

Nectaris Re Ltd.

Financial Statements and Independent Auditor's Report December 31, 2023

(expressed in U.S. dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of
Nectaris Re Ltd.

Opinion

We have audited the financial statements of Nectaris Re Ltd. (the Company), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). 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 Company in accordance with the ethical requirements of the Chartered Professional Accountants of Bermuda that are relevant to our audit of the financial statements in Bermuda, 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.

Responsibilities of Management's for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is responsible for assessing 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility 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 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieved fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Ltd.

April 30, 2024

Nectaris Re Ltd.
Statement of Income and Comprehensive Income
For the year ended December 31, 2023
(expressed in US Dollars)

	Note	2023	Restated 2022
Insurance revenue	7	110,035,368	124,970,434
Insurance service expenses	7	5,250,075	(61,571,055)
Insurance service result before reinsurance contracts held		115,285,443	63,399,379
Allocation of reinsurance premium	7	(105,718,454)	(120,081,760)
Amounts recoverable from reinsurers	7	(5,250,075)	61,571,055
Net expense from reinsurance contracts held		(110,968,529)	(58,510,705)
Insurance service result		4,316,914	4,888,674
Net investment return	4	9,496,423	2,449,157
Finance income (expense) from insurance contracts issued	3, 7	(2,027,004)	8,002,928
Finance income (expense) from reinsurance contracts issued	3, 7	2,027,004	(8,002,928)
Net insurance and investment result		13,813,337	7,337,831
Other operating expenses		(631,514)	(314,546)
Profit before tax		13,181,823	7,023,285
Tax charge	5	-	-
Profit after tax		13,181,823	7,023,285

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

Nectaris Re Ltd.**Statement of Financial Position****As at December 31, 2023**

<i>Expressed in US Dollars</i>			<i>Restated</i>	<i>Restated</i>
	Note	31-Dec-23	31-Dec-22	1-Jan-22
Assets				
Cash and cash equivalents	6	211,246,190	236,859,354	200,286,694
Insurance contract assets	7	30,343,645	-	-
Reinsurance contract assets	7	-	-	44,659,253
Other assets		3,730	-	2,465
Total assets		241,593,565	236,859,354	244,948,412
Liabilities				
Insurance contract liabilities	7	-	15,373,863	43,911,889
Reinsurance contract liabilities	7	36,686,617	16,029,340	-
Other payables		217,045	91,219	194,876
Total liabilities		36,903,662	31,494,422	44,106,765
Shareholder's equity				
Common shares	9	120,000	120,000	120,000
Contributed surplus	9	199,970,000	199,970,000	199,970,000
Retained earnings		4,599,903	5,274,932	751,647
Total shareholder's equity		204,689,903	205,364,932	200,841,647
Total liabilities and shareholder's equity		241,593,565	236,859,354	244,948,412

Approved by the Board of Directors


Ben Wright - Director

Kathleen Faries - Director

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

Nectaris Re Ltd.
Statement of Changes in Equity
For the year ended December 31, 2023
(expressed in US Dollars)

	<u>Common Shares</u>	<u>Contributed Surplus</u>	<u>Retained Earnings</u>	<u>Total Shareholder's Equity</u>
Balance as at January 1, 2022 as previously reported	120,000	199,970,000	751,647	200,841,647
Initial application of IFRS 17 - Insurance contracts, net of tax	-	-	-	-
Restated balance as at January 1, 2022	120,000	199,970,000	751,647	200,841,647
Comprehensive income for the year (restated)	-	-	7,023,285	7,023,285
Dividends declared	-	-	(2,500,000)	(2,500,000)
Restated balance as at December 31, 2022	120,000	199,970,000	5,274,932	205,364,932
Comprehensive income for the year	-	-	13,181,823	13,181,823
Dividends declared	-	-	(13,856,852)	(13,856,852)
Balance as at December 31, 2023	120,000	199,970,000	4,599,903	204,689,903

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

Nectaris Re Ltd.
Statement of Cash Flows
For the year ended December 31, 2023
(expressed in US Dollars)

	2023	<i>Restated</i> 2022
Cash flows from operating activities		
Comprehensive income for the year	13,181,823	7,023,285
Adjustments for:		
Net investment income	(9,496,423)	(2,449,157)
Charges (credit) to reconcile comprehensive income to net cash from operations:		
Net change in:		
Insurance contracts assets/liabilities	(45,717,509)	(28,538,025)
Reinsurance contracts assets/liabilities	20,657,278	60,688,592
Other assets	(3,730)	2,465
Other payables	125,826	(103,657)
Net cash provided by operating activities		
Cash flows from financing activities		
Dividends paid	(13,856,852)	(2,500,000)
Net cash (utilized)/provided by financing activities		
Cash flows from investing activities		
Interest income	9,496,423	2,449,157
Net increase in cash and cash equivalents during the year	(25,613,164)	36,572,660
Cash and cash equivalents - beginning of year	236,859,354	200,286,694
Cash and cash equivalents - end of year	211,246,190	236,859,354

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

1. Incorporation and principal activities

Nectaris Re Ltd. (the “Company”), was incorporated in Bermuda on September 30, 2020, and is licensed as a Class 3A Insurer pursuant to the Bermuda Insurance Act 1978 and related regulations (the “Act”).

The Company is a wholly owned subsidiary of Nectaris Holdings Ltd, a company incorporated in Bermuda (“Holdings”). All of the common shares of Holdings are held by Harbour International Trust Company Limited as trustee of the Nectaris Holdings Purpose Trust. In addition, 200,100,000 Class A shares of par value \$1 each, issued by Holdings to provide funding for its investment in the Company, are held by certain investment funds managed by Leadenhall Capital Partners LLP (“Leadenhall”), a London-based, FCA- and SEC-regulated asset manager specialising in insurance linked securities (the “Leadenhall Funds”).

The Company commenced underwriting in April 2021 and has entered into a number of quota share agreements with Lloyd’s Syndicate 2001 managed by MS Amlin Underwriting Limited and with MS Amlin AG Bermuda Branch (together “Amlin”) (the “Amlin Agreements”). From January 1, 2022 the Company commenced writing business on the open market, meaning providing reinsurance to entities other than Amlin (“Open Market”).

The Amlin Agreements each cover portfolios of specified property and casualty contracts written by Amlin (the “Portfolios”), with ceded losses generally limited to the higher of (a) the 1 in 1,000 periods modelled annual exceedance probability (“AEP”) for the Portfolios, or (b) the value of the largest non-cat realistic disaster scenario (“RDS”) for the Portfolios (the “Aggregate Limit”).

The Amlin and Open Market Agreements follow the territorial scope of the individual contracts comprising the Portfolios.

The Company retrocedes 100% of each of the Amlin Agreements so certain segregated accounts of Horseshoe Re II Limited, a reinsurance company formed and licensed as a Special Purpose Insurer in Bermuda (“Horseshoe Re II”). No insurance risk is retained by the Company.

Reinsurance is provided by Horseshoe Re II on a fully collateralised basis, through trust accounts for which the Company is beneficiary, and which are funded to the Aggregate Limit of the retroceded contracts.

The Company retrocedes 100% of net premium written, but charges a ceding commission to Horseshoe Re II in an amount calculated to cover the operating expenses of the Company and provide a return to the Company’s shareholder.

In May 2021, A.M. Best assigned a financial strength rating of A Excellent with a stable outlook. This rating has remained A Excellent since.

The registered office of the Company is located at Wessex House, 45 Reid Street, Hamilton, HM11, Bermuda.

1. Incorporation and principal activities (cont'd)

The functional currency of the Company is the United States dollar. The financial statements are presented in United States dollars.

2. Significant accounting policies

Effective 1 January 2023, the Company adopted IFRS 9, Financial Instruments: Classification and Measurement and IFRS 17, Insurance Contracts. The related changes from adopting these standards are set out in notes 6 and 7.

The comparative figures as at December 31, 2022 are not extracted from the Company's financial statements of that financial year but are derived from those accounts.

(a) Basis of accounting

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities.

Going concern basis of accounting

The Company's financial statements have been prepared on a going concern basis in accordance with IFRS.

Use of judgements and estimates

The preparation of the Company's financial statements requires management to make judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

The key judgements, estimates, assumptions and other sources of estimation uncertainty at the year end, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities, are described below. Assumptions and estimates are based on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change or circumstances may arise that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur and recognised prospectively.

Judgements

Insurance and reinsurance contracts

The Company applies the premium allocation approach ("PAA") to simplify the measurement of insurance and reinsurance contracts. Insurance and reinsurance contracts with a coverage of more than one year require a PAA eligibility assessment.

2. Significant accounting policies (cont'd)

(a) Basis of accounting (cont'd)

Judgements (cont'd)

Insurance and reinsurance contracts (cont'd)

Management applies judgement to assess whether facts and circumstances indicate whether a group of contracts is onerous at initial recognition or subsequently assesses whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required.

When measuring the liabilities for incurred claims, significant judgement is made by management in relation to incurred but not reported reserves. In addition, the Company includes an explicit risk adjustment for non-financial risk. Judgement is applied in determining the methods for estimating the risk adjustment for non-financial risk. These are discussed within note 7. No significant judgements are applied by the Company when measuring the liabilities for remaining coverage.

A portion of insurance revenue is based on estimates of the ultimate premiums expected to be received. Judgement is involved in determining the ultimate estimates in order to establish the appropriate premium value and, ultimately, the cash to be received.

Financial assets

The classification of the Company's financial assets requires judgement in assessing the business model classification within which assets are held. These are discussed in note 6.

Other

Judgement was applied to determine whether sufficient, reasonable and supportable information was available to apply a fully retrospective approach when transitioning to the new to IFRS 9 and 17 accounting standards. This is discussed in notes 6 and 7.

Estimates and assumptions

Insurance and reinsurance contracts

The Company's most significant area of estimation uncertainty is in relation to the measurement of insurance contracts issued and reinsurance contracts held. Changes in the following key assumptions may change the fulfilment cash flows materially:

- Assumptions about the amount and timing of future cash flows;
- Assumptions about claims development;
- Assumptions about discount rates, including any illiquidity premiums; and
- Assumptions about the risk adjustment for non-financial risk.

Information about these key assumptions and estimates are included in note 7.

Financial assets

Less significant estimates are made in determining the fair value of certain financial instruments. The estimation of fair value, specifically for 'Level (iii)' investments, is discussed in note 6.

2. Significant accounting policies (cont'd)

(a) Basis of accounting (cont'd)

Changes in accounting policies

The Company adopted IFRS 9, Financial Instruments: Classification and Measurement and IFRS 17, Insurance Contracts, including any consequential amendments to other standards, effective 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. The impact of retrospectively adopting IFRS 9 and IFRS 17 is summarised in notes 6 and 7.

The Company's accounting policies that were impacted by the adoption of IFRS 9 and IFRS 17, are disclosed on pages 12 to 22.

Future accounting changes

There are also amendments to other existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2023. These are not currently relevant for the Company and do not impact the financial statements of the Company.

(b) Insurance contracts issued and reinsurance contracts held

Classification

Insurance contracts issued are those that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

Contracts that have a legal form of insurance risk but do not transfer significant insurance risk are classified as investment contracts and follow financial instrument accounting under IFRS 9. The Company does not issue any contracts with direct participation features.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract held transfers significant risk if it transfers substantially all the insurance risk resulting from the (re)insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued and reinsurance contracts held, unless specifically stated otherwise.

Level of aggregation

Insurance contracts issued

Insurance contracts issued are aggregated into groups for measurement purposes. Insurance contracts that are subject to similar risks and that are managed together are classified into a portfolio of insurance contracts. Each portfolio is then further disaggregated into annual cohorts and each annual cohort is classified into three groups based on the expected profitability of the contracts:

2. Significant accounting policies (cont'd)

(b) Insurance contracts issued and reinsurance contracts held (cont'd)

Level of aggregation (cont'd)

Insurance contracts issued (cont'd)

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous; or
- a group of the remaining contracts in the portfolio.

These groups represent the level of aggregation at which insurance contracts issued are initially recognised and measured. The classification of such groups is not subsequently reconsidered once set for a particular annual cohort.

Reinsurance contracts held

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held within annual cohorts into:

- a group of contracts for which there is a net gain at initial recognition;
- a group of contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
- a group of the remaining contracts in the portfolio.

For some groups of reinsurance contracts held, a group can comprise a single contract, which is considered the lowest unit of account.

initial recognition

An insurance contract issued by the Company is recognised at the earliest of:

- the beginning of the coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- for a group of onerous contracts, when the group becomes onerous.

Groups of reinsurance contracts held are initially recognised at the earliest of:

- the beginning of the coverage period of the group of reinsurance contracts held; and
- the date of recognising an onerous group of underlying insurance contracts if the related reinsurance contract held was entered into at or before that date.

The recognition of a group of reinsurance contracts held that provide proportional or quota share coverage is delayed until the date that any underlying insurance contracts are initially recognised.

2. Significant accounting policies (cont'd)

(b) Insurance contracts issued and reinsurance contracts held (cont'd)

Level of aggregation (cont'd)

initial recognition (cont'd)

Insurance contracts are initially added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Insurance contracts are initially added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Measurement applying the PAA measurement model

PAA eligibility

The Company uses the PAA to simplify the measurement of groups of insurance contracts issued and reinsurance contracts held. The Company considers that it is eligible to apply the PAA measurement model to its portfolios and groups of contracts as the measurement of the liability for remaining claims ("LRC") or asset for remaining coverage ("ARC") is not reasonably expected to differ materially from that calculated under the general measurement model ("GMM").

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows ("FCF") that would affect the measurement of the LRC or ARC during the period before a claim is incurred. Variability in the FCF increases with, for example the length of the coverage period of the group of contracts.

Contract boundary

The measurement of a group of insurance contracts issued or reinsurance contracts held includes all of the FCF within the boundary of each contract in the group. The contract boundary is reassessed at each reporting period to include the effect of change in circumstances on the Company's rights and obligations, and, may change over time.

Cash flows are within the boundary of an insurance contract issued if they arise from substantive rights and obligations that exist during the period in which the Company can compel the policyholder to pay premiums or the Company has substantive obligations to provide the policyholder with insurance coverage or other services. A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risks of the portfolio; and
- the pricing of premium up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

2. Significant accounting policies (continued)

(b) Insurance contracts issued and reinsurance contracts held (cont'd)

Measurement applying the PAA measurement model (cont'd)

Contract boundary (cont'd)

The reassessment of risk considers only risks transferred from policyholders to the Company, which may include both insurance and financial risk, but excludes expense risks.

Cash flows outside of the insurance contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- are based on an unbiased probability weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Company, provided the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

The Company may estimate certain FCF at the portfolio level or higher and then allocate such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for a group of reinsurance contracts held with the groups of underlying insurance contracts issued.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include potential credit losses and potential disputes with the reinsurer to reflect the non-performance risk of the reinsurer.

2. Significant accounting policies (cont'd)

(b) Insurance contracts issued and reinsurance contracts held (cont'd)

Measurement applying the PAA measurement model (cont'd)

Fulfillment cash flows within contract boundary (cont'd)

The Company's insurance contracts issued and reinsurance contracts held that generate cash flows in a foreign currency, are treated as monetary items and are revalued at period end exchange rates.

Discounting

The estimates of FCF within the liabilities for incurred claims ("LIC") and assets for incurred claims ("AIC") are adjusted using current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent they are not already included in the cash flows. The discount rates reflect the characteristics of the cash flows arising from each group of insurance contracts, including the timing, currency and liquidity of cash flows. The Company has not identified any significant financing component in the LRC or the ARC and has elected not to adjust these balances to reflect the time value of money and the effect of financial risk.

Risk adjustment for non-financial risk

An explicit risk adjustment for non-financial risk is estimated separately from the discounted FCF. For contracts measured under the PAA, unless contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows. It reflects the compensation the Company requires for bearing uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer. Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 7.

Insurance acquisition costs

Insurance acquisition cash flows arise from the cost of selling, underwriting and initiating a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company uses a systematic and rational method to allocate:

- Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
 - to that group; and
 - to groups that include insurance contracts that are expected to arise from the renewal of the insurance contracts in that group.
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio. Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows may be recognised for each related group. The asset is then derecognised when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

2. Significant accounting policies (cont'd)

(b) Insurance contracts issued and reinsurance contracts held (cont'd)

Measurement applying the PAA measurement model (cont'd)

Insurance acquisition costs (cont'd)

The Company does not generally pay or incur insurance acquisition cash flows before a related group of insurance contracts is recognised in the statement of financial position. No asset for insurance acquisition cash flows has therefore been recognised.

Initial measurement of insurance contracts issued applying the PAA

For a group of insurance contracts that is not onerous at initial recognition, the carrying amount of the LRC is measured by the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amounts arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group.

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, the Company performs additional analysis to determine if a net cash outflow is expected from the contract. On initial recognition of an onerous group of contracts the Company recognises an insurance service expense for the net cash outflows and an onerous loss component is established in the LRC reflecting the losses recognised.

Subsequent measurement of insurance contracts issued applying the PAA

The carrying amount of a group of insurance contracts issued is the sum of the LRC and the LIC.

The Company measures the carrying amount of the LRC at the end of each reporting period. The LRC includes:

- a. any premiums received less amounts recognised as insurance revenue;
- b. less insurance acquisition cash flows paid plus amortisation of any insurance acquisition cashflows recognised as insurance service expense in the period; and
- c. less any non-distinct investment components paid or transferred to the LIC.

Groups that were not onerous at initial recognition can subsequently become onerous if facts and circumstances change during the coverage period. If a group of contracts becomes onerous or facts and circumstances indicate that the expected profitability of an onerous group during the remaining coverage has decreased, the Company increases the carrying amount of the LRC by the relevant amount, with the increase recognised within insurance service expenses. The Company amortises the amount of the loss component within the LRC by decreasing insurance service expenses. The loss component is amortised based on the passage of time over the remaining coverage period of the onerous group of contracts until the loss component is reduced to nil.

2. Significant accounting policies (continued)

(b) Insurance contracts issued and reinsurance contracts held (cont'd)

Measurement applying the PAA measurement model (cont'd)

Subsequent measurement of insurance contracts issued applying the PAA (cont'd)

The Company measures the carrying amount of the LIC at the end of each reporting period. The Company recognises the LIC for a group of insurance contracts as at the amount of the FCF relating to the incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. The FCF are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Initial measurement of reinsurance contracts held applying the PAA

The Company measures a group of reinsurance contracts held on the same basis as a group of insurance contracts issued with adaptations to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

On initial recognition of a group of reinsurance contracts held, the Group measures the ARC at the amount of ceding premiums paid on initial recognition minus commission income received.

For a group of reinsurance contracts held covering onerous underlying contracts, the Company establishes a loss-recovery component of the ARC to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in FCF of the group of reinsurance contracts relating to future services that result from changes in FCF of the onerous underlying contracts.

Subsequent measurement of reinsurance contracts held applying the PAA

The carrying amount of a group of reinsurance contracts held at the end of the reporting period is the sum of the ARC and the AIC.

The Company measures the carrying amount of the ARC at the end of each reporting period. The ARC includes:

- a. reinsurance premiums paid less amounts recognised as allocation of reinsurance premium; and
- b. reinsurance recovery cash flows received less any amounts recoverable from reinsurers recognised in the period.

Where the Company has established a loss-recovery component, the Group amortises the amount of the loss recovery component within the ARC by decreasing the allocation of recoverables from reinsurers. The loss recovery component is amortised based on the passage of time over the remaining coverage period of the onerous group of contracts until the loss recovery component is reduced to nil.

2. Significant accounting policies (cont'd)

(b) Insurance contracts issued and reinsurance contracts held (cont'd)

Measurement applying the PAA measurement model (continued)

Subsequent measurement of reinsurance contracts held applying the PAA (cont'd)

The Company measures the carrying value of the AIC at the end of each reporting period. The Group recognises the AIC for a group of reinsurance contracts held at the amount of the FCF relating to the claims recoverable. The FCF are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Derecognition and modification

The Company derecognises a contract when it is extinguished (i.e. when the specified obligations in the contract expire or are discharged or cancelled) or the contract is modified and certain additional criteria are met.

When an insurance contract is modified as a result of an agreement with a counterparty or due to a change in regulations, the Company treats changes in the cash flows caused by the modification as a change in the estimate of the FCF, unless the conditions for derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- a. If, based on the modified terms, the Company would have concluded at the inception of the contract that it:
 - was not in scope of IFRS 17;
 - results in different separable components;
 - results in a different contract boundary; or
 - belongs to a different group of contracts.
- b. the modification means that the contract no longer meets the PAA eligibility criteria.

When an insurance contract is derecognised, adjustments are made to the FCF charged to profit or loss.

- if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from the extinguishment;
- if the contract is transferred to a third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; and
- if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the premium the Company would have charged had it entered into a contract with equivalent terms as the new contract at the date of contract modification, less any additional premium charged for the modification.

2. Significant accounting policies (cont'd)

(b) Insurance contracts issued and reinsurance contracts held (cont'd)

Measurement applying the PAA measurement model (cont'd)

Presentation

Portfolios of insurance contracts issued and portfolios of reinsurance contracts held that are assets and those that are liabilities are presented separately in the statement of financial position.

The Company disaggregates amounts recognised in the statement of comprehensive income into

- (a) an insurance service result, comprising insurance revenue and insurance services expenses; and (b) insurance finance income and expenses.

The Company disaggregates changes in the risk adjustment for non-financial risk between the insurance services result and insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from the income and expenses on insurance contracts issued.

Insurance revenue and insurance service expenses exclude any non-distinct investment components.

Insurance revenue

Insurance revenue from groups of insurance contracts issued is the amount of expected premiums net of ceding commission payable. Expected premiums exclude any investment components.

Insurance revenue is recognised based on the passage of time over the coverage period, except where the period of risk differs significantly from the contract period. In this instance insurance revenue is recognised on the basis of the expected timing of the related incurred insurance service expenses. For the current periods presented, all insurance revenue has been recognised on the basis of the passage of time.

The amount of insurance revenue recognised in the period reflects the provision of services and the consideration the Group expects to be entitled to in exchange for those services.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised as they are incurred. They exclude the repayment of investment components and comprise the following items:

- incurred claims net of inwards reinstatement premium and net of the initial discount on incurred claims;
- adjustments to the LIC (including the risk adjustment) that do not arise from the effects of the time value of money, financial risk and changes therein;
- amortisation of insurance acquisition cash flows based on the passage of time over the relevant coverage period;

2. Significant accounting policies (cont'd)

(b) **Insurance contracts issued and reinsurance contracts held (cont'd)**
Measurement applying the PAA measurement model (cont'd)

Insurance service expenses (cont'd)

- other directly attributable insurance service expenses, including an allocation of fixed and variable overhead costs; and
- losses on onerous contracts and the reversal of such losses.

Expenses not meeting the above criteria are included in other operating expenses in the statement of profit and loss.

Allocation of reinsurance premium and amounts recoverable from reinsurers

The Company presents separately on the face of the statement of profit or loss the allocation of reinsurance premiums and amounts recoverable from reinsurers.

The allocation of reinsurance premiums under each group of reinsurance contracts held is the amount of expected premium payments net of commission income receivable. Expected premium payments exclude any investment components.

The Company recognises the allocation of reinsurance premium based on the passage of time over the relevant coverage period.

Amounts expected to be recovered from reinsurers are recognised as they are incurred. The Company uses consistent assumptions to measure the estimates of the future cash flows for a group of reinsurance contracts held with the underlying group of insurance contracts issued. Reinsurance cash flows that are contingent on claims incurred by the underlying insurance contracts issued are therefore included as part of the cash flows that are expected to be reimbursed under the reinsurance contract held.

The amounts expected to be recovered from reinsurers include the effect of any risk of non-performance by the issuer of the reinsurance contract.

For a group of reinsurance contracts held covering onerous underlying insurance contracts issued, the loss recovery component and the reversal of such loss recovery components are included as amounts recoverable from the reinsurer.

Finance income or expenses from insurance contracts issued and reinsurance contracts held

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts issued or reinsurance contracts held arising from the effect of the time value of money, financial risk and changes therein. These include:

- unwind of the initial discount i.e. interest accreted on the LIC; and
- the effect of changes in interest rate assumptions.

The Company has elected to include insurance finance income and expenses in profit and loss and does not disaggregate these between profit and loss and OCI.

2. Significant accounting policies (cont'd)

(c) Financial Instruments
Financial Assets

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost and include cash in hand, highly liquid money market funds and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

Interest income earned on cash and cash equivalents is recognised on the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Other receivables

Other receivables include trade receivables and prepayments.

Financial liabilities

Other payables

Other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition. Other payables are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest method.

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3. Net insurance financing result

IFRS 17 requires insurance contracts issued and reinsurance contracts held to be accounted for on a discounted basis. The table below shows where the total impact of discounting is recognised in the statement of comprehensive income for the year ended 31 December 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Insurance service expense	-	-
Amounts recoverable from reinsurers	-	-
Net discount included in insurance service result (A)	-	-
Unwind of discount on insurance contracts issued	2,027,004	(8,002,928)
Impact of change in assumptions on insurance contracts issued	-	-
Finance income (expense) from insurance contracts issued	2,027,004	(8,002,928)
Unwind of discount on reinsurance contracts held	(2,027,004)	8,002,928
Impact of change in assumptions on reinsurance contracts held	-	-
Finance income (expense) from reinsurance contracts held	(2,027,004)	8,002,928
Net discount included in insurance finance (expense) (B)	-	-
Total net impact of discounting (A+B)	<u>-</u>	<u>-</u>

The discounting approach and the yield curves used to discount the cash flows of insurance contracts issued and reinsurance contracts held for our major currencies are disclosed on Note 7.

4. Net Investment Return

The net investment return comprises interest earned on money market funds held by the Company.

5. Income taxes and uncertain tax positions

The Company provides for income taxes based upon amounts reported in the financial information and the provisions of currently enacted tax laws. The Company is registered in Bermuda and is subject to Bermuda law with respect to taxation. The Bermuda Corporate Income Tax Act (Bermuda CIT Act) was enacted on December 27, 2023 and is effective in 2025 for Bermuda businesses that are part of multinational groups with annual revenue exceeding Euro 750 million. The Company has determined that it does not fall within scope of the Bermuda CIT Act.

6. Investments

Cash and cash equivalents includes assets held in money market funds.

The fair value of the securities in the Company's investment portfolio is estimated using the following techniques:

Level (I)

Securities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level (II)

Securities with quoted prices in active markets for similar assets or liabilities or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level (ii) are valued via independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically industry-accepted standards and include broker-dealer quotes and pricing models including present values and future cash flows with inputs such as yield curves, interest rates, prepayment speeds and default rates.

Level (III)

Securities for which valuation techniques are not based on observable market data and require significant management judgement.

The Company determines the investments held in money market funds to be level (I) investments.

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7. Insurance and reinsurance contracts

	Liability for remaining coverage	Liability for incurred claims			Total
		<i>Estimate of the present value of future cash flows</i>	Risk adjustment	Total	
Net insurance contracts liabilities (assets) as at January 1, 2023	(70,308,550)	80,584,388	5,098,025	85,682,413	15,373,863
Insurance revenue	(110,035,368)	-	-	-	(110,035,368)
Insurance service expenses					
- Incurred claims and other insurance service expenses	-	(2,927,705)	(935,029)	(3,862,734)	(3,862,734)
- Amortisation of insurance acquisition cash flows	(1,387,339)	-	-	-	(1,387,339)
Insurance service result before reinsurance contracts held	(111,422,707)	(2,927,705)	(935,029)	(3,862,734)	(115,285,441)
Finance expense from insurance contracts held	-	1,553,459	-	1,553,459	1,553,459
Effects of movements in exchange rates	-	454,300	19,244	473,544	473,544
Total changes in statement of comprehensive income	(111,422,707)	(919,946)	(915,785)	(1,835,731)	(113,258,438)

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7. Insurance and reinsurance contracts (cont'd)

Premiums received and insurance acquisition cash flows	80,974,101	-	-	-	80,974,101
Claims and other expenses paid	-	(13,433,171)	-	(13,433,171)	(13,433,171)
Total cash flows	80,974,101	(13,433,171)	-	(13,433,171)	67,540,930
Net insurance contracts liabilities (assets) as at December 31, 2023	(100,757,156)	66,231,271	4,182,240	70,413,511	(30,343,645)

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7. Insurance and reinsurance contracts (cont'd)

	Asset for remaining coverage	Asset for incurred claims			Total
		<i>Estimate of the present value of future cash flows</i>	Risk adjustment	Total	
Net reinsurance contracts assets (liabilities) as at January 1, 2023	101,711,753	(80,584,388)	(5,098,025)	(85,682,413)	16,029,340
Allocation of reinsurance premium	105,718,454	-	-	-	105,718,454
Amounts recoverable from reinsurers	-	2,927,705	935,029	3,862,734	3,862,734
- Recoveries of incurred claims and other insurance service expenses	-	-	-	-	-
- Reinsurance expenses	1,387,339	-	-	-	1,387,339
Net expenses from reinsurance contracts held	107,105,793	2,927,705	935,029	3,862,734	110,968,527
Finance income from reinsurance contracts held	-	(1,553,459)	-	(1,553,459)	(1,553,459)
Effects of movements in exchange rates	-	(454,300)	(19,244)	(473,544)	(473,544)

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7. Insurance and reinsurance contracts (cont'd)

Total changes in statement of comprehensive income	107,105,793	919,946	915,785	1,835,731	108,941,524
Reinsurance premium paid net of ceding commissions and other directly attributable expenses	(101,717,418)	-	-	-	(101,717,418)
Recoveries from reinsurance	-	13,433,171	-	13,433,171	13,433,171
Total cash flows	(101,717,418)	13,433,171	-	13,433,171	(88,284,247)
Net reinsurance contracts assets (liabilities) as at December 31, 2023	107,100,128	(66,231,271)	(4,182,240)	(70,413,511)	36,686,617

7. Insurance and reinsurance contracts (cont'd)

Insurance Risk

The primary risk to the Company is insurance risk. The Company's insurance risk profile has not changed as a result of adopting IFRS 17. In particular there has been no material change in any of the following areas since the year ended 31 December 2022.

- the Company's underwriting strategy, fundamentals or risk appetite;
- the classes of business underwritten;
- the approach to assessing and managing climate risk; and
- the use of outwards reinsurance arrangements to mitigate insurance risk.

The preparation of the Company's financial statements requires management to make judgements and estimates that affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying financial statement disclosures. The Company's accounting policies have been revised as a result of adopting IFRS 17. In the course of preparing the financial statements and in the process of applying the Company's accounting policies, the valuation of insurance contract liabilities continues to be the largest area of estimation uncertainty. Following the adoption of IFRS 17 this now also includes additional elements such as the consideration of the cash flows within the contract boundary, discounting and the risk adjustment for non-financial risk calculation.

Estimates of future cash flows to fulfil insurance contracts

The Company measures the carrying amount of the LIC and the AIC at the end of each reporting period. The Company recognises the LIC and the AIC for a group of insurance contracts as the amount of the FCF. The FCF comprises:

- unbiased probability-weighted best estimates of future cash flows within the boundary of each contract;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available at the reporting date. The Company uses internal and external information about past events, current conditions and forecasts of future conditions.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount and timing. These include payments to or on behalf of policyholders, insurance acquisition cash flows and other costs incurred in fulfilling contracts.

7. Insurance and reinsurance contracts (cont'd)

Estimates of future cash flows to fulfil insurance contracts (cont'd)

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Where expenses are contract specific (e.g. acquisition costs) these costs are taken directly and aggregated, as required, to groups of contracts. Where expenses are not contract specific (e.g. overheads), these are allocated to groups of contracts in a systematic way.

For all our contracts, uncertainty in the estimation of future claims and benefit payments arise primarily from the severity and frequency of claims and uncertainties regarding future inflation rates.

The Company estimates the ultimate costs of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported.

Discounting approach

The table below sets out the one, three and five year yield curves (risk-free rate plus illiquidity premium) used to discount the cash flows of insurance contracts issued and reinsurance contracts held in United States Dollars:

	December 31, 2023			December 31, 2022		
	1 year	3 years	5 years	1 year	3 years	5 years
USD	6.02%	4.97%	4.72%	6.11%	5.31%	5.02%

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. The Company estimates an adjustment for non-financial risk separately from all other estimates.

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7. Insurance and reinsurance contracts (cont'd)

Estimates of future cash flows to fulfil insurance contracts (cont'd)

Claims Development

The table below summarises the development of undiscounted gross ultimate cumulative claim estimates at the end of each financial year, illustrating how amounts estimated have changed from the first estimate made.

Gross undiscounted ultimate liability estimates at the end of financial year	Accident year			Total
	2021	2022	2023	
End of financial year 1	67,101,656	59,667,817	507,080	127,276,553
End of financial year 2	66,077,881	61,155,455		127,233,336
End of financial year 3	61,155,455			61,155,455
Ultimate liability	61,155,455	61,155,455	507,080	122,817,990
Paid to date	(37,802,621)	(11,835,718)	-	(49,638,339)
Unpaid undiscounted liability as December 31, 2023	23,352,834	49,319,737	507,080	73,179,651
Discounting to present value				(6,948,382)
Unpaid discounted liability as December 31, 2023				66,231,269

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7. Insurance and reinsurance contracts (cont'd)

Estimates of future cash flows to fulfil insurance contracts (cont'd)

Sensitivity analysis

The following table presents information on how reasonably possible changes in assumptions made by the Company impact profit before tax and the valuation of net liability on insurance contracts. Under the PAA, only the LIC component of the net liability on insurance contracts issued is sensitive to possible changes in insurance risk and interest rate risk variables.

	2023		2022	
	LIC as at 31 Dec 2023	Impact on profit before tax	LIC as at 31 Dec 2022	Impact on profit before tax
Net liability on insurance contracts issued	(70,413,511)	-	(85,682,413)	-
Net asset on reinsurance contracts issued	70,413,511	-	85,682,413	-
Unpaid claims and expenses - 20% increase				
Net liability on insurance contracts issued	(84,496,213)	(14,082,702)	(102,818,896)	(17,136,483)
Net asset on reinsurance contracts issued	84,496,213	14,082,702	102,818,896	17,136,483
Yield curve - 1% increase				
Net liability on insurance contracts issued	(69,152,736)	1,260,775	(84,156,509)	1,525,904
Net asset on reinsurance contracts issued	69,152,736	(1,260,775)	84,156,509	(1,525,904)

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

8. Management of insurance and financial risk

Insurance risk (cont'd)

In general, the risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, that risk is random and therefore unpredictable. In general, the principal risk that the Company faces under its insurance contract is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of the claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from the estimate. The Company does not write any mortality, morbidity or health business or provide any business interruption coverage on a stand-alone basis and as such does not expect any direct claims resulting from the Covid-19 outbreak. Insurance risk has been mitigated by retroceding all risks written by the Company on a fully collateralised basis.

Financial risk

The Company is exposed to financial risk on its financial assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from the insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks have been mitigated by requiring that collateral be provided by its retrocedant against the reinsured exposure and by maintaining that amount in cash and money market funds.

The Company's risk management policies are established to identify and analyse risk faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits.

Credit risk

The Company's exposure to credit risk arises from the possibility that counterparties may default on their obligations to the Company. The amount of the Company's maximum exposure to credit risk is indicated by the carrying value of its financial assets. The Company places its cash deposits and money market funds with highly rated financial institutions. Investments in money market funds are highly liquid.

The total assets bearing credit risk are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	<u>211,246,190</u>	<u>236,859,354</u>

Credit ratings for cash and cash equivalents are A or better, as rated by Standard & Poor.

	<u>2023</u>	<u>2022</u>
AAA	201,700,413	201,452,583
A-	<u>9,545,777</u>	<u>35,406,771</u>
Total	<u>211,246,190</u>	<u>236,859,354</u>

8. Management of insurance and financial risk (cont'd)

Market risk (cont'd)

Market risk is the possibility that changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Company has mitigated this risk by holding only cash and short duration money market funds which have minimal exposure to changes in interest rates and price risk.

Currency risk

The Company writes business in several foreign currencies. The Company mitigates its currency risk with a natural hedge by holding collateral and reserves in the same foreign currency it writes the business in. The exposure is not significant.

Liquidity risk

The Company is exposed to calls on its available cash resources from claims arising from reinsurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company mitigates liquidity risk by holding highly liquid financial assets which may be sold quickly in response to needs for liquidity.

All amounts subject to liquidity risk are invested in cash and cash equivalents and as a result there is minimal exposure to changes in interest rates that would impact the fair value of the assets.

9. Share capital and contributed surplus

The Company was incorporated on September 30, 2020, with authorized share capital of \$120,000, comprising 120,000 common shares of par value \$1.00 each. All of the authorized shares were issued to Holdings.

During 2021, and prior to commencing operations, the Company was funded with additional contributed surplus from Holdings in the aggregate amount of \$199,970,000.

The Company declared and paid dividends of \$13,856,852 during the year ended December 31, 2023 (2022: \$2,500,000). The Company recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

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10. Related party transactions

As disclosed in Note 1, the Leadenhall Funds together hold 200,100,000 Class A shares of par value \$1 each, issued by Holdings to provide funding for its investment in the Company.

The Leadenhall Funds are also investors in the segregated accounts of Horseshoe Re II that provide reinsurance protection to the Company. The underwriting guidelines of the Company currently preclude it from writing any business unless it is able to retrocede that business on a fully collateralised basis to Horseshoe Re II. The segregated accounts of Horseshoe Re II are, in turn, reliant upon the Leadenhall Funds for the provision of capital to enable them to provide the required collateral.

The Leadenhall Funds are managed by Leadenhall.

Amlin and Leadenhall, are affiliated through common ownership. Amlin is owned by the MS&AD Group (a listed Japanese insurance company), while a subsidiary of MS&AD Group is a partner in Leadenhall.

A director of the Company is also a senior executive of Leadenhall, although he receives no remuneration from the Company for his director role.

Two directors of the Company are also senior executives of Artex Capital Solutions (the “Artex Directors”). The entities detailed below are part of the Artex Capital Solutions brand. The Company has retained Artex Insurance Management (Bermuda) Ltd. (“AIMB”) to provide management services to the Company, and has retained Artex Corporate Services Ltd. (“ACSL”) to provide it with corporate secretarial services. The Company has retained Artex Insurance Advisory Ltd. (“AIAL”) to provide certain actuarial consulting services, including provision of an individual to act as Loss Reserve Specialist (as required under the Act).

AIMB, ACSL and AIAL are all affiliates within the Artex Capital Solutions brand.

AIMB is also the appointed insurance manager of Horseshoe Re II.

While the Company does not pay remuneration direct to the Artex Directors, during the period, the following amounts have been paid to AIMB, ACSL and AIAL for services rendered:

	<u>2023</u>	<u>2022</u>
Related party:		
AIML	75,524	60,579
ACSL	50,258	43,892
AIAL	<u>57,833</u>	<u>35,008</u>
Total	<u>183,615</u>	<u>139,479</u>

11. Regulatory requirements

The objective of the Company in managing its capital is to ensure that it will be able to continue as a going concern and comply with Bermuda Monetary Authority ("BMA") requirements, while maximising the return to capital providers.

As a Class 3A commercial insurer, the Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of The Insurance Act 1978. Each year the Company is required to file with the BMA a capital and solvency return within four months of its relevant period end (unless specifically extended).

The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement ("BSCR") model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities by security type. The BSCR includes a standardized model used to measure the risk associated with an insurer's assets, liabilities and premiums, and a formula to take account of catastrophe risk exposure. The Authority requires all Collateralized Insurers to maintain their capital at a target level which is 120% of the amount calculated in accordance with the BSCR (the Enhanced Capital Requirement). In addition, the Company is required to maintain a minimum solvency margin. Both requirements have been met.

Under the Insurance Act, the Company is restricted as to the payment of dividends for amounts greater than 25% of the prior year's statutory capital and surplus, whereby an affidavit signed by at least two members of the Board of Directors is required, attesting that any dividend in excess of this amount would not cause the Company to fail to meet its relevant margins. In addition, the Company is restricted from reducing by 15% or more its prior's total statutory capital without approval from the BMA.

The Company has also represented to the BMA that it will maintain shareholder's equity equal to approximately \$200,000,000.

All of the Company's capital, comprising issued share capital and contributed surplus, is regarded as Tier 1 capital.

12. Subsequent events

There have been no material subsequent events from December 31, 2023, to the date of this report.

13. Approval of the financial statements

The financial statements were approved and authorized for issue by the Board of Directors on April 30, 2024. The Board of Directors do not have the powers to amend these statements after issuance.