Annual Report and Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

Company number 129591

TRANSFORMING OUR BUSINESS FOR A BETTER FUTURE

Annual Report and Financial Statements

Contents

Canopius Group Ambition 2023

A profitable international specialty and P&C (re)insurer

Taking an approach to growing a sustainable business in areas where we have or can have distinction or a competitive advantage

Driven by empowered and accountable people, underpinned by digital innovation and analytical expertise

Supporting people, community, business, and environmental resilience

1 **Achieve Financial Plan**

Focusing on Combined Ratio and Profit after Tax.

2 **Progress and mature our Organisation / Operating Model**

Focusing on building an operationally resilient and sustainable organisation, which enables resilient and sustainable financial returns, and which sets ourselves up to better execute goals and enable our ambitions. Maintain discipline of our strong strategic planning processes.

3 **Grow Profitably in areas where we have or can have Distinction/Competitive Advantage**

With emphasis on meaningful, profitable and sustainable growth in the UK, US & Bermuda, and APAC; in targeted specialty and niche areas, targeted digital distribution/ products and in refreshing our global product strategies.

4 **Deepen our Positive and Winning Culture**

Driving ambition, alignment and accountability across our BUs and our Capabilities.

Fostering an inclusive environment where our colleagues can thrive, underpinned by values of authenticity, trust and respect.

5 **Become more Future-Focused and more keenly aware of External Environment**

Making strategy, data & analytics, ESG and innovation part of our DNA to better understand and serve our clients' risks and opportunities.

2022 Key Statistics[1]

Total Shareholders' Interests
$1,187.9m
(2021: $1,248.3m)

Tangible Net Asset Value (TNAV)[2]
$1,027.2m
(2021: $1,092.7m)

Tangible Financial Resources[3]
$1,447.4m
(2021: $1,593.1m)

Gross Premiums Written
$2,337.5m
(2021: $2,220.0m)

Net Premiums Earned
$1,787.3m
(2021: $1,661.6m)

(Loss)/Profit After Taxation
$(25.0)m
(2021: $44.9m)

Net Loss Ratio[4]
53.7%
(2021: 57.4%)

Combined Ratio[4]
93.6%
(2021: 96.7%)

Net premiums earned represent 'net premiums written' (being premiums written gross of acquisition costs and exclusive of premium taxes; less reinsurance premiums ceded) and the change in gross and reinsurers' share of unearned premium. For 2021 this is stated before the loss portfolio transfer of $470m.

The net loss ratio is calculated by dividing 'net claims incurred' (being net claims paid and the movement in net claims reserves) by 'net premiums earned'.

The combined ratio is calculated by dividing 'net claims incurred' and underwriting expenses (as defined in note 11) by 'net premiums earned'.

1 Amounts presented are determined from the financial statements except as noted below.

2 The tangible net asset value (TNAV) represents total equity attributable to equity holders of the parent less intangible assets and deferred tax liabilities on intangibles.

3 Tangible financial resources represent tangible net asset value (TNAV) plus utilised unsecured letter of credit facilities, as per note 35(c).

4 Net loss ratio and combined ratio exclude the impact of reinsurance to close ('RITC') of $56m (2021: $41m) on both net claims incurred and the net earned premium and, in 2021, the impact of the Loss Portfolio Transfer ('LPT') agreement Canopius Group Limited entered into with RiverStone of $470m on net claims incurred and net earned premiums.

Chairman's Statement

Michael Watson – Group Chairman

Transformation

2022 was a year of profound and positive change at Canopius. Following a strategic review in the latter part of 2021, Neil Robertson, our newly-installed CEO, established a new organisational model comprising three distinct regional business units and four product groups, along with the formation of a new Leadership Team. Each of the regional units has established an Executive Committee whose members are a mixture of internal promotions and external hires. The resulting line-ups give Canopius its strongest ever management team, ready to build a resilient and sustainable organisation and deliver meaningful, profitable growth. I am delighted with the calibre of skilled and experienced colleagues who make up our senior leadership today. From underwriting and claims to digital and people management, the business has invested heavily in attracting forward thinking industry talent. A new generation of highly experienced leaders is now embedded, united by a clear growth strategy and committed to creating an entrepreneurial culture that attracts and supports top talent. We are now ideally placed for the next chapter.

To complement this new organisational design, the Board reviewed the Group's governance structures and made a number of changes to enhance oversight and follow best practice, informed by the UK Corporate Governance Code. Our new team is now supported by a structure that combines global best practice with a matrix approach to products and platforms, empowering a dynamic approach to growth in a rapidly changing risk landscape.

Results

Against a backdrop of macroeconomic and geopolitical uncertainty, our results for 2022 were highly commendable. Underlying growth in gross premiums written was strong after allowing for our decision to exit poorly performing US wind-exposed binder for 2022. Our combined ratio of 93.6% was the lowest since 2015. Our net loss ratio of 53.7% demonstrates robustness in our underwriting performance, given significant catastrophe losses, including Hurricane Ian, which accounted for 9.4% of the net loss ratio. With natural catastrophe losses for the industry estimated at up to $140bn, this was a remarkable achievement.

The overall result is impacted by mark-to-market losses on our investments, reflecting the tightening of monetary policy by central banks around the world. Owing to the relatively short duration and quality of our investment portfolio, we have every confidence that these losses will unwind positively into 2023. Gavin Phillips provides more insight in these results in his Chief Financial Officer's report.

Retirement

Much of the credit for our strong underwriting performance belongs to Mike Duffy, our Chief Underwriting Officer. During the seven years of Mike's tenure as Chief Underwriting Officer, he has remediated our portfolio, upgraded our underwriting talent, promoted stronger underwriting discipline, and played an important part in the improvement of our results in recent years.

Last year, Mike announced his intention to take early retirement and leaves Canopius at the end of April 2023. Over the course of 17 years he has given sterling service to the Group and been an inspiration to many. He will be much missed, not least by me, and he leaves a strong legacy. We thank him and wish him all the best in the next chapter of his life.

The process of appointing Mike's successor is at an advanced stage and we expect to make an announcement on this in the near future.

> "A new generation of highly experienced leaders is now embedded, united by a clear growth strategy and committed to creating an entrepreneurial culture that attracts and supports top talent.

Sustainability

Operating as a sustainable business is critical to ensuring we can deliver the best for our customers, our people and the wider societies in which we operate, and it is a fundamental component of our strategy. Sustainable business practices are established right across our organisation and I am delighted to see that we are continuing to make meaningful progress in this area. From publishing our sustainable underwriting strategy to establishing a partnership with social mobility charity 'The Brokerage', sustainability is at the heart of everything we do. As we continue to be a force for positive change in the industry, I am excited about the bold new initiatives we have planned for 2023 and you can read more about them later in this report.

Outlook

Canopius enters 2023 in good spirits. Building on the strategic review in 2021, during the course of last year Neil Robertson and his team developed a suite of initiatives to accelerate profitable growth across each of our business units, enhance our operating capabilities and organisational efficiency, and foster a positive and winning culture. The successful implementation of these various initiatives over the near term will be truly transformational for Canopius. Our financial prospects are also very encouraging, bolstered by what appears to be a prolonged favourable underwriting environment and significantly higher interest rates that should deliver much greater levels of investment income than we have ever enjoyed.

I thank all of our colleagues for their hard work and dedication throughout the past year. I look forward to continuing to support them as we embark on the next stage of our transformation.

Finally, I also give thanks to our shareholders for their ongoing commitment to Canopius. Their support was critical in enabling Canopius to deliver all that we have achieved in 2022 and will remain so as we grow our business in 2023 and beyond.

Michael Watson
Group Chairman

Chief Executive's Statement

Neil Robertson – Group CEO

Results

We continue to operate in a volatile political and economic environment and a changing risk landscape. Our focus on adding resilience to our processes so we can be a sustainable and future ready organisation has never been stronger. It is a cornerstone of our goals and ambition. It is our responsibility to successfully navigate a changing risk environment and deliver on our promises to our customers, colleagues, and shareholders.

2022 was no exception, with significant macro-economic headwinds including a challenging investment market, Hurricane Ian, war in Ukraine, inflationary pressures, and foreign exchange movements.

I will outline the changes we have made to the organisation to increase our robustness and long-term sustainability, but prior to this I would like to touch on our financial results.

Our result for Q4 2022 were the best quarterly results in Canopius' history. Profit, rate, and combined ratio were all ahead of plan. We had some GWP (Gross Written Premium) shortfall, but our focus remains on underwriting profitability, and we are pleased with our results.

Overall, for 2022 we missed our profit plan (largely driven by macro-economic trends – investment return, foreign exchange etc) which is disappointing. We take our commitments to plan seriously. That said, there are some positive underlying stories to highlight - our underwriting result was strong and our robust underlying performance allows us to absorb the impact of both Hurricane Ian and the war in Ukraine.

Transformation

Last year we set out an ambitious growth strategy to deliver compound annual growth of 10-20% over a three-year period, as a multi-national, multi-platform insurance company across three regional business units the UK, US & Bermuda and Asia Pacific (APAC). The ultimate goal of this is to improve our financial performance, increase the value we create and provide, and ensure that we attract and retain the partners and colleagues who are responsible for our success.

In delivering this growth journey, in 2022, we commenced 'resetting' our operating model. We optimised for profitable growth, more capable of making effective decisions and more resilient to the risks we face. This was a big ask, made significantly easier by the culture already embedded in Canopius in our values of accountability authenticity, respect, and kindness that our colleagues demonstrate every day.

Our business has been transformed from the ground up. Every facet, from the leadership structure, operating model, to our digital capabilities, ESG (Environmental, Social and Governance) strategy and growth focus, has been assessed and refined. This has been an immense undertaking, which has required and relied on the support of every member of our 700+ team.

We are now on a path to realise the full potential of our business. In last year's report I set out our vision to become a truly international Specialty and P&C (re) insurer driven by a global underwriting focus, with three empowered regional Business Units (BUs) in the UK, US & Bermuda and APAC. Over the past 12 months, we have completed the structural reforms, and placed increased emphasis on meaningful, profitable, and sustainable growth in the UK, US & Bermuda, and APAC.

This process of evolution will never be complete. As Canopius grows, we will encounter new hurdles that come from increased size and complexity, as such the approach we have taken now is also about mindset.

There are over 170 growth and enhancement initiatives in place at time of writing. Each of these has their own leads from across the organisation. The list of improvements, big and small, across the Group and focused on individual teams, is too large to include here. The sum of which has already made Canopius a dramatically different and improved place to work and with which to do business. Every member of our team should have the mindset and support to succeed in their chosen role. Ensuring our ambition is replicated across the business and that we have the people in place, who can realise their full skillsets and potential, to drive us forward.

We want to build for the long term, to establish ourselves as a leading, dynamic, specialty insurer committed to enabling innovation, facilitating transition, and driving enterprise and stakeholder value. We are now primed for long-term profitable growth in the markets where we have scalable lead positions: London, US and APAC. We have a structure geared to capitalise on opportunities created by the market cycle, driven by empowered and accountable people, underpinned by digital innovation and analytical expertise.

Group Goals and Year in Review

At the beginning of 2022 we set out our five Group Goals which were cascaded through the organisation:

1. Achieve our financial plan
2. **Evolve our operating model and strengthen our core capabilities**
3. Set and execute our growth strategies
4. **Foster a positive and winning culture**
5. Keep an eye on the future, reinforcing our future-focused mindset

We have made meaningful and pivotal progress in each of these five areas.

Chief Executive's Statement

Neil Robertson – Group CEO

Financial Targets

We laid the right foundations in 2022 to deliver our 2023-2025 growth ambition and are entering 2023 with an approved Management plan that shows continued growth and improved profitability.

2022 saw the uncertain backdrop of the last few years reach a new level. The volatility caused by Covid-19, while diminishing, has left profound consequences. This was compounded by the war in Ukraine, this horrific conflict has impacted markets globally. It has contributed to economic instability, interest rates have risen, which dented our investment income, and the political climates in our core markets have, at times, been chaotic. The impact of natural catastrophes has also been substantial. Hurricane Ian alone has estimated insured losses of between $50-$65bn. Despite all of this, our underlying underwriting performance has been strong. We achieved robust AvE (Actual Versus Expected) in all lines except for one wherein we have taken strong remedial action.

We have put in performance management and financial planning tools to help drive improved visibility and financial decision-making. This includes the introduction of the QBR (Quarterly Business Review) process, a three-year planning process, a Capital Committee, and an enhanced tax strategy.

Operating Model

As I have outlined, 2022 was the year in which we reset our operating model – optimising for profitable growth, effectiveness of decision making, efficiency and greater operational resilience. The guiding principles for these processes were:

There are clear examples of success on every count. We have successfully established our regional business unit structure, the benefits of which are already being felt. This structure also sends a clear message to our partners in our growth markets of the US and APAC – Canopius is committed to growth and local decision making for the long term. We have assembled a new Leadership Team, bolstering the existing talent with exceptional new colleagues in Gavin Phillips, Kate Roy, and Lindsay Astor, all of whom have made an immense impact.

We have distinguished and clarified the different leadership forums and now have our global underwriting structure in place. We have strengthened every aspect of our structure and, in doing so, enhanced our capabilities.

A clearly articulated mission of the Group Leadership Team

A product-region matrix model that will enhance our identity as a distinctive, technical underwriting-led (re)insurer

Strengthened financial, operational, and strategic planning

Clarified functional responsibilities for all capabilities

Redesigned functions and activities (Change, Technology and Data)

Defined clear, focused, and different agendas for the different leadership forums*

Elevated the focus on capital management and sourcing third-party capital

Ensured a distinct, positive, and winning culture

* Leadership Team, Business Units ExCos, Quarterly Business Reviews, GUC (General Underwriting Council)

> "We have strengthened every aspect of our structure and, in doing so, enhanced our capabilities.

Growth Strategy

The vision for Canopius is clear and over the past year the transformation project which challenged our team to drive the business through innovation has been met with an overwhelming level of support. It generated 177 approved initiatives to drive growth, efficiency, and enablement of our strategy. We also introduced a new three-year planning process, and I am confident that we are going into 2023 with the most comprehensive and robust plan we have ever set. Each business unit also set out how it would grow, utilising their strengths, the local market opportunities and the collaborative benefits that could be achieved across the Group. At the end of 2022 we now have a clear view on where we want to grow and detailed plans on how we will execute this. Our growth will be diversified across products and geographies through dynamic deployment of capital to realise market opportunities which are visible now and as they appear in the future.

In London, we have built a highly diversified Lloyd's insurer with the ability to react to market conditions and scale across multiple lines underpinned by a structure and strategy that will set us apart.

In Asia, we want to become the lead market for specialty risk driven by the largest, highly profitable Lloyd's Syndicate in Singapore, a rapidly growing Australian hub and scalable position in China.

In the US, we have a highly flexible and growing business with established market positions in growth sectors.

Chief Executive's Statement

Neil Robertson – Group CEO

Growth Strategy (continued)

Growth will be diversified across product classes and region. There are some key areas of strategic focus for us, beyond the acceleration of our current strategy and our ability to capture the market cycles.

There are also clear opportunities to grow our D&F (Direct & Facultative) property portfolio while expanding our leading position in the niche, but growing markets, of trucking as well as cannabis related businesses.

There is also significant potential in our growing digital product suite and distribution strategy across a range of initiatives and partnerships across all three geographies.

VAVE, our digital distribution platform in the US, continues to grow at pace and complements our broader digital strategy, which, over time, will see us add a digital layer of capability and innovation, where it is additive, across our portfolio.

We will continue to pinpoint other areas of growth, focused specifically on where we have distinction or competitive advantage.

Culture

Fostering a positive and winning culture is key to our ability to achieve our plans. The organisational changes we have made have been designed to give greater empowerment and accountability to our employees. I&D (Inclusion & Diversity) and Wellbeing practices are embedded in how we operate, and continue to be a key area of focus for us. We have conducted employee engagement surveys and have shaped strategies to continue to develop and support our colleagues.

In 2022, we set Group goals which were cascaded throughout the company, to ensure we had a clear and common direction of travel. Our Transformation efforts have engaged team members across the company and will strengthen the rigour of our operational planning and therefore our winning culture.

As we go into 2023, we will continue to focus on strengthening our talent strategy – including the introduction of a career frameworks and a clearer and more aligned approach to compensation.

Future-Focus

We have expanded our 'future-focus' efforts in 2022 to build an organisation fit for the future. We want to create an organisation which is sustainable and consistently able to deliver on our promises to our customers, our colleagues, and our shareholders. Part of our efforts included hiring a Group Head of Sustainability to set a clear and cohesive ESG strategy considering Underwriting, Risk, Investments and Operations. We are entering into 2023 with an approved ESG strategy and roadmap to achieve our goals.

Our strategic planning cycle has been built and we are confident that going into 2023 we will continue to ideate and innovate in our key targeted strategic areas.

Our mission guiding us forward is to be a profitable, dynamic, international Specialty and P&C (re)insurer, growing a sustainable business in areas where we have, or can have distinction or competitive advantage. We seek to be an organisation driven by empowered and accountable people, underpinned by digital innovation and analytical expertise, supporting people, community, business, and environmental resilience.

Insurance has a key role to play in the world economy. We must not forget we are a business that empowers other businesses to operate, to innovate and move the world forward. Our mission will always be to help drive and facilitate this progress. We have made incredibly meaningful headway in 2022 and I am looking forward to us continuing to be able to capture the fruits of our labour in 2023.

Neil Robertson
Group CEO

> "Our transformation efforts have engaged team members across the company and will strengthen the rigour of our operational planning and therefore our winning culture.

Chief Financial Officer's Statement

Gavin Phillips – Group CFO

Introduction

This report marks the end of my first full year as CFO of Canopius and what an interesting and challenging year it turned out to be. Ultimately, despite reporting a loss for the year, it has been a year of great progress for the Group. We have a new, highly experienced management team in place with a clear vision, growth strategy and ethos of entrepreneurialism. I am confident of our capacity to generate long-term profitable growth, underpinned by an ability to capitalise on emerging opportunities created by the market cycle.

2022 was marked by complex developments in the economy and across geopolitics. Capital markets were highly volatile across a broad range of asset classes. It was also another tumultuous year for insured losses from both man-made and natural events and rising inflation has required considerable diligence from both an underwriting and reserving perspective. These events combined to meaningfully impact fundamentals in the insurance markets during the year and contributed to a hardening of the reinsurance market at the year-end renewal. Given this backdrop, Canopius has navigated the year very well and I am very pleased by the resilience our business has shown.

It has been a year of profound, highly positive, internal transformation at Canopius. This extended to our finance capability, and we have made strong progress in placing finance squarely at the core of the business. Several significant personnel hires have strengthened our capabilities during the year, including James Pearson as our new UK CFO, Greg Alcazar as CFO of Canopius US and Jennie Rimmer as Head of Tax. Among many important developments, we accelerated our reporting delivery, embedded increased rigour into our reporting processes, with the introduction of intensive quarterly business reviews, and significantly enhanced our approach to strategic and business planning. Finance also had an integral role in our transformation project, which is now translating into definitive actions and positions the business well for the future.

Profit Summary

Canopius recorded a loss after tax of $25m for the year, which is obviously disappointing. However, the mark-to-market investment losses (which we expect to pull to par) and foreign exchange losses were substantial variances and are described in more detail below. Notable underwriting items included the impact of the war in Ukraine, claims inflation and Hurricane Ian (the second largest insured loss from a hurricane in history).

Despite the underwriting items noted above we are pleased to have produced an underwriting profit with a 93.6% net combined ratio. I believe it is a measure of how far this business has come that we have been able to produce a good underwriting outturn while absorbing unexpected developments. It is a clear sign that the remedial work in recent years has left the business on a firmer footing.

Premiums and Rate

In 2022, our gross written premiums were $2,338m with net earned premium of $1,787m. This is growth of 5.3% and 7.6%, respectively, on the prior year. Strong and profitable growth was again recorded by our US and APAC businesses, as discussed in more detail in our underwriting review.

During the year we saw firm pricing conditions continuing in most of our markets and positive overall rate movements of 6.5% were ahead of our planning assumptions. Rate changes have contributed to the growth of our gross written premium, although we have also taken the opportunity to further refine our underwriting stance in several lines of business where our robust underwriting criteria was not met. While these actions have reduced the headline growth rate to some extent, they better position our overall portfolio composition for future profitability.

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Catastrophe Losses

Natural catastrophe losses have again produced a material negative drag on 2022 results as well as the prior five-year period. Taken as a whole, catastrophe losses added 9.4% to our loss ratio, exceeding our planning assumption.

We incurred losses on two historically large events, the floods in Eastern Australia in the first quarter and Hurricane Ian in the third quarter. Ian was a particularly large and destructive category 4 hurricane which caused widespread damage across western Cuba and the southeast United States, especially in the states of Florida and South Carolina. Our best estimate currently assumes a net loss after reinsurance and reinstatement premiums of $92m.

Market conditions for reinsurance and retrocession of natural catastrophe are clearly undergoing a radical, and arguably overdue, transformation. A detailed analysis of our natural catastrophe exposure highlights how we have materially shrunk our net exposure over the past five years. For 2023, we are seeking to better optimise the size and gross composition of our exposure and to identify the optimal outwards reinsurance position to achieve volatility control and capital preservation while at the same time retain as much margin as possible. Despite a well-publicised and challenging January renewal season, we were delighted to place all of our outwards reinsurance programmes on time and on target.

Non-Catastrophe Claims

Our attritional (non cat) loss ratio improvement has continued its steady and positive evolution from the 55.5% recorded in 2019. We recorded a non-cat loss ratio of 44.3% which is consistent with the 2021 level of 44.3%, this was despite absorbing the losses from the war in Ukraine and a claims inflation provision. The underlying attritional ratios, across most of our lines of business, continued to improve, demonstrating a very healthy portfolio and reflecting a number of years of positive rate development together with the positive actions we have taken to remediate underperforming lines of business.

Throughout 2022 we have seen positive underlying actual versus expected losses earn through across multiple classes including Political Risk, Sabotage & Terrorism, Casualty and Cyber. While much of this has been seen in our 2022 results, it is a positive indicator for the trend on underlying performance going into 2023.

We have again seen positive prior year development of $91m (2021: $58m) in the year, providing a 5.3% benefit to our net combined ratio.

Chief Financial Officer's Statement

Gavin Phillips – Group CFO

Inflation

Inflation spiked upward during 2022, with loss cost inflation components reacting differently across geographic and class of business boundaries. This led to a complex situation in assessing loss cost trends going forward with a wide envelope of possible outcomes. The base level effect and other macro-factors would suggest inflation rates will fall over the coming years, nevertheless the compounding impact is substantial.

Fortunately, we are well protected against adverse deviation by the substantial reserves covered by the loss portfolio transfer executed in 2021. In addition, our claims reserving process incorporates timely reserve updates, which means that we do not suffer any lag in booking reserve changes. Nevertheless, the reality is that for some older years of account still on our balance sheet we determined that there was a risk of negative inflationary impacts in our claim reserves. We booked a $24m reserve for claims inflation during 2022 and will continue to reflect information as it emerges. We expect inflation to continue to create challenges, but loss cost trends are carefully monitored by our underwriting, claims and actuarial teams and we believe that we are adequately assessing inflationary trends in our pricing.

Expenses

At a Group level, our operating and administrative expenses (excluding commissions and foreign exchange) were $254m which was an increase of $36m over 2021. There were some substantial 'one-off' expenditures relating to business transformation initiatives that were described earlier in our CEO's report. These initiatives will position our business more strongly going forward and cost control remains of paramount importance within the Group. While it can be expected that costs may rise further in the short-term as we execute our growth initiatives and as the effects of inflation emerge, we expect our expense ratio to begin to fall in the coming years as we execute our growth plans and as certain business investment costs fall away.

Investments

We recorded a negative $79.6m investment return for the year (2021: $14.9m positive return), as the worsening inflation outlook manifested in central bank rate rises and higher forward expectations. Unrealised losses were the primary driver of the negative total return, driven by the mark-to-market accounting treatment, and it is expected they will begin to unwind positively into 2023 as our bonds pull to par. The unwinding of these unrealised bond losses (pull to par) and the increase in interest rates should be positive for future income yields.

Foreign Exchange

2022 has seen material volatility in the foreign exchange markets, mainly in the widespread strengthening of the US dollar against most major global currencies. In addition, we have seen some excess weakening of pounds sterling over the course of the year on the back of the UK government's responses to economic challenges.

While our revenues are predominantly in US dollars, a large proportion of our expenses are in pounds sterling. This should be to our benefit when the US dollar strengthens, however, we hedge a sizeable proportion of our expense base and so the benefit tends to be deferred. We expect most of the benefit of preferential US dollar translation rate for 2022 to be felt in 2023.

“ These initiatives will position our business more strongly going forward and cost control remains of paramount importance within the Group.

Balance Sheet Strength

Despite the negative impact of the loss for the year, our balance sheet remains strong. We closed the year with a tangible net asset value of $1,027m, slightly down on the previous year (2021: $1,093m).

The vast majority of our capital requirement is driven by the Economic Capital Assessment ('ECA') at Lloyd's, which itself is set by Lloyd's as 135% of the ultimate solvency capital requirement ('uSCR'). The uSCR takes account of one year's new business in full, attaching to the next underwriting year, and the risks over the lifetime of the liabilities assessed at a 1:200 confidence level (99.5% percentile). The capital requirement of our US balance sheet business is assessed against the US Risk Based Capital ('RBC') requirements and our Bermuda business is assessed against the Bermuda Solvency Capital Requirement ('BSCR').

Our total economic capital resources, which include our Letters of Credit, remain comfortable against our capital requirements. Despite the small deterioration of our net asset value, our surplus capital position remains strong at 21% of our capital requirement (2021: 23%). Our subsidiaries in the US and Bermuda remain well capitalised against their local capital requirements.

The strength of the balance sheet is underpinned by robust reserving processes and a well-resourced and skilled actuarial team. We recorded positive prior year developments across 2022 and our overall margin over best estimate reserves has risen during the year to nearly 5% over and above our management best estimate.

In terms of liquidity, our Treasury team's focus in 2022 was on managing liquidity without the need to sell long-term assets that might require us to realise some unrealised losses. In 2023 we are required to make payments against the loss portfolio transfer executed in 2021 and so liquidity management remains a key focus.

The Group remained defensively positioned with 90% (2021: 93%) of invested assets comprising cash and core fixed income securities. We again experienced no credit defaults in our core fixed income portfolio. All of the aforementioned core assets are investment grade, while the total portfolio duration is now 1.4 years (2021: 1.0 years) so as to broadly match the sensitivity of assets

Chief Financial Officer's Statement

Gavin Phillips – Group CFO

> "We are seeing plenty of opportunities to build our business further in areas where we have existing expertise and a proven track record in risk selection.

and liabilities to future interest rate movements.

In January 2023 we were delighted to have the Group's A- (excellent) rating affirmed by A.M. Best, albeit that, along with many in the industry, we were placed on a negative outlook reflecting the unfavourable financial and market trends relative to A.M. Best's view of capital adequacy. Our Lloyd's underwriting continues to benefit from the very strong Lloyd's rating and the change in the A.M. Best outlook will not have a material impact on how we do business.

IFRS 17

2023 heralds the implementation of IFRS 17, the new accounting standard for insurance contracts. A substantial volume of work was completed during 2022 to achieve readiness for application of this standard. While the financial statements and disclosures will be quite different, the underlying economics of the business do not change. Further information on the expected impact of IFRS 17 is provided in note 2.4 to the financial statements.

Outlook

We navigated a challenging 2022 and our business is in good health. Our overall Group profitability was not where we wanted it to be, but we are encouraged by further underlying improvements in attritional loss ratios and substantial progress towards our Group goals.

Market participants, in both Lloyd's business and in US commercial lines, are reporting that rate changes are moderating, but that they continue to show attractive pricing dynamics in most classes. Given the current levels of political, economic and inflationary pressures, together with good market disciplines and higher reinsurance rates, we expect the rate momentum seen in recent years to continue.

We are looking forward with optimism, with clear ownership and accountability of profitability and growth targets across the business, and considerably more confidence in our execution capabilities. We are seeing plenty of opportunities to build our business further in areas where we have existing expertise and a proven track record in risk selection. We believe the critical point is that we can reach our goals without needing to rely on a strong economy or further hardening in market conditions.

Gavin Phillips

Gavin Phillips
Group CFO

> "We are looking forward with optimism, with clear ownership and accountability of profitability and growth targets across the business, and considerably more confidence in our execution capabilities.

2022 Underwriting Review

Lisa Davis – Interim Group Chief Underwriting Officer

Introduction

2022 was an exciting year for Underwriting at Canopius; some might even call it transformative. Over the past several years, we have been busy establishing our underwriting capabilities in the UK, US, Bermuda and Asia Pacific. 2022 marked the formal set up of three empowered Business Units (UK, US and Bermuda, and APAC) and the establishment of a Global underwriting product structure (Short Tail, Reinsurance, Casualty, and Specialty) to strengthen our approach to growth. The formation of this Global Underwriting product structure combined with our ability to write business through our three underwriting companies including our Lloyd's syndicate, our US E&S Company and our Bermuda based insurance company as well as our strategic partnership with Samsung Fire & Marine led to $2,338m in GWP for the year (2021: $2,220m) and sets us up for significantly more profitable growth in 2023.

Additionally, our net loss ratio improved to 53.7% (2021: 57.4%) despite the challenges within the market of the Russia/Ukraine war and Hurricane Ian.

Our results for Q4 2022 were the best quarterly results in Canopius' history, and we are taking that momentum into 2023.

I'm excited to have our four Global Product Leaders and three Regional CUOs talk about the tremendous efforts undertaken this year and how they led to the 2022 underwriting result.

Product/Region – We Work Together

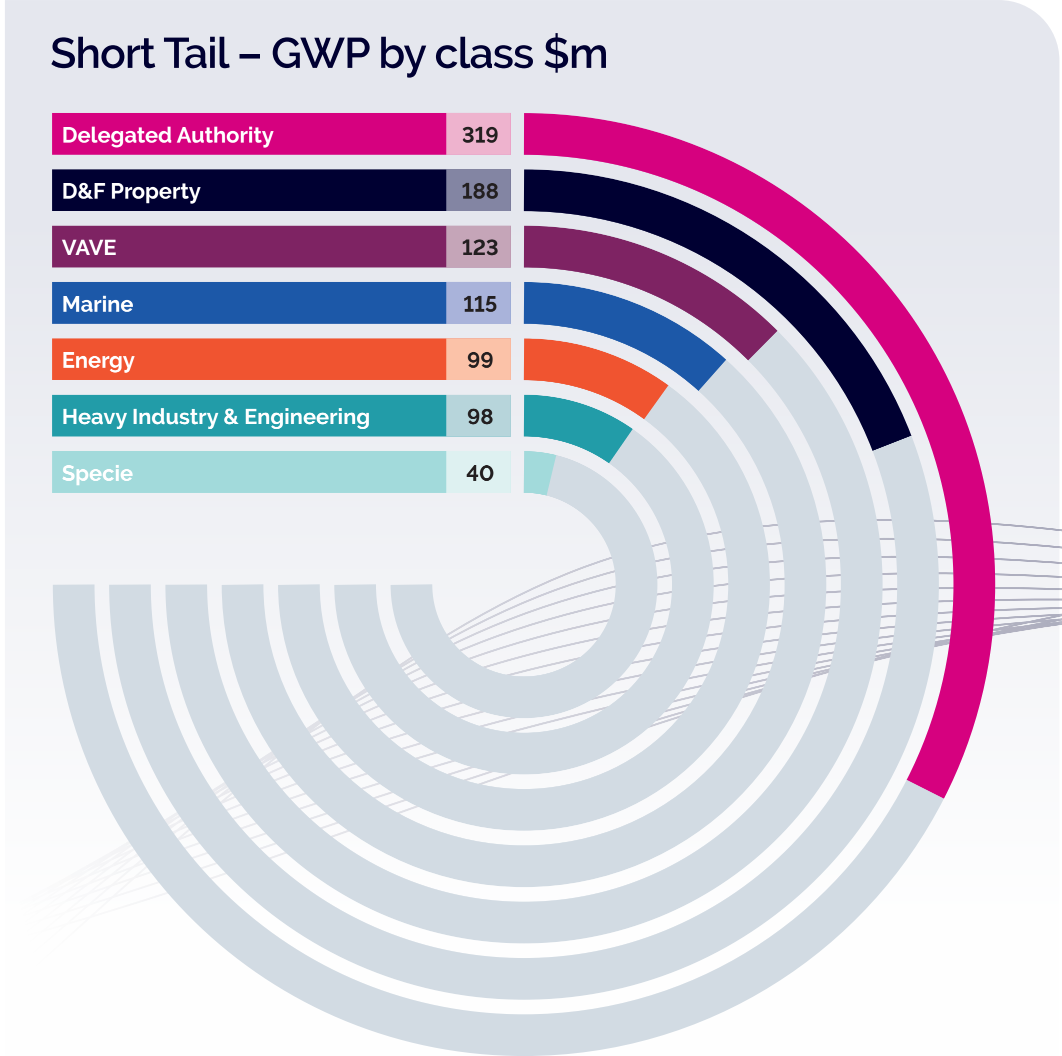
Canopius is an underwriting-led organisation. The overarching strategy governing our underwriting model is based on collaboration between the Group Product Lines and Business Units to deliver Canopius' ambitious growth aspirations and profitably. The Group Product Line and Business Unit structure enhances Canopius' identity as a distinctive technical underwriting led (re) insurer, with technical underwriting and performance at the heart of the organisation. It enables different geographies to drive growth, develop operational capabilities and build distribution, and empowers employees with entrepreneurial drive, while sharing a set of values and standards that keep Canopius together as a Group. Canopius' Group Product Line Leaders and Business Unit Chief Underwriting Officers are all charged with the longer term vision of how we optimise products and regions to their greatest potential. Canopius' Group Product Line Leaders have a specific responsibility for conception and delivery of their product plans and likewise each of the Business Unit Chief Underwriting Officers is responsible for conception delivery of their regional components. In our underwriting model we ensure there is balance between management on a product versus business unit basis through close collaboration between individuals, empowered decision making and local execution. This ensures we are agile and responsive to local needs, whilst still offering a consistent underwriting appetite and strategy for all our products across the different Business Units.

Global Product Line Highlights [1]

Short Tail

The Short Tail division is Canopius' largest by premium volume and encompasses our underwriting in Direct and Facultative Property, Delegated Facilities, Heavy Industry and Engineering, Marine, Energy and Specie classes. We write these products across our three geographies and are continually seeking opportunities to expand our reach beyond the traditional Lloyd's offerings using our offices in APAC and the US. In addition, our algorithmic digital property underwriting platform, VAVE, forms an important and future focused part of this portfolio.

1 Amounts quoted by product and region (including comparatives) are for 100% of managed syndicate capacity rather than the Group's share as that reflects the way Canopius manages its business units.



Gross written premiums for the year grew by 1% to $982m (2021: $972m). Growth was driven to a large extent by premium rates, which increased by 6.7% across the division. In particular robust increases were achieved in the Property and Marine classes of business on the back of many years of greater than expected natural catastrophes and the war in Ukraine, as well as Heavy Industry and Engineering as a result of limited capacity in Canada and Australia. For several years we have been reducing the natural catastrophe exposure within the portfolio, both by reducing the amount of exposure written, and by growing in diversifying lines.

We continued this in 2022, by further reducing exposure on North American binders. Consequently, despite strong rate improvements, our overall portfolio in short tail showed only a modest growth in premium, but nevertheless sets our business on a more certain and progressive path to stronger profitability.

Notwithstanding significant loss activity in 2022 we are pleased to report a net combined ratio for the division of 93.5% (2021: 84.7%). Hurricane Ian losses were substantial and our overall catastrophe losses were slightly above planned. We also incurred losses on market facilities that we had exited but which were still in run-off. The war in Ukraine impacted the marine book through incurred losses on trapped vessels unable to proceed through the war zone. However, some vessels have been able to depart under the UN grain corridor and we remain optimistic that our gross loss could reduce significantly if this continues. That we can weather major events and

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still return underwriting profit, demonstrates the strength of this portfolio and our team's skilled risk selection.

Reinsurance

We underwrite a worldwide portfolio of Property, Marine, Casualty and Specialty business out of the London, Bermuda and Singapore offices. Capacity is provided via Syndicate 4444 and Canopius Re in Bermuda.

Throughout the year we saw improved pricing conditions and a hardening market in property reinsurance, and this was compounded by Hurricane Ian. We continued with our strategy of reducing our exposure to the increasing frequency of these events, while focusing on the deployment of reduced limits and increasing attachment points of programs. We also continue to see a positive rating environment in Casualty and increasing our gross written premiums aided by offering a choice of carriers.

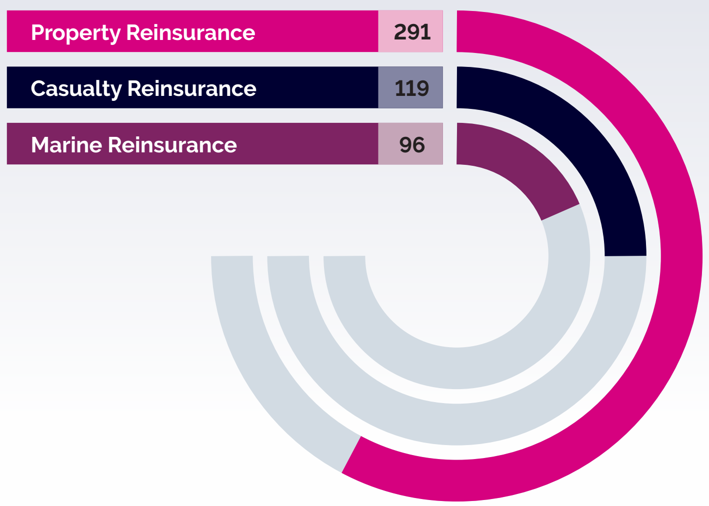
Across the reinsurance product line rates were up 7.4% in 2022 and as a result of these positive conditions we achieved growth of 25.2% in gross written premium to $506m (2021: $404m). We believe the upturn in market conditions will continue to support growth in profitability, and we are optimistic for 2023.

The overall combined ratio for 2022 was 113.0% (2021: 450.0%) against the backdrop of a very active year for both man-made and natural catastrophe losses. In September, Hurricane Ian came on-shore in Florida and resulted in significant losses. A sizeable flooding event in Australia, flooding in South Africa and hail losses in France also contributed to the natural catastrophe loss burden. In addition, the War in Ukraine created significant potential for man-made Marine, Hull and Aviation losses.

Casualty

The casualty portfolio is written across our three geographies with offices in London, New York, Chicago, Sydney and a new Melbourne office which opened in Q1 2023. London currently writes Financial and Professional

Reinsurance – GWP by class $m



> "We underwrite a world-wide portfolio of Property, Marine, Casualty and Specialty business out of the London, Bermuda and Singapore offices. Capacity is provided via Syndicate 4444 and Canopius Re in Bermuda.

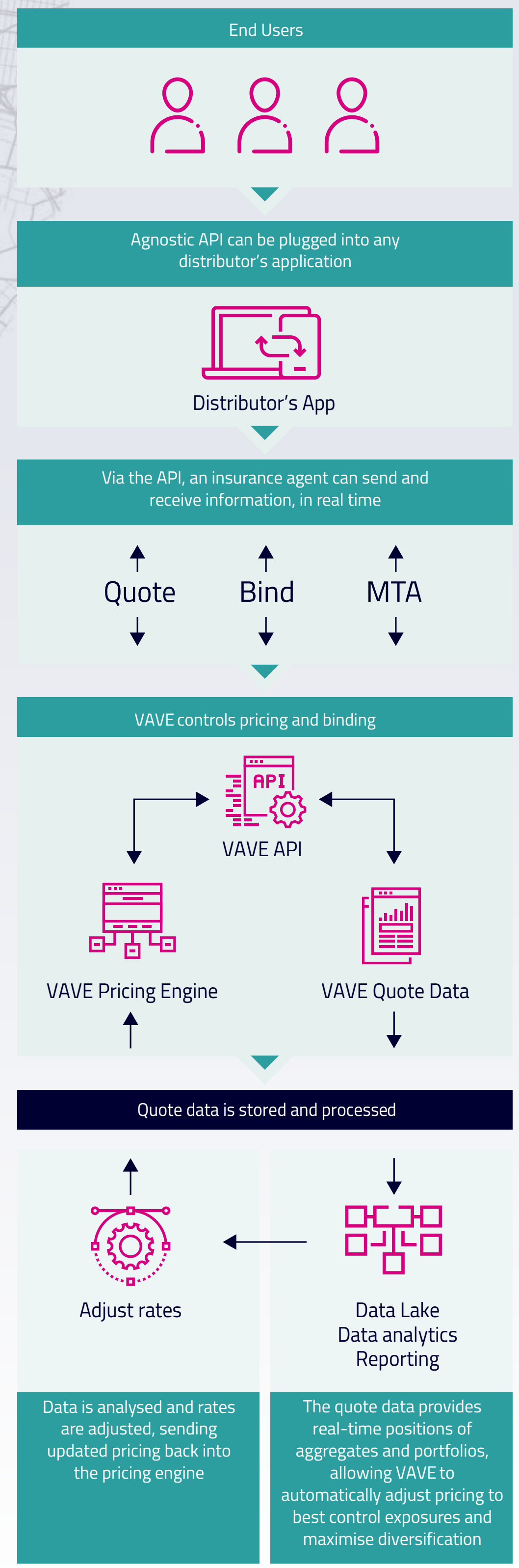
VAVE

VAVE is an algorithmic, non-subscription underwriter in the US Excess and Surplus Lines ('E&S') market, focusing on the property sub-sector and, in particular, high volume but complex personal and commercial property insurance in the United States (e.g. homeowners' insurance in disaster prone jurisdictions).

VAVE uses Application Programming Interfaces ('API'), mechanisms that enable software components to communicate with each other using a set of definitions or protocols. The APIs connect the company and its distributors and allow for near instant pricing and portfolio management at the point of sale. This allows VAVE to have full control of the risk lifecycle and unparalleled market insight.

The strategy is data-led and draws on the entire historical exposure and loss experience of Canopius as well as capturing all data elements obtained through the quote process. Combining these data elements and drawing on hundreds of third-party sources allows a constantly iterative live pricing model. The complete data set constantly evolves and grows in value, with VAVE retaining every data point for future use.

2022 was VAVE's fourth year of underwriting and it achieved gross written premium of $123m. VAVE will underwrite three products for 2023: US Homeowners; US Commercial Property; and US Flood.



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liability, Professional Indemnity and US General Liability, New York and Chicago write Management and Professional lines, and Sydney writes General Liability.

The London based portfolio is generally mature with clearly defined risk appetites that mitigate volatility in our results. On the other hand, the US and Australian books are growing through the acquisition of top underwriting talent and this enables us to diversify the portfolio across products, industries, distribution channels, and geographies. We are excited to be entering the Bermuda Professional Lines marketplace during 2023, offering our partners and insureds a choice of access point to Canopius' management and professional lines solutions.

In 2022 we wrote $237m of gross premium (2021: $258m) and we expect to expand the product offerings across all jurisdictions in the next 12 months. Despite negative pricing pressure in some lines along with the geopolitical and macro-economic environment, the global casualty segment generated significantly favourable underwriting margins while positively contributing to the overall Group's performance, resulting in a combined ratio of 73.7% (2021: 71.3%).

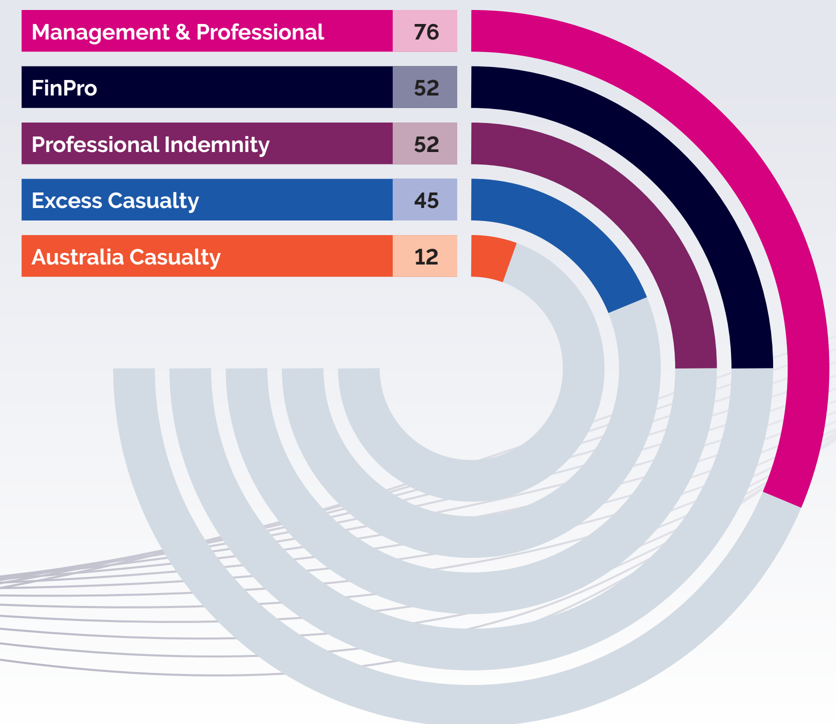
Specialty

Within the Specialty division we write a diverse range of risks including Credit, Political & Crisis, Accident & Health, Cyber, Specialist Consumer Products and Space.

In 2022 we marginally grew gross written premium to $657m (2021: $654m) but achieved a combined ratio of 83.2% (2021: 92.9%). Premium rates increased by 9.4% in 2022, largely driven by the Cyber and Credit, Political and Crisis classes of business.

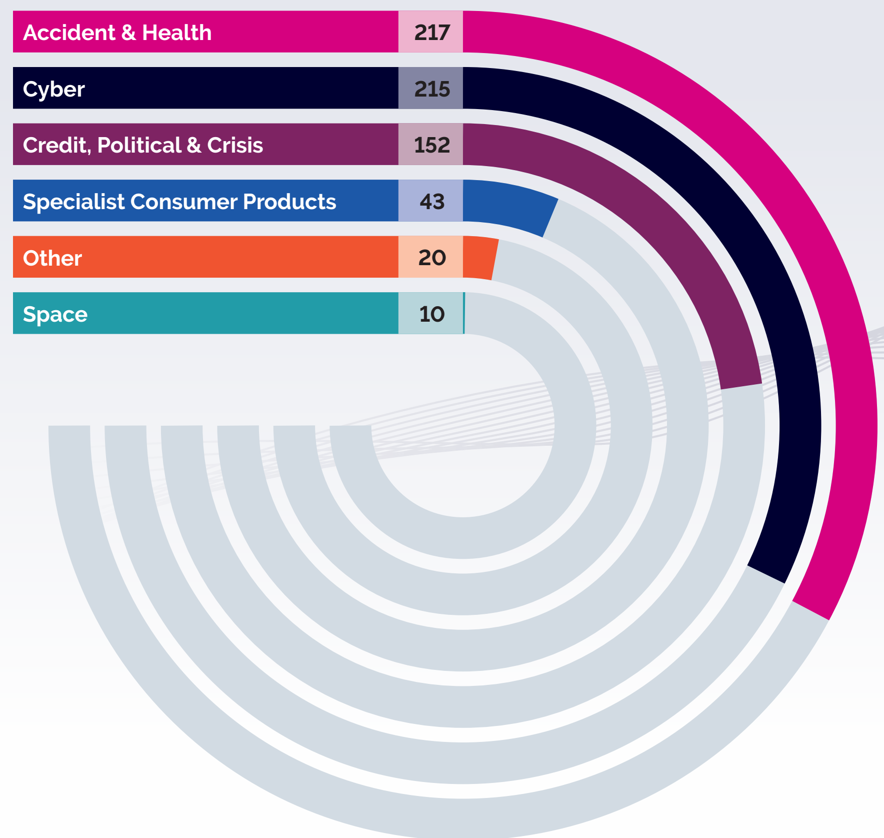
Accident & Health is the largest line of business within the Specialty division, contributing $217m of gross written premium in 2022. We are one of the largest players in Lloyd's and remain a strong top quartile performer in a crowded space. We also write one of the largest proportions of non-Lloyd's inwards excess of loss reinsurance portfolios, which sets us apart from many of our peer group and gives us a reach beyond the usual Lloyd's book.

Casualty – GWP by class $m



> "
> **In 2022 we wrote $237m of gross premium and we expect to expand the product offerings across all jurisdictions in the next 12 months.**

Specialty – GWP by class $m



2022 saw major changes across the market for Credit, Political and Crisis line of business particularly due to the outbreak of war in Ukraine. This resulted in some losses across our portfolio, but gave rise to consistent rate hardening as the year developed with increased opportunity to restrict terms and conditions and reduce overall exposures whilst still achieving material rate increases overall. We expect an increasingly favourable market environment for 2023.

We write Cyber and Technology E&O business through our London and US offices. This class of business has shown managed, sustainable year on year growth since its initial inception in 2013, achieving gross written premiums of $215m in 2022 (2021: $168m). With significant year on year rate increases and buoyant trading conditions, the Cyber division has been able to deliver premium growth whilst reducing overall exposure. The foundations for further profitable growth were put in place during 2022 with the establishment of our Cyber Insights & Analytics function, underscoring a mandate to exploit data, influence strategic underwriting decisions and increase capital returns. A further advancement is the launch of an in-house incident response service which will be deployed in early 2023, augmenting our existing claims function and saving third party costs.

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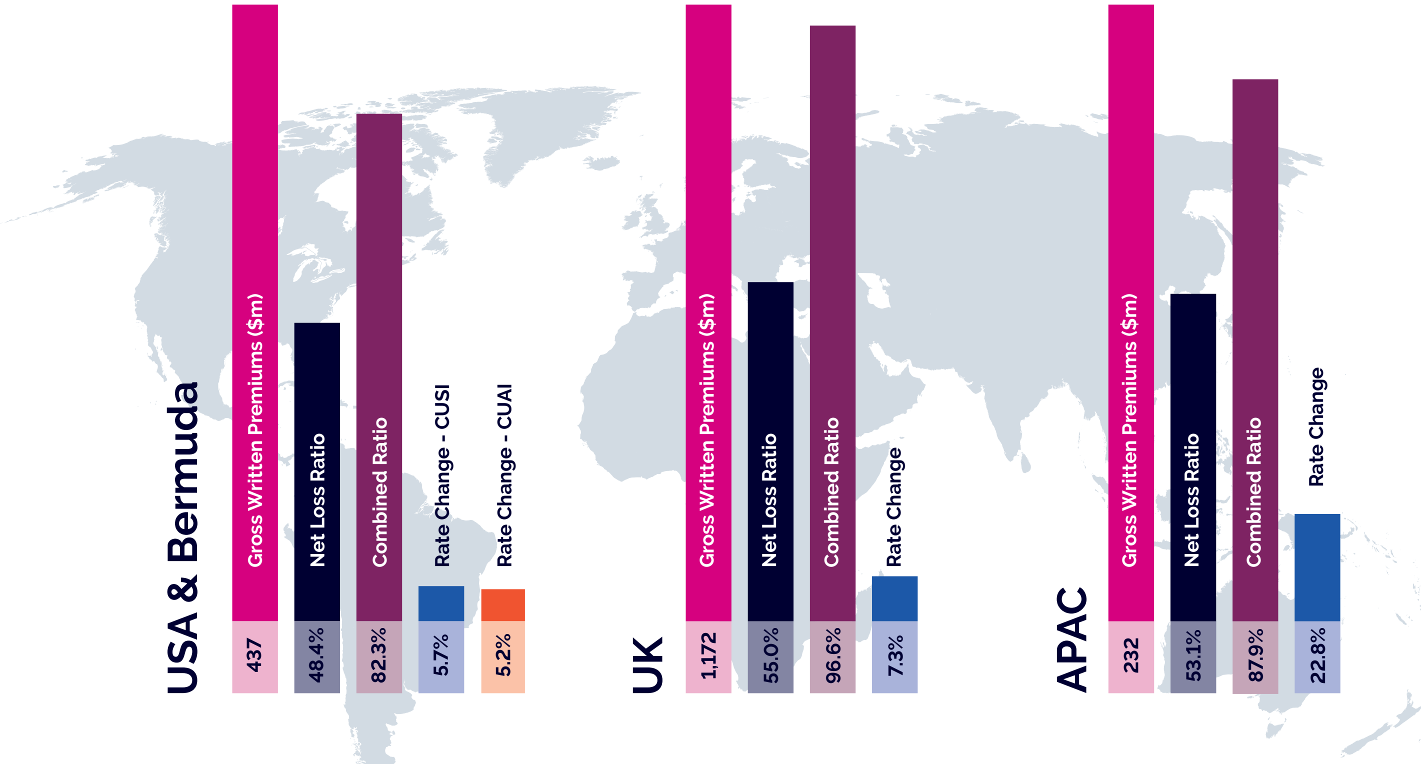


Regional Business Unit Highlights

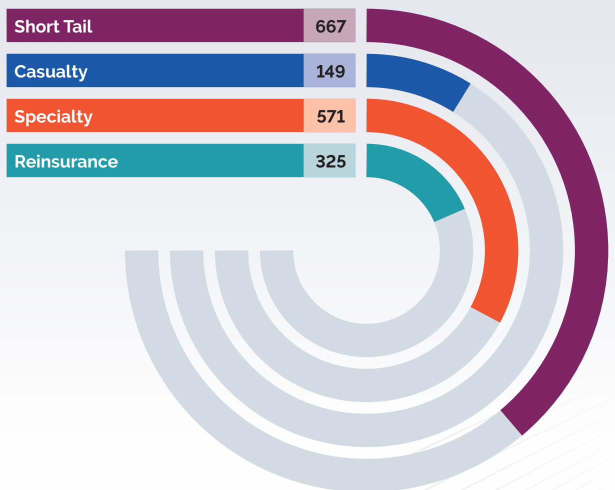
UK

The UK is our largest and most mature region, underwriting through our Lloyd's Syndicate 4444. The portfolio is highly diversified across all four of our global products, with Short-tail and Specialty being the largest.

Gross written premiums of $1.712m were flat year on year. While highly positive rate increases were achieved (7.3% on average) we continued to show strong underwriting disciplines and refinement of our risk appetite in certain areas to increase overall portfolio profitability.

The claims experience in 2022 can be categorized as challenging as a result of losses on Hurricane Ian and other natural catastrophe events such as flooding in Australia and South Africa, as well as losses from the war in Ukraine. Nevertheless, the strength of our portfolio continued to show through and for 2022 the London business unit achieved an improved combined ratio of 96.6% (2021: 97.5%).

UK – GWP by product $m



> **Total gross written premiums for the year increased 8.7% to $437m (2021: $402m) despite withdrawing from some business that did not meet our profitability expectations.**

US & Bermuda

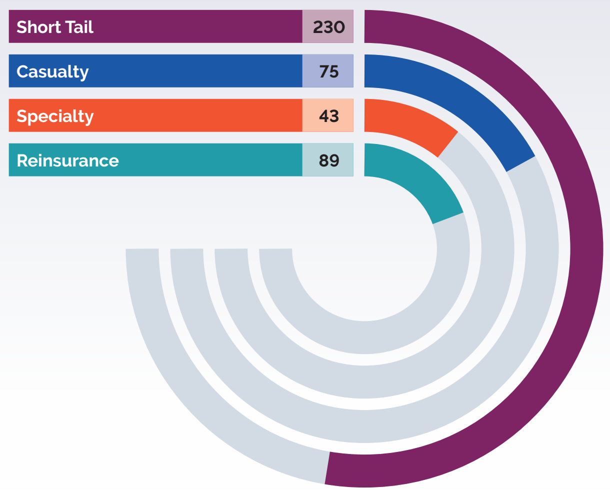
The US & Bermuda business unit is based in New York, Chicago and Bermuda.

The business unit has a key strategic advantage of being able to provide a choice of insurance carriers and this allows us to access multiple distribution channels and offer our clients the best possible solutions. It can write business into the balance sheet of Syndicate 4444 (UK), Canopius US Insurance Inc. (USA), Canopius Reinsurance Limited (Bermuda) and can also access the admitted market in the US through our partnership with Samsung Fire & Marine Insurance.

The US & Bermuda writes business across all of our global product categories, with Short-tail being the largest division. Following on from strong growth over the last three years, the business unit is expected to again grow significantly in 2023 with the biggest opportunities anticipated in Casualty and Specialty.

Total gross written premiums for the year increased 8.7% to $437m (2021: $402m) despite withdrawing from some business that did not meet our profitability expectations and some softening of the rate environment in management and professional lines. The

US & Bermuda – GWP by product $m



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US & Bermuda was our most profitable business unit in 2022 with a combined ratio of 82.3% (2021: 99.5%).

APAC

The APAC business unit operates out of Singapore, Shanghai, Melbourne and Sydney and continues to consistently perform favourably, compared to the Lloyds Asia platform. It provides a competitive product offering in a growing marketplace and following on from strong growth in recent years, further premium growth of 22.8% led to total gross written premium for the year of $232m (2021: $189m). We continue to drive increased scale in product and distribution across the region and expect further strong growth to emerge in 2023.

Continued underwriting discipline and diversification across our four product divisions delivered a healthy result for 2022. Despite being impacted by flooding in Australia and other regional natural catastrophes APAC achieved a combined ratio of 87.9% (2021: 77.7%).

Future Focus – Investment in Growth

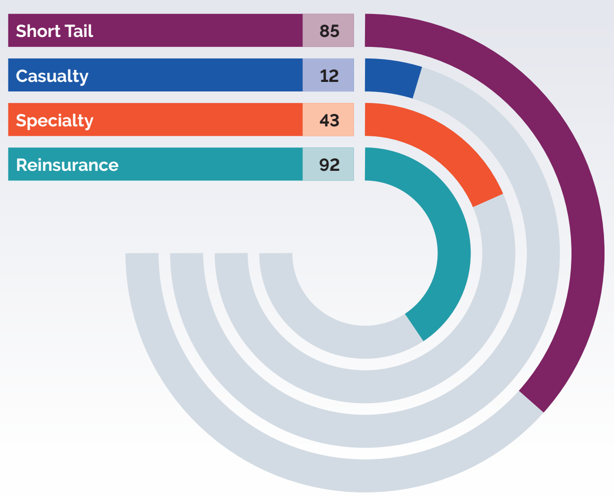
Although we are very pleased with the performance of our underwriting in 2022, we are even more excited about what 2023 brings to our portfolio and would like to share some of our plans for growth in 2023.

The UK is a mature market and growth is expected to be muted relative to other regions. However, we expect healthy growth through a combination of exposure growth in selected lines and rate improvement. Our core focus is on maintaining profitability through robust pricing and strict cost control.

In the US & Bermuda we have developed a flexible and versatile market-offering with a value proposition across four lines of admitted and surplus lines writing papers, multiple distribution channels, and diversified 1st and 3rd-party products in a broad range of industries. While growth is expected across most lines and classes, the most significant developments are expected to be:

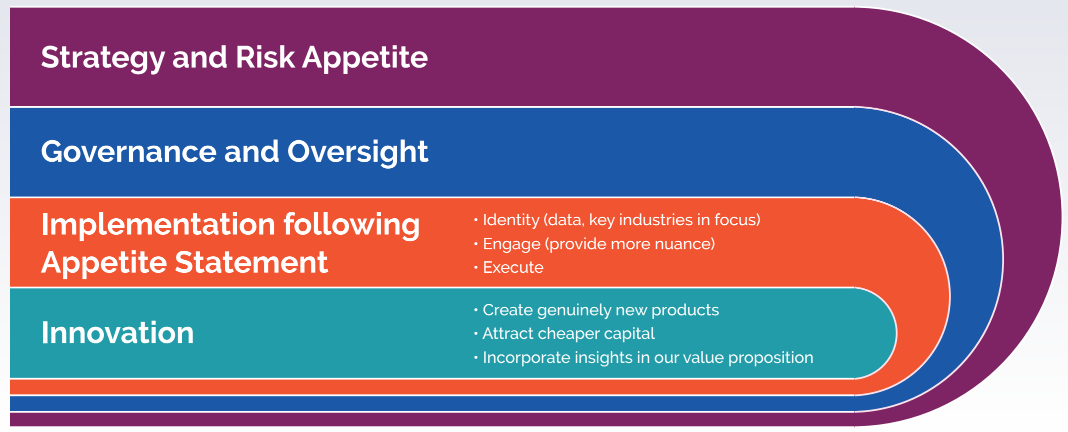
- Expansion in our wholesale distribution channel, particularly in non-cat driven property
- Growth of our motor business through the addition of admitted paper, expansion of our distribution, and broader coverage options

APAC – GWP by Product $m



"APAC is a region that has significant structural growth opportunities and one where we believe we have key competitive strengths. We envisage this region continuing to deliver double-digit growth rates as we continue to expand our product and distribution offerings.

Canopius ESG Underwriting Framework



- Growth in cyber through expanded partnerships, including digital distribution, new service and claims capabilities, and leverage of our increased scale to increase limits and reduce attachment points
- Growth in Casualty, particularly in management and professional lines with expansion of our footprint with an underwriting team in Bermuda, new admitted and surplus lines coverages, increased capacity, and lower attachment points

We head into 2023 with a profitable portfolio, significant momentum, headroom for growth, and an enhanced value proposition to help our partners grow and our customers better navigate an increasingly complex and risky landscape.

APAC is a region that has significant structural growth opportunities and one where we believe we have key competitive strengths. We envisage this region continuing to deliver double-digit growth rates as we continue to expand our product and distribution offerings.

Future Focus – Responsible Underwriting

In 2022, we laid foundations for sustainability to take a new dimension in our Underwriting activities and began to recognize existing sustainability focused initiatives in a more structured manner. As Climate change and sustainability are evolving domains, we recognize that the science, the data and the solutions are less mature than some of the more traditional risks and trends underwriting teams typically deal with. As a result, we approach sustainability in a considered manner, combining research, project management and technical partnerships.

Our approach has been a combination of quantitative analysis (where possible) and consideration of qualitative information for our assessment of underwriting risks, now embedded within the realms of the new framework. Our strategy is to focus on two main themes:

- Defining a high-level Sustainable Underwriting strategy and a corresponding framework, led by a Responsible Underwriting working group; and
- The development of a Climate Change framework, led by our Catastrophe modelling team.

We aim to make climate considerations and sustainability an integral part of risk selection embedded at the pre-bind stage. We are partnering with Moody's analytics to develop a series of ESG ratings to inform

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> **Digital innovation and enhancing product distribution are at the heart of Canopius' strategy, underpinned by strong underwriting and claims expertise. Canopius strives for digital innovation across products, processes and people.**

our underwriting process. We are also excited to have kicked-off a number of other initiatives, from building awareness among our colleagues, collaborating with our clients and ensuring we are represented in ESG related Lloyd's Market Association forums and ClimateWise.

Future Focus – Digital and Underwriting Innovation

Digital innovation and enhancing product distribution are at the heart of Canopius' strategy, underpinned by strong underwriting and claims expertise. Canopius strives for digital innovation across products, processes and people. Following Canopius' success with VAVE, Canopius established the Canopius Digital Product (CDP) division in 2022, where talented original thinkers flourish, and channel creativity towards meeting real customer needs and turning smart ideas into cutting-edge insurance solutions.

For instance, in its first year of operating, CDP has gained excellent traction in developing a new marine war product revolutionising the writing of marine war and breach call risks. The innovative platform will be launched in the first part of 2023 and provide instant quotes for breach calls, where vessels enter high risk areas excluded from their annual protection. The new trading platform will transform the placement of such cover, which is traditionally a time-consuming process.

Lisa Davis
Interim Group Chief Underwriting Officer

> **Canopius has created an environment with the establishment of the Canopius Digital Product (CDP) division in 2022, where talented original thinkers flourish, and channel creativity towards meeting real customer needs: turning smart ideas into cutting-edge insurance solutions.**

Data Strategy

Kate Roy – Operating Officer & Interim UK CEO

Our data strategy prioritises the use of automation, analytics, real-time data enhancement and digitally-enabled operations.

Using data in an integrated way across all of our business functions forms a core part of our growth strategy. Unlocking our ability to capture data efficiently, particularly at early underwriting stages, and carry that data through to making claims decisions and beyond will enable us to be more agile, more efficient, and more data-driven in our decision making. Transformational work in this sphere represents a significant workstream undertaken by the Canopius Leadership Team throughout 2022.

Our data strategy prioritises the use of automation, analytics, real-time data enhancement and digitally-enabled operations. With significant progress already made in the planning, design and implementation of our data strategy, the platform we are building provides the foundation upon which we will deliver wider business initiatives, such as the development of new digital products described in the underwriting review. In time, we envision that up to 80% of the classes of business we underwrite will incorporate some method of digitisation. As our business scales, our increased focus on digital capabilities will enhance our agility, by allowing us to plug new solutions into our data and adapt to new classes of business more easily.

The core components of our data strategy include:

- **Delivering improved data architecture, including a cloud-based data platform, data models and a new data warehouse;**
- **Implementing a data governance framework, including establishing data owners, a glossary and catalogue to improve data understanding across the business;**
- **Establishing a new centralised data science capability, leveraging tools such as Power BI and analytics to enable self-service analytical capabilities;**
- **Creating a Data Centre of Excellence to establish data as a partner to the business in order to support key decision making.**

Commensurate with the value technology and data will add to our offering across the globe, we launched a dedicated Canopius Tech & Data Hub in Manchester, UK. The Hub, which began operating in 2022, will ensure that we are developing the best possible solutions within the data and technology sphere, while also supporting our strategic goals to become a 'future-focused' business. Additionally, the Hub's establishment will result in the creation of several new technology-focused roles at Canopius.

These new tools and resources will continue to go-live for use by the business throughout 2023, thus enabling the delivery of Canopius' longer-term, overall commercial goals.

People, Talent & Wellbeing

Barbara Turner – Chief HR Officer

We are proud of the winning, employee-led culture we have built, which gives our people the space to flourish as individuals and bring their whole selves to work. We firmly believe this culture is key to building a business which delivers profitable, sustainable results from which we can all benefit, and a place where talented colleagues want to work.

Central and Regional Leadership

At the beginning of 2022, we set out on an all-encompassing strategic planning process to redefine our leadership structure and better support local decision-making. We now have a regional executive committee in each of our regional business units – UK, US & Bermuda, and APAC – which are overseen by the Group Leadership Team. For our people, this new regional structure comprises empowered business units, which overlays functional expertise with a regional lens. Under this new framework, our in-market experts have the autonomy to make the right commercial decisions for their respective business units, while remaining aligned with Group goals. We will continue to refine this process throughout 2023, and beyond, as our business continues to scale.

Fostering a Strong, Employee-Led Culture

We are committed to fostering a positive and winning culture. In 2022, we invested significant time and effort into defining what makes for a great culture and what makes Canopius a place where people want to work – because having a commercially successful business does not necessarily guarantee an environment where individuals can thrive.

To us, a great culture means being able to be ourselves and embrace individuality; assume responsibility; own outcomes and seize opportunities; prize collaboration; encourage sharp and diverse thinking; and, ultimately, to get good work done.

In 2023, our goal is to build on this work and to deepen our positive culture by introducing a formal structure that will enable every person in the business to achieve their objectives. The changes we are making are built on principles of employee empowerment, accountability, respect, and trust and we can see those behaviours becoming embedded in our daily work. We have created a programme of work that covers our cultural programme, which is founded upon five pillars:

1. **High Performance through clear expectations**
2. **Reinforced mission and purpose**
3. **Strong sense of care for our people**
4. **Sound materials and equipment**
5. **Becoming a leading inclusive employer**

To truly embed these changes requires solid foundations, with effective systems and processes. A central part of our transformation programme, we will continue to strengthen these foundations in 2023 and have plans to introduce a wide range of initiatives, including our brand-new career framework, which will organise roles into job families, outline associated skills, capabilities and career pathways for clarity on development and progression opportunities across the Group so that our people can take charge of their career with us.

Wellbeing and Mental Health Initiatives

Naturally, our people excel in their technical and professional fields, and we are proud our culture enables people to do their jobs well. We also want our people to feel appreciated, supported and nurtured, which is reflected in the extensive wellbeing and mental health programmes that enable employees' whole selves to be taken care of.

We have built a dedicated, 360-degree wellbeing portal that allows employees to select benefits and services, tailored to each business unit, and split into the following categories:

- **Financial**
- **Physical**
- **Psychological**
- **Social**

Mental Health Programme

In 2022 we amplified our global, mental health first aid programme to fully support employees as the world transitioned back to office and hybrid working life after the pandemic. Today, we are pleased to count 25 Mental Health First Aiders (MHFAs) among our global team, who are available for confidential conversations with those struggling with their mental health and wellbeing. Their role is to listen without judgment and signpost to the most appropriate help. Our MHFAs have also run a series of workshops and webinars to support the team, from yoga sessions to lunch away from desks to counselling sessions and fundraising for the charity of the year.

One of the greatest achievements of our People and Talent team was to implement a ground-breaking domestic abuse support policy, led by two of our MHFAs, Rowena Hollins (Claims Adjuster - Specialist Consumer Products, London) and Sam Leigh (PA, London), in their capacity as in-house Domestic Abuse Advisors. The policy has been used as a case study for the Employers' Initiative on Domestic Abuse (EIDA) and generated notable media attention that improves the awareness of domestic abuse and how anyone impacted can find support.

The creation of this policy truly demonstrates our values of kindness and honesty, and the level of trust our employees are able to have in each other. We commend Rowena and Sam, and are prepared to back fully any future schemes which will similarly contribute to our employees' overall wellbeing and mental health.

> **"One of the greatest achievements of our People and Talent team was to implement a ground-breaking domestic abuse support policy.**

People, Talent & Wellbeing

Barbara Turner – Chief HR Officer

Global Employee Engagement Survey

Year on year, we are pleased to see the qualities we believe define our business – responsible, accountable, authentic, honest and kind – reflected in the responses to our annual Global Employee Engagement Survey. But, more importantly, our survey is a highly valuable tool to garner the insights that we use to refocus our actions.

Our survey identifies how different demographics and groups of colleagues across our workforce experience life at Canopius. We are very proud that, on aggregate, the themes are consistent across the different groups.

We want our people to be able to see and feel the difference their feedback can make to our business and community. We have a plan of action to address any engagement gaps, which are the foundations for each of our five cultural programme pillars, that is tracked in real time and available for everyone to access. At least twice a year, we run Pulse surveys to check whether our actions are making the intended difference and, if not, we course-correct.

In our latest global survey we are very proud that our highest scoring areas were wellbeing and inclusion and diversity (I&D), which are often the areas in which businesses have most difficulty scoring highly among employees. This feedback directly from our employees is a testament to our winning culture, which puts people at the heart of our business.

Next Steps For Talent

The future is bright for our people at Canopius. Having invested in better reward and recognition schemes that are linked to our values, this puts the way we perform and behave at the top of the agenda and will create an inclusive collaborative culture where people want to work and can thrive.

New systems, structures and processes will give us the tools to be our best, with the support of the right people. We are poised for scalable growth across all of our business regions, which will generate new opportunities for existing talent and will require us to make fresh hires, bringing on board new skills and experiences and creating even more diverse and innovative teams.

Our new career framework will create clear pathways for progression and open new development opportunities for our people to grow within Canopius. We are working to foster an environment where individuals have clarity and accountability to take ownership of their own careers, with full support from management as we are committed to developing our own internal talent first.

We are already beginning to see the results from our strategic planning process. Empowered individuals identify new initiatives every day to seize opportunities in the market and put them forward for consideration at the highest levels – we counted 177 plausible new initiatives from our existing team in 2022, demonstrating the entrepreneurship that Canopius is home to, and which will help our business to grow. This new framework encourages ownership and collaboration across teams, allows people to develop new skills through a blend of e-learning and on the job learning, and to own their results in real time. All these actions form a key part of our winning culture and the behaviours that have resulted from our strategic planning process will be embedded into how we do things at Canopius for the long haul.

Inclusion & Diversity

Samina Zaman – Head of I&D

As we strive for best practice, it goes without saying that we have more work to do. We will continue to enhance and improve our I&D Network governance to establish global goals, while allowing for regional differences.

Introduction to I&D

Becoming a more diverse and inclusive organisation was one of our focuses in 2022. We know it is our people who enable us to do better and more innovative business, as the numbers have proven time and again. External research indicates that strong corporate diversity and inclusion practices lead to increased engagement, stronger and more resilient financial performance, and reduced turnover of staff. But most importantly, maintaining a culture that enables each one of our team members to bring their whole, authentic selves to work is the right thing to do.

We know we can only achieve this through a workforce that is diverse across a range of lenses – including, but not limited to, gender, ethnicity, age, socio-economic background, faith, and sexual orientation. We are striving to build a team that is representative of the communities in which we operate globally, at all levels of our business. Therefore, as part of our Group-wide strategic planning and transformation process in 2022, we put in place a new regional structure that will allow us to attract and enable an even more diverse talent pool to realise their full potential.

However, we understand that diversity is just one piece of the puzzle. Creating an inclusive culture, where employees feel valued and that their contributions are being heard, is also key. We are committed to progressing our vital I&D workstream and we are working to put a range of strategies in place.

Our I&D Strategy

In 2022, we focused on weaving our I&D commitments into our organisational transformation programme, which has been borne out in the People and Talent workstream mentioned in the previous section of this report.

Going forward in 2023 and beyond, we will continue to take a strategic approach to I&D. Our approach is underpinned by the following long-term objectives, against which we will hold ourselves accountable and measure the progress we are making.

I&D Objectives

To ensure everyone at Canopius feels an equal sense of belonging and has the ability to be their authentic selves.

To improve diversity representation among our general workforce, with a focus on senior management.

To embed I&D best practice, including the promotion of inclusive values and a positive workplace culture.

> "We will continue to work with our peers to support industry-wide initiatives, so that we can play our part in building inclusive marketplaces in each of the geographies where we operate.

Our I&D Action Plan

We began 2022 with the launch of our first ever I&D action plan, consisting of 44 actions underpinned by six core commitments. By December 2022, 32 out of those 44 actions were either completed or on track, with a further 11 now in progress. The remaining one action from 2022 has been rolled into our action plan for 2023.

One of our core commitments was to improve our census declaration rates, which we achieved through regular communications and a successful Data Week, where we encouraged employees to check and update their HR records. We were pleased to report our census declaration rates averaged to just under 70% in September 2022, up from 65% earlier in the year, which is the highest response we have received to date.

Improved data quality means we have been able to establish our first I&D data dashboard to help us make evidence-based decisions, monitor, understand, and address key issues.

As part of our transformation process which began last year, we seized the opportunity to improve the diversity of our Group Leadership Team, which we are pleased to report is now gender balanced (5 male and 5 female at the time of writing). However, we recognise that we must do more to improve the ethnic diversity of the Leadership Team and Board of Directors.

We have also set ourselves gender and ethnicity targets at multiple levels across the business, which we monitor closely. We are pleased to see improved representation through enhanced inclusive recruitment practices, but we know we still have work to do. The targets we set have been incorporated into our risk register to improve transparency and Group-wide accountability for them, which we continue to uphold and measure against.

A key part of our I&D programme is to ensure that our Leadership Team plays a pivotal role in modelling inclusive leadership values and behaviours. Over the course of the last year, the Leadership Team have supported a number of I&D initiatives, including participating in a workshop on inclusive leadership by EW Group founder Jane Farrell. The session was well received and concluded with 12 personal actions, upon which each of the team continues to follow up at Leadership Team meetings. From mentoring employees, to endorsing the internship and apprenticeship programmes to actively participating in the Gender Pay Gap Lunch and Learn and other I&D events.

At an industry level, we were pleased to score above the market average in last year's annual Market Culture Survey, led by Lloyd's of London. But we also know there is much more work to do, collectively, to build not just an organisation where people want to work, but a sector in which they feel valued and a part of, too. That is why we have signed commitments such as the Women in Finance Charter and Change the Race Ratio pledge. We will continue to work with our peers to support industry-wide initiatives, so that we can play our part in building inclusive marketplaces in each of the geographies where we operate.

Inclusion & Diversity

Samina Zaman – Head of I&D

Our Employee-Led Approach

Our SIGs and regional committees continue to enthusiastically champion I&D and raise awareness of key issues that matter to our staff. These teams delivered a range of engagement activities throughout 2022 to mark key I&D dates across the year, including, but not limited to, International Women's Day, Black History Month, Movember, Pride, Neurodiversity Week, Inclusion Week and many more. We will continue to work closely with our SIG and regional staff groups to help identify what we need to improve at Canopius, and will take actionable steps based on our feedback from our employees around the world.

We joined the Business Disability Forum who helped us improve the digital accessibility of our website and supported the development of our new workplace adjustments policy. We are also proud to have a domestic abuse policy, which was developed by two of our own team in their capacity of Mental Health First Aiders. These initiatives are just two examples of how diverse voices through our I&D Network have helped to create meaningful change.

We also partnered with The Brokerage, a social mobility charity that helps connect young people from a low-socio economic backgrounds with organisations like ours. Through workshops, micro-mentoring and bootcamps we reached more than 150 young people, of which 46% were eligible for free school meals, 49% were female, and 95% were from ethnic minority backgrounds. Over the past two years we have also enhanced our apprenticeship and internship programme offerings. Last year, we attracted more than 130 expressions of interest, from which we recruited for seven entry level jobs and four summer interns.

Investing in our diverse talent is a priority for us, which is why we sponsored four successful nominations to the Lloyd's Advance and Accelerate Leadership programmes, in addition to developing and launching our own internal talent development programmes aimed at women and ethnic minority employees, too. Today, we have 11 employees from Black, Asian and ethnic minority backgrounds in the UK and US participating in our Excel Leadership Development Programme. A further 18 female employees are participating in the ISC Group Aspiring and Emerging membership programmes.

Another of our I&D commitments is to build a community of allies, which is why we worked with the EW Group to carry out an audit on the I&D resources we offer internally. We used insights from this to develop tailored I&D workshop-based training for 155 people managers. We will roll out our first ever I&D e-modules in 2023 for all staff too. In the meantime, we have developed a one-stop shop for key resources on our company intranet, which shares further guidance, podcasts and articles on various I&D topics, which any of our employees can access with ease.

Looking Forward

As we strive for best practice, it goes without saying that we have more work to do. We will continue to enhance and improve our I&D Network governance to establish global goals, while allowing for regional differences. Plans are underway to better embed action into business as usual for everyone at Canopius, not just at the most senior levels, as we believe that each employee has a responsibility for fostering a culture of inclusion.

We know that despite setting targets to improve representation, we are not where we want to be in terms of ethnic diversity at senior levels and other areas of diversity. We have begun work to undertake ethnicity pay gap reporting and gender pay gap reporting beyond the UK, accounting for our global offices too, which will help improve how we understand where issues exist and what positive actions we can take.

Plans are already underway to ensure we are considering I&D through the lens of our customers and business clients, too. As I&D is intrinsically linked to responsible procurement through our ESG commitments, we hope to do more in this space as part of our evolving ESG programme. Overall, we are proud of the strides we made in 2022 to progress our I&D programme. We stand by our commitments to improve our business and will continue to measure our progress against them. We look forward to implementing our plans for positive change, to build an even more inclusive environment where our team can continue to thrive.

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Overall, we are proud of the strides we made in 2022 to progress our I&D programme. We stand by our commitments to improve our business and will continue to measure our progress against them. We look forward to implementing our plans for positive change, to build an even more inclusive environment where our team can continue to thrive.

Environmental, Social & Governance

Adhiraj Maitra – Group Head of Sustainability

ESG forms part of the core of the Group's goals and ambitions. Our approach to Environmental, Social and Governance and how we evolve it is a key part of this.

Overview – Transforming Our Business For The Better

The theme of this year's annual report is transformation and our approach to Environmental, Social and Governance (ESG) and how we evolve it is a key part of this. As we move into 2023, our ambition is to grow a sustainable business in areas where we have or can have a distinction or competitive advantage that is driven by empowered and accountable people and underpinned by digital innovation and analytical expertise.

ESG forms part of the core of the Group's goals and ambitions. We recognize both the internal and external challenges we will face in this ever-changing landscape, as we consciously embed and adapt ESG into our responsible business practices and policy.

Our mission is to be a profitable international Specialty and P&C (re)insurer, taking an approach to growing a sustainable business in areas where we have, or can have distinction or competitive advantage. We seek to be an organisation driven by empowered and accountable people, underpinned by digital innovation and analytical expertise, supporting people, community, business and environmental resilience.

Canopius is committed to driving positive change within the financial sector through various activities including embedding sustainability into our business strategy and decision making. We are also committed to maintaining a diverse and representative workforce underpinned by transparent and robust governance processes.

This year, we established a global dedicated team led by our new Group Head of Sustainability to deliver on our Board approved sustainability strategy and to spearhead a number of Group initiatives focused on awareness, innovation and growth in Underwriting, Investments and Operations. These initiatives are already beginning to bear fruit and will form part of a more comprehensive long-term approach across each of our business units.

As a Group, we are committed to embedding ESG considerations in different parts of our business, including risk management. We have clearly defined climate risk appetite statements and continue to develop metrics to monitor against these as we adapt, respond to, and deepen our knowledge of the changing landscape. Additionally, we are partnering with Moody's analytics to develop ESG ratings to inform our underwriting process.

In order to fully align our underwriting and Group sustainability strategies, we are expanding our capability to deliver with excellence by recruiting for a Head of Responsible Underwriting. This will ensure cohesion across the business and empower our underwriters with better data and tools to drive informed decision-making.

Governance

We operate a robust governance model and ultimate responsibility for business decisions resides with the Group Board, as explained in the Governance statement within this report.

The complexities of ESG are wide-ranging and require a holistic, collaborative, and flexible approach across our business to achieve our goals and ambitions. This governance structure has evolved, over the last 12 months, at different levels of the organisation to facilitate an all-encompassing outlook to our sustainability.

- This is demonstrated in the setting up of the ESG committee, with a majority of independent Non-Executive Directors as members, to provide strategic direction on sustainability for the Group. (Given the importance of sustainability, we are considering re-naming this committee the ESS committee).
- The Responsible Underwriting Working Group, meanwhile, has a more focussed responsibility to develop and oversee our Responsible Underwriting Framework.
- The flexibility of our governance process allows us to also form working groups for execution of specific tasks. The ClimateWise working group was set up in 2022, with membership from different teams across the organisation, for a successful submission of our first ClimateWise report. The group will continue to meet in 2023 for the next iteration of the report.

Climate Risk Management

Risk taking is at the heart of what we do and our continued success stems from our specialist knowledge and skills to not only understand, assess and manage risks, but to seek better opportunities for growth while serving our customers better. In addition, Canopius prides itself on its regulatory stewardship and commitment to keeping abreast of the transforming climate risk landscape.

To ensure we match the pace of regulatory transformation, Canopius has developed a Group-wide climate risk framework enabling us to assess our climate risk related uncertainties in underwriting. We remain diligent in tracking and reporting on our action plan that was developed against the requirements of PRA SS3/19 (climate risk management) in 2021. Following the latest 'Dear CEO' letter in October 2022, Canopius will focus on demonstrating levels of compliance and embeddedness of climate risks in the areas of governance, risk management, scenario analysis and data.

To further support the work on managing the financial risks of climate change, we became a member of ClimateWise at the end of 2021 as we prepare to make voluntary TCFD aligned disclosures.

Climate risk management is evolving and our practices and frameworks need to remain flexible in order to meet the expectations of key stakeholders, keep in line with our peers and industry, and adhere to further changes in laws and regulations.

Responsible Business – Investments, Underwriting and Operations

Investments

We approach investments with a long-term view and are aware of the importance of stewardship and sustainability alongside integration of ESG factors into our governance structure. We therefore continue to proactively engage with our existing external investment managers to better understand how climate-related risks are assessed and can confirm our application of the UK Stewardship Code.

Underwriting

Our approach to underwriting is to write business in a way that is profitable and sustainable in the face of changes such as climate, and other ESG risk exposures. We have undertaken key initiatives in order to support these strategic approaches to underwriting, which include:

- Ongoing development of a climate change framework and extensive model validation and research of the impacts of climate change led by our catastrophe modelling team; and
- A high-level Responsible Underwriting strategy has been defined along with a corresponding Responsible Business Framework, led by the Responsible Underwriting working group.
- Partnership with Moody's ESG Underwriting solution, leveraging RMS ExposureIQ, to support the integration of ESG risk assessment into our underwriting framework.
- Communicating our underwriting approach and restrictions to thermal coal, oil sands and Arctic exploration.

Environmental, Social & Governance

Adhiraj Maitra – Group Head of Sustainability

Responsible Business – Investments, Underwriting and Operations

Procurement

We have implemented robust and pragmatic governance processes to support our outsourcing and supply chain arrangements. Canopius takes a risk-based approach to due diligence, control monitoring and has a system of classifying all new, existing, and non-material third party arrangements based on risk/criticality and materiality. To further support this, our automated due diligence process includes ESG-related questions aligned to the UN Global Compact Strategy and allows us to produce meaningful MI on all our suppliers.

Emissions

In 2022, Canopius Group determined an initial baseline of our emissions. With this insight, we are now better informed to develop achievable mitigation plans for our operations. We will continue to review our emissions on a Group-wide basis, considering both our office spaces around the world and our travel and consumption requirements.

People & Culture

Canopius strives to create a flexible workplace supported by our values and rooted in a positive, winning culture. To support our ambitions for people and culture, we have a dedicated Group Head of Inclusion and Diversity and provide a number of special interest groups and well-being programmes led by passionate Canopius team members, who are empowered to make a difference in the workplace and community. It is important that all our staff feel engaged with, and part of, our progress towards our ESG goals.

CSR Connected

Canopius wants to ensure that our Corporate Social Responsibility programme works in lockstep with our wider ESG ambitions. To achieve this, and to better connect every part of the business with our local communities, we have launched 'CSR Connected', a programme that works with stakeholders across Underwriting, HR, Facilities and Marketing/ Communications to identify areas where we are already, or can, make an impact upon local or global communities.

CSR Connected will ask colleagues to assess existing practices, partnerships and activities across areas such as corporate hospitality, merchandising, employee engagement and wellbeing and ask where we can increase community engagement. This will be in addition to our existing initiatives in our global charity programme.

Part of the CSR Connected plan also includes a robust charitable giving programme that seeks to engage our employees and worthy charities. Through CSR Connected, we hope to maximise donations, engagement and volunteering opportunities in all of our office locations while aligning with Group-level ESG ambition and strategy.

“Our commitment to sustainability is reflected in our responsible business strategy, operations, and culture. We believe that by integrating ESG considerations into our decision-making, we can create long-term value for our stakeholders and contribute to a more sustainable future for all.

Stakeholder Engagement

Listening, supporting and constant dialogue will maintain open and effective relationships with our stakeholders.

Shareholders

Canopius highly values the views of its shareholders and maintains open and transparent communication channels with them. This dialogue and ensuring their ongoing support is critical to the success of our business. Our shareholders afford us the ability to plan for the long term, which has been central to our transformation programme this year. They provide us with financial support and security and we keep them informed with detailed financial information on a quarterly basis, in addition to our annual report, providing more in-depth insights into our business. Feedback from shareholders is provided to the CGL Board.

Employees

Our employees are essential to the success of the Group and the achievement of our goals. We are building a resilient and sustainable organisation which can support growth and that relies on a motivated and engaged team. The transformation programme on which we have embarked over the past year has our people at its core.

We communicate key messages with our people through regular Town Hall meetings. We use periodic Information and Consultation Forums to obtain regular feedback from employees and discuss topics in-depth. Detailed employee feedback is obtained using employee engagement surveys, which are conducted on average once per year.

More information on our People and the initiatives we run can be found in the People and Talent section of this report.

Customers and Clients

Our customers are at the heart of everything we do. We listen to their needs and ensure these are reflected in the products we offer and the distribution channels we make available. This has been fundamental in identifying important growth opportunities and the development of digital tools that enable customers to transact efficiently with Canopius. Our claims service is the most visible point of contact for our customers and clients and when they have experienced a loss, we aim to pay valid claims without any unnecessary delay. We are also evolving our product suite to reflect the changing needs of our customer base and make the best use of technology to improve the speed of decision making. This is a key rationale for the growth of our digital product suite. Ensuring that our clients and partners are kept up to date with the developments at Canopius, from new products to new hires and office openings is also an ongoing and key consideration. We endeavour to keep our stakeholders informed through a calendar of external announcements via our own and external channels including the insurance trade and wider media.

Regulators

The Group, and more significantly its regulated subsidiaries, engage throughout the year with regulators in all jurisdictions. Maintaining open and effective relationships with our regulators is vitally important to our business and indeed any regulated business. Our Directors and senior management have regular meetings and a two-way dialogue with our key regulators throughout the year. We value the relationships which we have forged which ensure we can meet their expectations around compliance and transparency and retain alignment. For Canopius it is crucial that we maintain a thorough understanding of their regulatory objectives and how they pertain to our business. Conversely, we want to ensure that our regulator audiences have a strong understanding of our business, our strategy and our risk appetites. Finally, we take efforts to ensure that our compliance approach and controls are aligned with the objectives of this stakeholder. The Group and all of its regulated subsidiaries satisfied all of their reporting obligations during 2022.

> “Canopius highly values the views of its shareholders and maintains open and transparent communication channels with them. This dialogue and ensuring their ongoing support is critical to the success of our business.

Risk Management

Three Lines of Defence

Over the past 12 months our risk function, much like many other aspects of the business, has been evolving to ensure its ongoing effectiveness given changes to our operating model designed to support strategic growth ambitions. Suffice to say it has been a busy time for our expanding team.

We recognise the critical importance of having effective, strong and robust risk management and governance systems in place as we continue to grow. We must be able to make decisions with our eyes open, informed by data at every juncture. Our new operating model requires a risk function that is sufficiently robust in each of our three business units, to enable the level of profitable growth we are targeting in the coming years. One which maintains the level of rigour and oversight that has underpinned our business to date. We are very pleased with the progress that has been made over the past year. We now have a global risk function, capable of scaling locally in our target markets and each of our business units has the requisite skills and expertise to empower their growth. This local autonomy is balanced by a clear Group-wide approach.

The Board of Directors approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. Our risk management approach is consistent across the Group with adaptations where necessary for local requirements or proportionality. Policies define the Group's identification of risk and consider, amongst other things, the appropriate quality and diversification of assets, alignment of our underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. Our primary objective is to maximise returns while ensuring ongoing financial soundness through appropriate risk taking and governance. Our risk appetite is determined with consideration of our philosophy towards risk taking and our financial and operational capacity, while at the same time recognising the need to generate returns on capital that are in line with shareholder requirements.

Our risk management function has clear terms of reference from the Board of Directors, its committees and executive management committees. We supplement Board-level oversight with a clear organisational structure which documents authorities and responsibilities from the Board of Directors to executive management groups and senior managers.

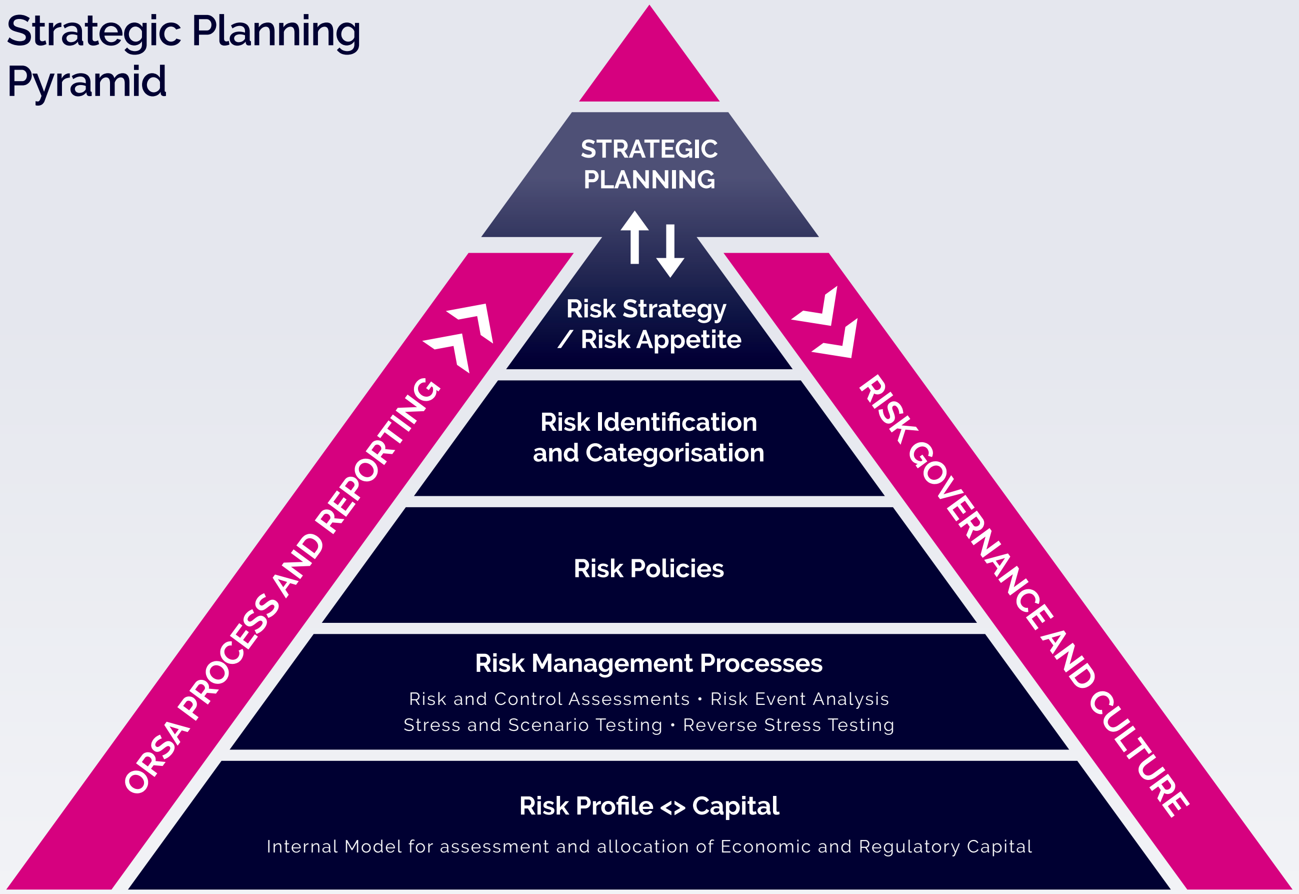
We operate a 'three lines of defence' risk governance model. The Board is accountable for ensuring effective management and control of risk. Our first line of defence has the direct responsibility for management and control of risk. This includes everyone involved in day-to-day risk taking, such as all underwriting and operational functions. Our second line of defence is our risk and compliance functions providing oversight and challenge to the risk-taking business. The third line of defence is internal audit which reviews business and oversight functions to provide independent assurance.

The Group systematically identifies, measures and manages risk across the Group with reporting which escalates through the organisational structure with quarterly reporting for Group and entity Boards. CMA and CGL Risk Committees are in place to assist the respective Board's in risk oversight. Risk committee members are all independent Non-Executive Directors.

At Canopius, we have built a positive risk culture that's about finding the right balance between entrepreneurialism and having a sufficient level of rigour and formality to identify and manage risk pragmatically, whilst always keeping our eyes on stakeholder management.

The operations of the Group are subject to regulatory requirements within the jurisdictions in which they operate. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseeable liabilities as they arise. The Group's capital management policy is to hold sufficient capital to cover the statutory requirements, including any additional amounts required by regulators.

Strategic Planning Pyramid



> "At Canopius, we have built a positive risk culture that's about finding the right balance between entrepreneurialism and having a sufficient level of rigour and formality to identify and manage risk pragmatically, whilst always keeping our eyes on stakeholder management.

Governance

Corporate Governance in Canopius

This year saw the evolution of our corporate governance framework (the 'framework') to support and complement the new organisational structure with enhanced oversight and consideration of best practices, informed by the UK Corporate Governance Code.

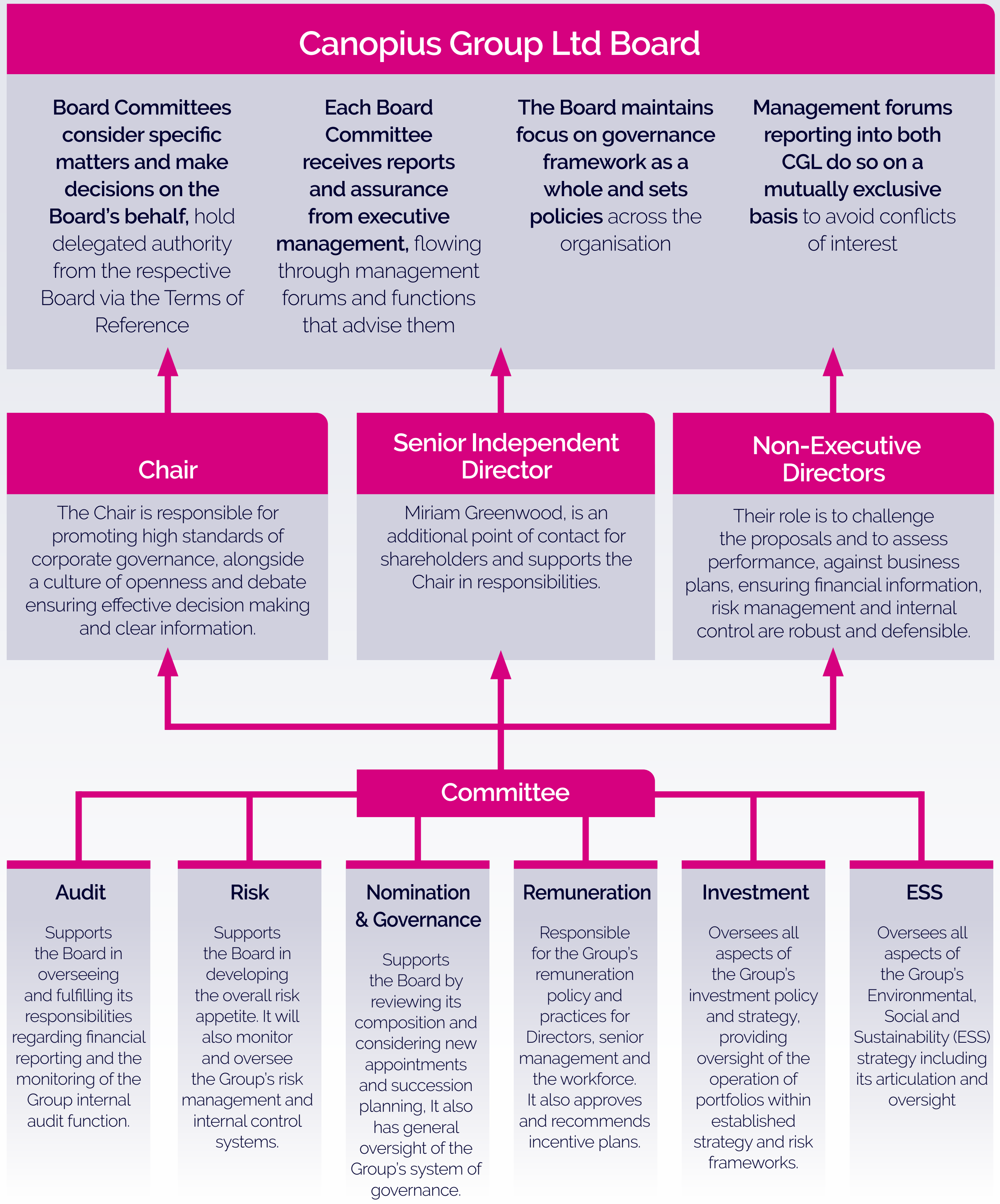
The enhanced framework was a key part of the Groups transformation initiatives in 2022. The governance team worked closely with the Board through a specially formed Board Sub-Committee with agreed Terms of Reference. The Governance Transformation Committee was active through 2022 and concluded in January 2023, following which the Board approved the new framework to ensure responsibility for decision-making was clear within the Group's matrix model.

The Board formalised its commitment to high standards through a clear corporate governance policy statement:

'The Governance affairs of the Canopius Group shall be conducted in accordance with good governance practice, guided by principles contained in the UK Corporate Governance Code 2018. The application of such arrangement to the Board and each of its operating entity subsidiaries shall have regard and be proportionate to the nature, scale and complexity of the operations of each entity.'

The governance framework secures three objectives. Firstly, to build a best-in-class framework and approach where management is clear and robust and where conflicts are anticipated and avoided. Secondly, to ensure we can fully implement and utilise our new operating model. The model is a significant development in how our business is run and its success sets us up for the future. Third, to set new consistent standards for execution. The rigour being applied to our governance must be maintained and we have set ourselves a clear benchmark to sustain focus.

Governance Framework



Governance

Our Corporate Governance Journey

Board and Committee Composition and Attendance at Scheduled Meetings

Board Member	Board	Audit Committee	Risk Committee	Investments Committee
Non-Executive Directors				
Michael Watson (Chairman)	6/6			4/4
Paul Meader	6/6			4/4 (Chair)
Miriam Greenwood	6/6			
Ian Owen	6/6	4/4	4/4	
Peter Hazell	6/6	4/4 (Chair)	4/4	
Paul Ceurvorst	6/6	4/4	4/4 (Chair)	
Executive Directors				
Neil Robertson	6/6			
Gavin Phillips	5/6			4/4
Michael Duffy*	6/6			

**Michael Duffy resigned as a Director of CGL on 31 December 2022*

Governance Framework

Role of the Board

The Board is responsible for promoting the long-term sustainability of the Group in a manner that seeks to generate value for shareholders while taking account of the interests of its stakeholders, the impact on the environment, and its contribution to the wider society.

The Board's role is to oversee and provide direction and guidance to the Group's Chief Executive Officer in managing the affairs of the Group to meet its purpose and strategy in alignment with its values. There is a clear process for decision-making and a designated forum for challenge and debate. Other key activities include overseeing risk appetite, risk management, and compliance with all applicable laws, and regulation, guided by the UK Corporate Governance Code. The Board approves the Canopius Group's long-term objectives, annual business plan, as well as its purpose, values, and strategy. The Terms of Reference and matters reserved were updated as part of the Governance Transformation Committee remit.

Board Composition, Succession and Evaluation

Board members have clear responsibilities, underpinned by transparent, well-informed and balanced decision-making and appropriate onward delegations to effectively deliver the Group's purpose, values and strategy. The Board has delegated a number of its responsibilities to its Audit and Risk Committees as well as a new Nominations and Governance Committee, Remuneration Committee and Environmental, Social & Governance Committee. Existing Committees operate within established written terms of reference and new terms of reference are currently being prepared for new committees. Each Committee Chair reports directly to the Board.

The new Nominations and Governance Committee is responsible for reviewing the composition of the Board and wider succession plans to ensure we have access to the necessary, diverse skills and experience. The committee is also responsible for assessing the Group corporate governance framework.

The Board has committed to carry out a skills assessment in 2023 and an externally facilitated board effectiveness review in 2024 to ensure that skills and experience on the Board are fit for purpose.

Chair

The Chair is responsible for the leadership and effectiveness of the Board including the conduct of Board meetings. They are tasked with promoting high standards of corporate governance, alongside a culture of openness and debate ensuring effective decision-making and the provision of timely, accurate and clear information.

The Chair also sets clear objectives with the Group CEO and Leadership Team, reviewing the overall management performance of the company and senior management. This is also an ambassadorial role, wherein they participate in engagement effective communication with the Company's stakeholders.

Senior Independent Director

In January, one of the Board's existing Non-Executive Directors, Mirriam Greenwood was appointed as the Group's Senior Independent Director. Our Senior Independent Director is responsible for reviewing the Chair's performance in conjunction with the other Non-Executive Directors, supports the Chair in fulfilling his responsibilities and serves as an additional point of contact for stakeholders.

> “The Board is responsible for promoting the long-term sustainability of the Group in a manner that seeks to generate value for shareholders while taking account of the interests of its stakeholders, the impact on the environment, and its contribution to the wider society.

Non-Executive Directors (NEDs)

The role of our NEDs is to challenge the proposals put forward by executive management and to assess performance, against business plans, ensuring that the integrity of financial information and systems of risk management and internal control are robust and defensible. We also want them to provide an objective view to Board discussion.

Each of our NEDs is a member of one or more committees for which they have the skills, knowledge and expertise required to consider topics delegated for in-depth assessment. Each committee is chaired by a NED who has the specialism and experience in the relevant field and with the applicable external stakeholders.

Governance

Our Corporate Governance Journey

Time Commitment

Our NEDs must commit sufficient time to their roles to sufficiently discharge duties. Time expected for each Director is agreed individually in appointment processes and depends on their responsibilities and roles within Board Committees. In addition to attending and contributing to meetings, it is expected that NEDs spend additional time understanding the business and reviewing papers.

Conflicts of Interest

In their ultimate oversight capacity, the Board holds overall accountability for the management of conflicts of interest, while senior management ensures effective management of the conflicts. We recognise that disclosure is key to ensure risks are understood and properly managed. Canopius' Conflict of Interest Policy provides the overarching principles with additional policies to handle internal conflicts of interest, including:

- Anti-Bribery Policy
- Broker Remuneration Policy
- Claims Practice and Procedures Policy
- Conduct Risk Framework & Policy
- Delegated Authority Policy
- Employee Handbook

The refinements we have made to our corporate governance have been immense and the above offers just a snapshot of the changes and enhancements that have been made to ensure we have the necessary structures and processes in place as we scale our business in the years to come.

Leadership Team

Our Group Leadership team are responsible for developing our overall strategy and defining a clear framework within which our new business units in the UK, US and Bermuda, and APAC as well as the product and capabilities can operate. They are tasked with overseeing performance and execution of the business plan for each of the units listed above. It is also incumbent on this group to promote our distinctive and positive culture ensuring that it permeates across our organisation and is retained as we expand.

> “
> **Each member of the LT is responsible for their respective functions or Business Units. Business Unit leads also have their own executive committee for regional management of business.**

Non-Executive Directors

Michael Watson
Chair

Michael is Chairman of Canopius and has over 40 years of experience in commercial and investment banking, trade finance, stock broking and life/non-life insurance within London, New York and Bermuda. He led the original management buy-out of Canopius in 2003 and again in 2018. Michael was CEO of the Group until the end 2021. He previously served as a member of the Council of Lloyd's and on the Board of the Lloyd's Market Association.

Michael is a Chartered Accountant.

Paul Ceurvorst
Independent Non-Executive Director

Paul Ceurvorst has served on the Board of Canopius Group Limited as an Independent Non-Executive Director since 2016 and brings more than four decades of experience to the role. Prior to joining Canopius, Paul was Chief Executive Officer of Gen Re's London market operations, Faraday Reinsurance Co. Limited and Faraday Managing Agents.

Miriam Greenwood
Independent Non-Executive Director

With qualifications as a barrister and in corporate finance, Miriam spent more than 30 years working for a number of leading investment banks and other financial institutions. In previous roles, she served as a Non-Executive Director of the UK energy regulator OFGEM and on the Board of a number of publicly quoted companies and was also a founding partner of SPARK Advisory Partners, an independent corporate advisory business.

Miriam is currently the Chair of SMS plc and Aquila Energy Efficiency Trust, Non-Executive Director of Gulf International Bank UK, Encyclis Holdco Limited and Eclipse Shipping Limited, and an Adviser to the Mayor of London's Energy Efficiency Fund.

A Deputy Lieutenant of the City of Edinburgh, Miriam was awarded an OBE for services to corporate finance in 2000.

The information on this page has been added since the audited financial statements were signed on 28 March 2023.

Governance

Our Corporate Governance Journey

Non-Executive Directors

Peter Hazell
Independent Non-Executive Director

Peter brings a wealth of asset management and insurance sector expertise to Canopius. Following an extensive career at PwC, where he was latterly the firm's Managing Partner in the UK, Peter held a suite of Non-Executive Directorships, including for Brit Insurance and AXA in the UK and Ireland. Peter also formerly served as Non-Executive Director to Smith & Williamson and UK Coal, Chairman of Argent Group and was a member of the Competition Commission and the Natural Environment Research Council.

In addition to Canopius, Peter is currently Non-Executive Director at Architas Group and Chairman of AMMEL, a fund management company.

Peter holds an Honorary Doctorate from the University of Greenwich.

Paul Meader
Independent Non-Executive Director

Paul is an independent Director of investment companies, insurers and investment funds. Until 2012 he was Head of Portfolio Management at Canaccord Genuity and, prior to this, he served as Chief Executive Officer of Corazon Capital and Managing Director of Rothschild private banking. He has over 35 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in investment management and trading.

Paul is a Chartered Fellow of the Chartered Institute for Securities & Investments, a past Commissioner of the Guernsey Financial Services Commission and past Chairman of the Guernsey International Business Association.

Ian Owen
Independent Non-Executive Director

Ian has served as Chair of the Canopius Managing Agents (CMA) Board since 2011. He also currently serves as Independent Non-Executive Director on the CMA Board, the Canopius Group Limited (CGL) Board and is Chair of AllClear Group. Ian formerly chaired Kingsbridge, A-Plan, 7im, Guardian Financial Services and Partnership Assurance. His previous Board roles include Seven Investment Management, Resolution Life Companies, Unum Ltd, Liverpool Victoria, Endsleigh and AA Insurance.

Prior to his non-executive appointments, Ian's 25-year career comprised senior, executive roles at blue chip firms across the insurance industry, including Zurich Financial Services, BAT Financial Services and Eagle Star.

The information on this page has been added since the audited financial statements were signed on 28 March 2023.

Leadership Team

Neil Robertson
Group Chief Executive Officer

Neil was appointed as Group CEO of Canopius in January 2022 having joined the business as Group Deputy CEO in May 2021. Neil leads Canopius in setting and achieving its strategic ambitions, furthering its distinctive approach and delivering enhanced returns for our shareholders, all while creating a culture in which its employees can thrive.

Previously, Neil was CEO of Global Specialty AXA XL where he oversaw a multi-billion-dollar portfolio. He has more than 30 years of insurance experience and his previous roles include Chief Executive of Insurance Underwriting for XL Catlin and seven years as CEO of XL Group's Lloyd's Managing Agency.

Gavin Phillips
Chief Financial Officer

Gavin joined Canopius as Group CFO in January 2022 and holds executive responsibility for Finance, Actuarial, Investments and M&A. He has extensive experience in financial leadership and insurance. Starting as a graduate in Lloyd's, he joined PWC in 1993 and spent almost three decades working with some of their largest global and domestic insurance clients, holding a number of senior roles, most recently as PWC's Regional Financial Services Leader.

Prior to this, Gavin led the insurance and asset management assurance practice, before which he was Head of the Lloyd's and London Market practice. He also served as CFO of Prudential plc's UK life insurance business between 2017 -2019, while on secondment from PWC.

Lindsay Astor
Chief of Staff & Head of Strategy

Lindsay joined Canopius in December 2021 from AXA XL, where she was, most recently, Head of Underwriting Management, UK & Lloyd's, with responsibility for leading a team of business managers, and overseeing the management of underwriting governance and controls for its legal entities.

Lindsay held several other senior positions at the insurer including Chief of Staff, where she reported to Canopius' Chief Executive Officer Neil Robertson when he was CEO of Global Specialty at AXA XL.

Prior to that Lindsay held various senior roles at XL Catlin and was the Head of Business Development and Crisis Management Global from 2015-2018.

The information on this page has been added since the audited financial statements were signed on 28 March 2023.

Leadership Team

Kate Roy
Operating Officer & Interim UK CEO

Kate joined Canopius as Chief Operating Officer in early 2022. She is a highly experienced COO having worked in broker and carrier organisations as well as with outsourced service provider during her 33-year career. She joined from Willis Towers Watson, where she held the role of COO for Great Britain and Willis Ltd. Prior to this, she held senior positions at AIG and Capita Insurance Services.

Kate has a proven track record of leading and delivering complex and transformational operational solutions in business units across multiple geographies. With a strong client-centric approach and focus on efficiency, Kate is also a staunch advocate for technological and digital solutions, as evidenced by her involvement on the PPL Board since the platform's inception.

Barbara Turner
Chief HR Officer

Barbara joined Canopius in 2013 as Group Head of HR. She has over 30 years of HR management experience at major international financial services organisations. She is also a member of the Chartered Institute of Personnel and Development.

Barbara was previously at the Bank of Tokyo Mitsubishi UFJ Ltd where, as Head of HR for the EMEA region, she managed the strategy and delivery of HR for over 1800 employees across 17 locations. She has also held senior HR positions at UBS and ABN AMRO, driving major cultural change.

Sheldon Lacy
Chief Risk & Governance Officer

Sheldon is the Group Chief Risk Officer for Canopius. After graduating with a Master's in Physics Sheldon worked in Banking where he held several quantitative roles on a trading floor, before running the global funding and liquidity analytics for Lloyd's Banking Group Treasury. In 2005 he transitioned into Insurance as Head of Financial Risk for listed insurer RSA responsible for Asset side Capital and Reinsurance Credit risk leading RSA through their Solvency II model validation.

In 2010 he moved into the Specialty P&C Market as Head of Risk for Talbot Underwriting, ultimately building the global ERM team for Bermuda based parent Validus and co-Chairing the LMA CRO Forum before becoming the Chief Risk Officer for ANV where he lead the Risk, Legal and Compliance function through the Lloyd's Solvency II application.

He was more recently Managing Director for AmTrust at Lloyd's and joined the Canopius Group in 2019 as part of the merger.

The information on this page has been added since the audited financial statements were signed on 28 March 2023.

Gabrielle Folliard
Chief Claims Officer

Gabrielle joined Canopius as Group Head of Claims in 2019 and is now Chief Claims Officer, where she leads the global claims team and has overall responsibility for claims strategy at a Group level.

She previously served as Head of Specialty and Financial lines Claims at Markel and is a qualified lawyer with more than 15 years of experience in the insurance industry, having begun her career as a solicitor at CMS, where she spent seven years before joining Beazley as a Claims Manager.

Gabrielle is co-chair of the Canopius Inclusion and Diversity Steering Group and also serves as Deputy Chair of the LMA Claims Committee.

Lisa Davis
CEO of US & Bermuda & Interim Group Chief Underwriting Officer

Lisa joined Canopius as President and Chief Underwriting Officer in September 2020 to build on the strengths of the U.S. operation and Lloyd's syndicate to create a multi-platform approach to serving the U.S. specialty insurance market. She became CEO, U.S. & Bermuda, in February 2022.

Lisa has over 25 years of experience and joined from Sompo America Insurance Services, where she served as Executive Vice President and President of Asian Risk Solutions at Sompo International since 2016. She also worked at Zurich Insurance for 14 years, most recently as Regional Industry Leader – Construction.

Mark Newman
CEO of APAC

Mark joined Canopius in August 2016 as Chief Executive APAC & MENA, with responsibility for the Singapore, Australia and Lloyd's China operations. He began his insurance career broking with Sedgwick in London, before moving to J&H as senior vice president in 1991.

After the company was acquired by Marsh, he became leader of their international property team, followed by various roles he held at Guy Carpenter - first as Head of Faculty Japan and then as Head of Faculty for Guy Carpenter Asia Pacific, before being appointed Chief Operating Officer & Head of Guy Carpenter Faculty Asia Pacific in 2007.

In 2008 Mark moved to the carrier side, being appointed as CEO of Catlin Asia Pacific, based in Singapore. Prior to joining Canopius, Mark served as Head of Asia & Deputy CEO Asia Pacific XL Catlin, having helped both organisations through the integration post merger.

Mark currently also chairs the Asia Pacific & MENA Market Group (AMG), a market elected position, representing all Lloyd's Managing Agencies with a physical presence in APAC & MENA, and is a member of the Canopius Leadership Team.

The information on this page has been added since the audited financial statements were signed on 28 March 2023.

Governance

Our Corporate Governance Journey

Leadership Team

Nick Betteridge
Chief Actuary

Nick joined Canopius in 2011 and has been Group Chief Actuary since 2018, leading Pricing, Reserving and Capital across the Group. Prior to joining Canopius he worked as an actuarial consultant for Lane Clarke & Peacock.

Nick has recently served as Chair of the Committee of Actuaries in the London Market and was voted General Insurance Actuary of the Year in 2018 by the Actuarial Post.

Financial Statement Contributors

Samina Zaman
Head of I&D

Samina joined Canopius in November 2021 and leads the strategic IED programme across the UK, US & Bermuda and APAC regions. She began her career in the charity sector, where she worked to improve social mobility for young people from low socio-economic backgrounds.

She then became the Education Programme Manager with a continued focus on diversity, equity, and inclusion (DEI). This included working at an inner-city London school and the British Ecological Society where she helped establish their first IED action plan.

Following this, she worked as a DEI consultant at King's College London University and more recently at Transport for London.

Adhiraj Maitra
Group Head of Sustainability

Adhiraj joined Canopius as Group Head of Sustainability in September 2022 and is responsible for developing and implementing the Group's sustainability strategy around the world and across the organisation.

He has over 16 years' experience in the industry and joined from Willis Towers Watson where he served as Global head of ESG and Climate Change, for the insurance consulting business. Prior to which, Adhiraj spent six years at Lloyd's as a Senior Manager, heading up the Syndicate Capital team and before that worked in different Actuarial roles across the market.

His experience helps Canopius build out a robust and effective ESG strategy to ensure solutions lead to a successful climate transition.

The information on this page has been added since the audited financial statements were signed on 28 March 2023.

> “The role of our NEDs is to challenge the proposals put forward by executive management and to assess performance, against business plans, ensuring that the integrity of financial information and systems of risk management and internal control are robust and defensible.

Directors' Report

The Directors of Canopius Group Limited ('CGL') present their Directors' Report for the Group for the year ended 31 December 2022.

Review of the Business

The principal activity of Canopius Group Limited (the 'Company') is as the parent holding company to the Canopius Group (the 'Group'). The principal activity of the Group is the underwriting of insurance and reinsurance business transacted both through direct channels and via delegated underwriting.

During the year the Company declared and paid a dividend of $27m (2021: nil).

Results and Performance

The Group result for the year ending 31 December 2022 was a loss after tax of $25m (2021: profit of $45m). The key performance indicators are shown in the table on page 5.

Gross written premiums increased by 5.3% to $2,338m (2021: $2,220m) due to favourable market conditions resulting in positive rate rises, combined with taking advantage of growth opportunities in new areas and the continued increase in the Group's capacity on the syndicate platform. This includes significant premium growth in the US and APAC regions as we continue to build in these areas. In addition, a significant Casualty Treaty quota share contract has been entered into via Canopius Reinsurance, our Bermudian entity, providing a material amount of premium in 2022.

The net loss ratio improved by 3.7% to 53.7% (2021: 57.4%) despite 2022 being another year impacted by significant catastrophe losses.

Catastrophe losses added 9.4% (2021: 12.3%) to the loss ratio for the year. This was primarily driven by Hurricane Ian ($92m), Eastern Australian floods ($15m) and South Africa floods ($11m) combined with a number of smaller catastrophe losses. These impacts are partially offset by significant releases of reserves held on the 2021 Kentucky Tornadoes.

The non-catastrophe loss ratio of 44.3% (2021: 44.3%) is consistent with the prior year. This is despite absorbing a number of large losses, including those relating to the war in Ukraine. Excluding large losses the non-cat loss ratio has reduced from 46% to 40% as a result of strong underlying performance and positive prior year development of $91m (2021: $58m positive prior year development) on previously established reserves.

Total operating expenses at $741m were higher than in 2021 ($674m) due to higher underlying spend as the business continues to grow, in particular due to increased acquisition costs, though the weakening of the pound against the dollar provided some offset.

The investment portfolio recorded a negative $79.6m return in 2022 (2021: positive return of $14.9m). This is driven by interest rate increases as central banks respond to macroeconomic uncertainty, including rising inflation and the Ukraine/Russia conflict.

Going Concern

The Directors have considered the going concern basis of preparation of the Group's financial statements as at 31 December 2022 including the factors likely to affect its future performance as well as the Group's principal risks and uncertainties. The Directors have considered those circumstances which may cause the business to cease to function effectively as a going concern e.g. a breach of its capital requirements and or liquidity position. Scenario testing was performed to assess the impact of reasonably foreseeable scenarios. These scenarios include, but are not limited to, an increase in loss ratios and a significant decrease in operational cashflow together with available management actions.

The Directors believe that the conclusion on the use of the going concern basis of preparation remains unchanged under these reasonably foreseeable, but unlikely scenarios.

The Directors have concluded that there are no material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and they have a reasonable expectation that the Group and the Parent Company have adequate resources to continue in operational existence for the period to 31 March 2024 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

Appointment of Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditor.

Business Environment

2022 was the fifth costliest year for insured losses on record and was impacted by significant natural catastrophe activity. The largest single loss event was Hurricane Ian, a category 4 hurricane that is estimated to have resulted in insured losses of $50-65bn. Winter storms in Europe and flooding in South Africa and Australia also led to significant losses.

The tragedy of the war in Ukraine has also resulted in industry losses of upwards of $10bn, largely due to confiscation of aircraft, ships trapped in the Black Sea and disrupted exports of grain and other agricultural products. The war, as well as the resulting sanctions placed on Russia, have had wide ranging economic impacts, from a significant increase in energy prices to contributing to broader supply-chain concerns.

The rapid increase in inflation, exacerbated by the effects of the war in Ukraine, is also impacting insurers and reinsurers, driving up the cost of claims as well as other expenses. To combat inflation, central banks increased interest rates markedly over the course of 2022 and into the early part of 2023. While this has led to significant mark to market losses on fixed-income investment portfolios across the industry, these losses will reverse as bonds mature and healthy investment returns are expected in 2023 and 2024.

Despite these headwinds the outlook for the industry remains positive. Insurance markets experienced premium rate rises through 2022 and rates have increased considerably into 2023 renewals. The impact of Hurricane Ian and war in Ukraine, combined with increased capital costs and greater constraints on capital availability have led to very favourable market conditions for underwriting.

"The outlook for the industry remains positive. Insurance markets experienced premium rate rises through 2022 and rates have increased considerably into 2023 renewals.

Directors' Report
(continued)

Risk Assessment and Management

In the normal course of business, the Group is exposed to many risks. Risk policies are in place for the major risk categories. Please refer to notes 32 and 33 of these consolidated financial statements for more details.

Strategy

Our mission is to be a profitable international Specialty and P&C (re)insurer, taking an approach to growing a sustainable business in areas where we have, or can have distinction or competitive advantage. We seek to be an organisation driven by empowered and accountable people, underpinned by digital innovation and analytical expertise, supporting people, community, business and environmental resilience.

Our ambition is to deliver significant profitable growth over a three-year period. During 2022 we have transformed our target operating model by successfully establishing three regional ExCos – the UK, US & Bermuda and APAC, as well as appointing product leaders structured around our core global underwriting classes.

In addition to resetting our target operating model we conducted a detailed bottom-up planning exercise which generated a large number of initiatives to drive growth, efficiency and enablement of our strategy. Expansion of our digital distribution capability, continued proactive cycle management, maintaining our excellent catastrophe modelling skills and implementing a market leading data strategy remain key to our strategy.

Canopius remains committed to developing a first-class culture to attract, retain and develop good people. We encourage an open and honest working environment, focused on results and with a strong team ethic.

Environmental, social and governance (ESG) forms part of the core of Canopius Group Goals & Ambition. Our aim is to strengthen Canopius' culture around strategic planning, innovation, data & analytics and ESG. We see the development of a robust ESG strategy as core to our being able to attract and retain the best talent, business and capital.

Subsequent Events

With effect from 1 January 2023 the 2020 year of account of syndicate 1861 was reinsured to close into the 2021 year of account of syndicate 4444 thus concluding the business of syndicate 1861.

At a Board meeting on 27 March 2023 the Directors declared a dividend of $19.4m.

The Directors' report was approved by the Board on 27 March 2023 and signed on its behalf on 28 March 2023 by:

Michael Watson
Chairman

Chief Financial Officer
Gavin Phillips

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Jersey Company law requires the Directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The Directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs). The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the period end and of the profit or loss of the Company for the period then ended. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors and Professional Advisers

Directors

Paul Ceurvorst
Michael Duffy (resigned 31 December 2022)
Miriam Greenwood
Peter Hazell
Paul Meader
Ian Owen
Gavin Phillips (appointed 4 January 2022)
Neil Robertson
Michael Watson

Company Secretary

Mourant Secretaries (Jersey) Limited
22 Grenville Street,
St Helier, Jersey,
JE4 8PX

Registered Office

22 Grenville Street,
St Helier, Jersey,
JE4 8PX

Company Number

129591

Independent Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Independent Auditor's Report to the members of Canopius Group Limited

Opinion

We have audited the financial statements of Canopius Group Limited (the 'company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 37 to the consolidated financial statements, and the Statement of Profit or Loss and Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 20 to the company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the company's affairs as at 31 December 2022 and of the Group's loss and the company's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and company's ability to continue as a going concern for the period to 31 March 2024 which is 12 months from when the financial statements are authorised for issue

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and company's ability to continue as a going concern.

Other Information

The other information comprises the information included in the annual report on pages 1 to 54 and pages 61 to 66. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 66, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the regulated business carried out by Group's subsidiaries which include Lloyd's, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how Canopius Group Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the company and regulatory bodies, reviewed minutes of the Board and Audit Committee and attended the Audit Committees and gained an understanding of the Group's approach to governance.

Independent Auditor's Report to the members of Canopius Group Limited (continued)

- The Group operates in the insurance industry which is a highly regulated environment. As such the auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the Group's and company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the Group, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. The fraud risk was considered to be higher within the valuation of gross incurred but not reported provision and the recognition of estimated premium income.

  Our audit procedures included:

  - Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of gross incurred but not reported provision and the recognition of estimated premium income;

  - Evaluating the business rationale for significant and/or unusual transactions; and

  - Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including gross incurred but not reported provision and estimated premium income.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees at a Group level; enquiring about the Group's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with regulators including Lloyd's, the FCA and the PRA.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of Our Report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Purrington
for and on behalf of Ernst & Young LLP
London
28 March 2023

Consolidated Statement of Profit or Loss
for the year ending 31 December 2022

$'000	Notes	2022	2021
Gross premiums	4a	2,267,390	2,093,404
Premiums ceded to reinsurers	4b	(536,450)	(942,854)
Reinsurance to close	4c	56,399	41,023
Net premiums		**1,787,339**	**1,191,573**
Fees and commission income	5	9,077	2,309
Investment income	6	50,460	25,506
Net realised (losses)/gains	7	(32,600)	3,394
Fair value losses	8	(97,453)	(13,983)
Other operating income		1,711	4,180
Other revenue		**(68,805)**	**21,406**
Total revenue		**1,718,534**	**1,212,979**
Gross benefits and claims paid	9a	(1,069,960)	(1,112,898)
Reinsurance recoveries received	9b	378,856	162,028
Gross change in insurance contract liabilities	9a	(187,188)	(183,163)
Change in insurance contract liabilities ceded to reinsurers	9b	(50,971)	673,115
Reinsurance to close	9c	(56,399)	(41,023)
Net benefits and claims		**(985,662)**	**(501,941)**
Finance costs	10	(11,867)	(8,635)
Other operating and administrative expenses	11	(741,224)	(674,221)
Other expenses		**(753,091)**	**(682,856)**
Total benefits, claims and other expenses		**(1,738,753)**	**(1,184,797)**
(Loss)/profit before tax		**(20,219)**	**28,182**
Income tax (charge)/credit	13(a)	(4,741)	16,722
(Loss)/profit for the year		**(24,960)**	**44,904**
(Loss)/profit attributable to:			
Equity holders of the parent		(25,092)	45,725
Non-controlling interest		132	(821)
(Loss)/profit for the year		**(24,960)**	**44,904**

The notes on pages 82 to 148 form part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income
for the year ending 31 December 2022

$'000	2022	2021
(Loss)/profit for the year	(24,960)	44,904
Other comprehensive income (OCI):		
OCI that maybe reclassified to profit or loss in subsequent period:		
Currency translation differences	(8,301)	(1,960)
Total comprehensive (loss)/income recognised for the year	**(33,261)**	**42,944**
Total comprehensive (loss)/income is attributable to:		
Equity holders of the parent	(33,393)	43,765
Non-controlling interest	132	(821)
	(33,261)	**42,944**

All the above amounts are derived from continuing operations and attributable to equity holders of the parent.

The notes on pages 82 to 148 form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position
as at 31 December 2022

$'000	Notes	2022	2021
Assets			
Intangible assets	14	185,534	181,112
Property and equipment	15	12,255	15,507
Right-of-use assets	34	29,726	37,568
Deferred tax asset	13(d)	13,086	12,872
Deferred acquisition costs	16	346,650	355,818
Reinsurance assets	17	1,784,076	1,847,046
Financial assets at fair value through profit or loss	18	2,705,282	2,757,310
Derivative financial instruments	19	21,782	4,143
Income tax receivable	13(c)	-	1,021
Insurance receivables	21	1,234,359	1,046,164
Trade and other receivables	22	122,933	113,404
Other assets	23	166,034	153,475
Cash and cash equivalents	24	123,645	294,617
Total assets		**6,745,362**	**6,820,057**
Equity and liabilities			
Equity			
Issued share capital	25	341,868	341,868
Issued share premium	25	345,332	345,332
Capital reserves		759,956	759,956
Foreign currency translation reserve		(58,950)	(50,649)
Retained earnings		(200,315)	(148,223)
Equity attributable to equity holders of the parent		**1,187,891**	**1,248,284**
Non-controlling interests		617	485
Total equity		**1,188,508**	**1,248,769**
Liabilities			
Insurance contract liabilities	26	4,617,941	4,348,770
Derivative financial instruments	19	7,484	3,935
Lease liabilities	34	35,860	39,753
Income tax payable	13(c)	2,451	203
Insurance payables	28	770,073	1,041,094
Trade and other payables	29	123,045	137,533
Total liabilities		**5,556,854**	**5,571,288**
Total equity and liabilities		**6,745,362**	**6,820,057**

These financial statements were approved by the Board of Directors on 27 March 2023 and signed on its behalf on 28 March 2023 by:

Michael Watson
Chairman

Gavin Phillips
Chief Financial Officer

The notes on pages 82 to 148 form part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Attributable to equity holders of the parent							
$'000	Issued Share Capital	Issued Share Premium	Capital Reserves	Foreign Currency Translation Reserves	Retained Earnings	Total	Non-controlling Interest	Total equity
At 1 January 2021	**341,868**	**279,879**	**759,956**	**(48,689)**	**(193,948)**	**1,139,066**	**1,306**	**1,140,372**
Profit/(loss) for year	-	-	-	-	45,725	45,725	(821)	44,904
Other comprehensive loss	-	-	-	(1,960)	-	(1,960)	-	(1,960)
Total comprehensive (loss)/income	-	-	-	(1,960)	45,725	43,765	(821)	42,944
Issue of new shares	-	65,453	-	-	-	65,453	-	65,453
At 31 December 2021	**341,868**	**345,332**	**759,956**	**(50,649)**	**(148,223)**	**1,248,284**	**485**	**1,248,769**
At 1 January 2022	**341,868**	**345,332**	**759,956**	**(50,649)**	**(148,223)**	**1,248,284**	**485**	**1,248,769**
(Loss)/profit for year	-	-	-	-	(25,092)	(25,092)	132	(24,960)
Other comprehensive loss	-	-	-	(8,301)	-	(8,301)	-	(8,301)
Total comprehensive (loss)/income	-	-	-	(8,301)	(25,092)	(33,393)	132	(33,261)
Dividends paid	-	-	-	-	(27,000)	(27,000)	-	(27,000)
At 31 December 2022	**341,868**	**345,332**	**759,956**	**(58,950)**	**(200,315)**	**1,187,891**	**617**	**1,188,508**

The notes on pages 82 to 148 form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2022

$'000	Notes	2022	2021
Operating activities			
(Loss)/profit before tax		(20,219)	28,182
Adjustment for:			
Change in operating assets	31	(166,504)	(934,008)
Change in operating liabilities	31	(9,554)	992,964
Financial income and expense		(5,993)	(20,265)
Non-cash items included in profit before tax:			
Fair value losses	8	97,453	13,983
Change in deferred acquisition costs		9,168	(69,523)
Amortisation of intangibles	11	4,188	5,021
Depreciation of property and equipment	11	2,676	2,067
Depreciation of right-of-use assets	34	5,277	3,637
Net foreign exchange differences		319	5,369
Income tax paid	13(c)	(2,151)	(770)
Income tax received	13(c)	-	3,930
Proceeds from sale of tax losses		-	6,009
Transfer of risk payment		-	(39,060)
Net cash flows used in operating activities		**(85,340)**	**(2,464)**

$'000	Notes	2022	2021
Investing activities			
Purchases of financial assets		(1,653,941)	(3,337,536)
Disposal of financial assets		1,575,685	2,883,620
Investment income		47,972	25,706
Purchases of intangible assets		(9,633)	(135)
Net purchase of property and equipment		(1,365)	(12,698)
Net cash flows used in investing activities		**(41,282)**	**(441,043)**
Financing activities			
Issue of shares		-	65,453
Dividends paid		(27,000)	-
Finance costs		(10,367)	(10,208)
Payment of principal portion of lease liabilities	34	(2,292)	(1,797)
Net cash flows (used in)/from financing activities		**(39,659)**	**53,448**
Net decrease in cash and cash equivalents		(166,281)	(390,059)
Net foreign exchange on cash and cash equivalents		(4,691)	(5,821)
Cash and cash equivalents at beginning of year		294,617	690,497
Cash and cash equivalents at end of year	**24**	**123,645**	**294,617**

The notes on pages 82 to 148 form part of these Consolidated Financial Statements.

1 Corporate Information

Canopius Group Limited, incorporated and domiciled in Jersey, is the parent undertaking and controlling party of the Canopius Group of companies (the 'Group'). A summary of the principal accounting policies applied in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2 Significant Accounting Policies, Judgements and Estimates

2.1 Basis of Preparation and Presentation

The Group has elected to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') and in accordance with the Companies (Jersey) Law 1991.

These financial statements are prepared in accordance with IFRS issued by the IASB and presented in US dollars. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the Group's Board to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the consolidated financial statements are explained in Note 2.5 below.

The Directors have considered the going concern basis of preparation of the Group's financial statements as at 31 December 2022 including the factors likely to affect its future performance as well as the Group's principal risks and uncertainties. The Directors have considered those circumstances which may cause the business to cease to function effectively as a going concern e.g. a breach of its capital requirements and or liquidity position. Scenario testing was performed to assess the impact of reasonably foreseeable scenarios. These scenarios include, but are not limited to, an increase in loss ratios and a significant decrease in operational cashflow together with available management actions.

The Directors believe that the conclusion on the use of the going concern basis of preparation remains unchanged under these reasonably foreseeable, but unlikely scenarios.

The Directors have concluded that there are no material uncertainties that may cast significant doubt about the Group's financial ability to continue as a going concern and they have a reasonable expectation that the Group and the Parent Company have adequate resources to continue in operational existence for the period to 31 March 2024 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

In preparing these financial statements, the Directors have considered the impact of the physical and transition risks of climate change and identified this as an area of focus, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2022. This is because the financial investments are reported at fair value under IFRS and, as set out in note 18, therefore utilise market prices at the period end. These market prices will include the current expectations of the impact of climate change on the financial investments. Insurance liabilities are accrued based on past insurable events so will not be impacted by any future impact of climate change.

However, we recognise that government and societal responses to climate change risks are still developing and the future impact cannot be predicted. Future valuations of assets and liabilities may therefore differ as the market responds to these changing impacts or assesses the impact of current requirements differently.

2.2 Basis of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results, on an annual accounting basis, of the Group and its subsidiaries including the Group's underwriting activities through its participation on Lloyd's syndicates. Subsidiaries are all entities over which the Group has control.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year-end as the Group. Consolidation adjustments are made to convert subsidiary financial statements prepared under UK or other local GAAP into IFRS to remove the effect of any different accounting policies. All inter-company balances, profits and transactions are eliminated on consolidation.

Profit or loss and other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. A list of the principal subsidiaries included in these financial statements is contained in Note 3.2.

Business combinations and goodwill

The Group uses the 'acquisition method of accounting' under IFRS 3 – 'Business Combinations', to account for the acquisition of companies. Under IFRS 3, the consideration to purchase a business is recorded at fair value at the acquisition date. This fair value is re-estimated in subsequent financial statements (after the expiry of the measurement period for adjustment to the initial provisional fair value, which should not exceed one year from the date of acquisition) and any changes in estimates are taken to the Statement of Comprehensive Income. Adjustments to fair value can only be made during the measurement period if they relate to conditions that existed before acquisition and any changes due to events after the acquisition will go to the statement of profit or loss.

All acquisition-related expenses are charged to the statement of profit or loss when incurred, within other operating and administrative expenses. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets acquired net of liabilities and contingent liabilities is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of profit or loss for the period.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash generating unit (CGU) that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations under common control are accounted for using the pooling of interest method. Under this method, the assets and liabilities of the acquired entity are transferred at their carrying amounts. No additional goodwill is recognised.

2.3 Summary of Significant Accounting Policies

(a) Classification and Accounting for Insurance Contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those that transfer significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause an insurer to pay significant additional benefits above the premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts that do not transfer significant insurance risk are accounted for as financial instruments.

The Group adopts an annual basis of accounting for insurance contracts whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Premiums

Gross premiums written, stated gross of acquisition costs and exclusive of premium taxes, relates to business incepted during the year and adjustments to premiums booked in prior years; and includes estimates, based on underwriters' estimates or past experience, of premiums due but not yet processed.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the reporting period date, calculated by reference to the expected incidence of insurance risk over the period of cover.

Reinsurance premiums payable are accounted for with regard to the incidence of insurance risk of the direct or inwards reinsurance business to which they relate. The provision for reinsurers' share of unearned premiums represents that part of reinsurance premiums written which is estimated to be earned in the following financial years.

(ii) Insurance Claims and Claims Settlement Expenses

Insurance claims and claims settlement expenses comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported ('IBNR') and related expenses, together with any other adjustments to claims from prior years.

Provision is made at the period-end for the estimated cost of IBNR claims to the Group. The estimated cost of claims includes expenses to be incurred in settling claims less the expected value of salvage and other recoveries.

There is inherent uncertainty in establishing claims provisions and it is likely that the final outcome will prove to be different from the original estimate of the liability. Adjustments to the amounts of claims provisions established in prior years are included in the financial statements in the period in which the adjustments are made. The claims provisions are reviewed regularly.

Estimating IBNR claims is inherently more uncertain than estimating the cost of claims notified, for which more information about the claim event is generally available.

Classes of business where the IBNR proportion of the total claims provisions is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility in the claims provisions.

Where possible the Group adopts multiple techniques, often based on historical claims data, to estimate the required level of claims provisions. The estimates given by the various methodologies assist in setting the range of possible outcomes and the most appropriate estimation technique is selected taking into account the characteristics of the class of business and the extent of the development of each underwriting year of account.

Allowance is made for changes or uncertainties which may create distortions in the claims data or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the business environment or processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

In estimating the cost of notified but not paid claims, the Group has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims and catastrophe events impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Claims provisions are calculated gross of any reinsurance recoveries. Separate estimates are made of the amounts that will be recoverable from reinsurers and the potential cost of default, having regard to available data on the financial strength of each of the reinsurance companies.

Claims reserved as non-life annuities are discounted for investment earnings that may be expected to arise in the future on funds retained to meet the future liabilities. All other claims provisions are undiscounted.

There are a number of different types of business written by the Group, including property, liability and marine business, broadly categorised as either 'short tail' or 'long tail' business. The Group also writes reinsurance business. The characteristics of this business mirror those of the underlying business ceded to the syndicate.

Short Tail Business

Property, motor and accident and health business are generally 'short tail', whereby there is not normally a significant delay between the occurrence of the claim and the claim being reported. The costs of claims notified at the reporting date are estimated on a case-by-case basis to reflect the individual circumstances of each claim.

The ultimate expected cost of claims, including IBNR claims, is projected from this data by reference to historical claims development data, which show how estimates of claims incurred in previous periods have developed over time.

Longer Tail Business

Casualty, liability (including motor liability) and marine claims are generally longer tail and so a larger element of the claims provision relates to IBNR claims. Claims estimates for business in this category are derived from a combination of expected loss ratios and actual claims experience, using a predetermined formula whereby increasing weight is given to actual claims experience as time passes. The initial estimates of the claims provisions are based on the experience of previous years and available market data adjusted for factors such as premium rate changes and claims inflation. For liability claims, the assessment of claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability classes of business are also subject to the emergence of new types of latent claims.

Reinsurance Recoveries

Reinsurance recoveries in respect of IBNR claims are assumed to be consistent with the historical recoveries on paid and outstanding claims, adjusted to reflect changes in the nature and extent of the Group's reinsurance programmes.

(iii) Deferred Acquisition Costs

Deferred acquisition costs, representing a proportion of commission and other acquisition costs that relate to policies in force at the period end, are amortised over the period in which the related premiums are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are written off if they are no longer considered to be recoverable.

(iv) Unexpired Risks

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency. At 31 December 2022 and 31 December 2021 the Group did not have an unexpired risk provision.

(v) Reinsurance to Close ('RITC')

Each syndicate's 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 that the Group changes its participation on a managed syndicate from one underwriting year of account to the next, it is a net receiver or payer of premium to reinsure the earlier year of account into the latter. This RITC premium and the related net claims provision are recognised as income and expense in the financial year in which the RITC contract is effective. It is represented in the statement of financial position by the change in share of assets and liabilities transferred between the two years of account of the syndicates.

(vi) Outwards Reinsurance Contracts

Outwards reinsurance contracts are contracts entered into by the Group with reinsurers whereby the Group may recover a proportion of losses on insurance contracts written by the Group. Reinsurance contracts that do not transfer significant insurance risk are accounted for as financial instruments.

The benefits to which the Group is entitled under its outwards reinsurance contracts are recognised as reinsurance assets. These assets consist of balances due from reinsurers and future receivables estimated based on claims payable and IBNR claims for each class of business, having regard to the terms of the relevant reinsurance contracts, net of estimated irrecoverable amounts after assessing the financial strength of the reinsurers. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

Reinsurance contracts that contain a retroactive element but continue to transfer significant insurance risk are recognised as reinsurance contracts in full and are not bifurcated.

The Group assesses its reinsurance assets for impairment. If there is evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the statement of profit or loss.

(vii) Receivables and Payables Related to Insurance Contracts

Receivables and payables include amounts due to and from agents, brokers and insurance contract holders. If there is evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit or loss.

(b) Other Operating and Administrative Expenses

Other operating and administrative expenses include exchange gains and losses, underwriting expenses, such as brokerage and commissions, and non-underwriting expenses of the Group after the elimination of intra-Group charges.

(c) Employee Benefits

The Group operates defined contribution pension plans and a closed defined benefit pension scheme for its employees. The defined benefit pension scheme was acquired in 2010 with the acquisition of a business. The scheme is closed to new entrants and has ceased accruing new benefits for current members. Any liability recognised in the consolidated statement of financial position in respect of the scheme ('scheme liability') is the present value of the defined benefit obligation less the fair value of the scheme's assets as at the reporting period date. Scheme assets exclude any insurance contracts issued by the Group. The defined benefit obligation is calculated annually by independent actuaries using the projected unit-credit method. To the extent that a surplus emerges on the scheme liability, it is only recognised as an asset in the statement of financial position when it is probable that future economic benefits will be recovered by the scheme sponsor in the form of refunds or reduced contributions.

The cost of providing pension contributions for all staff is charged to the statement of profit or loss in the period to which it relates.

(d) Finance Costs

Finance costs consist of trustee fees and bank charges, interest on lease liabilities, fees accruing on the Group's borrowings and costs of arrangements with the parent company and third parties that secure or provide Funds at Lloyd's ('FAL') for the Group's corporate members underwriting on Lloyd's syndicates. Arrangement fees in respect of financing arrangements are charged over the life of the related facilities.

(e) Revenue Recognition

Fee and Commission Income

Fees, including profit commissions, receivable by the Group's subsidiaries managing Lloyd's syndicates ('managing agents') are accounted for on the following bases:

- Managing agents' fees relate to managing and operating the Lloyd's syndicate, and are therefore provided continuously throughout the year. These services are considered a single performance obligation. The price is fixed with no variable element and is matched against the single performance obligation. The passing of time is used to measure the amount of fees to be recognised.
- Profit commission becomes payable once the year of account is profitable. Profit commission is recognised to the extent that it is highly probable it will not be subject to significant reversal.
- Insurance services – commission and service fees are recognised at the point in time that the performance obligations are satisfied.

Other Operating Income

Other operating income, including one off items, is recognised in the period to which it relates.

(f) Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in US dollars which is the Group's presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency at average, rather than spot, rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss for the period. Non-monetary assets and liabilities (principally unearned premium reserves and deferred acquisition costs) carried at historical cost are translated in the statement of financial position at the exchange rate prevailing on the original transaction date.

Group Companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency ('foreign operations') are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the balance sheet date;
- Income and expenses are translated at average exchange rates during the period; and
- All resulting exchange differences are recognised as a separate component of equity in the statement of financial position and included in the consolidated statement of comprehensive income.

Where there is an unsettled transaction between Group companies at the balance sheet date and the monetary asset/(liability) in one Group entity is eliminated against the corresponding liability/(asset) in another Group entity, the exchange difference reported in the Group entity's own statement of profit or loss continues to be recognised in consolidated statement of profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate on the reporting period date.

(g) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as part of other operating and administrative expenses.

Intangible assets with finite lives are amortised over:

Webware and software development	3 to 5 years
Distribution channels	10 to 15 years
IT software and licences	3 to 10 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets net of liabilities and contingent liabilities of the acquired entity at the acquisition date. Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses.

Insurance contract intangible assets represent the difference between the fair value of claims provisions purchased from third parties usually as part of a company acquisition. These intangible assets are amortised on a basis consistent with the settlement of the claims. The time value of money, risk margin to unearned premium reserve and other related components of the insurance contract intangible asset run-off at different rates and are amortised according to their respective useful economic lives.

The useful economic life of the time value of money component is estimated as eight to twenty three years based on the expected run-off period of the claims arising from the portfolio of business when acquired.

The useful economic life of risk margin to unearned premium reserve and other related components of the insurance contract intangible asset follow the settlement pattern of the related unearned premium reserve and charged/(credited) to underwriting and administrative expenses.

Where rights to capacity on a syndicate are acquired from third parties, the cost of acquisition is adopted as the fair value of the associated syndicate participation rights. Where an intangible asset of syndicate participation rights is acquired on a business combination, it is fair valued at the date of acquisition. Syndicate participation rights intangible assets are not amortised but are tested annually for impairment and carried at cost less accumulated impairment losses.

Distribution channels acquired in a business combination are recognised at fair value and amortised on a straight line basis over their estimated useful economic life.

Software development costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Website and software development costs capitalised, including those acquired, are amortised on a straight line basis over their useful economic lives.

IT software and licences acquired are capitalised at cost and amortised on a straight line basis over the shorter of the estimated useful economic life or the duration of the licence agreement.

(h) Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and provision for impairment where appropriate. Depreciation is calculated on a straight line method to write down the cost of assets in equal instalments over their estimated useful lives, at the following annual rates:

Fixtures and fittings	15% to 33.3% per annum
Computer equipment	10% to 33.3% per annum
Motor vehicles	20% to 33.3% per annum
Leasehold improvements	10% to 33.3% per annum

The residual values and useful lives of the assets are reviewed at each reporting period date and adjusted if appropriate. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired in which event the cost of writing down the asset to a lower valuation is charged to the statement of profit or loss.

Gains and losses on disposals of property and equipment are determined by reference to their carrying value and are taken to the statement of profit or loss. Repairs and renewals are charged to the statement of profit or loss when the expenditure is incurred.

(i) Financial Assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

The classification is determined at initial recognition and depends on the purpose for which the financial asset was acquired.

Financial Assets at Fair Value Through Profit or Loss

The Group classifies its investments at fair value through profit or loss to the extent that they are not reported as cash and cash equivalents.

Purchases and sales of investments are accounted for at their fair values (normally their cost of acquisition or proceeds of disposal) on the trade date, which is the date the Group commits to purchase or sell the assets. The fair value of quoted investments is based on quoted bid prices.

Unquoted investments are initially carried at cost as the best estimate of fair value, which is adjusted using appropriate valuation techniques and having regard to subsequent events or changes in circumstances.

Realised and fair value gains and losses arising from the changes in fair values are included in investment return in the statement of profit or loss in the period in which they arise.

Loans and Receivables

Loans and receivables include debtors and are non-derivative financial assets with fixed or determinable settlement amounts that are not quoted in an active market, are not intended to be sold in the short term and do not fall into the other categories of financial assets as described above and below. Loans and receivables are initially measured at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms. These are reversed if the amount is collected. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Derecognition of Financial Assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(j) Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent Measurement
Subsequent measurement of financial liabilities depends on their classification, as follows:

i) Financial Liabilities at Fair Value Through Profit or Loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities are designated as at fair value through profit or loss at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the statement of profit or loss.

ii) Interest Bearing Loans and Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the 'effective interest method'.

Derecognition of Financial Liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

(k) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(l) Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement
Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future.

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Fair values are determined by reference to quoted market prices for similar instruments where available and using appropriate valuation techniques, including discounted cash flow and option pricing models.

All derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. None of the derivative financial instruments held by the Group have been designated for hedge accounting, and therefore any gains or losses arising from changes in fair value of derivatives are recorded in profit or loss.

(m) Fair Value Measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets, liabilities and equity items for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described in Note 20.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term cash deposits with original maturities of three months or less. These assets are readily convertible into known amounts of cash.

Lloyd's overseas deposits are not included within the balance of cash at bank and in hand on the balance sheet as the amounts represent capital requirements for underwriting in certain overseas territories. These are measured at fair value and recognised separately in their own category within other assets as the capital is restricted. See Note 23.

Cash at bank and in hand relate to amounts which are held at a bank in the form of on demand deposits such as current accounts and savings accounts. Short term deposits with a maturity of three months or less are considered cash equivalents.

(o) Taxation

The tax expense represents the sum of current and deferred tax.

Current tax is determined based on the taxable profit or loss for the year and adjustments to tax payable or recoverable on prior years' profits or losses. The taxable profit or loss differs from the profit or loss before tax as reported in the statement of profit or loss because it excludes items of income or expense that may be taxable or deductible in other years or are expected never to be taxable or deductible. The Group's liability or asset for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting period date.

Deferred tax is recognised on temporary differences, which are gains or losses that will be taxable in future periods and are not included in the current tax calculation. Deferred tax liabilities are generally recognised for all gains that are not currently taxable but will be taxable in the future. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which non-current taxable losses can be deducted. Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted for changes in estimates of the taxable profits that will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is expected to settle or the asset is expected to be realised. Deferred tax is charged or credited to the statement of profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to other reserves in equity, in which case the deferred tax is also dealt with in the Statement of Comprehensive Income or directly to other reserves in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are not discounted for the time value of money.

(p) Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. There is no scheme for employee owned shares.

(q) Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised as payable when the Directors make a solvency statement before payment.

(r) Non-Controlling Interests

Non-controlling interests represent equity in a subsidiary not attributable, directly or indirectly, to a parent. The non-controlling interest is measured as their share in the recognised amounts of the acquiree's identifiable net assets.

(s) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligation to make lease payments required by a lease and right-of-use assets representing the right to use the underlying assets.

i) Right-of-Use Assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets. The right-of-use assets are subject to impairment.

ii) Lease Liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of any purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the unwind of discounting and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

iii) Short-Term Leases and Leases of Low-Value Assets

The Group applies IFRS 16 recognition exemptions in relation to the following types of leases:

- Short-term leases: Leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.
- Leases of low-value assets: Leases where the underlying asset has a low value

No right-of-use assets or lease liabilities are recognised in relation to these leases. Lease payments are recognised as an expense on a straight-line basis over the lease term.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4 New and Amended Standards and Interpretations

In the current year, the Group has applied amendments to IFRS issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2022. The new effective requirements are:

- Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use.
- Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018-2020

None of these amendments have had a material impact to the Group.

Future Accounting Developments
The following new standards, amendments and interpretations, issued but not effective for the financial year beginning 1 January 2022, have not been early adopted:

IFRS 17 Insurance Contracts:
IFRS 17 is effective for accounting periods beginning on or after 1 January 2023, and sets out requirements relating to the measurement, presentation and disclosure of insurance contracts, replacing IFRS 4 Insurance Contracts.

IFRS 17 prescribes a general measurement model based on discounted probability-weighted estimates of future cash flows, an explicit risk adjustment for non-financial risk and a contractual service margin representing the unearned profit which will be recognised over the coverage period. Application of a simplified premium allocation approach, which is similar to the current unearned premium approach, is permitted if it is expected to provide a measurement that is not materially different from the general measurement model or if the coverage period of the contracts is one year or less.

- IFRS 17 is a principles based standard, and the application of IFRS 17 will require a number of accounting policy choices, the application of judgement and an increased use of estimation techniques. In applying IFRS 17 the Group currently expects to:

  1. align its portfolios of (re)insurance contracts with its existing divisional underwriting structure
  2. apply the premium allocation approach to all contracts within the scope of IFRS 17, with the exception of contracts which are not expected to meet eligibility criteria:
     - contracts acquired in their settlement period in business combinations or portfolio transfers post transition date
     - reinsurance contracts held providing adverse development coverage

  In applying the premium allocation approach the Group does not expect to have to adjust the carrying amount of the liability for remaining coverage to reflect the existence of significant financing components, and does not intend to apply the option to recognise insurance acquisition cash flows as expenses as they are incurred.

- determine discount rates using a 'bottom-up' approach, based on a risk-free discount rate to which an illiquidity premium is added
- present insurance finance income or expense within profit or loss, rather than disaggregating between profit or loss and other comprehensive income
- determine the risk adjustment for non-financial risk at a Group level and allocate this down to groups of contracts in accordance with their risk profile
- apply the fully retrospective transition approach, but apply the permitted modification for contracts acquired in their settlement period in business combinations or portfolio transfers prior to the transition date and classify the liability for such contracts as part of the liability for incurred claims rather than the liability for remaining coverage

The most significant valuation impacts that the Group expects to see on transition to IFRS 17 arise from:

- discounting the liability for incurred claims for the time value of money resulting in a lower liability for incurred claims than under IFRS 4 as claim liabilities under IFRS 4 are largely undiscounted
- removal of the reserve margin to measure claims liabilities on a best estimate basis which decreases claims liabilities when compared to IFRS 4
- recognition of a risk adjustment for non-financial risk, which is not currently included in the liability for incurred claims under IFRS 4, at a higher confidence level than the reserve margin under IFRS 4
- recognition of events not in data (ENIDs) within the liability for incurred claims which are not currently included in the liability for incurred claims under IFRS 4

The Group currently estimates that IFRS 17 equity at the transition date of 1 January 2022 will be approximately 4% lower than the IFRS 4 equity of $1,248m at the same date. The expected decrease in equity is due to the impact of the risk adjustment for non-financial risk and the recognition of ENIDs exceeding the elimination of the margin on claims liabilities held under IFRS 4 and the credit for discounting.

The Group currently estimates that IFRS 17 equity as at 31 December 2022 will be approximately 6% greater than the IFRS 4 equity of $1.188m at the same date. The expected increase in equity is due to the discounting benefit arising from the increase in interest rates over 2022.

The impacts provided above are preliminary as not all transition work has been finalised at the date of issuing these Consolidated Financial Statements. The actual impact of adopting IFRS 17 may change as the Group continues to embed and refine the new systems, processes and controls required. The new accounting policies, assumptions, judgements and estimations employed in producing IFRS 17 results are subject to change until the Group finalises its first IFRS 17 financial statements for 31 December 2023 reporting.

IFRS 9 Financial Instruments:
IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. The amendments to IFRS 4 issued in 2016 and 2020, provide a temporary exemption from applying IFRS 9 for companies whose predominant activity is to issue insurance contracts. The Group continues to qualify for, and has elected to apply, this exemption which lasts until the implementation date of IFRS 17. The Group qualifies for this exemption as at 31 December 2015 $2,609m or 94% (i.e. over 90%) of its total liabilities were connected with insurance. There has been no change in the Group's activities since 31 December 2015, therefore the exemption still remains.

The Group has also disclosed information in relation to specific types of financial instruments to ensure the comparability with entities applying IFRS 9. As such, the table below discloses separately the fair values for the Group's financial assets which are managed and evaluated on a fair value basis and those which meet the 'solely payments of principal and interest' (SPPI) test under IFRS 9. Information on credit exposures for debt securities and other fixed income securities and holdings in collective investment schemes can be found in note 35(b) of the financial statements. Certain equity shares, derivative financial instruments and trade and other receivables, which are not rated, are considered by the company not to have a low credit risk. For these assets the carrying amount is equal to fair value.

IFRS 9 introduces new requirements related to the classification and measurement of financial instruments, an expected credit losses model that replaces the current incurred loss model, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach.

The Group expects the impact of IFRS 9 on the valuation of financial assets to be immaterial at transition. The majority of the Group's financial assets are already held at fair value through profit or loss and this practice is

$'000	2022	2021
Financial assets managed and evaluated on a fair value basis		
Debt securities and other fixed income securities	1,982,910	1,945,014
Holdings in collective investment schemes	565,331	673,879
Equity shares	91,090	116,521
Derivative financial instruments	21,782	4,143
Private credit funds	65,951	21,896
Total financial assets managed and evaluated on a fair value basis	**2,727,064**	**2,761,453**
Financial assets meeting the SPPI test		
Trade and other receivables	122,933	113,404
Total financial assets meeting the SPPI test	**122,933**	**113,404**

expected to continue under IFRS 9. Certain receivable balances will continue to be measured at amortised cost and will have an expected credit loss applied on adoption of IFRS 9.

The Group does not expect to restate prior year comparatives on adoption of IFRS 9 and does not expect to apply the overlay approach.

2.5 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities within the next financial year or in future reporting periods.

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Claims Liabilities

The most critical accounting estimate made by the Group is the estimate of the ultimate claims liability from insurance contracts underwritten. The estimation of the claims liability is described in Note 2.3(a).

Premiums

Gross written premiums include an estimate of the total premiums expected to be received under each insurance and reinsurance contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is estimated in full at the inception of such contracts and, therefore, this estimate is judgemental. Further adjustments to estimates from previous years are also included in the reported premiums for the relevant underwriting years.

Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon paid losses, case reserves and IBNR estimates.

Premium estimation uses expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Gross written premiums are reviewed regularly using underwriter estimates and actuarial projections. The amount of estimated future premium that remains in insurance receivables is disclosed in Note 21.

The level of premium earned is estimated by reference to the exposure length of the type of business written and the pattern of insurance services provided by the contract.

A large proportion of the business written by the Group has a duration of one year. Where classes have a much longer exposure period, the earnings pattern reflects the exposure, in some cases up to 10 years. Judgement is required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Fair Values

The Group uses prices provided by third party suppliers, investment managers and counterparty banks in determining the fair value of financial assets. Depending on the methods and assumptions used, for example, in the fair valuation of Level 3 financial assets, the fair valuation is subject to a higher degree of estimation uncertainty. These methods and assumptions are described in note 20.

Intangible Assets

Where an acquisition of a subsidiary gives rise to the recognition of intangible assets such as distribution channels and syndicate participation rights, the value of such intangibles is largely based on the expected cash flows of the business acquired. Certain key assumptions are used to assess the value of the intangible, such as forecast underwriting performance and past business retention rates. These are the subject of specific uncertainty and a reduction in underwriting profitability or renewal patterns of business acquired may result in the value of the intangible being impaired and written off in the current accounting period. Details of these assumptions are included in note 14.

Deferred Tax

Recognition of underwriting losses for deferred taxation purposes is based on management's prudent projections of future profitability and the probability of losses being utilised against taxable profits within a reasonable time-frame, as set out in note 13.

3 Group Information

3.1 Ultimate Parent Undertaking and Controlling Party

The ultimate controlling parties of CGL are CCP GP Investors Holdings (Cayman) LP, CCP III Cayman GP Limited and CCP III SBS Cayman Limited.

The immediate parent company of CGL is Fortuna Holdings Limited ('FHL').

3.2 Subsidiaries

The principal subsidiaries of Canopius Group Limited, which are consolidated in these financial statements, are listed below. The Group holds no investments in joint ventures or associates.

Subsidiary	Country of Incorporation	Principal Activities	% equity Interest	
			2022	2021
Canopius Holdings UK Limited	England and Wales	Holding company	100%	100%
Canopius US Holdings, Inc.	USA (Delaware)	Holding company	100%	100%
Canopius Underwriting Agency Inc.	USA (Delaware)	Insurance company	100%	100%
Canopius US Insurance, Inc.	USA (Delaware)	Insurance company	100%	100%
Canopius Reinsurance Limited	Bermuda	Reinsurance company	100%	100%
Canopius Services Limited	England and Wales	Service company	100%	100%
Canopius Managing Agents Limited	England and Wales	Managing agent at Lloyd's	100%	100%
Canopius Asia Pte. Ltd.	Singapore	Syndicate service company	100%	100%
Canopius Europe Limited	England and Wales	Syndicate service company	100%	100%
Canopius Underwriting Bermuda Limited	Bermuda	Syndicate service company	100%	100%
Canopius ILS Limited	Bermuda	Reinsurance company	100%	100%
VAVE Digital Services Limited	England and Wales	Syndicate service company	100%	100%
Canopius Capital Four Limited	England and Wales	Lloyd's corporate member	100%	100%
Canopius Capital Seven Limited	England and Wales	Lloyd's corporate member	100%	100%
Canopius Capital Nine Limited	England and Wales	Lloyd's corporate member	100%	100%
Canopius Capital Ten Limited	England and Wales	Lloyd's corporate member	100%	100%
Canopius Capital Twelve Limited	England and Wales	Lloyd's corporate member	100%	100%
Canopius Corporate Capital Limited	England and Wales	Lloyd's corporate member	100%	100%
Flectat 2 Limited	England and Wales	Lloyd's corporate member	100%	100%
Multi-Strat Holdings Limited ('MSH')	Bermuda	Holding company	65%	65%
Multi-Strat Reinsurance Ltd	Bermuda	Reinsurance company	65%	65%

4 Net Premiums

$'000	2022	2021
a) Gross premiums on insurance contracts		
Gross premiums written	2,337,509	2,220,031
Change in unearned premiums provision	(70,119)	(126,627)
Total gross premiums	2,267,390	2,093,404
b) Premiums ceded to reinsurers of insurance contracts		
Reinsurance premiums ceded	(524,014)	(1,045,132)
Change in unearned premiums provision	(12,436)	102,278
Total premiums ceded to reinsurers	(536,450)	(942,854)
c) Reinsurance to close	56,399	41,023
Net premiums	1,787,339	1,191,573

Reinsurance premiums ceded in 2021 include $583m of written premiums, $470m of earned premiums, ceded as part of the LPT agreement with RiverStone.

5 Fees and Commission Income

$'000	2022	2021
Management fees	519	1,001
Profit commission	19	177
Insurance services – commission and service fees	8,539	1,131
	9,077	2,309

6 Investment Income

$'000	2022	2021
Interest income on financial assets	38,166	18,772
Dividend income	4,389	5,820
Interest income on cash and cash equivalents	11,204	3,410
Gross investment income	53,759	28,002
Investment fees & expenses	(3,299)	(2,496)
Net investment income	50,460	25,506

7 Net Realised Gains and Losses

$'000	2022	2021
Realised gains on financial assets	961	16,272
Realised losses on financial assets	(33,561)	(12,878)
	(32,600)	3,394

8 Fair Value Gains and Losses

$'000	2022	2021
Fair value gains on financial assets	23,657	20,977
Fair value losses on financial assets	(121,110)	(34,960)
	(97,453)	(13,983)

9 Net Benefits and Claims

$'000	2022	2021
a) Gross benefits and claims		
Gross benefits and claims paid	(1,069,960)	(1,112,898)
Change in contract liabilities	(187,188)	(183,163)
	(1,257,148)	(1,296,061)
b) Reinsurance		
Reinsurance recoveries received	378,856	162,028
Change in contract liabilities ceded to reinsurers	(50,971)	673,115
	327,885	835,143
c) Reinsurance to close	(56,399)	(41,023)
Net benefits and claims	(985,662)	(501,941)

Change in contract liabilities ceded to reinsurers in 2021 includes recoveries under the LPT agreement with RiverStone.

10 Finance Costs

$'000	Notes	2022	2021
Fees for letters of credit		(7,014)	(6,848)
Interest on lease liabilities	34	(1,164)	(1,354)
Interest on Riverstone LPT reinsurance premium payable		(3,438)	-
Trustee fees, bank charges and interest expenses		(251)	(433)
		(11,867)	(8,635)

Interest on the Riverstone LPT reinsurance premium payable accrues at a rate of 1.5% per annum on the withheld amount.

11 Other Operating and Administrative Expenses

$'000	Notes	2022	2021
Direct commission		(470,627)	(447,926)
Employee benefit expenses	12	(143,304)	(125,047)
Amortisation of intangible assets	14	(4,188)	(5,021)
Depreciation of property and equipment	15	(2,676)	(2,067)
Depreciation of right-of-use assets	34	(5,277)	(3,637)
Premises expenses		(4,768)	(8,008)
Auditor's remuneration - audit & related services		(3,074)	(2,469)
Auditor's remuneration - other services		(494)	(512)
Syndicate personal expenses and Lloyd's charges		(39,596)	(38,716)
Professional fees		(35,244)	(22,300)
Other expenses		(15,424)	(10,286)
Expenses before exchange adjustments		(724,672)	(665,989)
Net foreign exchange adjustments		(16,552)	(8,232)
		(741,224)	(674,221)
Underwriting expenses		(690,688)	(636,970)
Non-underwriting expenses		(50,536)	(37,251)
		(741,224)	(674,221)

Other expenses include IT costs, marketing costs and irrecoverable VAT expenses.

Underwriting expenses relate to the initiation or ongoing administration of insurance or reinsurance contracts and include expenses directly attributable to issuing insurance contracts, such as brokerage and commissions, and an allocation of other non-directly attributable expenses.

12 Employee Benefit Expenses

$'000	2022	2021
Salaries and wages	(119,097)	(104,490)
Social security costs	(12,731)	(11,222)
Pension costs – defined contribution plans	(6,870)	(6,539)
Other benefits	(4,606)	(2,796)
	(143,304)	(125,047)

Employee benefits include termination payments of $2.5m (2021: $1.8m).

13 Income Tax

The Company is incorporated in Jersey and registered for tax in the United Kingdom where it is managed and controlled.

The subsidiary companies are registered for tax in various jurisdictions, including the United Kingdom, United States, Singapore, Malaysia, and Australia. The subsidiary companies in the UK are the main operating companies in the Group. Therefore, as in prior years, it is appropriate to reconcile the Group tax charge to the UK Statutory rate. The overseas tax charge predominantly related to our US operations and represents excess of tax liability over brought forward losses.

The major components of income tax (charge)/credit for the years ended 31 December 2022 and 31 December 2021 respectively are:

a) Consolidated statement of profit or loss

$'000	2022	2021
Current tax		
Current tax on profits for the year	(4,793)	(441)
Adjustments for current tax on prior periods	(622)	10,614
Total current tax (charge) /credit	(5,415)	10,173
Deferred tax		
Origination and reversal of temporary differences	281	3,710
Adjustments for deferred tax on prior periods	(142)	1,184
Impact of change in deferred tax rate	535	1,655
Total deferred tax credit	674	6,549
Total income tax (charge)/credit	(4,741)	16,722

13 Income Tax (continued)

b) Reconciliation of tax (charge)/credit

$'000	2022	2021
(Loss)/Profit before tax	(20,219)	28,182
Tax at 19%	3,842	(5,355)
Differences in overseas taxes	2,960	7,271
Adjustments for tax on prior periods	(764)	11,798
Effect of losses not recognised	(16,431)	(1,048)
Effect of group relief	2,466	2,065
Effect of deferred tax rate change	535	1,655
Other	2,651	336
Total income tax (charge)/credit	(4,741)	16,722

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) addresses the tax challenges arising from the digitalisation of the global economy.

The Pillar Two Global anti-Base Erosion rules (GloBE Rules) represent the first substantial overhaul of the international tax rules in almost a century. The GloBE Rules propose four new taxing mechanisms under which multinational enterprises (MNEs) would pay a minimum level of tax (Minimum Tax): the Subject to Tax Rule is a tax treaty-based rule that generally proposes a Minimum Tax on certain cross-border inter-company transactions that otherwise are not subject to a minimum level of tax; the Income Inclusion Rule (IIR); the Under Taxed Payments Rule (UTPR); and the Qualified Domestic Minimum Top-up Tax (QDMT) generally propose a Minimum Tax on the income arising in each jurisdiction in which an MNE operates.

We continue to monitor the regulatory developments in respect of (substantive) enactment of the GloBE Rules in all of the jurisdictions where they operate either through wholly or partially owned subsidiaries, joint ventures, flow through entities or permanent establishments.

c) Income tax (payable)/receivable, net

$'000	2022	2021
At 1 January	818	(569)
Taxes recorded in the statement of profit or loss	(5,415)	4,164
Payments made on-account during the year	2,151	770
Tax received	-	(3,930)
Foreign exchange adjustments	(5)	383
At 31 December	(2,451)	818
Reflected in the statement of financial position as follows;		
Income tax receivable	-	1,021
Income tax payable	(2,451)	(203)
Net income tax (payable)/receivable	(2,451)	818

d) Deferred tax, net

$'000	2022	2021
Excess of tax over book depreciation	2,829	1,650
Tax on underwriting losses	31,218	34,025
Tax on intangible asset	(24,795)	(25,520)
Bonus accrual	1,346	2,021
Other deferred tax balances	2,488	696
Total deferred tax asset	13,086	12,872
Reflected in the statement of financial position as follows;		
Deferred tax asset	13,086	12,872
Net deferred tax asset	13,086	12,872

Deferred tax assets and liabilities arise through (a) temporary differences in the recognition of underwriting profits/losses for accounting and tax purposes; (b) temporary differences in the recognition of depreciation for accounting and tax purposes; and (c) tax losses which are available to offset future taxable profits.

The recoverability of deferred tax assets in relation to underwriting losses will depend on the availability of future taxable profits. Based on current business forecasts it is probable that sufficient profits will accrue within the foreseeable future to support the current level of recognised deferred tax asset.

13 Income Tax (continued)

d) Deferred tax, net (continued)

The Group has tax losses in respect of underwriting losses in the corporate members and other tax losses in Group entities which total approximately $456m (2021: $391m) which have no expiry date, except for $14m (2021: $9m) of US losses expiring in 2035 and have not been recognised for deferred tax purposes. An amount of $31m of deferred tax asset has been recognised in relation to the crystallised underwriting losses (2021: $34m).

Finance Act 2021 enacted the increase in the UK corporation tax rate from 19% to 25% from 1 April 2023. This future tax rate of 25% has been used to derive the UK deferred tax assets and liabilities as that is the tax rate that is expected to apply when the deferred tax balances crystallise or unwind.

e) Reconciliation of deferred tax assets, net

$'000	2022	2021
Balance at 1 January	12,872	6,409
Origination and reversal of temporary differences	281	3,710
Adjustments for deferred tax on prior periods	(142)	1,184
Impact of change in deferred tax rate	535	1,655
Foreign exchange and other adjustments	(460)	(86)
Balance at 31 December	13,086	12,872

14 Intangible Assets

$'000	Goodwill	Syndicate participation rights	Insurance contract intangible asset	Distribution channels intangible assets	IT software and licences	Total
Cost						
At 1 January 2021	58,662	85,882	25,905	28,983	17,842	217,274
Additions	-	135	-	-	-	135
Disposals	-	-	-	-	(384)	(384)
Exchange and other	(31)	-	-	-	(247)	(278)
At 31 December 2021	58,631	86,017	25,905	28,983	17,211	216,747
Additions	-	95	-	-	9,538	9,633
Exchange and other	-	-	-	-	(1,802)	(1,802)
At 31 December 2022	58,631	86,112	25,905	28,983	24,947	224,578
Accumulated amortisation						
At 1 January 2021	-	-	21,867	1,964	7,463	31,294
Amortisation in the year	-	-	1,224	1,965	1,832	5,021
Disposals	-	-	-	-	(384)	(384)
Exchange and other	-	-	-	-	(296)	(296)
At 31 December 2021	-	-	23,091	3,929	8,615	35,635
Amortisation in the year	-	-	935	1,964	1,289	4,188
Exchange and other	-	-	-	-	(779)	(779)
At 31 December 2022	-	-	24,026	5,893	9,125	39,044
Carrying amount						
At 31 December 2021	58,631	86,017	2,814	25,054	8,596	181,112
At 31 December 2022	58,631	86,112	1,879	23,090	15,822	185,534

14 Intangible Assets (continued)

Intangible assets with an indefinite useful life

Goodwill and syndicate participation rights are deemed to have indefinite useful life as they are expected to have value in use that does not erode or become obsolete over the course of time. Consequently, they are not amortised but annually tested for impairment in relation to the business units from where or for which they were acquired.

The syndicate participation rights intangible was allocated to the syndicates at Lloyd's cash generating unit ('CGU'). The recoverable amount of the CGU was established with reference to its fair value less costs to sell. The fair value has been established with reference to market multiples for similar businesses, which provides a current and observable input into the fair value measurement, which is classed as level 2 within the fair value hierarchy. The analysis indicates sufficient headroom such that reasonably expected alternative assumptions are not anticipated to result in a potential impairment.

Goodwill has been allocated to the syndicates at Lloyd's CGU. The recoverable amount of the CGU was established with reference to its fair value less cost to sell. The fair value has been established with reference to market multiples for similar businesses, which provides a current and observable input into the fair value measurement, which is classed as level 2 within the fair value hierarchy. The analysis indicates sufficient headroom compared to these market multiples such that reasonably expected alternative assumptions are not anticipated to result in a potential impairment.

Intangible assets with a finite useful life

The distribution channels, IT software and computer licences are amortised over their finite economic lives and the charge is included in other operating and administrative expenses in the consolidated statement of profit or loss.

The time value of money, risk margin to unearned premium reserve and other related components of the insurance contract intangible asset run-off at different rates and are amortised according to their respective useful economic lives. The useful economic life of the time value of money component is estimated as eight to twenty three years based on the expected run-off period of the claims arising from the portfolio of business when acquired.

Assets with a finite useful life were assessed for indicators of impairment at the respective year ends and no indicators of impairment have been identified. As such, no impairment test has been performed and there was no impairment in 2022 (2021: none).

15 Property and Equipment

$'000	Note	Computer Equipment	Fixtures, Fittings and Equipment	Leasehold improvements	Total
Cost					
At 1 January 2021		9,010	3,075	2,916	15,001
Additions		4,061	905	7,732	12,698
Disposals		(1,490)	(861)	(660)	(3,011)
Exchange		(123)	(50)	(31)	(204)
At 31 December 2021		11,458	3,069	9,957	24,484
Additions		826	98	441	1,365
Disposals		(319)	-	-	(319)
Exchange		(1,170)	(120)	(1,011)	(2,301)
At 31 December 2022		10,795	3,047	9,387	23,229
Accumulated depreciation					
At 1 January 2021		6,217	2,403	1,340	9,960
Charge for the year	11	1,436	259	372	2,067
Disposals		(1,490)	(861)	(660)	(3,011)
Exchange		(51)	(62)	74	(39)
At 31 December 2021		6,112	1,739	1,126	8,977
Charge for the year	11	1,651	203	822	2,676
Exchange		(642)	11	(48)	(679)
At 31 December 2022		7,121	1,953	1,900	10,974
Carrying amount					
At 31 December 2021		5,346	1,330	8,831	15,507
At 31 December 2022		3,674	1,094	7,487	12,255

16 Deferred Acquisition Costs

$'000	2022	2021
Insurance contract deferred acquisition costs at 1 January	355,818	330,513
Movement in deferred acquisition costs	(13,160)	18,324
Transfer to external reinsurer	-	(44,218)
Unwind of acquired fair value adjustment	3,992	51,199
Insurance contract deferred acquisition costs at 31 December	346,650	355,818

17 Reinsurance Assets

$'000	Note	2022	2021
Reinsurers' share of outstanding claims provision	27 i	584,215	617,543
Reinsurers' share of incurred but not reported provision	27 ii	909,293	928,120
Reinsurers' share of claims outstanding		1,493,508	1,545,663
Reinsurers' share of unearned premiums	27 iii	290,568	301,383
		1,784,076	1,847,046

18 Financial Assets

(a) Financial Assets at Fair Value Through Profit or Loss

$'000	2022	2021
Fair value (designated as such upon initial recognition)		
Debt securities and other fixed income securities	1,982,910	1,945,014
Holdings in collective investment schemes	565,331	673,879
Equity shares	91,090	116,521
Private credit funds	65,951	21,896
Total financial assets at fair value through profit or loss	2,705,282	2,757,310

Financial assets which are subject to restrictions are referred to in Note 35(a). Financial assets that are classified as loans and receivables are disclosed in Note 22 Trade and Other Receivables.

(b) Carrying Value of Financial Instruments other than Derivatives

$'000	2022	2021
Fair value (designated as such upon initial recognition)		
At 1 January	2,757,310	2,508,606
Transfer to external reinsurer	-	(194,675)
Purchases	1,653,941	3,337,536
Disposals	(1,575,685)	(2,883,620)
Fair value losses	(97,684)	(13,931)
Realised (losses)/gains	(32,600)	3,394
At 31 December	2,705,282	2,757,310

19 Derivative Financial Instruments

The Group utilises derivative financial instruments as part of its asset/liability risk management practice.

The derivative financial instruments represent the fair value of exchange traded bond futures contracts used to hedge duration risk, and forward contracts used to hedge excess foreign currency exposures. The derivative financial instruments held by the Group have not been designated for hedge accounting during the current and previous financial years as permitted by IAS 39.

The following table shows the fair value through profit or loss ('FVPL') of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying assets, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	2022			2021		
$'000	**Assets**	**Liabilities**	**Notional amount**	**Assets**	**Liabilities**	**Notional amount**
Derivatives at FVPL:						
Interest rate futures	275	(37)	253,196	40	(5)	10,884
Forward exchange contracts	21,507	(7,447)	720,774	4,103	(3,930)	648,797
	21,782	(7,484)	973,970	4,143	(3,935)	659,681

At their inception, derivatives often involve only a mutual exchange of promises, with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

20 Fair Value Measurement

i) Valuation

The Group has classified its financial instruments as at 31 December 2022 using the fair value hierarchy required by IFRS 13 'Fair value measurement'. The fair value hierarchy classifies financial instruments into Level 1 to Level 3 based on the significance of the inputs used in measuring their fair value, with Level 1 considered the most reliable. The levels within the fair value hierarchy are defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 Valuation techniques for which inputs are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date and are included in Level 1.

The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique.

The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The valuation techniques include broker dealer quotes, reported trades, issuer spreads and available bids. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. There have been no transfers between level 1 and level 2 financial instruments during the year (2021: $nil).

If one or more significant inputs are not based on observable market data, the instrument is included in Level 3. These assets are normally infrequently traded and fair values can only be calculated using estimates or risk-adjusted value ranges and there is a material use of judgement in deriving the price.

20 Fair Value Measurement (continued)

ii) Fair Value Measurement of Assets

$'000	Level 1	Level 2	Level 3	Total
Financial assets at 31 December 2022				
Debt securities & other fixed income securities	610,172	1,372,738	-	1,982,910
Holdings in collective investment schemes	316,629	248,702	-	565,331
Equity	64,818	-	26,272	91,090
Private credit funds	-	-	65,951	65,951
Derivative assets	275	21,507	-	21,782
Financial assets	991,894	1,642,947	92,223	2,727,064
Other assets – overseas deposits	33,358	132,676	-	166,034
Total	1,025,252	1,775,623	92,223	2,893,098
Financial liabilities at 31 December 2022				
Derivative liabilities	37	7,447	-	7,484
Total	37	7,447	-	7,484

$'000	Level 1	Level 2	Level 3	Total
Financial assets at 31 December 2021				
Debt securities & other fixed income securities	580,806	1,364,208	-	1,945,014
Holdings in collective investment schemes	451,777	222,102	-	673,879
Equity	86,118	-	30,403	116,521
Private credit funds	-	-	21,896	21,896
Derivative assets	40	4,103	-	4,143
Financial assets	1,118,741	1,590,413	52,299	2,761,453
Other assets – overseas deposits	36,339	117,136	-	153,475
Total	1,155,080	1,707,549	52,299	2,914,928
Financial liabilities at 31 December 2021				
Derivative liabilities	5	3,930	-	3,935
Total	5	3,930	-	3,935

The level within the hierarchy that a financial instrument is placed is based on the lowest level of any input that is significant to its fair value measurement.

Level 3 include non-traded private credit funds and the Group's share of the syndicates' loans to the Lloyd's central fund. The fair value of the private credit funds is determined with reference to the net asset value which is considered a reasonable proxy for fair value. The Group's share of the syndicates' loans to the Lloyd's central fund is not tradeable and is valued based on a discounted cash flow model to which a fair value adjustment has been applied to appropriately reflect the credit and illiquidity risk of the instrument.

These loans are deemed to be equity on the basis that the repayment of the loan and interest is at the discretion of the Corporation of Lloyd's. The syndicate loans have been classified as level 3 assets because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow model.

Any transfers between levels in the fair value hierarchy is deemed to have taken place by assessing categorisation at the end of the reporting period. There were no transfers to and from level 3 assets for the period ended 31 December 2022 when compared with the comparative prior period end.

The table below shows a reconciliation of opening and closing balances for financial instruments classified as level 3 of the fair value hierarchy.

$'000	2022	2021
At 1 January	52,299	30,853
Total net loss through profit or loss	(891)	(771)
Purchases	87,350	22,217
Disposals	(46,535)	-
At 31 December	92,223	52,299

In 2022 the $891k net loss recognised in the profit or loss on level 3 investments included a loss of $1,004k on the syndicate loans to the central fund.

21 Insurance Receivables

$'000	2022	2021
Debtors arising out of insurance operations	725,194	707,457
Debtors arising out of reinsurance operations	509,165	338,707
	1,234,359	1,046,164
Amounts due within 1 year	1,226,402	1,040,712
Amounts due in over 1 year	7,957	5,452
	1,234,359	1,046,164

Debtors arising out of insurance operations are receivable within one year and relate to business transacted with brokers and intermediaries. Debtors arising out of reinsurance operations comprise amounts receivable from reinsurers in respect of paid claims and brokers' balances receivable on inwards reinsurance business. All insurance receivables are designated as loans and receivables and their carrying values approximate fair value at the reporting date.

Insurance receivables include $784m (2021: $693m) of pipeline premium which is estimated using expert judgement, relevant underwriting input and management review.

22 Trade and Other Receivables

$'000	2022	2021
Loans	45,855	23,432
Other debtors	46,476	71,146
Accrued income	23,997	12,971
Amounts due from parent undertakings	6,605	5,855
	122,933	113,404
Amounts due within 1 year	109,034	97,478
Amounts due in over 1 year	13,899	15,926
	122,933	113,404

The fair value of trade and other receivables approximates to their carrying value. The loans comprise US property bridge loans of $45.9m (2021: $23.4m) which are classified as loans and receivables in accordance with IAS 39 and are carried at amortised cost.

Details about the maturity of these loans can be found in Note 33(c).

Other debtors in 2022 include $29.8m (2021: $48.6m) of unsettled investment trades, resulting from trading activity over the year end date. The amount was settled in January 2023.

23 Other Assets

Other assets include overseas deposits of $166.0m (2021: $153.5m) which are lodged as a condition of conducting underwriting business in certain countries.

24 Cash and Cash Equivalents

$'000	2022	2021
Cash at bank and in hand	107,187	177,637
Cash equivalents	16,458	116,980
	123,645	294,617

The cash and cash equivalents include $85.6m (2021: $241.2m) that are held in Lloyd's Premium and other trust funds supporting insurance liabilities. These assets are subject to restrictions under the relevant trust deeds and bank facilities.

25 Share Capital and Share Premium

	2022	2021
Authorised shares	Number	Number
Ordinary shares		
Ordinary shares of 1USD each	341,868,305	341,868,305
Ordinary shares total	**341,868,305**	**341,868,305**

Issued and fully paid:	At 1 January 2021	Changes in issued capital	At 31 December 2021	Changes in issued capital	At 31 December 2022
	Number	Number	Number	Number	Number
Ordinary shares					
Ordinary shares of 1USD par value	341,868,295	1	341,868,296	-	341,868,296
Ordinary shares total	**341,868,295**	**1**	**341,868,296**	**-**	**341,868,296**

Issued share capital	At 1 January 2021	Changes in issued capital	At 31 December 2021	Changes in issued capital	At 31 December 2022
	$	$	$	$	$
Ordinary shares					
Ordinary shares of 1USD par value	341,868,295	1	341,868,296	-	341,868,296
Share capital total	**341,868,295**	**1**	**341,868,296**	**-**	**341,868,296**

Issued share premium	At 1 January 2021	Changes in issued capital	At 31 December 2021	Changes in issued capital	At 31 December 2022
	$	$	$	$	$
Ordinary shares					
Ordinary shares of 1USD par	279,879,006	65,452,861	345,331,867	-	345,331,867
Share premium total	**279,879,006**	**65,452,861**	**345,331,867**	**-**	**345,331,867**

Changes in Issued Capital

On 22 January 2021, one ordinary share with a nominal value of $1.00 was issued to FHL in exchange for a capital injection of $65.5m received from FHL.

26 Insurance Contract Liabilities

$'000	Note	2022	2021
Outstanding claims provision	27 i	1,406,300	1,417,082
Incurred but not reported provision	27 ii	1,843,901	1,651,521
Claims outstanding		3,250,201	3,068,603
Provision for unearned premiums	27 iii	1,367,740	1,280,167
		4,617,941	4,348,770

27 Insurance Contract Liabilities and Reinsurance Assets

i. Outstanding Claims Provision

	2022			2021		
$'000	Insurance contract liabilities	Reinsurance of liabilities	Net	Insurance contract liabilities	Reinsurance of liabilities	Net
At 1 January	1,417,082	(617,543)	799,539	1,418,595	(406,504)	1,012,091
Movement during the year	(10,827)	48,992	38,165	90,279	(341,492)	(251,213)
Reinsurance to close	54,234	(52,753)	1,481	91,472	(63,143)	28,329
Transfers of risk	-	-	-	(171,711)	171,711	-
Exchange and other adjustments	(54,189)	37,089	(17,100)	(11,553)	21,885	10,332
At 31 December	1,406,300	(584,215)	822,085	1,417,082	(617,543)	799,539

27 Insurance Contract Liabilities and Reinsurance Assets (continued)

ii. Incurred But Not Reported Provision

	2022			2021		
$'000	Insurance contract liabilities	Reinsurance of liabilities	Net	Insurance contract liabilities	Reinsurance of liabilities	Net
At 1 January	1,651,521	(928,120)	723,401	1,796,948	(817,811)	979,137
Movement during the year	198,015	1,979	199,994	92,884	(331,623)	(238,739)
Reinsurance to close	42,168	3,308	45,476	63,638	(56,622)	7,016
Transfers of risk	-	-	-	(277,022)	277,022	-
Exchange and other adjustments	(47,803)	13,540	(34,263)	(24,927)	914	(24,013)
At 31 December	1,843,901	(909,293)	934,608	1,651,521	(928,120)	723,401

It is estimated, using historical settlement trends that $1,230m (2021: $1,073m) of the gross claims outstanding and incurred but not reported provision and $397m (2021: $539m) of the corresponding amount recoverable from reinsurers included in the above analyses, will settle in the next 12 months.

iii. Provision for Unearned Premiums

	2022			2021		
$'000	Insurance contract liabilities	Reinsurance of liabilities	Net	Insurance contract liabilities	Reinsurance of liabilities	Net
At 1 January	1,280,167	(301,383)	978,784	1,182,530	(282,298)	900,232
Movement during the year	70,119	12,436	82,555	126,627	(102,278)	24,349
Reinsurance to close	13,417	(3,975)	9,442	17,531	(11,853)	5,678
Transfers of risk	-	-	-	(97,477)	97,477	-
Unwind of acquired fair value adjustment	3,992	-	3,992	51,199	-	51,199
Exchange and other adjustments	45	2,354	2,399	(243)	(2,431)	(2,674)
At 31 December	1,367,740	(290,568)	1,077,172	1,280,167	(301,383)	978,784

The transfers of risk line represents the impact of the RITC agreement with Premia Re of the 2018 and prior years of account of Syndicate 1861.

28 Insurance Payables

$'000	2022	2021
Creditors arising out of insurance operations	65,228	96,266
Creditors arising out of reinsurance operations	704,845	944,828
	770,073	1,041,094
Amounts due within 1 year	540,526	786,350
Amounts due in over 1 year	229,547	254,744
	770,073	1,041,094

Creditors arising out of reinsurance operations comprise principally premiums payable for reinsurance, including reinstatement premiums in both the managed syndicates and other Group operations and includes $322m (2021: $583m) of premium due to RiverStone in relation to the Loss Portfolio Transfer agreement.

29 Trade and Other Payables

$'000	2022	2021
Other creditors including taxation and social security	51,087	72,160
Accruals and deferred income	71,958	65,373
	123,045	137,533
Amounts due within 1 year	123,045	137,533
	123,045	137,533

Other creditors in 2022 include $31.3m (2021: $52.3m) of unsettled investment trades, resulting from trading activity over the year end date. The amount was settled in January 2023.

30 Pension Benefit Obligation

The Group operates defined contribution pension plans for its employees in the United Kingdom as well as a closed defined benefit pension scheme for certain of its former employees. The assets of the plans and the scheme are held separately from those of the Group companies in independently administered funds. Pension entitlements of employees outside the United Kingdom are provided through state schemes, to which the Group contributes in accordance with local regulations.

i) Defined Benefit Scheme

The defined benefit pension scheme ('the scheme') was closed with effect from 30 June 2010 and all active members were treated as having left pensionable service under the scheme with effect from that date. A full valuation of the scheme was undertaken at 1 January 2022 and updated to 31 December 2022 by a qualified independent actuary.

In December 2022 the Trustees entered into a bulk annuity policy in respect of the remaining uninsured members of the scheme, as such all liabilities of the scheme (except for the liability in respect of GMP equalisation) are now covered by qualifying insurance policies.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	2022	2021
	% per annum	% per annum
Discount rate	4.8	1.9
Retail Price Index assumption	3.4	3.3
Consumer Price Index assumption	2.9	2.8
Pension increase assumption (non-GMP)	3.3	3.2

The underlying mortality assumption is based upon the standard table known as S3LPA on a year of birth usage with CMI 2021 future improvement factors with a long term annual rate of future improvements of 1% per annum (2021: S2LPA tables and CMI 2020 with a long term annual rate of future improvements of 1% per annum).

The scheme is operated by Canopius Services Limited, a subsidiary of the Group and current sponsor of the scheme. At 31 December 2022 the present value of the scheme liabilities was $8.0m (2021: $14.0m) and the market value of scheme assets was $8.0m (2021: $15.8m), giving a surplus of $nil (2021: surplus of $1.8m) calculated based on the above assumptions and in accordance with the requirements of accounting standards. Any surplus is not recognised in the accounts on the basis that it is not considered probable that it will be recovered by the scheme.

The latest triennial valuation prepared by the scheme Actuary on behalf of the Trustees of the scheme was as at 1 January 2022, the next triennial valuation will be as at 1 January 2025. As the scheme is considered not material in the context of the Group, reduced disclosure is given in this note.

ii) Defined Contribution Plans

The level of contributions for the defined contribution plans generally varies between 10% to 26% of salaries. Contributions of $0.6m (2021: $0.6m) in respect of the plans were outstanding at the year end and are included in other creditors including taxation and social security. These were settled in the month following the year end.

31 Cash Generated From Operating Activities

$'000	2022	2021
Net change in operational assets		
Net change in reinsurance assets	62,970	(886,642)
Net change in insurance receivables	(188,195)	(67,432)
Net change in other assets	(41,279)	20,066
Total	(166,504)	(934,008)
Net change in operational liabilities		
Net change in insurance contract liabilities	269,171	496,906
Net change in insurance payables	(271,021)	572,154
Net change in other liabilities	(7,704)	(76,096)
Total	(9,554)	992,964

32 Risk Management Framework

(a) Governance Framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives. Management recognises the critical importance of having effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the Board of Directors, its committees and executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management groups and senior managers. A Group policy framework, which sets out the risk policies for the Group, risk management, control and business conduct standards for the Group's operations, is in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The Board of Directors approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital Management Objectives, Policies and Approach

The Group has established the following approach to managing the risks that affect its capital position:

- Allocating capital efficiently to support the development of the business by ensuring that returns on capital employed are optimised;
- Retaining financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- Aligning the profile of assets and liabilities taking account of risks inherent in the business; and
- Maintaining financial strength to support new business growth and to satisfy the requirements of policyholders, regulators and stakeholders.

(c) Regulatory Framework

The operations of the Group are also subject to regulatory requirements within the jurisdictions in which they operate. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseeable liabilities as they arise. The Group's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements, including any additional amounts required by the regulator.

For the syndicates, through which the Group writes business, the Prudential Regulation Authority ('PRA') and Lloyd's oversee a capital regime that requires companies to calculate their own capital requirements under Solvency II through a Solvency Capital Requirement ('SCR'). Capital models are maintained in accordance with this regime.

Canopius Reinsurance Limited ('CRL') is domiciled in Bermuda and regulated by the Bermuda Monetary Authority ('BMA'), who oversee the capital adequacy of CRL. CRL is required to demonstrate capital adequacy to the BMA through the submissions of Bermuda Solvency Capital Requirement ('BSCR') calculations, which consider the risk profile of CRL and determines the amount of capital which is required to support it.

Canopius US Insurance, Inc. ('CUS') is domiciled in the state of Delaware and is required to maintain capital and surplus determined by the minimum under the Delaware Insurance Code of $600,000 (2021: $600,000). In Delaware, CUS is eligible to write on an admitted basis and a surplus lines basis as it is licensed as a Domestic Surplus Lines Insurer. In addition to its Delaware licence, CUS is eligible to write business on a non-admitted or surplus lines basis in the other 49 states and the District of Columbia.

These jurisdictions have varying minimum capital and surplus requirements to maintain eligibility. The state of New York has the largest minimum requirement at $48m (2021: $48m).

The Group and regulated entities within it have met all of these requirements throughout the financial year.

(d) Approach to Capital Management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics.

An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The Group uses equity, unsecured letters of credit and reinsurance for its capital needs and seeks to optimise the mix in order to maximise profits for a level of gearing consistent with the Group's risk appetite and the regulatory and market requirements of its business.

The capital requirements are routinely forecast and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

In 2022, the Group has renewed its letter of credit facility with ING and reduced it to $420m (comprised of $300m denominated in US Dollars and £100m denominated in Pound Sterling) (2021: $365m denominated in US Dollars and £100m denominated in Pound Sterling), all of which is currently utilised (2021: $500m).

Available Capital Resources

$'000	2022	2021
Shareholders' equity	1,187,891	1,248,284
Unsecured letters of credit facilities	420,293	500,449
Available capital resources	1,608,184	1,748,733
Less: Intangible assets	(185,534)	(181,112)
Add: Deferred tax on intangible assets	24,795	25,520
Tangible financial resources	1,447,445	1,593,141

Asset liability management (ALM) framework

The Asset Liability Management (ALM) policy sets out the roles, responsibilities, accountabilities, rules and authorities that govern ALM within the Canopius Group and its entities. All sources of financial risk associated with ALM are in scope and include (but are not limited to) liquidity risk, currency risk, interest rate risk, inflation risk and credit risk.

The primary Canopius investment objective is to maintain appropriate liquidity to meet the expenses and claims and subject to this objective to create economic value. A diversified portfolio of appropriate nature, term and liquidity profile is maintained to ensure that sufficient cash is available to meet obligations as they fall due, having regard to the expected payment of claims and other outgoings.

33 Management of Insurance and Financial Risk

Risk Governance

The cornerstone of the Group's risk management process is the development and embedding into 'business as usual practice' of a strong risk management and control culture supported by an enterprise wide set of policies and practices.

The Group operates a 'Three Lines of Defence' risk governance model.

The first line of defence involves everyone involved in day-to-day risk taking and comprises all underwriting and operational areas. The first line has direct responsibility for the management and control of risk.

The second line of defence includes the Risk and Compliance functions that provide oversight and challenge to the first line of defence.

The Risk Function is responsible for developing and implementing policies, processes, methodologies, standards and tools to enable business areas to identify, assess, mitigate and report on the exposure status of significant risks and to provide assurance that the risk profile is aligned with the risk appetite.

The Risk function routinely engages with individual business units and reports to the Boards and their sub-committees. Functional risk reporting is escalated through the Group structure to the Boards e.g. syndicate 4444 and 1861's aggregate information is collated, analysed and reported by a central catastrophe management team to the Group Underwriting Committee. The Active Underwriters report aggregate information to the Board of Canopius Managing Agents Limited.

The third line of defence principally involves the Group's independent Internal Audit function.

Risk Appetite

Risk appetite is the articulation of the amount of risk from all sources that the Group is prepared to accept to meet its strategic objectives. It is determined with consideration of its philosophy towards risk taking and its financial and operational capacity, while at the same time recognising the need to generate returns on capital that are in line with shareholder requirements.

The Board has responsibility for ensuring the effective management and control of risk. Accordingly, the Board approves the Enterprise Risk Management Framework and risk appetite in line with the business plan.

When apportioning the overall risk appetite to different categories of risk the Group considers whether there is potential reward for the assumption of the risk and the ability to manage the quantum of the risk directly and the timeframe over which this can be achieved.

Risks are taken that are aligned to the Group's strategic objectives and it has the organisational capability to monitor and control. Risks are not taken that will expose the Group to an unacceptable level of operational risk or risk to the reputation and brand.

The Group's core business is the underwriting of (re) insurance and so the risk appetite is primarily focussed on insurance risk. However, returns on investments should also make a positive contribution to profit and so there is some appetite for market risk. Other risks are not expected to contribute to profit but are inherent in the business operations. There is therefore some limited appetite for credit, liquidity and operational risks – but for these risks the focus is primarily on risk mitigation through the control framework.

Where possible, the risk appetite has been articulated into clearly defined quantitative measures. Risks are then monitored and reported against these defined risk tolerances.

The Board receives quarterly reports highlighting where the risk profile sits relative to the risk tolerances. If at any stage a risk breaches the agreed tolerance, the Board will be informed and appropriate remedial action will be taken to bring the risk within agreed levels.

Risk Control

The Group's approach to risk management is supported by risk controls, which include the development and communication of policies, establishment of formal risk assessment and approval processes, and the establishment of delegated authorities and limits. The implementation of robust risk controls is designed to enable the optimisation of risk and return on both a portfolio and a transactional basis.

Risk Categories

In the normal course of business, the Group is exposed to many risks and differentiates between them using the following major risk categories:

Insurance Risk	Risk of loss arising from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities and premiums;
Operational Risk	Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;
Financial Risk	Risks relating to market, credit and liquidity as follows:
(a) Market Risk	Risk of loss resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments;
(b) Credit Risk	Risk of loss arising as a result of another party failing to perform its financial obligations or failing to perform them in a timely fashion;
(c) Liquidity Risk	Risk that insufficient liquid financial resources are maintained to meet liabilities as they fall due;
Strategic Risk	Risk of making wrong business decisions, implementing decisions poorly, managing capital inadequately, or being unable to adapt to changes in the operating environment;
Risks from climate change	Risk of loss from the consequences and responses to the impacts of climate change. Climate change risks include physical, transition, liability risk and other risks such as reputational and regulatory risks.

Risk Assessment

Risk identification exercises help focus attention on the highest priority risks and help minimise the likelihood of any surprises. Risks identified are assessed on a 'potential probability of occurrence and exposure impact' basis. The controls in place to mitigate risk are regularly assessed to ensure they are operating effectively.

Where control performance issues or control enhancements are identified, a remedial action plan is implemented. A self-assessment process is undertaken on a regular basis and signed off by risk and control owners. Internal Audit also reviews and tests the adequacy and effectiveness of controls documented during the self-assessment process and reports to the Audit Committee.

Reporting

Risk monitoring and reporting is considered to be a critical component of the risk management process and supports the ability of senior management and the Boards to effectively perform their risk management and oversight responsibilities.

Regular internal reporting is provided to senior management and the Boards including (but not limited to); risk appetite monitoring, key risk indicators, risk and control assessments/Internal Control Framework, stress and scenario testing, emerging risk reporting, Own Risk and Solvency Assessments.

33 Management of Insurance and Financial Risk (continued)

External reporting is provided as required by law and other relevant regulations. Regular reporting on risks is provided to stakeholders including regulators and external ratings agencies.

Insurance Risk

There is a significant risk attached to ineffective management of insurance and related activities. The principal areas of risk arise from:

- Inappropriate underwriting activities and cycle management;
- Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
- Inadequate or insufficient reinsurance protection;
- Inadequate catastrophe exposure management;
- Ineffective controls over coverholders; and
- Inadequate reserves.

Insurance Risk Appetite and Tolerance

The taking of controlled risk and the exploring of new underwriting opportunities is encouraged, provided that the resultant exposures are within the insurance risk appetite and tolerances set by the Group. The Group looks to maximise returns throughout the underwriting cycle, which may result in increasing exposures in certain lines of business, whilst reducing exposures in others.

The Board seeks to mitigate insurance risk by analysing historical pricing and claims experience, setting a tolerance to concentration risk, monitoring performance, and conducting in-house actuarial review of claims provisions, independent of the underwriting teams.

The Group has formal controls in place to ensure that business is underwritten in a controlled environment by reference to both the business plan and in line with underwriting policy. Preventative controls include Underwriting Authority Limits which are agreed and signed off by the Underwriting Management, Divisional and Group Underwriting Guidelines and benchmark ratings for all underwriting divisions. Detection controls include exception reports where authority limits are exceeded, expert review procedures, peer reviews, regular management meetings and reviews by internal audit.

Underwriting

The Group accepts insurance risk in a range of classes of business through its insurance underwriting entities: Lloyd's Syndicate 4444, CRL and Canopius US Insurance, Inc. The Group owns a number of underwriting service companies and insurance intermediaries in the US, Bermuda, Singapore, Malaysia, UK and it has branches in Australia.

The Group's underwriting strategy is to seek a diverse and balanced portfolio in order to limit the variability of outcomes. This is achieved by accepting a spread of business, segmented into different classes.

The annual business plan for each underwriting team reflects the Group's underwriting strategy, and sets out the classes of business, the territories and the industry sectors in which the Group is prepared to accept exposures as well as the limits on both a per risk and per event basis. These plans are approved and monitored by the Board and Underwriting Committee of Canopius Managing Agents Limited, and the Boards of CRL and Canopius US Insurance, Inc., as applicable.

In the underwriting of insurance and reinsurance business the Group's underwriters use a variety of techniques, including applying their skill, knowledge and, where relevant, data on past claims experience to estimate the likely claims cost and therefore premium which should be sufficient (across a portfolio of risks and over a period of years) to cover claims, expenses and produce an acceptable return on capital.

However, due to the nature of insurance risk there is no guarantee that the premiums charged will be sufficient to cover the cost of claims.

The Group seeks to limit exposures and the quantum and likelihood of loss that it is prepared to accept using stochastic and other modelling techniques by reference to a range of events such as natural catastrophes and specific scenarios which may result in large losses.

These are monitored through catastrophe modelling over a range of return periods and the regular calculation of realistic disaster scenarios. The aggregate of exposures is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the aggregations.

The Group has in place personal authority limits which are binding upon all staff authorised to underwrite and are specific to underwriters and classes of business. These authority limits are enforced through a sign-off process for underwriting transactions. Exception reports are also run regularly to monitor compliance.

A proportion of the Group's insurance is written by third parties under delegated authorities. The Group has in place a delegated authority policy and control framework. The policy covers all aspects of delegated underwriting and control of coverholders including initial due diligence, frequency and monitoring of bordereaux and requirements for both internal reviews and external audits. Compliance with the policy is regularly monitored.

Catastrophe Modelling

The greatest likelihood of significant losses to the Group arises from catastrophe events, such as windstorm, earthquake or flood in addition to certain man-made perils. The Group licences leading industry modelling tools, and supplements these with the Group's knowledge of the business, historical loss information and geographic accumulations, to monitor aggregation and to simulate catastrophe losses. The range of scenarios considered includes natural catastrophe, property, marine, liability and terrorism events.

The Group's capital setting methodology enables modelling to be performed in a sophisticated, but practical, manner particularly with respect to defining the strength of correlations between the Group's catastrophe exposed classes of business. The Group's stochastic models use underlying event tables which capture directly the different geographic distributions of risk in the different lines of business.

Effective risk management in non-core areas and from non modelled perils is ensured using a suite of exposure accumulation and aggregation monitoring techniques and proprietary deterministic models.

A detailed analysis of catastrophe exposure by class of business is carried out monthly and a review against the Group's catastrophe risk tolerance is carried out on a quarterly basis and reported to the Board.

Reinsurance

Reinsurance risk to the Group arises when reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated. Failure of a reinsurer to pay a valid claim is considered a credit risk.

The Group's reinsurance programmes are determined from the underwriting teams' business plans and seek to protect capital from adverse severity and/or frequency of claims on both per risk and per event basis. Reinsurance is purchased to protect both current and discontinued lines of business.

The Group sets limits for reinsurance programmes regarding quality and quantity. Utilisation of the reinsurance protection is monitored on an on-going basis.

There are a number of areas of uncertainty over the reinsurance assumptions. The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which reduce the recoveries made. The impact on profit after tax and equity of a 1% deterioration in the total reinsurance recoveries would be a $2.7m loss (2021: $6.8m loss).

Claims Management

Claims management risk may arise in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or claims leakage. The Group's claims teams seek to ensure that claims handling activities are performed with a consistent approach and that a standardised resolution and adjustment process is adopted wherever possible.

Reserving

Reserve risk occurs when claims provisions make insufficient allowance for claims, claims handling expenses and reinsurance bad debt provisions.

33 Management of Insurance and Financial Risk (continued)

The Group's actuarial teams use a range of recognised actuarial techniques to project gross premiums written, monitor claims development patterns and to determine the claims provisions. The Group reviews at least quarterly, premium and claims experience by class of business and year of account and the earned and projected ultimate gross and net loss ratios.

The claims provisions established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit after tax and equity of a 1% improvement/deterioration in the total net claims reserves would be an $14.2m gain/loss (2021: $12.3m).

33 Management of Insurance and Financial Risk (continued)

Claims Development Tables

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

The figures in the tables below are presented at the exchange rates prevailing at 31 December 2022.

Underwriting year – **Gross** $m	2013 and prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:											
At end of period 1	1,052	723	814	848	1,213	854	1,164	1,123	1,189	1,327	10,307
At end of year 2	1,023	686	783	937	1,346	948	1,465	1,156	1,217		9,561
At end of year 3	987	698	834	982	1,353	1,094	1,507	1,147			8,602
At end of year 4	971	701	842	986	1,376	1,052	1,420				7,348
At end of year 5	973	703	847	1,013	1,359	1,088					5,983
At end of year 6	967	699	853	1,041	1,363						4,923
At end of year 7	949	695	850	1,047							3,541
At end of year 8	866	691	861								2,418
At end of year 9	860	681									1,541
At end of year 10	882										882
Older years	168										168
Current estimate of cumulative gross claims	1,050	681	861	1,047	1,363	1,088	1,420	1,147	1,217	1,327	11,201
Cumulative payments to date	(847)	(630)	(765)	(884)	(1,195)	(804)	(964)	(622)	(379)	(109)	(7,199)
Gross claims outstanding	203	51	96	163	168	284	456	525	838	1,218	4,002
Unearned balance											(786)
Unallocated loss adjustment expenses											34
Total liability											3,250

33 Management of Insurance and Financial Risk (continued)

Claims Development Tables (continued)

Underwriting year – **Net** $m	2013 and prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:											
At end of period 1	716	626	692	719	917	697	979	867	880	940	8,033
At end of year 2	719	597	687	774	1,020	802	1,214	807	888		7,508
At end of year 3	696	602	708	807	1,051	850	1,183	805			6,702
At end of year 4	772	599	710	811	1,057	730	1,091				5,770
At end of year 5	693	605	726	826	987	792					4,629
At end of year 6	688	599	728	753	1,004						3,772
At end of year 7	676	596	656	766							2,694
At end of year 8	671	568	655								1,894
At end of year 9	656	559									1,215
At end of year 10	681										681
Older years	37										37
Current estimate of cumulative net claims	718	559	655	766	1,004	792	1,091	805	888	940	8,218
Cumulative payments to date	(672)	(542)	(632)	(718)	(932)	(676)	(860)	(514)	(341)	(103)	(5,990)
Net claims outstanding	46	17	23	48	72	116	231	291	547	837	2,228
Unearned balance											(505)
Unallocated loss adjustment expenses											34
Total liability											1,757

33 Management of Insurance and Financial Risk (continued)

Operational Risk

Failure to manage operational risk can result in direct or indirect financial loss, reputational damage, regulatory censure or failure in the management of other risks.

The Group's operational risk process flows directly from the risk management process and sets out the principles and practices used to manage operational risk. Operational risk is managed through the Group's infrastructure, controls, systems and people supported by Compliance, Risk and Internal Audit functions.

Financial Risk

The Group is exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from its insurance contracts. The Group carries financial investments at fair value through income and actively monitors its investment portfolio and its valuation.

An asset-liability management framework sets out the approach to managing potential exposure to financial risk which could arise where the specific interdependencies between assets and liabilities are not recognised or mitigated, and where there is a correlation between the risks within different asset classes.

The Group's policies and procedures for managing its exposure to financial risk, being (a) market risk, including valuation, market price, interest rate, credit spreads and exchange rate risks; (b) credit risk; and (c) liquidity risk, are given below:

(a) Market risk

Market risk arises from fluctuations in values, including from movements in market prices, interest rates, credit spreads and exchange rates.

i) Price Risk

Financial assets that are classified as fair value through profit or loss are susceptible to losses due to adverse movements in prices. As explained in Note 20, the Group classifies its financial instruments using the fair value hierarchy required by IFRS 13 'Fair value measurement'.

Financial assets classified as fair value through profit or loss include debt securities and other fixed income securities, holdings in collective investment schemes, equity shares and private credit funds. The price of debt securities and other fixed income securities is affected by interest rate risk and credit risk, as described below. If the fair value of holdings in collective investment schemes, equity shares and private credit funds were to increase or decrease by 10% at the balance sheet date, the fair value of the holdings in collective investment schemes, equity shares and private credit funds would increase or decrease by $72.2m (2021: $81.2m).

ii) Interest Rate Sensitivity of the Fixed Income Portfolio

The majority of the Group's investments are held in cash, cash equivalents and fixed income securities (bonds). Although these bond holdings help to meet claims and liabilities as they fall due, their market value is related to the level of interest and the average length of time until the cash flows from these securities are due to be paid back to the investor (duration).

If interest rates change, as a result of macro-economic developments and changes in monetary policy, the market price of these fixed income securities will also change. The aggregate duration of the fixed income portfolio can provide an estimate of the extent to which the market value of these securities will change for a given change (1% or 100 basis point) in bond yields.

By way of example, the value of fixed income investments in the Group's balance sheet at 31 December 2022 was $1,983m (2021: $1,945m) with an average duration of 1.7 years (2021: 1.5 years). If interest rates were to rise or fall by 100 basis points at the balance sheet date, the market value of the fixed income securities would be expected to decrease or increase by $26.7m (2021: $25.1m).

The Investment Committee monitors the duration of the assets on a regular basis and will often make a decision to lower the duration or interest rate sensitivity of the bond portfolio if it believes that interest rates are likely to rise in order to limit the impact on the market value of the portfolio.

iii) Credit Spreads

Fixed interest securities issued by an entity other than a sovereign government generally trade at higher yields than a similar duration sovereign government bond issued in the same currency. The excess yield (over a government bond of similar duration and currency) is referred to as the credit spread. While this spread may be influenced by the level of liquidity and demand for the corporate, it is typically taken to reflect the credit risk to the investor that the issuer may not make timely payments of capital or interest.

As with interest rate duration, there is a similar measure of credit duration that will show the relative performance of a corporate security for a given (1% or 100 basis point) change in the credit spread relative the equivalent government bond.

If credit spreads were to rise or fall by 100 basis points at the balance sheet date, the fair value of the non-government fixed income securities and therefore the profit after tax and equity would decrease or increase by $32.4m (2021: $38.9m).

The Investment Committee monitors the credit spread duration of the assets on a regular basis. It also sets and monitors limits on the amount and categories of non-government credit that external investment managers can hold in the portfolio.

iv) Exchange Rates

The Group operates internationally and has exposure to foreign exchange risk. The Group seeks to hold its net assets primarily in US dollars. Where the risk of loss through mismatch of other currencies is deemed material, the Group will seek to mitigate the risk by buying or selling the relevant currency assets or entering into forward currency sale or purchase contracts.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Group's consolidated financial statements are presented in US Dollars (the 'presentation currency'). Accordingly, the Group actively manages its non US dollar balance sheet exposures, which are predominantly against the Euro, Canadian Dollar and Sterling.

33 Management of Insurance and Financial Risk (continued)

The net currency position at 31 December 2022 and 31 December 2021 was:

Statement of profit or loss 'at risk' exposures:

At 31 December 2022	GBP	EUR	CAD
	£'000	€'000	C$'000
Gross exposure	76,637	3,708	(72,419)
Forward currency contracts	(100,622)	14,053	26,054
Net exposure	(23,985)	17,761	(46,365)

At 31 December 2021	GBP	EUR	CAD
	£'000	€'000	C$'000
Gross exposure	121,581	(33,141)	(51,994)
Forward currency contracts	(113,422)	30,053	45,204
Net exposure	8,159	(3,088)	(6,790)

It is estimated that the effect of a 10% strengthening (or weakening) of exchange rates against US dollar would change profit after tax and equity by approximately $2.6m (2021: $0.6m) for Sterling, $1.7m (2021: $0.3m) for Euro and $3.1m (2021: $0.9m) for CAD.

(b) Credit Risk

Credit risk arises where another party fails to perform its financial obligations or fails to perform them in a timely fashion. The primary sources of credit risk for the Group are:

- Amounts due from reinsurers;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries; and
- Counterparty risk with respect to investments including cash and cash equivalents.
- Counterparty risk with respect to loans and other receivables.

Credit risk within the investment funds is principally managed through the credit research carried out by external investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. Fixed income investments are predominantly invested in government and high grade corporate bonds.

The credit risk in respect of reinsurance debtors is primarily managed by review and approval of reinsurance security, prior to the purchase of reinsurance contracts. Guidelines are set and monitored that limit the purchase of reinsurance based on Standard & Poor's or appropriate alternative ratings for each reinsurer.

An analysis of the Group's major exposures to counterparty credit risk, which is based on Standard & Poor's or equivalent rating, is presented below:

At 31 December 2022 $'000	AAA	AA	A	Other and/or not rated	Total
Reinsurance assets	-	313,607	1,253,018	217,451	1,784,076
Reinsurance receivables	-	-	-	509,165	509,165
Debt and fixed income securities	1,172,748	437,262	306,413	66,487	1,982,910
Holdings in collective investment schemes	124,889	119,671	121,927	198,844	565,331
Private credit funds	-	-	-	65,951	65,951
Loans	-	-	-	45,855	45,855
Other assets – overseas deposits	76,838	22,832	12,841	53,523	166,034
Cash and cash equivalents	-	-	123,645	-	123,645
Total	1,374,475	893,372	1,817,844	1,157,276	5,242,967

At 31 December 2021 $'000	AAA	AA	A	Other and/or not rated	Total
Reinsurance assets	-	328,469	1,369,096	149,481	1,847,046
Reinsurance receivables	-	-	-	338,707	338,707
Debt and fixed income securities	1,179,889	408,222	288,162	68,741	1,945,014
Holdings in collective investment schemes	236,370	135,657	189,747	112,105	673,879
Private credit funds	-	-	-	21,896	21,896
Loans	-	-	-	23,432	23,432
Other assets – overseas deposits	65,867	8,046	31,484	48,078	153,475
Cash and cash equivalents	-	-	294,617	-	294,617
Total	1,482,126	880,394	2,173,106	762,440	5,298,066

33 Management of Insurance and Financial Risk (continued)

(b) Credit Risk (continued)

The underlying investments in the 'other/not rated' holdings in collective investment schemes (that includes participation in investment pools) at 31 December 2022 comprised:

$'000	2022	2021
Absolute return funds	58,395	55,866
Bond funds	118,897	43,633
Hedge funds	30	28
Open ended funds	14,965	12,578
BBB and below securities	6,557	-
Total	198,844	112,105

The carrying values represent the maximum exposure to credit risk at the balance sheet date in respect of the above assets. Insurance and reinsurance debtors are included in loans and receivables.

The analysis above does not include insurance receivables from direct insurance operations as the majority of these assets are in respect of pipeline premiums for which the credit information is not readily available. The following table, which includes loans and receivables, including insurance receivables (debtors arising out of direct insurance operations), provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

At 31 December 2022	Neither past due nor impaired	Past due (during range of months)				Carrying value
$'000		0-3	3-6	6-12	Over 12	
Reinsurance assets	1,784,076	-	-	-	-	1,784,076
Debtors arising out of reinsurance operations	343,448	79,889	37,151	31,042	17,635	509,165
Debtors arising out of insurance operations	717,594	6,245	1,116	174	65	725,194
Financial assets at fair value	2,705,282	-	-	-	-	2,705,282
Loans	45,855	-	-	-	-	45,855

At 31 December 2021	Neither past due nor impaired	Past due (during range of months)				Carrying value
$'000		0-3	3-6	6-12	Over 12	
Reinsurance assets	1,847,046	-	-	-	-	1,847,046
Debtors arising out of reinsurance operations	224,054	70,320	15,489	17,038	11,806	338,707
Debtors arising out of insurance operations	702,722	3,928	665	73	69	707,457
Financial assets at fair value	2,757,310	-	-	-	-	2,757,310
Loans	23,432	-	-	-	-	23,432

Debtors arising out of reinsurance operations are presented net of bad debt provision of $1.3m (2021: $2.2m). Debtors arising out of insurance operations are presented net of bad debt provision of $6.5m (2021: $6.1m).

(c) Liquidity Risk

Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due. The Group is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities and the payment of expenses.

The Group's policy is to manage its liquidity position so that it can reasonably meet a significant individual or market loss event. This means that the Group maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. These liquid funds are regularly monitored against cash flow forecasts.

The majority of the Group's investments are in highly liquid assets which could be converted into cash in a prompt fashion and at minimal expense. Cash and cash equivalents are generally bank deposits and money market funds.

The Group manages the maturity profile of its investments having regard to the expected pay-out pattern for the claims liabilities.

33 Management of Insurance and Financial Risk (continued)

(c) Liquidity Risk (continued)

The contractual maturity profile at 31 December 2022 was as follows:

At 31 December 2022 $'000	Loans	Debt and other fixed income securities	Holdings in collective investment schemes	Private credit funds	Overseas deposits	Cash and cash equivalents	Total
Less than one year	31,956	121,650	-	-	166,034	123,645	443,285
Between one and two years	12,195	323,181	-	-	-	-	335,376
Between two and five years	1,704	744,723	-	-	-	-	746,427
Over five years	-	793,356	-	-	-	-	793,356
	45,855	1,982,910	-	-	166,034	123,645	2,318,444
Other non-dated instruments	-	-	565,331	65,951	-	-	631,282
	45,855	1,982,910	565,331	65,951	166,034	123,645	2,949,726

At 31 December 2021 $'000	Loans	Debt and other fixed income securities	Holdings in collective investment schemes	Private credit funds	Overseas deposits	Cash and cash equivalents	Total
Less than one year	7,506	358,139	-	-	153,475	294,617	813,737
Between one and two years	13,403	198,375	-	-	-	-	211,778
Between two and five years	2,523	532,843	-	-	-	-	535,366
Over five years	-	855,657	-	-	-	-	855,657
	23,432	1,945,014	-	-	153,475	294,617	2,416,538
Other non-dated instruments	-	-	673,879	21,896	-	-	695,775
	23,432	1,945,014	673,879	21,896	153,475	294,617	3,112,313

The US property bridge loans of $45.9m (2021: $23.4m), and accrued interest thereon of $0.4m, have been classified as loans and receivables in accordance with IAS 39, and are carried at amortised cost. The carrying amount of US property bridge loans has been tested for impairment and management concluded that it is not impaired as at 31 December 2022.

The expected payment profile of gross outstanding claims and IBNR, as at 31 December 2022 and 31 December 2021 are as follows:

$'000	2022	2021
Less than one year	1,230,202	1,119,733
Between one and three years	1,316,981	1,129,553
Between three and five years	458,278	443,106
Over five years	244,740	376,211
	3,250,201	3,068,603

Claims outstanding is reported net of discounting credit on non-life annuities liability business of $5.5m (2021: $6.2m).

The expected payment profile of lease liabilities, based on undiscounted cash flows, as at 31 December 2022 and 31 December 2021 are as follows:

$'000	2022	2021
Less than one year	2,375	2,304
Between one and two years	5,795	2,201
Between two and five years	15,793	17,732
Over five years	18,534	26,150
	42,497	48,387

The weighted average duration of fixed income investments by currency is shown below:

	2022	2021
	Years	Years
Sterling	0.0	0.1
US Dollar	1.9	1.6
Euro	0.0	2.0
Canadian Dollar	2.2	2.2

By taking into account the diversifying and return seeking assets within the portfolio (in addition to the fixed income investments), the average duration of the portfolio is 1.3 years (2021: 1.0 years).

33 Management of Insurance and Financial Risk (continued)

Risks From Climate Change

The Group has recognised climate change as an emerging risk for a number of years but has significantly developed its climate risk framework recently in line with Canopius Group developments and evolving regulatory expectations. Climate change and society's response to it present physical, transition and liability risks to the business, but the Group believes it is well positioned to identify, assess, manage and mitigate risk and seek opportunities for innovation, diversification and growth within the industry.

The Group's climate risk framework covers governance, risk management, scenario analysis and disclosures. It aligns with the requirements of regulatory requirements in the UK, specifically PRA Supervisory Statement SS3/19. Canopius Group is a member of ClimateWise, a global network of leading insurers, reinsurers, brokers and industry service providers which share a commitment to reduce the impact of climate change on society and the insurance industry. As a ClimateWise member, Canopius discloses annually its response to climate change through the TCFD-aligned ClimateWise Principles framework.

CMA's climate risk framework is part of its wider ESG framework which covers a broad range of sustainability issues. As part of this, CMA is developing and embedding a suite of responsible business policies covering underwriting, investments and operations.

The Group has considered the impact of the risks of climate change and identified this as an area of continued focus, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2022.

34 Leases

The Group's lease accounting policy is included in note 2.3(s). This note provides additional information about the Group's lease arrangements in the reporting period.

Set out on the right are the carrying amounts of right-of-use assets recognised and the movements during the period.

Group as a Lessee

The Group is a lessee in relation to office space (land and buildings) and various pieces of equipment used in its operations. Some of the Group's lease contracts include:

- Extension and termination options, which are considered further below; and/or
- Obligations to make variable lease payments, such as where the Group reimburses the lessor for related insurance costs that it incurs. These amounts are not material.

$'000	Land and buildings	Equipment	Total
At 1 January 2021	**38,948**	**3,214**	**42,162**
Additions	969	-	969
Disposals	(1,111)	-	(1,111)
Depreciation expense	(2,830)	(807)	(3,637)
Foreign exchange	(838)	23	(815)
At 31 December 2021	**35,138**	**2,430**	**37,568**
Additions	1,148	486	1,634
Disposals	(380)	-	(380)
Depreciation expense	(4,430)	(847)	(5,277)
Foreign exchange	(3,400)	(419)	(3,819)
At 31 December 2022	**28,076**	**1,650**	**29,726**

34 Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

$'000	2022	2021
At 1 January	**39,753**	**41,146**
Additions	1,634	862
Cancelled lease derecognised	(380)	(1,111)
Unwind of discounting (interest on lease liabilities)	1,164	1,354
Lease payments	(2,292)	(1,797)
Foreign exchange	(4,019)	(701)
At 31 December	**35,860**	**39,753**

The following are the amounts recognised in the consolidated statement of profit or loss in the period in relation to the Group's leases:

$'000	2022	2021
Depreciation expense of right-of-use assets	5,277	3,637
Interest expense on lease liabilities	1,164	1,354
Expense relating to short-term leases*	39	3,301
Expense relating to leases of low-value assets*	250	278
Variable lease payments*	1,161	1,120
Total amount recognised in profit or loss	**7,891**	**9,690**

**These items are included in other operating and administrative expenses.*

The Group had total cash outflows for leases of $3.7m in 2022 (2021: $6.5m).

Some of the Group's leases include extension and termination options which provide the Group with flexibility to manage leased assets in line with changing business needs. In measuring lease liabilities and right-of-use assets management exercises judgment to determine whether these options are reasonably certain to be exercised.

As at 31 December 2022, undiscounted potential future lease payments of $23.6m (2021: $26.5m) were not reflected in amounts recognised within the consolidated statement of financial position. These relate to periods following the exercise date of an extension option of 22 Bishopsgate not expected to be exercised.

As at 31 December 2022 the Group does not have any lease contracts that have not yet commenced but to which the Group is committed (2021: None).

The maturity analysis of lease liabilities is disclosed in Note 33(c).

35 Guarantees and Contingencies

(a) Assets Securing Insurance and Other Liabilities

Of the total of financial assets, cash and cash equivalents and other assets disclosed on the Group's balance sheet, $2,630m (2021: $2,849m) are held in Lloyd's Premium and other trust funds supporting insurance liabilities, or is collateralising letters of credit. These assets are subject to restrictions under the relevant trust deeds and bank facilities.

(b) Deeds of Indemnity

During 2022, the Group did not enter into new Deeds of Indemnity (2021: nil) and did not terminate any existing Deeds of Indemnity with Lloyd's (2021: twelve). There are a total of five (2021: five) as at 31 December 2022. Deeds remaining cover remote potential liabilities that may arise following the release by Lloyd's of various members' FAL.

(c) Bank Facilities

As at 31 December 2022, the Group had the following facility available to it for letters of credit which may be deposited in FAL:

- $420m (2021: $500m) unsecured, of which $420m (2021: $500m) has been utilised to support underwriting on all syndicate 4444's years of account and syndicate 1861's 2020 year of account.

In addition, CRL had the following facility:

- Letters of credit totalling $4.1m (2021: $6.8m) with various overseas cedants. Should CRL fail to meet its obligations under contracts with these cedants they would be able to drawdown on these letters of credit. The letters of credit facilities are all secured by a charge over certain of CRL's bank deposits totalling $4.0m (2021: $6.8m).

36 Related Party Transactions

Details of the ultimate and immediate parent companies of CGL can be found in note 3.1.

In addition to transactions disclosed elsewhere in the financial statements, the following transactions were carried out with related parties.

Key Management Compensation

Key management personnel are those Directors and senior managers responsible for the activities of the Group. During the year key management comprised of nineteen (2021: eighteen) persons. Nine (2021: Nine) of the key management persons were Directors of CGL. Details of the remuneration of the Group's key management personnel, including the Directors, are shown below in aggregate for each of the categories specified by IAS 24 – 'Related party disclosures'.

$'000	2022	2021
Short-term employment benefits	12,906	12,306

Loans to Related Parties

The outstanding balance on loans previously made to certain senior members of staff, in relation to share purchases in Fortuna Topco Limited ('FTL'), amounted to $0.3m (2021: $0.5m). FTL is the holding company of Fortuna Midco Limited, who owns FHL, the immediate parent of CGL. Interest is charged on an arm's length basis.

Transactions with other Related Parties, including Directors of the Group Companies

Samsung Fire and Marine Insurance ('SFMI'), a non-life insurance company, has a minority shareholding in a parent of CGL. The Syndicate has an inwards quota-share arrangement with SFMI to underwrite US admitted business. Premium written during 2022 totalled $53,870k (2021: $2,996k).

37 Subsequent Events

With effect from 1 January 2023 the 2020 year of account of 1861 was reinsured to close into the 2021 year of account of syndicate 4444 thus concluding the business of syndicate 1861. This transaction has a net nil impact on the Group's result and net equity. At a Board meeting on 27 March 2023 the Directors declared a dividend of $19.4m.

Statement of Profit or Loss and Comprehensive Income

for the year ending 31 December 2022

$'000	Notes	2022	2021
Investment income	4	11,864	2,888
Net realised (losses)/gains	5	(3,026)	329
Fair value (losses)/gains	6	(24,462)	251
Total revenue		**(15,624)**	**3,468**
Finance costs	7	(1,239)	(872)
Other operating and administrative expenses	8	(30,888)	(3,697)
Other expenses		**(32,127)**	**(4,569)**
Loss before tax		(47,751)	(1,101)
Income tax charge	9(a)	-	-
Loss for the year		**(47,751)**	**(1,101)**

The company did not recognise any other comprehensive income during the period.

The notes on pages 154 to 169 form part of these Financial Statements.

Statement of Financial Position

as at 31 December 2022

$'000	Notes	2022	2021
Assets			
Investment in subsidiary undertakings	10	1,102,123	1,102,123
Financial assets at fair value through profit or loss	11	410,404	440,606
Derivative financial instruments	12	373	611
Trade and other receivables	13	3,103	4,241
Cash and cash equivalents	14	9,770	38,017
Total assets		**1,525,773**	**1,585,598**
Equity and liabilities			
Equity attributable to equity holders of parent			
Issued share capital	15	341,868	341,868
Issued share premium	15	345,332	345,332
Capital reserves		759,956	759,956
Retained earnings		4,480	79,231
Total equity		**1,451,636**	**1,526,387**
Liabilities			
Derivative liabilities	12	1,818	279
Trade and other payables	17	72,319	58,932
Total liabilities		**74,137**	**59,211**
Total equity and liabilities		**1,525,773**	**1,585,598**

These financial statements were approved by the Board of Directors on 27 March 2023 and signed on its behalf on 28 March 2023 by:

Michael Watson
Group Chairman

Gavin Phillips
Chief Financial Officer

The notes on pages 154 to 169 form part of these Financial Statements.

Statement of Changes in Equity

for the year ending 31 December 2022

	Attributable to equity holders of the parent				
$'000	Issued share capital *Note 15*	Issued share premium *Note 15*	Capital reserves	Retained earnings	Total equity
At 1 January 2021	**341,868**	**279,879**	**759,956**	**80,332**	**1,462,035**
Loss for year	-	-	-	(1,101)	(1,101)
Issue of new shares	-	65,453	-	-	65,453
At 31 December 2021	**341,868**	**345,332**	**759,956**	**79,231**	**1,526,387**
At 1 January 2022	**341,868**	**345,332**	**759,956**	**79,231**	**1,526,387**
Loss for year	-	-	-	(47,751)	(47,751)
Dividends	-	-	-	(27,000)	(27,000)
At 31 December 2022	**341,868**	**345,332**	**759,956**	**4,480**	**1,451,636**

The notes on pages 154 to 169 form part of these Financial Statements.

Statement of Cash Flows

for the year ending 31 December 2022

$'000	Notes	2022	2021
Operating activities			
Loss before tax		(47,751)	(1,101)
Adjustment for:			
Change in operating assets		1,376	3,740
Change in operating liabilities		21,030	5,722
Financial income and expense		(7,599)	(2,345)
Fair value losses(gains)		24,426	(251)
Net foreign exchange differences		297	(93)
Net cash flows (used in)/from operating activities		**(8,185)**	**5,672**
Investing activities			
Investment income		11,790	2,958
Investment in subsidiary undertakings	10	-	(190,901)
Purchase of financial assets		(120,563)	(583,405)
Disposal of financial assets		116,008	320,555
Net cash flows from/(used in) investing activities		**7,235**	**(450,793)**
Financing activities			
Issue of shares		-	65,453
Dividends		(27,000)	-
Net cash flows (used in)/from financing activities		**(27,000)**	**65,453**
Net decrease in cash and cash equivalents		(27,950)	(379,668)
Net foreign exchange on cash and cash equivalents		(297)	93
Cash and cash equivalents at beginning of year		38,017	417,592
Cash and cash equivalents at end of year	**14**	**9,770**	**38,017**

The notes on pages 154 to 169 form part of these Financial Statements.

1 Corporate Information

Canopius Group Limited (the 'Company') is the parent undertaking and controlling party of the Canopius Group of companies ('CGL'). A summary of the principal accounting policies applied in the preparation of these financial statements is set out below.

The Company is a wholly-owned subsidiary of Fortuna Holdings Limited ('FHL') and is incorporated and domiciled in Jersey.

2 Significant Accounting Policies, Judgements and Estimates

2.1 Basis of Preparation and Presentation

Canopius Group Limited ('the Company') has elected to prepare its year end financial statements in accordance with International Financial Reporting Standards ('IFRS') and in accordance with the Companies (Jersey) Law 1991.

These financial statements are prepared in accordance with IFRS issued by the IASB and presented in US dollars.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the Company's Board to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are explained in Note 2.4 below.

The Directors have considered the going concern basis of preparation of the Company's financial statements as at 31 December 2022. This included the factors likely to affect its future performance as well as the Company's principal risks and uncertainties.

Having assessed the principal risks on liquidity, credit risk and operational risk for the Company, the Directors have concluded that there are no material uncertainties that may cast significant doubt about the Company's financial ability to continue as a going concern and they have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 31 March 2024 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

2.2 Summary of Significant Accounting Policies

(a) Operating and Administrative Expenses

Operating and administrative expenses are accounted for on an accruals basis.

(b) Finance Costs

Finance costs reflect loan interest payable.

(c) Current Tax

Current tax is determined based on the taxable profit or loss for the year and adjustments to tax payable or recoverable on prior years' profits or losses.

The taxable profit or loss differs from the profit or loss before tax as reported in the statement of profit or loss because it excludes items of income or expense that may be taxable or deductible in other years or are expected never to be taxable or deductible. The liability or asset for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

(d) Foreign Currency Translation

Functional and Presentation Currency
The financial statements are presented in US dollars which is also the Company's functional currency.

Transactions and Balances
Foreign currency transactions are translated into the functional currency at average, rather than spot, rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss for the period.

(e) Investment in Subsidiary Undertakings

Investments in subsidiary undertakings are stated at cost, including any contingent consideration payable less any provision for impairment.

(f) Financial Instruments

Classification
On initial recognition, financial assets are measured at fair value. Subsequently, they can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification depends on two criteria:

i. the business model within which financial assets are managed; and

ii. their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

Derivative Financial Instruments
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are determined by reference to quoted market prices for similar instruments and using appropriate valuation techniques, including discounted cash flow and options pricing models. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. For derivatives not formally designated as a hedging instrument, changes in the fair value are recognised immediately in the statement of profit or loss. All derivatives are carried as assets if the fair value is positive and as liabilities if the fair value is negative.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(g) Trade and Other Receivables

Trade and other receivables are amounts due from associated Group companies and external parties, measured at amortised cost using the effective interest method.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term cash deposits with original maturities of three months or less. These assets are readily convertible into known amounts of cash.

Cash at bank and in hand relate to amounts which are held at a bank in the form of on demand deposits such as current accounts and savings accounts. Short term deposits with a maturity of three months or less are considered cash equivalents.

(i) Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. There is no scheme for employee owned shares.

(j) Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised as payable when the Directors make a solvency statement before payment.

(k) Trade and Other Payables

Trade and other payables are made up of amounts due to associated Group companies, measured at amortised cost using the effective interest method, and third party creditors accounted for on an accruals basis at fair value.

2.3 New and Amended Standards and Interpretations

In the current year, the Company has applied amendments to IFRS issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2022. The new effective requirements are:

- Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use.
- Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018-2020

None of these amendments have had a material impact to the Company.

2.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods.

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Company's balance sheet includes significant investments in subsidiary companies, which are included at cost, including any contingent consideration payable, less any provision for impairment. The recoverability of these balances is dependent on the financial position and future prospects of the subsidiary companies. Further details can be found in Note 10 of the financial statements.

3 Company Information

3.1 Ultimate Parent Undertaking and Controlling Party

The ultimate controlling parties of CGL are CCP GP Investors Holdings (Cayman) LP, CCP III Cayman GP Limited and CCP III SBS Cayman Limited.

The immediate parent of Canopius Group Limited is Fortuna Holdings Limited.

3.2 Subsidiaries

The principal subsidiaries of CGL are listed in Note 3.2 of the Group accounts on page 98. The Company holds no investments in joint ventures or associates.

4 Investment Income

$'000	2022	2021
Interest income on financial assets	7,745	750
Dividend income	3,281	2,050
Interest income on cash and cash equivalents	1,458	192
Gross investment income	12,484	2,992
Investment fees & expenses	(620)	(104)
Net investment income	**11,864**	**2,888**

5 Net Realised Gains and Losses

$'000	2022	2021
Realised gains on other financial assets	67	1,388
Realised losses on other financial assets	(3,093)	(1,059)
	(3,026)	329

6 Fair Value Gains and Losses

$'000	2022	2021
Fair value gains on other financial assets	5,695	5,295
Fair value losses on other financial assets	(30,157)	(5,044)
	(24,462)	251

7 Finance Costs

$'000	2022	2021
Fees for Letters of Credit	(1)	(65)
Loan Interest expense	(1,215)	(806)
Trustee fees and bank charges	(23)	(1)
	(1,239)	(872)

8 Operating and Administrative Expenses

$'000	2022	2021
Head office costs	(478)	(572)
Costs allocated from the service company	(31,911)	(2,936)
Other expenses	(226)	(423)
	(32,615)	(3,931)
Net foreign exchange adjustments	1,727	234
	(30,888)	(3,697)

The table below provides a breakdown of costs allocated from the service company.

$'000	2022	2021
Employee benefit expenses	(18,297)	(1,952)
Premises	(3,847)	(45)
Head office costs	(932)	(19)
Professional fees	(7,723)	(885)
Depreciation of right-of-use assets	(825)	-
Interest on lease liabilities	(287)	-
Other expenses	-	(35)
	(31,911)	(2,936)

9 Current Tax

The Company is tax resident in the UK where it is managed and controlled. Consequently, it is appropriate to report at the UK standard rate of tax.

$'000	2022	2021
Loss before tax	(47,751)	(1,101)
Tax at 19%	9,073	209
Prior year adjustment	(190)	-
Non-deductible expenses	625	-
Group relief	190	(209)
Unrecognised deferred tax assets	(9,698)	-
Income tax charge	-	-

9 Current Tax (continued)

Finance Act 2021 enacted the increase in the corporation tax rate from 19% to 25% from 1 April 2023. This future tax rate of 25% has been used to derive the UK unrecognised deferred tax assets and liabilities as that is the tax rate that is expected to apply when the deferred tax balances crystallise or unwind.

The company has tax losses of $57,908k (2021: $6,870k) which have no expiry date and have not been recognised for deferred tax purposes due to uncertainty over the availability of future taxable profits.

10 Investment in Subsidiary Undertakings

$'000	2022	2021
At 1 January	1,102,123	911,222
Capital contribution in Flectat 2 Limited	-	154,072
Investment in CHUKL	-	26,829
Investment in Canopius US Holdings Inc.	-	10,000
At 31 December	1,102,123	1,102,123

On the 23 February 2021 CGL subscribed to $10m worth of shares in Canopius US Holdings Inc. which was settled through the cash payment of $10m.

On the 30 June 2021 CGL subscribed to $26.8m worth of shares in CHUKL which was settled through a combination of cash and in-species transfers totalling $26.8m.

CGL made a capital contribution to its subsidiary Flectat 2 Limited on 30 June 2021 for total consideration of $154.1m.

The investment in subsidiary undertakings has been assessed for indicators of potential impairment at the balance sheet date. The company has considered the recoverable amount of its investment in subsidiary with reference to its fair value less costs to sell.

The fair value has been established with reference to market multiples for similar business, which provides a current and observable input into the fair value measurement, which is classed as level 2 within the fair value hierarchy. At 31 December 2022, the recoverable amount of the investment in subsidiary was determined to be greater than the carrying value and therefore management has concluded that there is no impairment.

11 Financial Assets

(a) Financial Assets at Fair Value Through Profit or Loss

$'000	2022	2021
Fair value (designated as such upon initial recognition)		
Debt securities and other fixed income securities	310,900	301,692
Holdings in collective investment schemes	44,314	68,907
Equity shares	55,190	70,007
Total financial assets at fair value through profit and loss	410,404	440,606

Financial assets include $393.2m (2021: $326.3m) that are held in trust supporting insurance liabilities of the Group's managed syndicates. These assets are subject to restrictions under the relevant trust deeds and bank facilities.

(b) Carrying Value of Financial Instruments other than Derivatives

$'000	2022	2021
Fair value (designated as such upon initial recognition)		
At 1 January	440,606	176,538
Purchases	120,563	583,405
Disposals	(116,008)	(320,555)
Fair value (losses)/gains	(24,245)	251
Realised (losses)/gains	(10,512)	967
At 31 December	410,404	440,606

12 Derivative Financial Instruments

The Group utilises derivative financial instruments as part of its asset/liability risk management practice.

The derivative financial instruments represent the fair value of exchange traded bond futures contracts used to hedge duration risk, and forward contracts used to hedge excess foreign currency exposures. The derivative financial instruments held by the Group have not been designated for hedge accounting during the current and previous financial years as permitted by IFRS 9.

The following table shows the fair value through profit or loss ('FVPL') of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying assets, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	2022			2021		
$'000	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Derivatives at FVPL:						
Interest rate futures	39	-	31,992	-	-	-
FX forward derivatives	334	(1,818)	44,916	611	(279)	86,289
	373	(1,818)	76,908	611	(279)	86,289

At their inception, derivatives often involve only a mutual exchange of promises, with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

13 Trade and Other Receivables

$'000	2022	2021
Other debtors	911	1,204
Prepayments and accrued income	-	490
Amounts due from Group undertakings	2,192	2,547
	3,103	4,241
Amounts due within 1 year	3,103	4,241
	3,103	4,241

The fair value of trade and other receivables approximate to their carrying value.

14 Cash and Cash Equivalents

$'000	2022	2021
Cash at bank and in hand	1,796	5,350
Cash equivalents	7,974	32,667
	9,770	38,017

The cash and cash equivalents include $2.5m (2021: $17.6m) that are held in trust supporting insurance liabilities of the Group's managed syndicates. These assets are subject to restrictions under the relevant trust deeds and bank facilities.

15 Share Capital and Premium

Authorised shares	2022	2021
	Number	Number
Ordinary shares		
Ordinary shares of 1USD each	341,868,305	341,868,305
Ordinary shares total	**341,868,305**	**341,868,305**

Issued and fully paid:	At 1 January 2021	Changes in issued capital	At 31 December 2021	Changes in issued capital	At 31 December 2022
	Number	Number	Number	Number	Number
Ordinary shares					
Ordinary shares of 1USD par value	341,868,295	1	341,868,296	-	341,868,296
Ordinary shares total	**341,868,295**	**1**	**341,868,296**	**-**	**341,868,296**

Issued Share Capital	At 1 January 2021	Changes in issued capital	At 31 December 2021	Changes in issued capital	At 31 December 2022
	$	$	$	$	$
Ordinary shares					
Ordinary shares of 1USD par value	341,868,295	1	341,868,296	-	341,868,296
Share capital total	**341,868,295**	**1**	**341,868,296**	**-**	**341,868,296**

Issued Share Premium	At 1 January 2021	Changes in issued share premium	At 31 December 2021	Changes in issued share premium	At 31 December 2022
	$	$	$	$	$
Ordinary shares					
Ordinary shares of 1USD par	279,879,006	65,452,861	345,331,867	-	345,331,867
Share premium total	**279,879,006**	**65,452,861**	**345,331,867**	**-**	**345,331,867**

On 22 January 2021, one ordinary share with a nominal value of $1.00 was issued to FHL in exchange for a capital injection of $65.5m received from FHL.

16 Fair Value Measurement

i) Valuation

The Company has classified its financial instruments as at 31 December 2022 using the fair value hierarchy required by IFRS 13 'Fair value measurement'. The fair value hierarchy classifies financial instruments into Level 1 to Level 3 based on the significance of the inputs used in measuring their fair value, with Level 1 considered the most reliable. The levels within the fair value hierarchy are defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Valuation techniques for which inputs are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date and are included in Level 1.

The Company closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured.

Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The valuation techniques include broker dealer quotes, reported trades, issuer spreads and available bids. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in Level 3. These assets are normally infrequently traded and fair values can only be calculated using estimates or risk-adjusted value ranges and there is a material use of judgement in deriving the price.

16 Fair Value Measurement (continued)

ii) Fair Value Measurement of Assets

$'000	Level 1	Level 2	Total
Valuation at 31 December 2022			
Debt securities & other fixed income securities	7,039	303,861	310,900
Holdings in collective investment schemes	44,314	-	44,314
Equity	55,190	-	55,190
	106,543	303,861	410,404

$'000	Level 1	Level 2	Total
Valuation at 31 December 2021			
Debt securities & other fixed income securities	1,994	299,698	301,692
Holdings in collective investment schemes	68,907	-	68,907
Equity	70,007	-	70,007
	140,908	299,698	440,606

The level within the hierarchy that a financial instrument is placed is based on the lowest level of any input that is significant to its fair value measurement. At 31 December 2022 and 31 December 2021 there were no securities classified as Level 3 under IFRS.

17 Trade and Other Payables

$'000	2022	2021
Amounts owed to Group undertakings	71,726	53,781
Accruals and deferred income	-	151
Other creditors	593	5,000
	72,319	58,932
Amounts due within 1 year	72,319	58,932
	72,319	58,932

Amounts owed to Group undertakings include a total of $51m (2021: $38m) of loans payable, mainly due to Canopius Corporate Capital Limited of $15m (2021: $nil) which has no specified maturity date and accrues interest at 12m USD LIBOR+2.23%, Canopius Holdings UK Limited of $32m (2021: $35m) which has no specified maturity date and accrues interest at GBP base rate+2.23%, and Omega Underwriting Holdings Limited of $3m (2021: $3m) which has no specified maturity date and accrues at GBP base rate+2.23%.

Other intercompany amounts include $15m due to Canopius Services Limited (2021: $0.5m), $4m due to Syndicate 4444 (2021: $11m) and $2m due to Canopius Reinsurance Limited (2021: $3m).

18 Management of Risk

The Company is exposed to risk through its investment in its subsidiaries. CGL has established a risk management function with clear terms of reference from its Board of Directors. A policy framework, which sets out the risk policies for the CGL Group, risk management, control and business conduct standards for the Group's operations, are in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The Board of Directors of CGL approves the Group's risk management policies and meets regularly to oversee the commercial, regulatory and organisational requirements of such policies.

In the normal course of business, the Company is exposed to the following major risk categories:

Credit Risk	Risk of loss arising as a result of another party failing to perform its financial obligations or failing to perform them in a timely fashion.
Liquidity Risk	Risk that insufficient liquid financial resources are maintained to meet liabilities as they fall due.

18 Management of Risk (continued)

(i) Credit Risk

An analysis of the Company's major exposures to counterparty credit risk, which is based on Standard & Poor's or equivalent rating, is presented below:

At 31 December 2022 $'000	AAA	AA	A	BBB	Total
Debt securities and other fixed income	168,574	103,390	36,581	2,355	310,900
Holdings in collective Investment	44,314	-	-	-	44,314
Cash and cash equivalents	-	-	9,770	-	9,770
Total	**212,888**	**103,390**	**46,351**	**2,355**	**364,984**

At 31 December 2021 $'000	AAA	AA	A	BBB	Total
Debt securities and other fixed income	161,086	91,219	49,387	-	301,692
Holdings in collective Investment	68,907	-	-	-	68,907
Cash and cash equivalents	-	-	38,017	-	38,017
Total	**229,993**	**91,219**	**87,404**	**-**	**408,616**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company uses quantitative and qualitative information in order to reach a conclusion whether there has been any significant increase in credit risk from recognition.

Trade and other receivables include amounts due from Group companies measured at amortised cost using the effective interest method. It also includes prepayments and accrued income with various counterparties. The company assesses each counterparty including historic loss experiences and current market conditions.

Holdings in collective investment schemes and cash and cash equivalents are held with bank and financial institution counterparties. The company has assessed the risk and does not consider there to be any significant risk of default given the credit rating and no history of default.

18 Management of Risk (continued)

(i) Credit Risk (continued)

The table below details the gross carrying amount and the net carrying amount post loss allowance (2021: no loss allowance).

$'000	Notes	Gross Carrying Amount	Loss Allowance	Net Carrying Amount
Trade and other receivables	13	3,103	-	3,103
Cash and cash equivalents	14	9,770	-	9,770

(ii) Liquidity Risk

Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due. The contractual maturity profile of the Company's cash and cash equivalents at 31 December 2022 and 31 December 2021 are as follows:

At 31 December 2022 $'000	Less than one year	Between one and five years	Over five years	Not Dated	Total
Debt securities and other fixed income	669	28,768	281,463	-	310,900
Holdings in collective Investment schemes	-	-	-	44,314	44,314
Cash and cash equivalents	9,770	-	-	-	9,770
Total	10,439	28,768	281,463	44,314	364,984

At 31 December 2021 $'000	Less than one year	Between one and five years	Over five years	Not Dated	Total
Debt securities and other fixed income	9	32,950	268,733	-	301,692
Holdings in collective Investment schemes	68,907	-	-	-	68,907
Cash and cash equivalents	38,017	-	-	-	38,017
Total	106,933	32,950	268,733	-	408,616

19 Related Party Transactions

Details of the ultimate and immediate parent companies of CGL can be found in note 3 of the Group Accounts.

Amounts due from and to Group undertakings can be found in notes 13 and 17 of the Company Accounts.

Loan interest expense in note 7 of the company accounts relates to the related party loans disclosed in note 17 of the company accounts.

Costs allocated to CGL from Canopius Services Limited can be found in note 8 of the company accounts.

20 Subsequent Events

At a Board meeting on 27 March 2023 the Directors declared a dividend of $19.4m.

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TAKING AN APPROACH TO GROWING A SUSTAINABLE BUSINESS IN AREAS WHERE WE HAVE OR CAN HAVE DISTINCTION OR A COMPETITIVE ADVANTAGE

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