



**canopus**

# **Canopus Reinsurance Limited**

Financial Statements and  
Independent Auditor's Report

FOR THE YEAR ENDED 31 DECEMBER 2025

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## Report of Independent Auditors

The Board of Directors  
Canopus Reinsurance Limited

### Opinion

We have audited the financial statements of Canopus Reinsurance Limited (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, changes in shareholder's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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



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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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



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## Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred losses and loss adjustment expenses, net of reinsurance and the cumulative paid losses and loss adjustment expenses, net of reinsurance for the years ending 2024 and prior and the average annual percentage payout of incurred claims by age, net of reinsurance disclosed on pages 34 through 36 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Ernst & Young Ltd.*

Hamilton, Bermuda  
April 24, 2026

**Canopus Reinsurance Limited**  
**Balance Sheets**

As at December 31, 2025 and 2024

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

	<b>Note</b>	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>Assets</b>			
Investments:			
Fixed income securities, at fair value <i>(Cost: 2025 - \$704,601; 2024 - \$434,685)</i>		710,610	434,888
Equities, at fair value <i>(Cost: 2025 - \$5,188; 2024 - \$7,476)</i>		1,353	3,931
Other investments, at fair value <i>(Cost: 2025 - \$68,669; 2024 - \$48,909)</i>		87,569	66,048
Total investments	3, 4, 13	799,532	504,867
Cash and cash equivalents	13	79,436	177,856
Restricted cash	13	49,035	18,301
Reinsurance recoverable on losses and loss expenses	7, 8	14,702	6,821
Prepaid reinsurance premiums		4,705	1,358
Accrued investment income		5,917	4,524
Receivable for securities sold		956	60
Premiums receivable	8, 9, 12	1,957,944	1,616,250
Amounts receivable from related parties	9	39,562	38,577
Deferred acquisition costs	6, 9	68,208	45,939
Deferred tax asset	11	534	-
Derivatives at fair value	4, 5	18	506
Other assets		1	3
<b>Total Assets</b>		<b>3,020,550</b>	<b>2,415,062</b>

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

**Canopus Reinsurance Limited**  
**Balance Sheets**

As at December 31, 2025 and 2024

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

	<b>Note</b>	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>Liabilities</b>			
Reserve for losses and loss expenses	7, 9	1,357,845	1,029,581
Unearned premium reserve	9	663,026	586,356
Reinsurance premiums payable		9,728	4,297
Amounts payable to related parties	9	6,736	3,845
Liabilities under derivative contracts	4, 5, 9	7,145	7,164
Tax liabilities	11	1,106	-
Other liabilities		35	271
<b>Total Liabilities</b>		<b>2,045,621</b>	<b>1,631,514</b>
<b>Shareholder's Equity</b>			
Common shares (\$1.00 par value, authorized, issued and outstanding 2025 and 2024: 100,000,000)	10	100,000	100,000
Contributed surplus	10	387,339	387,339
Retained earnings		487,590	296,209
<b>Total Shareholder's Equity</b>		<b>974,929</b>	<b>783,548</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>3,020,550</b>	<b>2,415,062</b>

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

Signed on behalf of the Board



Director



Director

**Canopus Reinsurance Limited**  
**Statements of Income**

For the years ended December 31, 2025 and 2024  
(Expressed in thousands of United States dollars)

	<b>Note</b>	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>Revenues</b>			
Gross premiums written		1,051,316	933,243
Reinsurance premiums ceded	8	<u>(29,477)</u>	<u>(11,864)</u>
Net premiums written		1,021,839	921,379
Net change in unearned premiums		<u>(73,177)</u>	<u>(197,557)</u>
Net premiums earned	8, 9	948,662	723,822
Net investment income	3, 9	34,525	29,564
Net realized and unrealized gains from investments	3	10,339	7,835
Net realized and unrealized gains (losses) on derivatives	5, 9	273	(153)
Net foreign exchange gains (losses)		12,834	(4,529)
<b>Total Revenues</b>		<b><u>1,006,633</u></b>	<b><u>756,539</u></b>
<b>Losses and Expenses</b>			
Losses and loss adjustment expense	7, 8, 9	653,197	514,976
Acquisition costs	6, 9	120,773	68,148
General and administrative expenses	9	14,745	8,033
Other expenses	9	<u>(5,135)</u>	<u>(1,729)</u>
<b>Total Losses and Expenses</b>		<b><u>783,580</u></b>	<b><u>589,428</u></b>
<b>Income before taxes</b>		<b><u>223,053</u></b>	<b><u>167,111</u></b>
<b>Income tax expense</b>	11	(31,672)	-
<b>Net Income</b>		<b><u>191,381</u></b>	<b><u>167,111</u></b>

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

**Canopus Reinsurance Limited**  
**Statements of Changes in Shareholder's Equity**  
For the years ended December 31, 2025 and 2024  
*(Expressed in thousands of United States dollars)*

	<b>Note</b>	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>Common Shares</b>	10	100,000	100,000
<b>Contributed Surplus</b>	10	387,339	387,339
<b>Retained Earnings</b>			
Balance, beginning of year		296,209	129,098
Net income		191,381	167,111
Balance, end of year		487,590	296,209
<b>Total Shareholder's Equity</b>		<b>974,929</b>	<b>783,548</b>

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

**Canopus Reinsurance Limited**  
**Statements of Cash Flows**

For the years ended December 31, 2025 and 2024  
(Expressed in thousands of United States dollars)

	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>Cash flows provided by operating activities:</b>		
Net income	191,381	167,111
<b>Adjustment to reconcile net income to net cash flows provided by operating activities:</b>		
Net realized and change in unrealized gains from investments	(10,096)	(7,647)
<b>Changes in operational assets and liabilities:</b>		
Reinsurance recoverable on losses and loss expenses	(7,881)	(5,960)
Prepaid reinsurance premiums	(3,347)	(367)
Premiums receivable	(341,694)	(452,556)
Amounts receivable from related parties	2,035	-
Deferred acquisition costs	(22,269)	(40,617)
Deferred tax asset	(534)	-
Derivatives at fair value	488	(506)
Other assets	2	57
Reserves for losses and loss expenses	328,264	279,828
Unearned premium reserve	76,670	196,502
Reinsurance premiums payable	5,431	988
Amounts payable to related parties	2,891	(195)
Liabilities under derivative contracts	(19)	(38)
Amounts payable in relation to tax	1,106	-
Other liabilities	(236)	(204)
<b>Net cash provided by operating activities</b>	<b>222,192</b>	<b>136,396</b>

**Canopus Reinsurance Limited**  
**Statements of Cash Flows**

For the years ended December 31, 2025 and 2024  
(Expressed in thousands of United States dollars)

	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>Cash flows used in investing activities:</b>		
Accrued investment income	(1,393)	(221)
Purchases of fixed maturity securities	(724,301)	(232,502)
Purchases of other investments	(19,760)	-
Proceeds from sales of fixed maturity securities	455,844	199,828
Proceeds from sales of equities	2,752	1,496
Proceeds from other investments	-	4,750
<b>Net cash used in investing activities</b>	<b><u>(286,858)</u></b>	<b><u>(26,649)</u></b>
 <b>Cash flows used in financing activities:</b>		
Loans to intergroup companies	(3,020)	(3,065)
<b>Net cash used in financing activities</b>	<b><u>(3,020)</u></b>	<b><u>(3,065)</u></b>
 Net increase in cash and cash equivalents	(67,686)	106,682
Cash and cash equivalents, beginning of year	196,157	89,475
<b>Cash and cash equivalents, end of year</b>	<b><u>128,471</u></b>	<b><u>196,157</u></b>

**Supplemental cash flow information**

	<b><u>2025</u></b>	<b><u>2024</u></b>
Cash transactions:		
Income taxes paid	31,100	-

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**1. Organization and nature of the business**

Canopus Reinsurance Limited (the “Company”), originally Omega Specialty Insurance Company Limited, was incorporated under the laws of Bermuda on January 26, 2006. The Company redomiciled to Switzerland on November 23, 2015, and redomiciled back to Bermuda on June 28, 2019. The Company is registered as a Class 4 insurer under The Insurance Act 1978 (Bermuda).

The Company is directly owned by Canopus Group Limited (“CGL”), incorporated and domiciled in Jersey.

The Company underwrites a portfolio of third-party property, casualty, marine and specialty reinsurance and management and professional lines insurance business.

In addition, the Company underwrites a quota share agreement whereby it assumes 45% (2024: 45%) of the risks underwritten by Canopus Corporate Capital Limited (“CCCL”), a wholly owned subsidiary of CGL. This has been ongoing since the 2018 Year of Account. CCCL underwrites as a Corporate Member of Lloyd’s of London on Syndicate 4444 (“S4444”) and Syndicate 1861 (“S1861”).

S1861 has not underwritten since the 2020 Year of Account following the pooling of its capacity with S4444 which underwrote all risks from the 2021 Year of Account onwards. For the 2025 Year of Account, CCCL has a 87.50% participation in S4444 (2024 Year of Account: 97.50%). S4444 underwrites a mixture of reinsurance and insurance across property, liability, marine and energy lines, plus a range of specialty lines including accident & health, credit & political risk and cyber.

**2. Basis of preparation and significant accounting policies**

**a) Basis of presentation**

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”).

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

Certain comparative information has been reclassified to conform to the presentation adopted for the year ended December 31, 2025.

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**b) Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The major estimates recorded in the Company's financial statements include, but are not limited to, estimates of written and earned premiums, provisions for estimated future credit losses, the reserve for losses and loss adjustment expenses and the fair value determination of the investment portfolio. While the amounts included in the financial statements reflect management's best estimates and assumptions, these amounts ultimately could vary.

**c) Accounting for premium revenues and related expenses**

***Premiums earned***

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

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

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

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

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

Outwards reinsurance premiums, which are paid when the Company purchases reinsurance or retrocessional coverage, are accounted for using the same accounting methodology as the Company uses for inwards premiums. Premiums payable under reinsurance contracts that operate on a “losses occurring during” basis are accounted for in full over the period of coverage while those arising from “risks attaching during” policies are expensed over the earnings period of the underlying premiums written from the reinsured business. Adjustment premiums and reinstatement premiums in relation to outward reinsurance are accrued when it is determined that the ultimate losses will trigger a payment and recognized within reinsurance premiums payable.

***Credit losses on premiums receivable***

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

***Loss and loss adjustment expenses***

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

***Reinsurance***

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

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

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

***Credit losses on reinsurance recoverables***

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

***Reserves***

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

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

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

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

***Acquisition costs***

The costs directly relating to writing a (re)insurance policy are referred to as acquisition expenses and include brokerage, commissions, premium taxes, and profit commissions. With the exception of profit commissions, these acquisition expenses are incurred when a policy is issued and are deferred and

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

amortized over the same period as the corresponding premiums are recorded as revenues. Profit commissions are recognized when earned. Acquisition expenses are shown net of commission on reinsurance ceded. All other acquisition related costs, including market research, training, administration and unsuccessful acquisition or renewal efforts are expensed as incurred.

Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated loss and loss adjustment expenses based on historical and current experience and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

***Reinsurance to Close (“RITC”)***

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

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

***Other expenses***

Investment income, expenses and foreign exchange gains or losses assumed from the CCCL quota share are accounted for in other expenses in the Statements of Income.

**d) Accounting for investments, cash and cash equivalents**

***Cash and cash equivalents***

Cash and cash equivalents are carried at fair value. Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments due to mature within three months from the date of purchase and which are subject to insignificant risk of change in fair value.

***Fixed income securities***

The fixed income securities portfolio comprises securities issued by governments and government agencies, corporate bonds, mortgage and other asset-backed securities. Investments in fixed income securities are classified as held for trading and are reported at estimated fair value on the Balance Sheets. Fair values are based on quoted market prices and other data provided by third-party pricing services.

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

***Equities***

Equities consist of stock of public companies traded on stock exchanges and are classified as held for trading and carried at fair value. Fair values are based upon quoted market prices.

***Other investments***

The Company's other investments include collective investment schemes, an investment in an alternative Undertakings for Collective Investment in Transferable Securities ("UCITS") fund that focuses on fixed-income and currency markets, and private credit funds.

The fair value of the Company's collective investment schemes is based on quoted market prices and other data provided by third-party pricing services.

The fair value of the Company's private credit funds is generally established on the basis of the net asset value ("NAV") per share (or its equivalent) established by the respective fund investment managers. The Company applies the practical expedient provided by the FASB ASC Topic 825, Financial Instruments relating to investments in certain entities that calculate NAV per share (or its equivalent) and therefore measure the fair value of the fund investments based on that NAV per share, or its equivalent. Fund investments which are valued using NAV per share as a practical expedient are not categorized within the fair value hierarchy.

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

***Realized and unrealized gains and losses***

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

***Investment income***

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

**e) Accounting for derivative financial instruments**

The Company enters into derivative instruments such as forward foreign exchange contracts and options in order to manage certain market and credit risks. The Company records derivative instruments at fair value on the Balance Sheets as either Assets under derivative contracts or Liabilities under derivative

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

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

**f) Accounting for foreign currency translation**

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

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

**g) Accounting for income taxes**

***Income Taxes***

The Company accounts for income taxes in accordance with the provisions of FASB ASC Topic 740, Income Taxes. Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. These temporary differences primarily arise from differences between US GAAP and tax accounting for insurance-related assets and liabilities, investments, and certain deferred revenues and expenses. Permanent differences also arise due to the differing accounting frameworks applied by CGL and the Company.

The effect of changes in tax laws or tax rates on deferred tax assets and liabilities is recognized in income in the period of enactment. A valuation allowance is recorded against deferred tax assets when it is more likely than not that some or all of the related tax benefits will not be realized.

Uncertain tax positions must meet a more likely than not recognition threshold to be recognized.

***Government Grants***

The Company will recognize substance-based government grants and refundable tax credits for which it is eligible in Bermuda. These grants and credits are generally determined as a percentage of qualifying expenditures, including compensation and other operating and corporate expenses. Government grants and refundable tax credits are recognized as reductions of the related expenses in the financial statements of operations in the period in which it is probable that the applicable conditions for receipt have been met.

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**h) Audit fees**

Total audit and audit related fees were \$216 and \$197 for the years ended December 31, 2025, and 2024, respectively. Audit and audit related fees are recorded in general and administrative expenses within the Statements of Income, recharged to the Company through the service level agreement with Canopus Underwriting Bermuda Limited (“CUBL”), as detailed further in Note 9. There were no non-audit related fees paid to the Company’s external auditors during the years ended December 31, 2025 or 2024.

**i) Accounting pronouncements**

**Improvements to Income Tax Disclosures**

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (“ASU 2023-09”). Among other things, ASU 2023-09 aims to enhance transparency and decision usefulness about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. Certain disclosures that are required by the amendments are not required for entities other than public business entities.

The amendments in ASU 2023-09 are effective for entities other than public business entities for annual periods beginning after December 15, 2025. Early adoption is permitted. The amendments in ASU 2023-09 should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating the impact of this guidance.

**3. Investments**

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

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**a) Investment income**

The following table summarizes investment income for the years ended December 31, 2025 and 2024:

	<b><u>2025</u></b>	<b><u>2024</u></b>
Fixed income securities	25,197	20,923
Equities	156	327
Cash and cash equivalents	6,779	5,742
Loans to related parties	3,020	3,065
Investment income before expenses	35,152	30,057
Investment expenses	(627)	(493)
<b>Net investment income</b>	<b>34,525</b>	<b>29,564</b>

**b) Net investment gains (losses)**

The following table summarizes the net realized and unrealized investment gains and losses recorded in the Statements of Income for the years ended December 31, 2025 and 2024:

<u>Type of Security</u>	<b><u>2025</u></b>	<b><u>2024</u></b>
Fixed income securities:		
Realized gains	2,351	1,880
Realized (losses)	(1,413)	(2,894)
Net change in unrealized gains	7,224	3,259
Equities:		
Realized gains	203	-
Realized (losses)	(71)	(709)
Net change in unrealized gains	41	902
Other investments:		
Realized (losses)	-	(26)
Net change in unrealized gains	1,761	5,235
Cash and cash equivalents:		
Realized gains	-	2
Net change in unrealized gains	243	186
<b>Net realized and unrealized gains from investments</b>	<b>10,339</b>	<b>7,835</b>

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**c) Fixed income securities, Equities and Other investments – held for trading**

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

<b>2025</b>	<b>Cost / Amortized cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Fair value</b>
Fixed income securities:				
U.S. government and government agency securities	245,895	3,745	(278)	249,362
Corporate and other securities	172,620	1,796	(22)	174,394
Mortgage-backed securities	54,626	231	(240)	54,617
Asset-backed securities	231,460	889	(112)	232,237
<b>Total fixed income securities</b>	<b>704,601</b>	<b>6,661</b>	<b>(652)</b>	<b>710,610</b>
Equities	5,188	-	(3,835)	1,353
Other investments	68,669	18,900	-	87,569
<b>Total investments</b>	<b>778,458</b>	<b>25,561</b>	<b>(4,487)</b>	<b>799,532</b>

<b>2024</b>	<b>Cost / Amortized cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Fair value</b>
Fixed income securities:				
U.S. government and government agency securities	159,201	997	(1,320)	158,878
Corporate and other securities	64,763	476	(511)	64,728
Mortgage-backed securities	11,612	65	(377)	11,300
Asset-backed securities	199,109	953	(80)	199,982
<b>Total fixed income securities</b>	<b>434,685</b>	<b>2,491</b>	<b>(2,288)</b>	<b>434,888</b>
Equities	7,476	-	(3,545)	3,931
Other investments	48,909	17,139	-	66,048
<b>Total investments</b>	<b>491,070</b>	<b>19,630</b>	<b>(5,833)</b>	<b>504,867</b>

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

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**4. Fair value measurement**

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

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

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

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

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance on the overall reasonableness and consistent application of valuation methodologies and inputs and compliance with accounting standards through the execution of various processes and controls designed to ensure that the Company's assets and liabilities are appropriately valued. For fair values received from third parties or internally estimated, the Company's processes are designed to determine that the valuation methodologies and inputs are appropriate and consistently applied, the assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a

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continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third-party valuation sources for selected securities.

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

**Fixed income securities**

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

***U.S. government and government agency securities***

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

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***Corporate and other securities***

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

***Mortgage-backed securities (“MBS”)***

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

***Asset-backed securities (“ABS”)***

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

***Equity securities***

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

***Other investments***

The Company’s other investments include investments in collective investment schemes, and private credit funds.

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The fair value of the collective investment schemes is based on unadjusted, quoted market prices in active markets. Therefore, the fair value of these securities is classified as Level 1.

The fair value of the private credit funds is estimated using the net asset value (“NAV”) as provided by investment managers. Therefore, the fair value of these securities is not classified in the level hierarchy.

**Foreign exchange contracts**

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

**XOL contingency contract**

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

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The following tables present the level within the fair value hierarchy at which the Company's financial assets and liabilities are measured on a recurring basis as at December 31, 2025 and December 31, 2024:

<b>2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Not Classified <sup>(1)</sup></b>	<b>Total <sup>(2)</sup></b>
Fixed income securities:				
U.S. government and government agency securities	198,371	50,991	-	249,362
Corporate and other securities	-	174,394	-	174,394
Mortgage-backed securities	-	54,617	-	54,617
Asset-backed securities	-	232,237	-	232,237
<b>Total fixed income securities</b>	<b>198,371</b>	<b>512,239</b>	<b>-</b>	<b>710,610</b>
Equities	1,353	-	-	1,353
Other investments	67,538	-	20,031	87,569
<b>Total investments, trading, at fair value</b>	<b>267,262</b>	<b>512,239</b>	<b>20,031</b>	<b>799,532</b>
Other financial assets (liabilities)				
Derivatives at fair value – foreign exchange contracts <sup>(3)</sup>	-	18	-	18
Derivatives at fair value – XOL contingency contract <sup>(3)</sup>	-	(7,145)	-	(7,145)
<b>Total</b>	<b>267,262</b>	<b>505,112</b>	<b>20,031</b>	<b>792,405</b>

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<b>2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Not Classified <sup>(1)</sup></b>	<b>Total <sup>(2)</sup></b>
Fixed income securities:				
U.S. government and government agency securities	143,180	15,698	-	158,878
Corporate and other securities	-	64,728	-	64,728
Mortgage-backed securities	-	11,300	-	11,300
Asset-backed securities	-	199,982	-	199,982
<b>Total fixed income securities</b>	<b>143,180</b>	<b>291,708</b>	<b>-</b>	<b>434,888</b>
Equities	3,931	-	-	3,931
Other investments	66,048	-	-	66,048
<b>Total investments, trading, at fair value</b>	<b>213,159</b>	<b>291,708</b>	<b>-</b>	<b>504,867</b>
Other financial assets (liabilities)				
Derivatives at fair value – foreign exchange contracts <sup>(3)</sup>	-	506	-	506
Derivatives at fair value – XOL contingency contract <sup>(3)</sup>	-	(7,164)	-	(7,164)
<b>Total</b>	<b>213,159</b>	<b>285,050</b>	<b>-</b>	<b>498,209</b>

- (1) Other investments include private credit funds. These investments are measured at fair value using the net asset value per share practical expedient. As a result, this has not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair value hierarchy to amounts presented on the Balance Sheets.
- (2) The Company does not hold any level 3 investments.
- (3) Recorded in Derivatives at fair value and Liabilities under derivative contracts on the Balance Sheets.

Transfers of assets into or out of a particular level are recorded at their fair values as of the end of each reporting period consistent with the date of the determination of fair value. There were no transfers made between Levels for the years ended December 31, 2025 or December 31, 2024.

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**Measuring the Fair Value of Other Investments using Net Asset Valuations**

The table below shows the Company's portfolio of other investments measured using net asset valuations as a practical expedient:

	<u>Fair Value</u>	<u>Unfunded Commitment</u>
At December 31, 2025		
Private credit funds	20,031	20,240
At December 31, 2024		
Private credit funds	-	-

**Private Credit Funds**

The Company's investment in private credit funds consists of a limited partnership interest in a closed-ended fund, which provides access to co-investment separately managed accounts, single co-investment transactions and secondary transactions. Its focus is on North America first lien, senior secured, floating rate middle market corporate direct lending, with flexible allocations to other developed market regions on a relative value basis. The Company generally has no right to redeem its interest in advance of dissolution of the limited partnership. Instead, distributions are received by the Company in connection with the liquidation or maturity of the underlying private credit assets of the fund. It is estimated that most of the underlying assets of the limited partnerships would liquidate over 5 to 10 years from inception of the limited partnership.

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**5. Derivative financial instruments**

The following table summarizes information on the location and amounts of derivative fair values on the Balance Sheets as at December 31, 2025 and 2024:

<b>Derivatives not designated as hedging instruments</b>	<b>Balance Sheet location</b>	<b>2025</b>		<b>2024</b>	
		<b>Notional Amount</b>	<b>Fair value</b>	<b>Notional Amount</b>	<b>Fair Value</b>
Foreign exchange contracts	Derivatives at fair value	3,340	18	7,901	506
XOL contingency contract	Liabilities under derivative contracts	-	(7,145)	-	(7,164)

The following table summarizes the total unrealized and realized gains (losses) recorded in the Statements of Income for the years ended at December 31, 2025 and 2024:

<b>Derivatives not designated as hedging instruments</b>	<b>Location of gain (loss) recognized in income</b>	<b>Amount of gain (loss) recognized in income</b>	
		<b>2025</b>	<b>2024</b>
Foreign exchange contracts	Net realized and unrealized gains on derivatives	254	116
XOL contingency contract	Net realized and unrealized (losses) on derivatives	19	(269)

**Foreign exchange contracts**

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

**XOL contingency contract**

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

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**6. Deferred acquisition costs**

The following table represents the activity in the deferred acquisition costs for the years ended December 31, 2025 and 2024:

	<b><u>2025</u></b>	<b><u>2024</u></b>
Deferred acquisition costs, beginning of the year	45,939	5,322
Acquisition costs deferred	143,042	108,765
Amortization of deferred policy acquisition costs	(120,773)	(68,148)
Deferred acquisition costs, end of the year	68,208	45,939

**7. Reserve for losses and loss adjustment expenses**

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

For the twelve months ended December 31, 2025, there was net unfavourable prior year loss development of \$4,959 (excluding the impact of the RITC transaction) due to increases in reserves across casualty lines of business. For the twelve months ended December 31, 2024, there was net favorable prior year loss development of \$5,122 (excluding the impact of the RITC transaction).

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The following table represents the activity in the reserve for losses and LAE for the years ended December 31, 2025 and 2024:

	<b><u>2025</u></b>	<b><u>2024</u></b>
Gross reserves for losses and LAE, beginning of year	1,029,581	749,753
Reinsurance recoverable balances, beginning of year	(6,821)	(861)
Net reserves for losses and LAE, beginning of year	1,022,760	748,892
Increase (decrease) in net loss and LAE incurred in respect of losses:		
Current year	648,238	520,098
Prior years	4,959	(5,122)
Total net incurred losses and LAE	653,197	514,976
Less net loss and LAE paid in respect of losses occurring in:		
Current year	(145,816)	(39,415)
Prior years	(271,391)	(239,008)
Total net losses paid	(417,207)	(278,423)
Adjustments:		
Effect of net foreign currency gain(loss) on loss and LAE	23,968	(13,673)
Acquisition of loss reserves relating to RITC	60,425	50,988
Net reserves for losses and LAE, end of year	1,343,143	1,022,760
Reinsurance recoverable balances, end of year	14,702	6,821
Gross reserves for losses and LAE, end of year	1,357,845	1,029,581

The acquisition or reduction of loss reserves relating to RITC relates to the reserves the Company assumes because of a change in cession percentages of its quota share with CCCL. During 2025, the Company increased its reserves because of the increased quota share cession percentage when the 2022 Year of Account reserves reinsured into the 2023 Year of Account upon closure as at December 31, 2024, as the cession percentage increased from 38.2% on the 2022 Year of Account to 43.5% on the 2023 Year of Account (prior year, the cession percentage increased from 32.9% on the 2021 Year of Account to 38.2% on the 2022 Year of Account). The Company receives or pays a RITC premium equal to the change in loss reserves plus change in unearned premiums as a result of the RITC.

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**7.1. Claims development and frequency**

The information provided herein about incurred and paid accident year claims development, net of reinsurance, for the years ended prior to December 31, 2025, and the annual percentage payouts of incurred claims by age, net of reinsurance, is presented as supplementary information. For incurred and paid accident year claims denominated in foreign currency, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables herein.

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

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

Closing Year of Account	Closing cession percentage	Assumed Year of Account	Assumed cession percentage	Triangle Year impacted	Reserves acquired (reduced)
2017	0%	2018	46.5%	2020	\$520,750
2018	46.5%	2019	52.3%	2021	\$65,754
2019	52.3%	2020	32.5%	2022	\$(64,875)
2020	32.5%	2021	32.9%	2023	\$6,369
2021	32.9%	2022	38.2%	2024	\$50,988
2022	38.2%	2023	43.5%	2025	\$60,425

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

Management has determined that the appropriate level of disaggregation for the incurred and paid claims development information best falls into three categories: Property, Casualty, and Specialty. Where most of the business contained within the Company's segments represent treaty business that

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is assumed from other insurance and reinsurance companies, with the exception of its management and professional lines insurance business that has been included within the Casualty segment.

Due to the nature of the treaty business assumed, the Company does not have access to the underlying claim counts. Further, this business includes both quota share and excess of loss treaty reinsurance, through which only a portion of each reported claim results in losses to the Company. As such, the Company has excluded claim count information for the loss development tables.

The following tables show an analysis of incurred claims and allocated loss adjustment expenses, net of reinsurance and cumulative paid claims and allocated claims adjustment expenses, for the years ending December 31, 2016 to December 31, 2025.

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**Property**

Incurred claims, IBNR and LAE, net of reinsurance

Accident Year	For the year ended December 31,										IBNR
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	
2016	23,657	26,269	26,258	23,929	65,707	62,827	64,658	65,836	66,491	67,331	
2017		54,118	116,226	100,113	189,610	169,000	173,506	173,797	172,247	173,509	
2018			134,020	213,513	210,933	185,959	187,237	189,844	193,839	193,999	
2019				126,162	103,133	101,804	148,408	141,828	142,765	142,509	
2020					297,669	299,734	372,355	387,372	365,020	355,861	
2021						219,441	219,940	223,268	222,683	222,132	
2022							251,059	240,764	252,569	250,181	
2023								179,592	178,906	186,147	101,551
2024									261,632	231,250	101,545
2025										374,649	98,319
Total										<u>2,197,568</u>	

Cumulative paid claims and allocated adjustment expenses, net of reinsurance

Accident Year	For the year ended December 31,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited
2016	1,172	11,166	16,521	16,650	35,946	44,184	47,912	50,185	52,689	57,384
2017		8,240	45,449	60,900	109,297	130,636	142,562	149,911	154,695	158,150
2018			26,689	123,525	140,560	157,339	163,147	168,897	174,933	174,168
2019				54,055	63,928	103,424	122,369	134,930	142,093	147,816
2020					178,861	262,925	292,041	313,981	293,036	301,999
2021						107,597	138,501	174,621	186,465	205,089
2022							93,207	124,243	167,731	194,394
2023								78,439	94,290	119,410
2024									86,830	159,147
2025										90,707
Total										<u>1,608,264</u>
Outstanding liabilities for 2016 and subsequent years, net of reinsurance										<u>589,304</u>
All outstanding liabilities before 2016										<u>17,528</u>
Liabilities for claims and claim adjustment expenses, net of reinsurance										<u>606,832</u>

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

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
35%	59%	75%	83%	86%	88%	90%	90%	91%	91%

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**Casualty**

Incurred claims, IBNR and LAE, net of reinsurance

Accident Year	For the year ended December 31,										IBNR
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	
2016	882	524	544	177	56,843	22,402	26,469	27,914	27,891	28,091	
2017		5,288	5,101	1,877	45,307	26,658	28,604	32,248	31,551	31,364	
2018			49,230	49,711	48,793	28,056	27,195	30,113	31,511	30,236	
2019				42,299	44,900	26,703	77,856	66,531	66,948	68,561	
2020					98,407	118,625	121,330	114,825	117,721	114,956	
2021						110,475	120,631	120,157	114,650	113,623	
2022							165,271	205,768	190,482	193,251	
2023								143,854	181,309	165,859	202,474
2024									207,529	264,490	162,208
2025										245,180	143,940
Total										1,255,611	

Cumulative paid claims and allocated adjustment expenses, net of reinsurance

Accident Year	For the year ended December 31,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited
2016	-	-	-	-	12,460	21,037	24,164	25,628	26,758	27,399
2017		3	3	9	10,730	19,666	24,038	26,110	26,714	27,103
2018			3,737	16,076	22,415	30,101	35,218	40,788	43,308	46,684
2019				10,531	17,087	42,297	51,916	58,580	67,060	69,987
2020					32,235	27,780	46,590	61,659	80,571	88,566
2021						45,770	49,317	68,746	76,776	90,442
2022							27,330	33,568	40,835	63,451
2023								42,584	42,992	45,592
2024									64,359	86,357
2025										49,258
Total										594,839
Outstanding liabilities for 2016 and subsequent years, net of reinsurance										660,772
All outstanding liabilities before 2016										210
Liabilities for claims and claim adjustment expenses, net of reinsurance										660,982

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

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
45%	55%	60%	67%	74%	79%	82%	83%	85%	86%

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**Specialty**

Incurred claims, IBNR and LAE, net of reinsurance

Accident Year	For the year ended December 31,										IBNR
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	
2016	-	-	158	152	2,292	3,003	2,334	1,212	1,086	1,089	
2017		3,406	1,452	655	4,811	4,420	3,682	1,067	1,142	1,087	
2018			21,852	9,603	9,064	9,304	8,294	7,354	9,243	8,999	
2019				8,258	11,216	10,537	19,215	19,759	15,658	13,546	
2020					26,660	30,084	23,216	27,178	24,997	24,717	
2021						12,432	11,588	10,971	11,425	12,866	
2022							27,464	31,610	36,477	37,347	
2023								19,797	23,247	25,203	35,818
2024									26,354	27,221	12,398
2025										28,409	12,972
Total										180,484	

Cumulative paid claims and allocated adjustment expenses, net of reinsurance

Accident Year	For the year ended December 31,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited
2016	-	-	13	13	13	13	9	9	9	9
2017		-	-	-	364	417	433	431	431	448
2018			268	2,966	3,266	3,990	4,007	6,682	8,699	10,206
2019				2,536	4,631	8,937	7,957	8,171	7,186	6,232
2020					10,767	16,102	18,573	18,976	18,835	19,344
2021						8,657	8,307	10,120	10,090	10,056
2022							5,382	13,496	17,119	22,779
2023								7,546	7,351	8,563
2024									15,769	22,578
2025										5,852
Total										106,067
Outstanding liabilities for 2016 and subsequent years, net of reinsurance										74,417
All outstanding liabilities before 2016										912
Liabilities for claims and claim adjustment expenses, net of reinsurance										75,329

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

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
60%	84%	90%	91%	83%	88%	91%	91%	92%	92%

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

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

	<b>December 31, 2025</b>
Net outstanding liabilities	
Property	606,832
Casualty	660,982
Specialty	75,329
Loss reserves recoverable	14,702
Provision for losses and LAE at the end of year	1,357,845

**8. Reinsurance**

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

**Effects of reinsurance on premiums written and earned**

	<b>2025</b>	<b>2024</b>
Net premiums written		
Assumed	1,038,690	924,987
Direct	12,626	8,256
Ceded	(29,477)	(11,864)
Net premiums written	1,021,839	921,379
Net premiums earned		
Assumed	963,397	728,593
Direct	11,396	6,725
Ceded	(26,131)	(11,496)
Net premiums earned	948,662	723,822
Loss and Loss adjustment expenses		
Gross losses and loss adjustment expenses incurred	661,855	520,992
Losses and loss adjustment expense recoveries	(8,658)	(6,016)
Net loss and loss adjustment expenses	653,197	514,976

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**Allowance for expected credit losses**

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

**Premiums receivable**

Premiums receivable are estimated based on policy terms and reports received from the underlying counterparties, supplemented by management's judgement. Due to the nature of the reinsurance business, the Company routinely receives reports and premiums after the inception of the coverage period. At December 31, 2025 the Company's premiums receivable balance, net of credit provisions of \$349, was \$1,957,944. The following table provides a roll forward of the provision for current expected credit losses on premiums receivable:

	<b>2025</b>
Beginning balance	207
Provision for current expected credit losses on receivables	142
Ending balance	349

**Reinsurance balances recoverable**

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

At December 31, 2025, the Company's unpaid recoverable reinsurance recoverable balances net of credit provisions was \$14,702, with a total corresponding provision for current expected credit losses of \$209. The following table provides a roll forward of the provision for current expected credit losses on reinsurance recoverable:

	<b>2025</b>
Beginning balance	125
Provision for current expected credit losses on recoverable	84
Ending balance	209

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**9. Related party transactions**

***Amounts receivable and payable to related parties***

The Company has service agreements with Canopus Services Limited (“CSL”) and CUBL. Both entities are wholly owned subsidiaries of CGL.

The service agreement with CSL, which is recharged through Canopus Holdings UK Limited (“CHUKL”), covers investment management, accounting services, claims analysis, legal, human resources, information technology, actuarial, capital modelling and other general corporate services. The service agreement with CUBL covers Bermuda staffing and office expenses, as well as services involving underwriting, modelling, operations, claims authorizations, expense authorizations and accounting services. During the year, \$14.5m (2024: \$7.2m) of general and administrative expenses were recharged to the Company in relation to these service agreements.

On June 14, 2023, the Company entered into a loan agreement with Fortuna Midco Limited (“Midco”) where the Company loaned Midco \$32 million with an interest rate of 3.5% above the Secured Overnight Finance Rate (“SOFR”) per annum. During the year, \$3.0m (2024: \$3.1m) interest income was accrued under the contract, recorded as net investment income.

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

The Company writes a 45% (2024: 45%) whole account quota share with CCCL in respect to its participation on S4444 for the 2025 underwriting year.

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

In 2022 and 2023, the Company wrote reinsurance contracts with Samsung Fire & Marine Insurance (“SFMI”), a minority shareholder in the parent company CGL for a 90% share of the SFMI’s participation of an underlying contract and pays overriding commission of 1% of premium ceded.

***Liabilities under derivative contracts***

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

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

Included in the Company's Balance Sheet as at December 31, 2025 and 2024 are the following balances arising from related party transactions:

	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>Assets</b>		
Premiums receivable	1,782,030	1,521,439
Amounts receivable from related parties	39,562	38,577
Deferred acquisition costs	-	172
<b>Total Assets</b>	<b>1,821,592</b>	<b>1,560,188</b>
<b>Liabilities</b>		
Reserve for losses and loss expenses	1,163,173	956,583
Unearned premium reserve	444,643	458,173
Amounts payable to related parties	6,736	3,845
Liabilities under derivative contracts	7,145	7,164
<b>Total Liabilities</b>	<b>1,621,697</b>	<b>1,425,765</b>

Included in the Company's Statement of Income during the years ending December 31, 2025 and 2024 are the following transactions:

	<b><u>2025</u></b>	<b><u>2024</u></b>
<b>Revenues</b>		
Net premiums earned	704,431	634,125
Net investment income	3,020	3,065
Net realized and unrealized gains (losses) on derivatives	(19)	(269)
<b>Losses and Expenses</b>		
Losses and loss adjustment expense	522,013	469,755
Acquisition costs	39,470	38,663
General and administrative expenses	14,510	7,174
Other expenses	(5,996)	(2,112)
<b>Net Income</b>	<b>137,435</b>	<b>123,441</b>

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**10. Share Capital and Contributed Surplus**

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

Contributed surplus consists of \$387,339 (2024: \$387,339) capital contributions from the parent company.

**11. Taxation**

***Adoption of Bermuda Corporate Income Tax***

The Corporate Income Tax Act 2023 (“CIT Act”) became effective for fiscal years beginning on or after 1 January 2025. The Company is within the scope of the CIT Act as a Bermuda Constituent Entity of a multinational enterprise group with consolidated annual revenue exceeding €750 million. Accordingly, the Company became subject to Bermuda Corporate Income Tax at a statutory rate of 15% beginning on 1st January 2025.

This is the first reporting period in which the Company has recognized current and deferred income taxes under the Bermuda CIT regime.

Upon enactment of the CIT Act, the Company evaluated the impact of the legislation on its financial position, including the recognition of deferred tax assets and liabilities for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Based on this assessment, the adoption of the CIT Act did not result in a material deferred tax asset or liability at the transition date. Accordingly, there was no material adjustment to retained earnings as of 1st January 2025.

***Corporate Income Tax***

The tax (expense)/ benefit comprises as follows:

	<b><u>2025</u></b>	<b><u>2024</u></b>
Corporate income tax expense for the period	(32,206)	-
Deferred tax benefit for the period	534	-
<b>Total tax expense</b>	<b>(31,672)</b>	<b>-</b>

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**Reconciliation of Statutory Rate to Effective Tax Rate:**

	<b><u>2025</u></b>	<b><u>2024</u></b>
Income before taxes	223,053	167,111
Tax at Bermuda statutory rate of 15% (2024: nil %)	(33,458)	-
Effect of:		
Permanent differences	1,702	-
Tax sharing arrangement	84	-
Total tax expense	(31,672)	-

**Current income taxes (payable)/ receivable were as follows:**

	<b><u>2025</u></b>	<b><u>2024</u></b>
Balance at beginning of year	-	-
Current tax expense	(32,290)	-
Tax sharing arrangement	84	-
Instalment payments made on account	31,100	-
Balance at end of year	(1,106)	-

The current income tax payable is expected to be settled within 12 months of the reporting date. The Company follows the filing and payment requirements of the Corporate Income Tax Act 2023.

**Deferred Tax**

	<b><u>2025</u></b>	<b><u>2024</u></b>
Differences between accounting basis and tax basis for (re)insurance contract assets and liabilities	534	-
Total deferred tax benefit	534	-

**Reconciliation of Deferred Tax benefit:**

	<b><u>2025</u></b>	<b><u>2024</u></b>
Balance at beginning of year	-	-
Deferred tax benefit recognized in the income statement	534	-
Balance at end of year	534	-

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Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets are recognized to the extent that it is more likely than not that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the 15% tax rate expected to apply in the periods in which the temporary differences reverse.

**12. Concentration of credit risk**

The creditworthiness of a counterparty is evaluated by the Company, taking into account credit ratings assigned by recognized rating agencies. The credit approval process involves an assessment of factors, including, among others, the counterparty, country and industry credit exposure limits. The areas where significant concentrations of credit risk may exist includes investments and cash and cash equivalent balances. The majority of the Company's premiums receivable balance is due to intra-group reinsurance contracts, as disclosed in Note 9.

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

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

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

**13. Restricted assets**

	<u><b>2025</b></u>	<u><b>2024</b></u>
Funds at Lloyd's		
Investments	313,257	331,760
Cash and cash equivalents	16,385	11,617
	329,642	343,377
Trust Accounts		
Investments	26,996	8,927
Cash and cash equivalents	10,020	-
	37,016	8,927
Pledged Accounts		
Cash and cash equivalents	3,936	3,387
Letter of Credit		
Cash and cash equivalents	18,694	3,297
	389,288	358,988
Total restricted investments, cash and cash equivalents	389,288	358,988
Total investments, cash and cash equivalents	928,002	701,024
Percentage of investments, cash and cash equivalents	42.0%	51.2%

***Funds at Lloyd's ("FAL")***

In consideration for the Company entering into a limited liability quota share reinsurance agreement with CCCL, the Company has provided for 45% of CCCL's FAL requirement. The Company provides assets under a security and trust deed charged to Lloyd's of London, to meet its share of liabilities that may occur from CCCL's interest in S4444.

At December 31, 2025, the Company's limit, as established under the quota share agreement, was \$600,000 (2024: \$500,000). At December 31, 2024, the fair market value of the Company's FAL contribution was \$329,642 (2024: \$343,377).

***Trust account***

The Company has established trust accounts to support certain reinsurance transactions. As at December 31, 2025, the market value in these trust accounts is \$37,016 (2024: \$8,927).

**Canopus Reinsurance Limited**  
**Notes to Financial Statements**

For the years ended December 31, 2025 and 2024

***Pledged accounts***

To support its run-off French mutual business, the Company has established pledged accounts to cover expected claims under these policies. As at December 31, 2025, the market value in these pledged accounts is \$3,936 (2024: \$3,387).

***Letter of Credit***

The Company has established a letter of credit with Barclays Bank PLC. Under this letter of credit, the Company can post collateral of \$25,000 (2024: \$25,000). As at December 31, 2025, the value in the letter of credit account is \$18,694 (2024: \$3,297).

***Facility agreement***

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

**14. Statutory financial data**

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

As at December 31, 2025 and 2024, the Company was required to maintain a minimum statutory capital and surplus of \$590,795 and \$460,690, respectively. As at December 31, 2025 and 2024, the Company had statutory capital and surplus of \$974,928 and \$783,545, respectively and a statutory net income of \$191,381 and \$167,111 respectively for the years then ended.

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**15. Subsequent events**

There were no transactions or events beyond those addressed in these notes to the Financial Statements that were outside of events occurring in the ordinary course of business, between December 31, 2025 and April 24, 2026, the date the financial statements were available to be issued, that materially affected the Financial Statements.