss reserves relating to RITC	6,369	(64,875)
Net reserves for losses and LAE, end of year	748,892	625,548
Reinsurance recoverable balances, end of year	861	139
Gross reserves for losses and LAE, end of year	749,753	625,687

The acquisition or reduction of loss reserves relating to RITC relates to the reserves the Company assumes because of a change in cession percentages of its quota share with CCCL. During 2023, the Company increased its reserves because of the increased quota share cession percentage when the 2020 Year of Account reserves reinsured into the 2021 Year of Account upon closure as at December 31, 2022, as the cession percentage increased from 32.5% on the 2020 Year of Account from 32.9% on the 2021 Year of Account. During 2022, the Company reduced its reserves because of the decreased quota share cession percentage when the 2019 Year of Account reserves reinsured into the 2020 Year of Account upon closure as at December 31, 2021, as the cession percentage decreased from 52.3% on the 2019 Year of Account to 32.5% on the 2020 Year of Account. The Company receives or pays a RITC premium equal to the change in loss reserves plus change in unearned premiums as a result of the RITC.

7.1. 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, 2023, 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 Company commenced underwriting the CCCL quota share in 2018 and assumed 46.5% of S4444's 2018 Year of Account. Due to the RITC process, the Company assumed S4444's 2017 Year of Account reserves into S4444's 2018 Year of Account at December 31, 2020, through the CCCL quota share, at 2018 cession percentage of 46.5% totaling $520,750.

The following table shows how the total reserve amount that the claim development triangles are impacted by because of the change in cession percentage year-on-year, as one Year of Account closes into the following Year of Account, the effect of which has been excluded from the claim development triangles:

Closing Year of Account	Closing cession percentage	Assumed Year of Account	Assumed cession percentage	Triangle Year impacted	Reserves acquired (reduced)
2017	0%	2018	46.5%	2020	$520,750
2018	46.5%	2019	52.3%	2021	$65,754
2019	52.3%	2020	32.5%	2022	$(64,875)
2020	32.5%	2021	32.9%	2023	$6,369

The claim development triangles include the reinsurance of historical loss reserves relating to loss portfolio transfer in the 2021 calendar year, which reduced historical reserves. This loss portfolio transfer reduced reserves in 2021 by $294,924. The loss portfolio transfer impacts the claim development triangles in the 2021 calendar year.

Management has determined that the appropriate level of disaggregation for the incurred and paid claims development information best falls into three categories: Property, Casualty, and Specialty. Where the majority of the business contained within the Company's segments represent treaty business that is assumed from other insurance and reinsurance companies, with the exception of its management and professional lines insurance business that has been included within the Casualty segment.

Due to the nature of the treaty business assumed, 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.

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, 2023.

Property

Incurred claims, IBNR and LAE, net of reinsurance

Accident Year	2016	2017	2018	2019	2020	2021	2022	2023	December 31, 2023 IBNR
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited		
2014					8,610	8,099	6,688	6,213	
2015					16,252	13,006	10,528	11,986	
2016	18,656	15,388	20,199	18,535	51,287	50,612	49,738	50,620	
2017		72,655	113,517	108,913	174,578	167,599	163,918	161,455	
2018			98,439	120,934	115,818	106,984	106,069	108,176	
2019				154,670	165,094	163,075	160,262	163,242	
2020					198,984	219,758	222,397	219,379	
2021						141,094	140,405	149,685	53,223
2022							146,325	135,939	17,762
2023								161,092	46,611
Total								1,167,787	

For the year ended December 31,

Cumulative paid claims and allocated adjustment expenses, net of reinsurance

For the year ended December 31,

Accident Year	2016	2017	2018	2019	2020	2021	2022	2023
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	
2014					1,613	1,967	3,236	3,788
2015					2,220	4,793	6,776	7,385
2016	1,164	7,564	15,721	17,336	30,475	36,146	40,165	42,026
2017		5,542	46,640	71,349	109,952	126,608	135,290	141,260
2018			20,147	45,934	56,911	63,678	68,020	71,806
2019				79,212	82,259	102,323	112,229	117,993
2020					110,220	138,594	154,596	170,338
2021						85,403	108,105	133,659
2022							73,097	98,029
2023								66,697
Total								852,981

Outstanding liabilities for 2014 and subsequent years, net of reinsurance	314,806
All outstanding liabilities before 2014	13,618
Liabilities for claims and claim adjustment expenses, net of reinsurance	328,424

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

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
37%	21%	16%	8%	6%	7%	7%	2%

Casualty

Incurred claims, IBNR and LAE, net of reinsurance

Accident Year	For the year ended December 31,								December 31, 2023
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**IBNR**
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited		
2014					18,201	16,338	11,112	11,061	
2015					33,346	32,378	20,130	19,076	
2016	5,875	5,334	4,326	3,657	41,845	36,663	23,917	24,434	
2017		6,152	2,631	947	28,805	28,000	22,856	23,330	
2018			18,552	20,008	22,738	22,585	21,645	24,389	
2019				58,718	58,750	56,993	56,117	50,469	
2020					73,948	72,633	68,258	77,518	
2021						87,993	90,565	87,661	62,041
2022							105,396	106,974	74,669
2023								166,893	129,334
Total								591,805	

Cumulative paid claims and allocated adjustment expenses, net of reinsurance

Accident Year	For the year ended December 31,							
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	
2014					7,797	9,249	9,881	10,159
2015					8,358	15,182	17,011	18,129
2016	0	0	0	0	9,271	15,584	17,952	19,046
2017		0	0	0	7,903	14,302	17,529	19,112
2018			2,752	3,777	8,293	13,465	17,259	21,188
2019				14,754	14,965	22,083	23,634	26,797
2020					20,467	21,106	34,114	45,224
2021						28,731	29,064	44,159
2022							22,580	27,450
2023								27,572
Total								258,836
Outstanding liabilities for 2014 and subsequent years, net of reinsurance								332,969
All outstanding liabilities before 2014								3,153
Liabilities for claims and claim adjustment expenses, net of reinsurance								336,122

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

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
23%	2%	12%	12%	19%	18%	19%	3%

Specialty

Incurred claims, IBNR and LAE, net of reinsurance

	For the year ended December 31,								December 31, 2023
Accident Year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**IBNR**
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited		
2014					3,325	103	0	0	
2015					9,168	2,636	655	655	
2016	0	409	434	398	3,923	806	3,719	837	
2017		1,768	690	8	5,267	1,079	571	607	
2018			6,394	7,195	6,977	4,033	3,762	3,370	
2019				8,442	8,962	8,700	8,860	5,273	
2020					22,855	22,734	23,555	32,065	
2021						24,322	25,142	24,045	32,516
2022							23,620	30,856	18,400
2023								36,934	25,192
Total								134,642	

Cumulative paid claims and allocated adjustment expenses, net of reinsurance

	For the year ended December 31,							
Accident Year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	
2014					38	33	14	18
2015					850	915	693	665
2016	0	0	8	61	126	141	145	145
2017		0	6	6	336	673	728	728
2018			254	791	1,762	2,439	2,456	5,223
2019				3,132	3,612	5,243	5,227	5,369
2020					7,119	10,571	12,477	12,836
2021						7,069	7,165	7,056
2022							4,065	10,352
2023								8,935
Total								51,327
Outstanding liabilities for 2014 and subsequent years, net of reinsurance								83,315
All outstanding liabilities before 2014								1,031
Liabilities for claims and claim adjustment expenses, net of reinsurance								84,346

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

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
24%	7%	9%	9%	12%	14%	10%	13%

7.2. Reconciliation of incurred and paid claims development to total provision for losses and loss adjustment expenses (LAE)

	December 31, 2023
Net outstanding liabilities	
Property	328,424
Casualty	336,122
Specialty	84,346
Loss reserves recoverable	861
Provision for losses and LAE at the end of year	749,753

8. Reinsurance

In certain cases, the risks written by the Company are wholly or partially reinsured with third-party reinsurers. Reinsurance ceded varies based upon several 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

	2023	2022
Net premiums written		
Assumed	603,875	482,378
Direct	5,568	2,707
Ceded	(5,317)	(924)
Net premiums written	604,126	484,161
Net premiums earned		
Assumed	504,656	391,216
Direct	2,161	2,668
Ceded	(4,326)	(924)
Net premiums earned	502,491	392,960
Loss and Loss adjustment expenses		
Gross losses and loss adjustment expenses incurred	362,122	323,616
Losses and loss adjustment expense recoveries	(725)	154
Net loss and loss adjustment expenses	361,397	323,770

Allowance for expected credit losses

Premiums receivable and paid and unpaid losses recoverable comprise the Company's most significant credit exposure not carried at fair value. The Company has not historically experienced significant credit losses. In determining an allowance for these reinsurance assets, the Company considers historical information in combination with counterparty financial strength ratings and the extent to which they are collateralized. The Company assesses the risk of future default by evaluating current market conditions for the likelihood of default and calculates its provision for current expected credit losses under the probability of default and loss given default methodology.

Premiums receivable

Premiums receivable are estimated based on policy terms and reports received from the underlying counterparties, supplemented by management's judgement. Due to the nature of the reinsurance business, the Company routinely receives reports and premiums after the inception of the coverage period. At December 31, 2023 the Company's premiums receivable balance, net of credit provisions of $155, was $1,163,694. The following table provides a roll forward of the provision for current expected credit losses on premiums receivable:

	2023
Beginning balance	-
Provision for current expected credit losses on receivables	155
Ending balance	155

Reinsurance balances recoverable

Reinsurance balances recoverable is comprised of amounts due from reinsurers based on the claim liabilities associated with the reinsurance policy. The Company accrues amounts due from reinsurers based on estimates earned contract losses.

At December 31, 2023, the Company's unpaid recoverable reinsurance recoverable balances net of credit provisions was $861, with a total corresponding provision for current expected credit losses of $16. The following table provides a roll forward of the provision for current expected credit losses on reinsurance recoverable:

	2023
Beginning balance	-
Provision for current expected credit losses on recoverable	16
Ending balance	16

9. Related party transactions

Amounts receivable and payable to related parties

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.

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, $1.1 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.

On June 14, 2023, the Company entered into a loan agreement with Fortuna Midco Limited (Midco) where the Company loaned Midco $32 million with an interest rate of 3.5% above the Secured Overnight Finance Rate (SOFR) per annum. During the year, $1.4 million interest income was accrued under the contract, recorded as net investment income.

Premiums receivable, Reserve for losses and loss expenses and Unearned premium reserve

The Company writes a 45% (2022: 40%) whole account quota share with CCCL in respect to its participation on S4444 for the 2023 underwriting year.

Premiums receivable, Deferred acquisition costs, Reserve for losses and loss expenses and Unearned premium reserve

The Company writes a contract with Samsung Fire & Marine Insurance (SFMI), a minority shareholder in the parent company CGL for a 90% share of the SFMI's participation of an underlying contract and pays overriding commission of 1% of premium ceded.

Liabilities under derivative contracts

On December 31, 2022, the Company entered into a one-year contract reinsuring recoveries due on the contingency event cancellation losses in respect of Covid-19 with S1861. The fair value of expected future claim payments related to this transaction is held as a derivative liability.

Included in the Company's Balance Sheet as at December 31, 2023 and 2022 are the following balances arising from related party transactions:

	2023	**2022**
Assets		
Premiums receivable	1,145,617	875,647
Amounts receivable from related parties	35,513	2,101
Deferred acquisition costs	788	794
Total Assets	1,181,918	878,542
Liabilities		
Reserve for losses and loss expenses	730,037	612,376
Unearned premium reserve	371,530	295,256
Amounts payable to related parties	4,041	1,048
Liabilities under derivative contracts	6,895	-
Total Liabilities	1,112,503	908,680

Included in the Company's Statement of Income during the year to December 31, 2023 and 2022 are the following transactions:

	2023	**2022**
Revenues		
Net premiums earned	483,470	391,216
Net investment income	1,447	-
Net realized and unrealized gains (losses) on derivatives	1,901	-
Expenses		
Losses and loss adjustment expense	353,522	323,161
Acquisition costs	8,605	4,332
General and administrative expenses	-	100
Other expenses	10,128	42,277
Net Income	114,563	21,346

10. 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 (2022: $387,339) capital contributions from the parent company.

11. Taxation

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (the "CIT Act"), which will apply a 15% corporate income tax to certain Bermuda businesses, including the Company, in fiscal years beginning on or after January 1, 2025. The CIT Act was introduced in response to the Organization for Economic Co-operation and Development's (OECD) 'BEPS 2.0' initiative, which ensures that all large multinational companies pay a global minimum tax of 15% ("Pillar Two").

Under the CIT Act, Bermuda corporate income tax will be chargeable on Bermuda entities that are part of multinational enterprise ("MNE") groups with EUR 750 million or more in annual revenues in at least two of the four fiscal years immediately preceding the fiscal year in question ("Bermuda Constituent Entity Group"). Bermuda has also announced the intention to introduce qualifying refundable tax credits under the CIT Act, to incentivize business investment on the island. These credits will be developed and implemented during 2024.

Having given due consideration to the provisions introduced under the CIT Act for Identifiable Intangible Assets, the Company has not recorded an Economic Transition Adjustment in 2023.

12. 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 9.

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.

13. Restricted assets

	2023	**2022**
Funds at Lloyd's		
Investments	395,969	390,967
Cash and cash equivalents	9,446	3,298
	405,415	394,265
Pledged Accounts		
Investments	4,747	4,375
Cash and cash equivalents	9	201
	4,756	4,576
Letter of Credit		
Cash and cash equivalents	2,311	4,084
Total restricted investments, cash and cash equivalents	412,482	402,925
Total investments, cash and cash equivalents	562,814	514,040
Percentage of investments, cash and cash equivalents	73.29%	78.38%

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 45% of CCCL's FAL requirement. The Company provides assets under a security and trust deed charged to Lloyd's of London, to meet its share of liabilities that may occur from CCCL's interest in S4444.

At December 31, 2023, the Company's limit, as established under the quota share agreement, was $425,000 (2022: $400,000). At December 31, 2023, the fair market value of the Company's FAL contribution was $405,415 (2022: $394,265).

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, 2023, the market value in these pledged accounts is $4,756 (2022: $4,576).

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 (2022: $10,000). As at December 31, 2023, the value in the letter of credit account is $2,311 (2022: $4,084).

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.

14. 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, 2023 and 2022, the Company was required to maintain a minimum statutory capital and surplus of $335,245 and $325,036, respectively. As at December 31, 2023 and 2022, the Company had statutory capital and surplus of $787,607 and $574,958, respectively and a statutory net income of $144,036 and $6,575 respectively for the years then ended.

15. Subsequent events

There were no 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, 2023 and April 30, 2024, the date the financial statements were available to be issued, that materially affected the Financial Statements.