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A China Re Company

CHAUCER INSURANCE COMPANY DESIGNATED ACTIVITY COMPANY

Directors' report and financial statements

For the financial year ended 31st December 2023

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COMPANY INFORMATION

DIRECTORS	Mr Robert Callan (British) *Resigned 13th December 2023* Mr Timothy Carroll* Mr Jerome Faure* (American) Dr Zuo Huiqiang (Chinese) Mr Enda Murphy* Mr Neil Riordan Mr Ian Jonathan Sutcliffe (British) Ms Lesley Watkins* (British) *Appointed 13th December 2023* Mr James Wright (British) *Appointed 27th March 2024* **Denotes Independent Non-Executive Director*
SECRETARY	Mr Richard Barnett (British)
REGISTERED OFFICE	The Greenway 112-114 St Stephens Green Dublin 2 Ireland D02 TD28
REGISTERED NUMBER OF INCORPORATION	587682
BANKERS	The Bank of New York Mellon London Branch One Canada Square London E14 5AL United Kingdom Bank of America King Edward Street London ECIA 1HQ United Kingdom
INDEPENDENT AUDITORS	PricewaterhouseCoopers Chartered Accountants and Statutory Auditors One Spencer Dock North Wall Quay Dublin 1 Ireland
SOLICITORS	William Fry 6th Floor 2 Grand Canal Square Dublin 2 Ireland
INVESTMENT MANAGER	Goldman Sachs Asset Management International Plumtree Court 25 Shoe Lane London EC4A 4AU United Kingdom

DIRECTORS' REPORT

The directors present herewith their report and audited financial statements of Chaucer Insurance Company Designated Activity Company ("CIC" or "the Company") for the financial year ended 31st December 2023.

Principal Activities

CIC is an Irish domiciled insurance company that underwrites non-life specialty insurance and reinsurance business with customers primarily in the European Economic Area (the "EEA"), the United Kingdom and the United States of America ("US"). CIC was incorporated on 16th August 2016 and is regulated by the Central Bank of Ireland ("CBI") following authorisation on 16th June 2017.

The Company is wholly owned by China Re International Company Limited ("CRICL"), a UK based entity that is also the Parent Company for Chaucer Syndicates Limited ("Chaucer"), the managing agent for Chaucer's syndicates operating in the Society Corporation of Lloyd's ("Lloyd's). CRICL is a member of The China Reinsurance (Group) Corporation, ("China Re"). China Re, headquartered in Beijing, is a Chinese insurance group and is listed on the Hong Kong stock exchange.

CIC is headquartered in Dublin and has established Branches in the UK, Denmark and Bermuda. The UK Branch is authorised as a third country branch by the Prudential Regulation Authority ("PRA") and the Bermuda Branch is authorised as a third country branch by the Bermuda Monetary Authority ("BMA"). The Denmark Branch operates on a freedom of establishment basis under the EU Solvency II Directive. The Branches operate from the offices of affiliated Chaucer entities and through outsourcing arrangements with these affiliates, leverage the existing operational resources of Chaucer.

Business Strategy

CIC writes international specialty insurance and reinsurance business and represents an important source of growth by providing Chaucer with greater flexibility through increased commercial choice for customers and brokers. CIC plays a key role in delivering on China Re's strategy for international development.

The Company mitigates its exposure to the business written via extensive reinsurance arrangements with third party reinsurers and a 90% quota share, net of external reinsurance, with China Property & Casualty Reinsurance Company Limited ("China P&C Re"), a China Re affiliate, reflecting the Company's conservative reinsurance strategy. This reinsurance structure ensures capital efficiency and support's CIC's security ratings of "A (Excellent)" by AM Best and "A" by S&P.

Business Review

The Company continued to grow its broadly diversified underwriting portfolio in 2023, with gross premiums written increasing in line with planned growth to $567.5 million (2022: $453.7 million). This increase represents a 25% increase on the prior year. The continued growth reflects the ongoing successful implementation of the Company's strategic objectives which include further development of the Company's core classes of business and enhancement to its distribution channels. During 2023, the Company achieved strong growth in all target classes of business, notably reinsurance, as the Company continued to build out of its North American reinsurance business via its Bermuda Branch and expanding reinsurance offerings in both Europe and Japan. Furthermore, the Company benefitted from the positive impact of rate increases being ahead of plan on all classes of business. The strong growth in the core classes was partially offset by the impact of the strategic decision to withdraw from certain Casualty insurance classes of business and also Aviation insurance. These decisions were made due to a variety of reasons including more competitive rate environments and the view that the portfolios lacked a sustainable strategy that could develop scale and allow appropriate cycle management.

The Company recorded a net underwriting profit, excluding the impact of investments and foreign exchange, of $5.7 million (2022: $8.5 million) during the year. Whilst the growth in target classes is a key contributor to the strong performance achieved during the year, the performance was impacted by a number of industry loss events through European storms, notably Storm Hans and Storm Ciaran, Hurricane Otis and the Turkey/Syria Earthquake. In addition, the result was also adversely by a small number of policy specific Casualty losses. The Company's reinsurance programme however ensured that the impact of these events and specific losses is significantly dampened.

DIRECTORS' REPORT (continued)

Business Review (continued)

With regards to the investment portfolio and investment performance, the Company continues to invest in high quality fixed income securities, whereby the investment portfolio has an average rating AA- as at 31st December 2023, and ensures that the duration of the assets and liabilities are closely matched. In addition, the Company maintains strong levels of liquidity to ensure the Company is not required to liquidate assets in unrealized loss positions to meet its obligations as they arise. The Company recorded a net unrealized gain for the year of $7.7 million. This unrealized gain reduces the overall unrealized loss position on the investment portfolio to $8.6 million. The Company typically holds assets to maturity and therefore any unrealized losses will naturally unwind as the assets move toward maturity. 2023 has been a volatile year, with the gains at the start of the year being reversed in later periods. However the gains made in Q4 reflected the change in narrative from Central Banks for a potential pause on rate increases and the possibility of rate reductions in 2024.

During 2023, the Company's parent made a planned $50.0 million capital contribution to support the Company in achieving its growth target and supporting its capital position. This capital injection was approved by the CBI as Tier 1 Own Funds on a Solvency II basis.

The Company, as part of Chaucer Group, continued to embed the management of both risks and opportunities associated with climate change into its ERM framework. During 2023, the Board of Directors approved a materiality assessment that considered the Company's exposure to climate change risk over a range of differing time horizons. The impact of climate change risks, and the Company's exposure to such risks, is reported to the Company's Risk & Capital Committee ("RCC") within the Company's specific Climate Risk Dashboard.

In addition to the continued development on climate change risk, Chaucer Group continues to embed its ESG framework into its operations to enable ESG to continue to be a key factor within the firm's culture, strategy and business planning.

Financial Performance

Overall, the Company recorded a net profit before tax for the financial year ended 31st December 2023 of $14.2 million (2022: net loss before tax of $2.7 million). The Company's net assets as at 31st December 2023 are $212.5 million (2022: $150.9 million).

Future Outlook

The Company enters 2024 with strong momentum and will continue to grow its core classes of business as it looks to build on the successes achieved to date. There will certainly be challenges and headwinds facing the Company in achieving its objectives, but the Company is well equipped to handle such challenges. The known headwinds arise from uncertainty regarding the macro-economic environment and geo-political landscape, driven by multiple elections and a heightened risk of the broadening of current conflicts. The uncertainty caused by these challenges also presents an opportunity for improving terms & conditions whilst continuing to meet our customers' needs during a turbulent period.

The Company will continue to focus on the implementation of its strategy on sustainability, including enhancing our risk management capabilities relating to climate change, including evolving the data and reporting metrics to support the climate strategy and governance improvements made during 2024.

Capital Management

CIC's objective is to hold sufficient capital to meet all of its obligations to policyholders, satisfy regulatory requirements and to safeguard its ability to continue as a strong going concern so that it can provide returns in line with the expectations of its shareholder.

The Company is subject to the Solvency II European Directive ("Solvency II regulations"). Solvency II regulations relate to the solvency standards applicable to insurers and reinsurers, within Europe, and lays down the minimum amounts of financial resources required in order to cover the risks to which it is exposed and the principles that should guide its overall management and reporting.

DIRECTORS' REPORT (continued)

Capital Management (continued)

The Company is required to hold sufficient levels of capital in excess of its Solvency Capital Requirements, as calculated in accordance with Solvency II. As at 31st December 2023, the Company's capital sufficiently covers its regulatory requirements.

As at 31st December 2023, the Company has a Solvency II SCR of $117.1 million (2022: $93.4 million) and a capital coverage ratio of 181% (2022: 167%).

During 2023, the Company obtained approval from the PRA for its third country branch application. The Company ensures it has sufficient assets attributed to the UK Branch to meet the Branch liabilities, Branch SCR and MCR as calculated in line with Solvency II requirements.

In addition to the Solvency II regulations applied to the legal entity and UK Branch, the Company's Bermuda Branch operates as a Class 4 insurer and is subject to the Bermuda Insurance Act 1978. The Branch is required to hold sufficient levels of capital in excess of the Bermuda Solvency Capital Requirements ("BSCR"), as calculated in accordance with the relevant Bermuda laws and regulations.

The directors note that the Company, and its Branches where applicable, has exceeded its regulatory and solvency capital requirements throughout the financial period.

Regulation

The Company is incorporated under the laws of Ireland and is subject to regulation by the CBI under; inter alia, the European Union (Insurance and Reinsurance) Regulations 2015. The Company's Branches are subject to prudential supervision by the CBI and regulatory oversight by the Financial Conduct Authority (the "FCA"), Danish Financial Supervisory Authority ("FSA") and the BMA, respectively, for conduct of business rules within those jurisdictions.

Corporate Governance Requirements

The Company hereby confirms that it is subject to the Corporate Governance Requirements for Insurance Undertakings 2015 ("the Requirements") (as amended) published by the CBI. The Company is a non-high impact designated institution on the CBI's PRISM scale. Effective 1st January 2024, the regulatory rating of CIC has been upgraded from 'Low' to 'Medium/Low' by the CBI. This upgrade is in line with the Company's expectations.

In determining the appropriate composition of the Board, due consideration is given to the diversity of directors.

Principal Risks and Uncertainties

The core principle of the Company's business model is assuming and managing risk. The predominant risk areas that the Company faces include insurance risks, credit risks, financial risks, and operational risks. As outlined in Note 4 to the financial statements accompanying this report, various policies, procedures and controls are utilised by the directors and management to manage or mitigate these risks as necessary.

Directors and Company Secretary

The directors and the Company Secretary, throughout the period under review, are listed on page 3.

The directors and secretary who held office during the period did not have any interests in excess of 1% of the issued shares of the Company or any group company at either the beginning or end of the period.

DIRECTORS' REPORT (continued)

Going Concern Basis

The directors have reasonable expectations, having made appropriate enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue. For this reason, they continue to adopt the going concern basis of preparation in preparing the financial statements. In making this assessment the directors considered a number of factors, including but not limited to, the following:

- the Company's performance and expected levels of growth planned for the next 12 months;
- the Company's strong capital and liquidity position, and also the ongoing capital support it receives through the 90% quota share agreement from a Group affiliate entity; and
- Events that have occurred after the Statement of Financial Position date.

Events after the reporting date

FRS 102 defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date.

No material events occurred since the reporting date which affect the Company's reported results for the year ended 31st December 2023.

Accounting Records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate internal control systems and procedures and employment of competent persons. The accounting records are kept at The Greenway, 112-114 St Stephens Green, Dublin 2, Ireland, D02DT28.

Audit Committee

An Audit Committee has been established in compliance with section 167 of the Companies Act 2014.

Political Donations

The Company did not make any political donations during the year ended 31st December 2023 (2023: $0).

Dividends

The Company did not declare any dividends during the year ended 31st December 2023 (2022: $0).

Statutory Auditors

Due to auditor rotation requirements of China Re, the Company's Board of Directors conducted a tender process to appoint new external auditors for financial periods commencing 1st January 2024. They resolved to appoint KPMG as the Company's external auditors upon the resignation of PWC after their completion on the audit for the year ended 31st December 2023. KPMG are located 1 Harbourmaster Place, International Financial Services Centre, Dublin 1, D01 F6F5.

DIRECTORS' REPORT (continued)

Directors' Statement on relevant audit information

We, the directors of the Company, confirm:

- to the best of our knowledge that there is no information relevant to the audit of which the statutory auditors are unaware; and,
- that all steps have been taken to make ourselves aware of any relevant audit information and to ensure the statutory auditors are made aware of such information.

Directors' Compliance Statement

The directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the Companies Act 2014 (the "2014 Act") and, as required by section 225 of the 2014 Act, the directors confirm that they have:

- drawn up a compliance policy statement setting out the Company's policies ensuring compliance by the Company with its relevant obligations under the 2014 Act;
- put in place appropriate arrangements or structures that are designed to secure material compliance with the Company's relevant obligations; and
- conducted a review, during the financial year ended 31st December 2023, of the arrangements and structures, referred to above.

On behalf of the Board

I J Sutcliffe
Director

N Riordan
Director

4th April 2024

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of the Company's assets, liabilities and financial position at the end of the financial year and the profit or loss of the Company for the financial year. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland) and Irish law.

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the Company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

I J Sutcliffe
Director

N Riordan
Director

4th April 2024

Independent auditors' report to the members of Chaucer Insurance Company Designated Activity Company

Report on the audit of the financial statements

Opinion

In our opinion, Chaucer Insurance Company Designated Activity Company's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors Report and Financial Statements (the "Annual Report"), which comprise:

- the Statement of Financial Position as at 31 December 2023;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2023 to 31 December 2023.

Our audit approach

Overview

Overall materiality

- USD 5.7 million (2022: USD 4.1 million)
- Based on 1% of Gross Written Premiums.

Performance materiality

- USD 4.3 million (2022: USD 3.1million)

Audit scope

- We performed a full scope audit of the company's financial statements, based on materiality levels.

Key audit matters

- Methodologies and assumptions applied in the estimation of claims outstanding.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Methodologies and assumptions applied in the estimation of claims outstanding. Refer to note 3(d)(vi), note 4(d) and Note 11 to the financial statements. Gross claims outstanding is the company's largest liability and the valuation involves considerable estimation and judgement. Provisions for claims outstanding are established to cover the expected outstanding liability for losses in respect of all claims that have already occurred. The provision comprises both individual case estimates and claims incurred but not reported ("IBNR"). The IBNR is determined using actuarial methods projecting from past experience and development of claims over time using assumptions such as loss ratios and loss development factors. Where past experience is limited, benchmark development patterns and loss ratios are judgmentally applied. We have focused on this matter because claims reserves are a significant liability of the company and valuation of the reserves involves considerable judgement.	We evaluated the actuarial methodologies and key assumptions with the assistance of our actuarial specialists. This involved: • agreeing case estimates to supporting documentation on a sample basis; • reconciling the data used in the determination of the provision for claims incurred but not reported to the underlying systems on a sample basis; • agreeing large losses back to underlying evidence on a sample basis; • performing independent projections over reserve classes on a sample basis; • assessing the assumptions and methodology underpinning management's actuarial valuation; and • reconciling the actuarial valuation outputs to the financial statements. Based on the procedures performed we are satisfied that the methodologies and assumptions applied in the estimation of claims outstanding and the resulting booked provisions for claims outstanding is reasonable.

pwc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	USD 5.7 million (2022: USD 4.1 million).
How we determined it	c. 1% of Gross Written Premiums.
Rationale for benchmark applied	We have applied this benchmark as, in our view, it is the most appropriate benchmark given the circumstances and the nature of the entity's business. In selecting the benchmark we have given consideration to the key users of the financial statements.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to USD 4.3 million.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above USD 285,000 (2022: USD 205,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's going concern assessment for the going concern period which covers a period of 12 months from the date of approval of the financial statements;
- obtaining an understanding of the company's solvency, capital and liquidity position and plans for the period of assessment including the ongoing support received through the 90% quota share agreement with a group affiliated entity.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (Ireland) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Irish insurance laws and regulations and in particular the Solvency II Regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates such as the methodologies and assumptions applied in the estimation of claims outstanding. Audit procedures performed by the engagement team included:

- discussions with the Audit Committee and management including consideration of whether there are known or suspected instances of non-compliance with laws and regulation and fraud;
- inspecting relevant correspondence with the Central Bank of Ireland ('CBI');
- reading relevant meeting minutes including those of the Board and the Audit Committee and Risk Committee;
- challenging assumptions made by management in accounting estimates and judgements in particular in relation to the estimation of claims outstanding;
- identifying and testing journal entries based on risk criteria; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 21 September 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2017 to 31 December 2023.

Emma Scott
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
4 April 2024

Profit and Loss Account

For the year ended 31st December 2023

All amounts in US$'000 unless stated otherwise

	Notes	31/12/2023	31/12/2022
Technical Account			
Gross premiums written	Note 5	567,506	453,690
Outward reinsurance premiums		(419,610)	(339,860)
Net premiums written		**147,896**	**113,830**
Change in the gross provision for unearned premiums		(46,094)	(51,630)
Change in provision for unearned premiums - reinsurers' share		32,609	14,621
Change in the net provision for unearned premiums		**(13,485)**	**(37,009)**
Earned premiums, net of reinsurance		134,411	76,821
Allocated investment return transferred from the non-technical account		13,289	(11,098)
Claims incurred, net of reinsurance			
Claims paid:			
- Gross amount		(134,938)	(74,174)
- Reinsurers' share		121,546	67,471
Net claims paid		**(13,392)**	**(6,703)**
Change in provision for claims			
- Gross amount		(143,951)	(169,445)
- Reinsurers' share		130,143	156,672
Change in net provision for claims		**(13,808)**	**(12,773)**
Claims incurred, net of reinsurance		**(27,200)**	**(19,476)**
Net operating expenses	Note 7	**(101,438)**	**(48,818)**
Balance on the technical account for non-life insurance business		**19,062**	**(2,571)**
Non-Technical Account			
Balance on the technical account- Non-life insurance		19,062	(2,571)
Investment Income			
- Net income from other investments	Note 6	6,638	4,047
Investment charges			
- Investment management expenses	Note 6	(296)	(163)
Loss on realisation of investments	Note 6	(722)	(382)
Unrealised gains (losses) on investments	Note 6	7,669	(14,600)
Foreign exchange losses		(4,794)	(100)
Allocated Investment return transferred to the technical account	Note 6	(13,289)	11,098
Profit (Loss) on ordinary activities before taxation		**14,268**	**(2,672)**
Tax (charge) benefit on ordinary activities	Note 9	(2,630)	734
Profit (Loss) for reporting period		**11,638**	**(1,937)**

CHAUCER INSURANCE COMPANY DESIGNATED ACTIVITY COMPANY

Statement of Financial Position
As at 31st December 2023
All amount in US$'000 unless stated otherwise

	Notes	2023	2022
Assets			
Other financial investments			
Debt securities and other fixed income securities	Note 10	279,276	198,892
		279,276	**198,892**
Reinsurers' share of technical provisions			
Provision for unearned premiums	Note 11	156,857	122,005
Claims outstanding	Note 11	418,417	280,329
		575,274	**402,334**
Debtors			
Debtors arising out of insurance operations	Note 12	73,357	74,709
Debtors arising out of reinsurance operations	Note 13	124,553	75,810
Other debtors		2,037	813
		199,947	**151,332**
Other assets			
Cash & Cash Equivalents		57,501	34,469
Deferred tax asset	Note 9	742	1,413
		58,243	**35,882**
Prepayments and accrued income			
Deferred acquisition costs	Note 11	47,418	42,963
Other prepayments and accrued income	Note 14	2,536	2,020
		49,954	**44,983**
Total assets		**1,162,694**	**833,423**
Liabilities			
Capital and reserves			
Called up share capital	Note 15	1,000	1,000
Capital contribution	Note 15	205,000	155,000
Profit and loss account brought forward		(5,130)	(3,193)
Profit and loss account for the reporting period		11,638	(1,937)
Total shareholder's funds		**212,509**	**150,870**
Technical provisions			
Provision for unearned premium	Note 11	217,998	168,434
Claims outstanding	Note 11	456,143	303,426
		674,141	**471,860**
Creditors			
Creditors arising out of insurance operations	Note 16	130,989	106,390
Creditors arising out of reinsurance operations	Note 17	127,492	80,138
Other creditors including tax and social insurance	Note 18	12,545	14,242
Ceded deferred acquisition costs	Note 11	822	6,908
Accruals and deferred income	Note 19	4,196	3,015
Total liabilities		**276,044**	**210,693**
Total liabilities and shareholder's funds		**1,162,694**	**833,423**

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the directors on 4th April 2024 for issue and signed on its behalf by:

I J Sutcliffe
Director

N Riordan
Director

Statement of Changes in Equity
For the year ended 31st December 2023
All amount in US$'000 unless stated otherwise

2023	Called-up share capital	Capital contribution	Profit and loss account	Total
Balance as at 1st January 2023	1,000	155,000	(5,130)	150,870
Shares issued	-	-	-	-
Capital Contributions received during the period	-	50,000	-	50,000
Profit for the period	-	-	11,638	11,638
Balance as at 31st December 2023	**1,000**	**205,000**	**6,508**	**212,509**

2022	Called-up share capital	Capital contribution	Profit and loss account	Total
Balance as at 1st January 2022	1,000	105,000	(3,193)	102,807
Shares issued	-	-	-	-
Capital Contributions received during the period	-	50,000	-	50,000
Loss for the period	-	-	(1,937)	(1,937)
Balance as at 31st December 2022	**1,000**	**155,000**	**(5,130)**	**150,870**

During 2023, the Company received irrevocable capital contributions from its direct parent China Re International Company Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the reporting period ended 31st December 2023

1. General Information

CIC, incorporated in Ireland on 16th August 2016, is a single member Designated Activity Company, limited by shares. CIC's registered office is The Greenway, 112-114 St Stephens Green, Dublin 2, Ireland, D02 TD28. The Company is wholly owned by CRICL, a UK based entity that is also the Parent Company for Chaucer, the managing agent for Chaucer's syndicates operating at Lloyd's. CRICL is a member of China Re. China Re, headquartered in Beijing, is a Chinese insurance group and is listed on the Hong Kong stock exchange. A copy of the most recent consolidated financial statements, prepared under IFRS, is available from the website of China Re. (www.eng.chinare.com).

CIC was incorporated on 16th August 2016 and is regulated by the Central Bank of Ireland ("CBI") following authorisation on 16th June 2017. CIC headquartered in Dublin, has established branches in the UK, Denmark and Bermuda. The UK Branch and the Bermuda Branch are authorised as a third country branch by the Prudential Regulation Authority ("PRA") and Bermuda Monetary Authority ("BMA"), respectively. The Denmark Branch operates on a freedom of establishment basis under the EU Solvency II Directive. All branches operate from the offices of affiliated Chaucer entities. Through outsourcing arrangements with these affiliates, the branches leverage the existing operational resources of Chaucer.

2. Statement of Compliance

The financial statements of the Company have been prepared on a going concern basis and in accordance with Irish Generally Accepted Accounting Practices ("GAAP") (accounting standards issued by the Financial Reporting Council of the UK and Republic of Ireland) and Irish law. The entity financial statements comply with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, Insurance Contracts ("FRS 103"), the European Union (Insurance Undertakings: Financial Statements) Regulation 2015 and the Companies Act 2014.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. All amount disclosed in the financial statements are in US$ thousands unless stated otherwise.

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standards 102 & 103 ("FRS 102 & 103") issued by the Financial Reporting Council. The Company is also subject to the requirements of the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015.

The directors have a reasonable expectation that the Company will continue in operational existence for twelve months from the date of approval of these financial statements ('the period of assessment') and have prepared the financial statements on a going concern basis.

In making this assessment the directors considered a number of factors, including but not limited to, the following:

- the Company's performance and expected levels of growth planned for the next 12 months;
- the Company's strong capital and liquidity position, and also the ongoing capital support it receives through the 90% quota share agreement from a Group affiliate entity; and
- events after the Statement of Financial Position date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant Accounting Policies (continued)

(b) Disclosures Exemptions for Qualifying Entities under FRS 102

The Company is a qualifying entity for the purposes of FRS 102. Note 1 gives details of the Company's parent and where its consolidated financial statements prepared in accordance with IFRS may be obtained.

As a qualifying entity the Company has availed of an exemption from the disclosure requirements of FRS 102 in the preparation of these financial statements. The Company is exempt under the terms of FRS 102 from preparing a cash flow statement and disclosing related party transactions with the ultimate parent company or any of its wholly owned subsidiaries. In addition, in accordance with FRS 102 the Company, has availed of the exemption to disclose key management personnel compensation.

Furthermore, the Company has availed of the disclosure exemption under FRS 102 from disclosing qualitative and quantitative information of the potential impact on the Company of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules as equivalent disclosures are included in the consolidated financial statements of China Re.

(c) Foreign Currencies

These financial statements are presented in United States Dollar ("US$"), which is the currency of the Company's primary economic environment, and therefore it's functional currency.

Foreign currency transactions are translated into the functional currency using the average exchange rates applicable to the period in which the transactions take place and where the Company considered these to be a reasonable approximation of the transaction rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the period end of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss non-technical account. Non-monetary items recorded at historical cost in the foreign currencies are translated using the exchange rate on the date of the initial transaction.

(d) Insurance Contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those contracts that transfer significant insurance risk. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

(i) Premiums written

Gross premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Gross premiums written are shown gross of acquisition costs, taxes and duties levied on them. Estimates are made for pipeline premiums; representing amounts due to the Company which have not yet been notified.

Gross written premiums are recognised as earned according to the profile of the policy.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured. Outwards reinsurance premiums are recognized as ceded in accordance with the respective reinsurance contract. Premiums earned are presented net of reinsurance in the profit and loss account.

(ii) Unearned premiums

Unearned premiums represent the proportion of the gross premiums written that relate to unexpired risks under contracts in force at the period end date, calculated on the basis of established earnings patterns or time apportionment, as appropriate. The unexpired portion of outwards reinsurance premiums purchased by the Company is amortized over the contract period in proportion to the amount of insurance protection provided. The ultimate amount of premiums, including adjustments, is recognised as premiums ceded, and amortized over the applicable contract period to which they apply.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant Accounting Policies (continued)

(iii) Acquisition costs

Acquisition costs consist of brokerage fees and commissions paid to intermediaries and costs directly related to the acquisition and renewal of insurance contracts. Acquisition costs are deferred to the extent that they are attributable to premiums unearned at the period end date.

(iv) Reinsurance commission

Reinsurance commission income is earned over the period in which the related premiums are ceded.

(v) Claims incurred

Gross claims incurred comprise the estimated cost of all claims arising during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

(vi) Claims provision and related recoveries

The provision for claims outstanding is assessed on an individual case basis and is determined on the estimated ultimate cost of all claims notified but not settled by the Statement of Financial Position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the Statement of Financial Position date based on statistical methods. The provision for claims outstanding is not discounted.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. When past experience is not available to develop claims projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions, which may lead to a high degree of volatility.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. A number of statistical methods are used to assist in making these estimates.

In estimating reserves, the Company utilizes a variety of standard actuarial methods. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known.

(vii) Liability adequacy testing

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after considering anticipated investment return.

(viii) Receivables and payables

Insurance and reinsurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers, insurance contract holders, ceded premium payable and ceded claim recoveries under reinsurance contracts, including to/from affiliates. Receivables and reinsurance payables are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant Accounting Policies (continued)

(e) Financial Assets

The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all its financial instruments.

Investments are recognised in the Statement of Financial Position at such time as the Company becomes a party to the contractual provisions of the asset. Purchases and sales of investments are recorded on a trade date basis. All investments on initial recognition are designated as fair value through profit and loss and are measured at fair value, which is the transaction price excluding transaction costs. The Company's investment portfolio comprises solely debt securities and other fixed income securities.

The directors consider the fair value through profit and loss option to be appropriate as investments are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to key management personnel. In addition, investment risk is assessed on a total return basis, which is consistent with the adoption of fair value through profit and loss.

(i) Unrealised gains and losses

Unrealised gains and losses on investments represent the difference between the valuation at the Statement of Financial Position date and their valuation at the previous Statement of Financial Position date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

(ii) Realised gains and losses

The realised gains and losses on disposal of an investment, carried at market value, are calculated as the difference between sale proceeds and its original cost.

(iii) Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

(iv) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and other charges. In the normal course of business, investment return is allocated from the non-technical account to support the insurance technical provisions.

(f) Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash at bank, short term deposits and other short-term highly liquid investments with maturity dates in less than 3 months from the date of acquisition.

(g) Taxation

The tax expense represents the sum of the current tax benefit/charge and the deferred tax movement for the reporting period.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit on ordinary activities as reported in the profit and loss account because it excludes certain items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates applicable at the Statement of Financial Position date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant Accounting Policies (continued)

(g) Taxation (continued)

Deferred tax

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date.

Deferred tax assets are recognized only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The carrying amount of deferred taxation assets is reviewed at the Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The Company applies the exception as required under FRS 102 such that it neither recognizes nor discloses information about deferred tax assets and deferred tax liabilities related to OECD Pillar Two income tax.

(h) Operating Expenses

Operating expenses are recognised on an accruals basis. These include remuneration, professional fees, other office costs and costs associated with outsourcing arrangements.

(i) Dividends

Dividends paid or declared during the year are recognised as a reduction in equity. Dividends declared after the Statement of Financial Position date but before the financial statements are authorised are not recognised but are disclosed in the notes to the financial statements. The Company has not declared, or paid, any dividends during the reporting period or before the financial statements are authorised.

(j) Employee Benefits

The Company participates in a defined contribution pension plan operated by Mercer following a transition from Willis Towers Watson during the year. The assets of the defined contribution pension plan are held in separate trustee-administered funds. The pension plan is funded by payments from employees and by the Company.

Once the contributions have been paid by the Company, the Company, as the employer, has no further payment obligation under the plan. The Company contributions are charged to the profit and loss account in the year to which they relate and are included in staff costs.

(k) Events after the Statement of Financial Position date

The financial statements are required to be adjusted to reflect events that occurred between the Statement of Financial Position date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the Statement of Financial Position date. Events that are indicative of conditions that arose after the Statement of Financial Position date, but do not result in an adjustment of the financial statements are disclosed where relevant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Significant Accounting Policies (continued)

(l) Provisions and Contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where a reimbursement is expected, this is recognised only when it is virtually certain that the reimbursement will take place, and of the amount to be reimbursed.

Contingent liabilities are liabilities that represent a possible obligation arising from a past event whose existence is dependent on one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not disclosed where the likelihood of the uncertain future event is remote, unless the disclosure of the contingent liability adds clarity to the financial statements.

Contingent assets, which relate to possible assets and depend on the outcome of uncertain future events, are not recognised. Such an asset is disclosed only where the inflow of economic benefit is probable.

(m) Use of judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and the underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The valuation of the liability arising from claims made under insurance contracts

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported ("IBNR") at the Statement of Financial Position date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Company uses a variety of estimation techniques based upon statistical analyses of historical experience, which assumes past trends can be used to project future developments. The carrying amount of the liability at 31st December 2023 is $456,143 (2022: $303,426).

Fair Value Measurement

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available as well as representing actual and regularly occurring market transactions on an arm's length basis. The Company's investments are measured at a bid price. These prices are monitored and deemed to approximate exit price.

If a market for an investment is not active, the Company establishes fair value using a valuation technique. Valuation techniques include using recent orderly transactions between market participants (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models, if necessary. The chosen valuation technique makes maximum use of market inputs and minimises the use of unobservable inputs. See note 10 for further detail on the Company's valuation of its investments as at 31st December 2023.

Premium Recognition

Please refer to note 3 (d)(i).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Risk Management

The assumption of risk is at the heart of the Company's business. The understanding and management of risk, in all its forms, is a core part of the business operations. The Company has a clearly defined governance structure and framework for risk management grounded in the need to properly identify, measure, manage, mitigate and monitor risks the organisation faces in an appropriate and proportionate manner. CIC also adopts a culture that encourages good risk management practices, including remuneration policies and practices that do not encourage excessive risk taking, a code of conduct and a whistleblowing policy that both encourage and provide proper mechanisms for escalating any concerns employees might have.

The primary objectives of the Company's risk management framework are to ensure that the business has a repeatable process for identifying risk, conducting risk assessments and reporting on risks related to its pursuit of strategic and business objectives; and ensuring that it is commercially effective and supports senior management and Board level decision making. The Company believes that effective risk management forms a critical part of the governance framework and as a result, has adopted effective controls and management processes designed to identify, monitor and control risks across all areas of the risk universe.

The Company's risk management framework has been adapted from Chaucer's existing framework in a manner that is proportionate to the size, nature and complexity of the Company's business.

a) Governance Framework

The Company has a clearly defined governance structure for risk management. The Board of Directors ("the Board") is responsible for strategic and operational oversight of the Company. The Board comprises a mix of executives, non-executives ("NEDs") and Independent Non-Executive Directors ("INED's"). This provides a balance of diverse thinking with extensive business knowledge and sectoral experience.

Whilst the Board has ultimate responsibility for the Company's oversight and governance, Committees have been established to support the Board in this regard. The Board has approved the terms of reference for each respective Committee. Each Committee is composed of Board members or a combination of Board members and the Company's senior management, which serves to enhance the Board's consideration of risk related issues. These Committees have the power to carry out activities on behalf of the Board, to the extent such activities are set out in the approved terms of reference.

The Risk & Capital Committee ("RCC") oversees the Company's risk management systems and controls including its risk appetite and Own Risk Self-Assessment ("ORSA"), linking to the capital position. The Audit Committee oversees how management monitors compliance with the Company's internal control framework, including policies and procedures. The Audit Committee is assisted in its oversight role by the Internal Audit function. Internal Audit undertakes regular reviews of the risk management controls and procedures, the results of which are reported to the Audit Committee.

b) Strategic Risk

Strategic risk arises from the failure to appropriately and sufficiently define and articulate the direction and objectives of the Company. This risk category will consider the ability of the Company to respond to external factors, its ability to write critical classes of business, outsourcing risk and other global economic factors.

These risks are mitigated by ensuring the Company has strong governance procedures and the necessary resources available to it, including a system of processes and internal controls to manage the associated risks. Furthermore, a risk assessment approach is adopted which uses risk appetites, limits linked to business plans, along with aggregation and accumulation management. Additionally, the Company has a well-developed business planning process which is closely aligned with the ORSA process, and approved by the Board.

The Company's strategic risk is also mitigated through direct relationships with both CIC's ultimate parent and affiliate Chaucer, through membership of the Board by China Re and Chaucer executives.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Risk Management (continued)

c) Capital Management

This is the risk that the Company fails to maintain adequate levels of capital resources of sufficient quality and quantity in order to carry out its business objectives and in order to meet all domestic and international regulatory considerations regarding the capital resource requirements.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a strong going concern so that it can continue to provide returns for its stakeholders and pay claims; and,
- ensure that there is adequate capital to fulfil the regulatory requirements, as well as economic and commercial targets.

The Company is subject to the Solvency II European Directives that came into effect on 1st January 2016. Under Solvency II regulations, the Company is required to maintain the Minimum Capital Requirement ("MCR") and the Solvency Capital Requirement ("SCR") at all times. The capital requirements are calculated by reference to standard formulae as defined in Solvency II, to ensure the Company has adequate capital and financial resources to fulfil its obligations. The MCR is the level of capital below which the Company would be deemed insolvent for regulatory purposes. If the Company were to fall below the SCR threshold, the CBI is authorised to take action to restore the financial position of the Company.

During 2023, the Company obtained approval from the PRA for its third country branch application. The Company is required to ensure it has sufficient assets attributed to the UK Branch to meet the branch liabilities, branch SCR and MCR as calculated in line with Solvency II requirements

In addition to the Solvency II regulations, the Company's Bermuda branch operates as a Class 4 insurer and is subject to the Bermuda Insurance Act 1978. The branch is required to hold sufficient levels of capital in excess of the Bermuda Solvency Capital Requirements ("BSCR"), as calculated in accordance with the relevant Bermuda laws and regulations.

The capital position of the Company, and the respective branches where applicable, is monitored by the local management team and is reported to the RCC, as well as the Board, on a quarterly basis.

The Company may declare dividends out of retained earnings subject to meeting the Solvency Capital Requirement. The maximum dividend is limited to excess eligible own funds. In addition, in accordance with Section 117 of the Companies Act, 2014, the Company is restricted to declaring dividends out of "profits available for distribution", which consists of accumulated realised profits less accumulated realised losses and statutory reserves, subject to the Company continuing to meet its Solvency requirements. The Company has not declared a dividend for the year ended 31st December 2023 (2022: $0).

d) Insurance Risk

Insurance is the principal activity of the Company and effective management of insurance risk, both underwriting and claims risk, is vital to ensure the Company meets its strategic and regulatory objectives.

Insurance risk includes the risk of loss to the Company as a result of inappropriate or ineffective underwriting processes, the risk of loss as a result of inappropriate or ineffective claims handling or the risk that the ultimate value of insurance liabilities prove to be greater than the estimated value, and the risk that inadequate pricing leads to unprofitable business. CIC leverages the expertise and knowledge of the underwriters at Chaucer through its outsourcing arrangements.

CIC takes a conservative approach to managing all aspects of underwriting risk. The limits are clearly defined within the Company's risk appetite statement, which is actively managed and reported to the Board on a quarterly basis. The maximum gross limit is $150 million per risk and maximum net retention after reinsurance is $1.3 million per risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Risk Management (continued)

d) Insurance Risk (continued)

The appetite is supported by underlying internal control policies which define the standards to be followed by those involved in underwriting, claims, pricing and reserving. Underwriters have specific authority limits, which limit the extent to which they can bind business. The Company adopts a best estimate approach in determining its ultimate liability to policyholders.

The Company's reinsurance strategy is conservative, with reinsurance support provided by both external and group reinsurers. The reinsurers are typically rated strong or better by Standard & Poor's (or equivalent). Maximum exposures per reinsurer are set in response to a reinsurer's rating and net assets. The strategy is reviewed annually and is aligned to the capital and underwriting risk appetite in order to mitigate the underwriting and insurance risks and limit the risk of losses exceeding the Company's appetite.

Concentration

The Company's insurance risk exposures are mitigated by diversification across a portfolio of insurance contracts and geographical areas. The concentration of insurance by location of the underlying risk is summarised below by reference to gross claims outstanding:

	Gross	Reinsurers' share	Net
	2023	2023	2023
		US$'000	
UK	(165,869)	152,151	(13,718)
Europe excl. UK	(107,354)	98,475	(8,879)
US	(125,633)	115,242	(10,391)
Other	(57,287)	52,549	(4,738)
At 31st December 2023	**(456,143)**	**418,417**	**(37,726)**

	Gross	Reinsurers' share	Net
	2022	2022	2022
		US$'000	
UK	(108,725)	100,449	(8,276)
Europe excl. UK	(78,054)	72,113	(5,941)
US	(98,701)	91,188	(7,513)
Other	(17,946)	16,579	(1,367)
At 31st December 2022	**(303,426)**	**280,329**	**(23,097)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Risk Management (continued)

d) Insurance Risk (continued)

The concentration of insurance by type of contract is summarised below by reference to gross claims outstanding:

	Gross	Reinsurers' share	Net
	2023	**2023**	**2023**
Class of Business		**US$'000**	
Marine	(49,719)	45,113	(4,606)
Casualty	(140,927)	129,513	(11,414)
Property & Political Violence	(32,609)	29,760	(2,849)
Energy	(18,360)	17,215	(1,145)
Other	(23,795)	21,950	(1,845)
Total Direct	**(265,410)**	**243,551**	**(21,859)**
Reinsurance	(190,733)	174,866	(15,867)
At 31st December 2023	**(456,143)**	**418,417**	**(37,726)**

	Gross	Reinsurers' share	Net
	2022	**2022**	**2022**
Class of Business		**US$'000**	
Marine	(37,314)	33,902	(3,412)
Casualty	(88,017)	80,720	(7,297)
Property & Political Violence	(23,280)	21,560	(1,720)
Energy	(13,957)	13,308	(649)
Other	(14,967)	13,718	(1,249)
Total Direct	**(177,535)**	**163,208**	**(14,327)**
Reinsurance	(125,891)	117,121	(8,770)
At 31st December 2022	**(303,426)**	**280,329**	**(23,097)**

Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as ultimate claims numbers and expected loss ratio. The key methods used by the Company in estimating liabilities are:

- Chain ladder;
- Expected loss ratio;
- Benchmarking; and,
- Bornhuetter-Ferguson.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Risk Management (continued)

d) Insurance Risk (continued)

The Company considers that the liability for insurance claims recognised in the statement of Financial Position is adequate. However, actual experience will differ from the expected outcome. Some results of the sensitivity analysis are set out below, showing the impact on profit before tax and shareholder's equity gross and net of reinsurance. The sensitivity impact shown is a single factor, with all other assumptions unchanged.

	Pre-Tax Profit 2023 US$'000	Equity 2023 US$'000	Pre-Tax Profit 2022 US$'000	Equity 2022 US$'000
5% Increase in loss ratios				
Gross	(13,944)	(11,102)	(12,181)	(10,071)
Net	(1,360)	(1,115)	(974)	(798)
5% Decrease in loss ratios				
Gross	13,944	11,102	12,181	10,071
Net	1,360	1,115	974	798

The Company's method for sensitivity analysis has not changed from the prior year financial year.

Claims development tables

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment. The top half of the table shows how estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the Statement of Financial Position.

Estimate of Ultimates – gross	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
End of Reporting Year	816	14,403	31,475	87,918	158,539	164,194	**457,345**
One year later	3,574	42,938	71,099	159,084	260,015	-	**536,710**
Two years later	10,626	41,865	74,414	179,947	-	-	**306,852**
Three year later	10,101	37,667	81,038	-	-	-	**128,806**
Four years later	10,363	36,666	-	-	-	-	**47,029**
Five years later	10,284	-	-	-	-	-	**10,284**
Current estimate of ultimate claims	**10,284**	**36,666**	**81,038**	**179,947**	**260,015**	**164,194**	**732,144**
Cumulative payments	(9,629)	(27,659)	(46,444)	(93,743)	(85,145)	(13,381)	**(276,001)**
Liability recognised in Balance Sheet	**655**	**9,007**	**34,594**	**86,204**	**174,870**	**150,813**	**456,143**
Provision for prior financial years							-
Liability in Balance Sheet							**456,143**

Estimate of Ultimates – net	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
End of Reporting Year	44	1,173	2,612	6,596	12,078	13,928	**36,431**
One year later	255	3,544	5,821	13,454	22,979	-	**46,053**
Two years later	643	3,663	5,124	13,508	-	-	**22,938**
Three year later	266	3,280	6,688	-	-	-	**10,234**
Four years later	540	3,105	-	-	-	-	**3,645**
Five years later	526	-	-	-	-	-	**526**
Current estimate of ultimate claims	**526**	**3,105**	**6,688**	**13,508**	**22,979**	**13,928**	**60,734**
Cumulative payments	(465)	(2,686)	(3,789)	(6,759)	(8,069)	(1,240)	**(23,008)**
Liability recognised in Balance Sheet	**61**	**419**	**2,899**	**6,749**	**14,910**	**12,688**	**37,726**
Provision for prior financial years							-
Liability in Balance Sheet							**37,726**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Risk Management (continued)

e) Market Risk

Market risk is the risk that changes in market prices, arising primarily from changes in interest rates and foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The following policies and procedures are in place to mitigate the Company's exposure to market risk:

- The market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk & Capital Committee. The policy is reviewed regularly for pertinence and for changes to the risk environment;
- Investment guidelines are set to ensure that the investment manager operates within the portfolio parameters; and,
- There is strict control over hedging activities (only currency hedging is permitted).

Interest rate risk is the risk that the fair value or future cash-flows of a financial instrument will fluctuate because of changes in interest rates. This exposure arises for the Company through its debt securities and other fixed income portfolio. In order to mitigate this risk, the Company adopts conservative investment guidelines ensuring the safety of the principal investment is the core focus while also generating a reasonable return. Furthermore, the Company actively monitors its asset and liability matching to ensure the duration of the fixed maturities relative to the duration of the (re)insurance liabilities is within a tolerated range so that the economic value of changes in interest rates has offsetting effects on the Company's assets and liabilities.

As at 31st December 2023, if interest rates on debt securities had been 100bps higher/lower, with all other variables held constant, shareholder's equity would have been higher/lower by $5.6 million (2022: higher/lower by $6.3 million) respectively.

Foreign exchange risk is the risk that arises from fluctuation of foreign exchange rates that impacts the fair value of future cash flows.

The Company manages its foreign currency risk exposures by calculating the net exposures (assets less liabilities), in original currency, on a regular basis and the expected return range (based on the historical volatility of exchange rates) is assessed against a predetermined tolerance band. Where the expected return is outside of the tolerance band, the Company looks to rebalance net exposures and reduce overall currency risk.

The following table details the Company's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies for the year end 31st December 2023 and 2022. A 10% sensitivity rate is used when reporting foreign currency risk as it represents a reasonable possible change in foreign exchange rates. For each sensitivity, the impact of change in a single factor is shown, with other assumptions unchanged.

	Pre-Tax Profit	Equity	Pre-Tax Profit	Equity
	2023	2023	2022	2022
	US$'000	US$'000	US$'000	US$'000
10% Strengthening in rates	5,191	4,133	4,285	3,514
10% Weakening in rates	(6,345)	(5,051)	(5,238)	(4,295)

f) Credit Risk

The Company defines credit risk as the risk that a counterparty to a contract fails or fails to discharge an obligation, thereby causing financial loss to the Company. The Company is exposed to credit risk through its investment portfolio (including cash in banks) and through its exposure to reinsurance counterparties (i.e. companies with whom the Company places reinsurance) and intermediaries. In the event that any of the counterparties fail, the Company would incur a loss on its financial assets or reinsurance recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Risk Management (continued)

f) Credit Risk

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- Counterparty risk policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk & Capital Committee. The policy is reviewed regularly for pertinence and for changes to the risk environment.
- The credit risk related to cash, cash equivalents and fixed maturities are primarily mitigated by placing constraints on the credit quality of the portfolio and managing the concentrations with single providers.
- The credit risk related to reinsurers is primarily mitigated through robust reviews of all reinsurer counterparties with whom the Company wishes to conduct business and setting credit thresholds for the total potential recoveries due from each reinsurer. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing within the market.

The following table provides details regarding the investment credit risk exposure of the Company, classifying debt security counterparties by Standard & Poor's (or equivalent) credit ratings of the counterparties:

Debt securities and other fixed incomes	**2023**		**2022**	
	US$'000	**%**	**US$'000**	**%**
AAA	116,784	42%	87,759	44%
AA	24,789	9%	8,772	4%
A	85,376	30%	55,597	28%
BBB	52,327	19%	46,764	24%
BB or lower	-	-%	-	-%
Total	**279,276**	**100%**	**198,892**	**100%**

As at 31st December 2023, approximately 99% (2022: 98%) of the Company's reinsurers share of technical provisions are rated A (+/-), the largest being with an affiliate entity China Re P&C. Cash and cash equivalents are held with banks and financial institution counterparties which are rated as follows by Standard & Poor's (or equivalent):

Cash & Cash Equivalents	**2023**		**2022**	
	US$'000	**%**	**US$'000**	**%**
AA	1,557	2%	1,493	4%
A	55,944	98%	32,564	95%
BBB	-	-%	412	1%
Total	**57,501**	**100%**	**34,469**	**100%**

The following table shows the carrying value of assets that are neither past due or impaired and the ageing of the assets. No assets are impaired at the reporting date.

	Neither past due nor impaired	**Up to three months**	**Three to six months**	**Greater than six months**	**Total**
			2023		
			US$'000		
Debtors arising out of insurance operations	64,013	5,415	1,175	2,754	73,357
Debtors arising out of reinsurance operations	98,602	19,783	4,027	2,141	124,553
Other debtors	2,037	-	-	-	2,037
Total credit risk	**164,652**	**25,198**	**5,202**	**4,895**	**199,947**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Risk Management (continued)

f) Credit Risk

	Neither past due nor impaired	Up to three months	Three to six months	Greater than six months	Total
			2022		
			US$'000		
Debtors arising out of insurance operations	66,920	3,954	1,310	2,525	74,709
Debtors arising out of reinsurance operations	57,326	8,756	4,797	4,931	75,810
Other debtors	813	-	-	-	813
Total credit risk	**125,059**	**12,710**	**6,107**	**7,456**	**151,332**

g) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. In respect of catastrophic events, there is also a liquidity risk associated with the timing difference between gross cash out-flows and expected reinsurance recoveries. The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk to the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk & Capital Committee. The policy is regularly reviewed for pertinence and for changes to the risk environment;
- Guidelines are set for asset allocations, maturity profile of assets and working capital limits in order to ensure sufficient funding available to meet insurance and investment contract obligations;
- Minimum liquidity limits are set at a level designed to ensure CIC has sufficient funds to meet obligations and is not forced to sell assets at a significant discount to true economic value; and
- A cash-call provision is incorporated in the intra-group quota share agreement to significantly reduce the impact of timing differences between settlement of large inward claims and the receipt of related recoveries from the reinsurer to ensure CIC remains within its liquidity limits.

There were no changes to the Company's objectives, policies and processes for managing liquidity risk during the financial year.

The following table summarises the maturity profile of the Company's undiscounted contractual obligations with respect to its gross claims outstanding as at 31st December 2023 and 2022:

	Up to 1 year	1-5 years	Over 5 years	No maturity	Total
			2023		
			$'000		
Claims outstanding	153,968	207,321	94,864	-	456,153
Creditors arising out of insurance	107,368	22,876	745	-	130,989
Creditors arising out of reinsurance	104,501	22,265	726	-	127,492
Other Creditors including tax	12,545	-	-	-	12,545
Accruals & deferred income	4,196	-	-	-	4,196
Total	**382,578**	**252,462**	**96,335**	-	**731,375**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Risk Management (continued)

g) Liquidity Risk

	Up to 1 year	1-5 years	Over 5 years	No maturity	Total
			2022		
			US$'000		
Claims outstanding	114,179	139,216	50,031	-	303,426
Creditors arising out of insurance	87,674	17,464	1,252	-	106,390
Creditors arising out of reinsurance	66,040	13,155	943	-	80,138
Other Creditors including tax	14,242	-	-	-	14,242
Accruals & deferred income	3,015	-	-	-	3,015
Total	**285,150**	**169,835**	**52,226**	-	**507,211**

The Company expects to meet its obligations from operating cash flows and proceeds from maturing financial assets.

h) Operational Risk

Operational risk is the risk of loss arising from processes, procedures, human or system inadequacy or failure, loss of key personnel, outsourcing relationship failures or other external events. It includes legal, regulatory and reputational risks in addition to technology and cyber risks. It extends to any ineffectiveness in internal controls which could have an adverse effect on the Company's business. Instances of ineffective internal control, include but are not limited to, poor quality management information or IT systems to capture data and business performance or, a potential lack of control over the actions of third parties operating on behalf of the Company.

The Company manages this risk through a combination of operational risk management, supported by internal controls, control policies, processes and procedures, segregation of duties and the three lines of defence model. It is however recognised that achieving complete system and process resilience to ensure no losses could ever occur would entail impractical measures and unacceptable cost management seeks to balance the risk through the overall enterprise risk management.

5. Segmental information

(a) Analysis of gross written premiums by geographic location

	2023 US$'000	2022 US$'000
United Kingdom	142,572	150,348
US	260,500	166,357
Europe	113,610	110,210
Other	50,824	26,775
Total	**567,506**	**453,690**

(b) Analysis of gross written premiums by geographic location of underwriting office

	2023 US$'000	2022 US$'000
Ireland	43,442	38,438
United Kingdom	313,603	281,090
Denmark	58,113	40,854
Bermuda	152,348	93,308
Total	**567,506**	**453,690**

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Segmental information (continued)

(c) Analysis of gross written premiums written, gross premium earned, gross claims incurred, gross operating expenses and reinsurance balances by class of business

2023	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balances
			US$'000		
Direct					
Marine	83,471	78,026	39,577	24,928	9,665
Casualty	64,938	79,517	73,133	33,169	(23,371)
Property & Political Violence	70,129	68,160	30,149	26,823	12,829
Cyber	34,016	29,606	12,800	12,507	4,828
Energy	26,431	18,888	9,094	3,826	3,638
Other	11,797	13,703	2,278	3,522	7,238
Total Direct	**290,782**	**287,900**	**167,031**	**104,775**	**14,827**
Reinsurance	**276,724**	**233,512**	**111,858**	**44,718**	**72,430**
Total	**567,506**	**521,412**	**278,889**	**149,493**	**87,257**

2022	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balances
			US$'000		
Direct					
Marine	70,340	66,772	27,492	19,754	15,244
Casualty	104,506	101,561	70,154	41,232	(9,930)
Property & Political Violence	54,940	43,630	26,559	15,754	1,224
Cyber	26,551	17,282	6,136	6,944	4,028
Energy	19,293	14,458	6,602	6,944	4,583
Other	13,265	12,455	1,917	3,246	6,398
Total Direct	**288,895**	**256,158**	**138,860**	**93,874**	**21,547**
Reinsurance	**164,795**	**145,952**	**104,759**	**29,375**	**8,916**
Total	**453,690**	**402,110**	**243,619**	**123,249**	**30,463**

6. Investment Return

	2023 US$'000	2022 US$'000
Investment income		
Interest from financial assets at fair value through profit and loss	5,153	3,906
Other interest and similar income	1,485	141
	6,638	4,047
Investment return		
Realised losses on investments	(722)	(382)
Unrealised gains (losses) on investments	7,669	(14,600)
Investment expenses and charges		
Investment manager expenses	(296)	(163)
Net investment Income (expense)	**13,289**	**(11,098)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Investment Return (continued)

Investment return is analysed between	2023 US$'000	2022 US$'000
Allocated investment return transferred to the technical account	13,289	(11,098)
Net investment return included in the non-technical account	-	-
Net investment return	**13,289**	**(11,098)**

7. Net Operating Expenses

The net operating expenses of the Company for the reporting period ended 31st December 2023 and 2022 are as follows:

	2023 US$'000	2022 US$'000
Service charges from related parties	25,766	17,667
Other expenses	8,635	5,250
Gross acquisition costs	115,091	96,533
Ceded acquisition costs and overrider	(48,054)	(70,632)
Total	**101,438**	**48,818**

Included within other expenses for the reporting period ended 31st December 2023 and 2022 is the following:

Auditors' remuneration

Remuneration (including expenses) for the statutory audit and other services carried out for the Company by the Company's auditors is as follows:

	2023 €'000	2022 €'000
Audit of entity financial statements	276	237
Other assurance services	74	60

The remuneration for other assurance services was for the audit of the Solvency II annual return to the CBI.

8. Employees and Directors

(a) Employees

The average number of persons, including executive directors, employed by the Company during the period was as follows:

	2023 Number	2022 Number
Risk & Compliance	4	4
Actuarial	1	1
Underwriting	1	1
Finance	6	5
Management	1	1
Operations	3	3
Average	**16**	**15**

Through its outsourcing arrangements, the Company utilises the staff and other resources of Chaucer Underwriting Services Limited in the UK, Chaucer ApS in Denmark and Chaucer Bermuda Services Limited in Bermuda. The Company pays service charges to each entity in respect of services provided.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Employees and Directors (continued)

Staff costs comprise:

	2023 US$'000	2022 US$'000
Wages and salaries	3,440	1,586
Social Insurance costs	300	233
Other retirement benefit costs	196	120
Total	**3,936**	**1,939**

All the amounts stated above were treated as an expense of the Company in the financial statements. No amount was capitalised into assets.

(b) Directors' emoluments

The directors' remuneration analysed under the headings required by company law are set out below:

	2023 US$'000	2022 US$'000
Emoluments		
For services as director	1,368	1,117
For other services	-	-
Gain on exercise of share options during the year	-	-
Pensions		
For services as director	61	54
For other services	-	-
Compensation for loss of office paid by the Company and other termination payments	-	-
Total	**1,429**	**1,171**

The remuneration of executive directors is included within the Staff costs as disclosed under Section 8 (a). The remuneration of group non-executive directors is paid by their respective employer within the group. Their services to this Company are of a non-executive nature and their remuneration is deemed to be wholly attributable to their services to their employer. Accordingly, the above details include no remuneration in respect of group non-executive directors.

9. Tax Expense (Benefit) on ordinary activities

The income tax expense (benefit) for the reporting period ended 31st December 2023 and 2022 comprises:

	2023 US$'000	2022 US$'000
Current Tax:		
Irish corporation tax	7	5
Overseas Tax:		
UK corporation tax	1,952	(185)
Danish corporation tax	-	-
Total current tax	1,959	(180)
Deferred tax:		
Origination and reversal of timing differences	947	(691)
Adjustments in respect of prior year	(276)	137
Total deferred tax	671	(554)
Total current and deferred tax expense (benefit)	**2,630**	**(734)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Tax Expense on ordinary activities (continued)

The reconciliation of the income tax expense is shown below. The actual income tax benefit differs from that resulting from applying the standard rate of corporation tax in Ireland of 12.5%.

The differences are explained below:

	2023 US$'000	2022 US$'000
Profit (Loss) on ordinary activities before tax	14,267	(2,671)
Tax at 12.5%	1,783	(334)
Effects of:		
- Different tax rates applied in other jurisdictions	1,123	(537)
- Adjustments in respect of prior year	(276)	137
Total income tax expense (benefit)	**2,630**	**(734)**

The tax expense for future years will be affected by similar factors as noted above. Although the rate of corporation tax in Ireland is 12.5%, it is higher for the UK Branch and Danish Branch, at 23.54% and 22% respectively in 2023.

The deferred tax assets are measured at relevant corporation tax rate. The Company assesses the recoverability of the deferred tax assets based on future taxable income projections and considers that the following deferred tax assets as at 31st December 2023 and 2022 are recoverable.

The overall deferred tax balance is comprised of deferred tax assets on the following items:

	2023 US$'000	2022 US$'000
Unutilised tax losses	683	1,376
Other timing differences	59	37
Total deferred tax asset as at 31st December	**742**	**1,413**

The movement in the net deferred tax asset / (liability) comprises:

	2023 US$'000	2022 US$'000
Opening deferred tax asset	1,413	859
Adjustment in respect of prior year	276	(137)
Movement during the year	(947)	691
Total deferred tax asset as at 31st December	**742**	**1,413**

The Company, as part of the China Re, is within the scope of the OECD Pillar Two rules. Pillar Two legislation was enacted in Ireland on 18th December 2023 and will come into effect for periods beginning on or after 31st December 2023. As Pillar Two was not effective at the reporting date, the Company has no related current tax exposure in 2023.

Under the legislation, since Ireland's statutory tax rate of 12.5% is below the minimum rate of 15% Pillar Two, the Company's business in Ireland (which excludes its branches) will be liable to a Domestic Top-Up Tax ("DTT"). The Company is assessing the impact of the DTT on its financial statements. In 2024, any further top-up tax relating to the Company, which is not collected as DTT in Ireland, will be collected as Multinational Top-Up Tax ("MTT") by a United Kingdom based intermediate parent entity of the China Re Group, subject to elections made to apply the Qualifying Domestic Minimum Top-up Tax Safe Harbour.

The Company's Bermuda Branch is subject to the new Corporate Income Tax Act which imposes a corporate income tax starting on 1st January 2025 on certain Bermuda entities that are part of large multi-national groups. The Company does not have any timing differences in relation to the Bermuda branch so there is no impact on the Company's deferred tax assets or liabilities following the introduction of this corporate income tax.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Other Financial Investments

The cost and fair value of the investments at fair value through the profit and loss at 31st December 2023 and 2022 were as follows:

	Cost 2023 US$'000	Fair Value 2023 US$'000	Cost 2022 US$'000	Fair Value 2022 US$'000
Debt securities and other fixed income securities	**287,725**	**279,276**	**215,010**	**198,892**

The table below analyses financial instruments carried at fair value, by valuation method:

Fair Value categories at 31st December 2023	Level 1	Level 2	Level 3	Total
		US$'000		
US Treasury	53,939	-	-	53,939
US agency bonds	-	57,125	-	57,125
Non-US Government & Supranational Bonds	-	14,195	-	14,195
Municipal bonds	-	11,436	-	11,436
Corporate bonds	-	142,581	-	142,580
Total Debt and other fixed income securities	**53,939**	**225,337**	**-**	**279,276**

Fair Value categories at 31st December 2022	Level 1	Level 2	Level 3	Total
		US$'000		
US Treasury	42,552	-	-	42,552
US agency bonds	-	29,774	-	29,774
Non-US Government & Supranational Bonds	-	12,785	-	12,785
Municipal bonds	-	2,934	-	2,934
Corporate bonds	-	110,847	-	110,847
Total Debt and other fixed income securities	**42,552**	**156,340**	**-**	**198,892**

The fair value hierarchy has the following levels:

(a) Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
(b) Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and,
(c) Level 3: Unobservable inputs for the asset or liability.

At 31st December 2023, the Company's Level 1 fixed maturities comprise US Treasury issues that are highly liquid and for which quoted market prices are available. All other fixed maturities are included in Level 2. Level 2 securities are valued using pricing for similar securities and pricing models that incorporate observable inputs, but not limited to yield curves and issuer spreads.

The Company utilises a third-party pricing service for the valuation of the majority of its debt securities and other fixed income securities and receives one quote per security. When quoted market prices in an active market are available, they are provided by the pricing service as the fair value and such values are classified as Level 1. Since debt securities and other fixed income securities other than US Treasury securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value for those securities using pricing applications based on a market approach.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Other Financial Investments (continued)

Inputs into the fair value pricing common to all asset classes include: benchmark US Treasury security yield curves; reported trades of identical or similar debt securities; dealer quotes of identical or similar debt securities and structural characteristics such as maturity date, coupon, mandatory principal payment dates, frequency of interest and principal payments, and optional redemption features. At 31st December 2023, the Company does not hold any debt securities in Level 3.

The Company does not have any restrictions on its investment portfolio at 31st December 2023.

11. Reconciliation of insurance balances

(a) Deferred acquisition costs

	Gross	Reinsurers' share	Net
	2023	**2023**	**2023**
		$'000	
At 1st January 2023	42,963	(6,908)	36,055
Acquisition costs deferred during the year	119,547	(4,394)	115,153
Amortisation	(115,092)	10,480	(104,612)
At 31st December 2023	**47,418**	**(822)**	**46,596**

	Gross	Reinsurers' share	Net
	2022	**2022**	**2022**
		$'000	
At 1st January 2022	33,409	(30,132)	3,277
Acquisition costs deferred during the year	106,087	(19,075)	87,012
Amortisation	(96,533)	42,299	(54,234)
At 31st December 2022	**42,963**	**(6,908)**	**36,055**

Ceded deferred over-rider commissions are disclosed under Creditors arising out of reinsurance operations.

(b) Unearned premium provision

	Gross	Reinsurers' share	Net
	2023	**2023**	**2023**
		$'000	
At 1st January 2023	(168,434)	122,005	(46,429)
Movement in the year	(49,564)	34,852	(14,712)
At 31st December 2023	**(217,998)**	**156,857**	**(61,141)**

	Gross	Reinsurers' share	Net
	2022	**2022**	**2022**
		$'000	
At 1st January 2022	(126,724)	115,804	(10,920)
Movement in the year	(41,710)	6,201	(35,509)
At 31st December 2022	**(168,434)**	**122,005**	**(46,429)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Reconciliation of insurance balances

(c) Claims outstanding

	Gross	Reinsurers' share	Net
	2023	**2023**	**2023**
		$'000	
At 1st January 2023	(303,426)	280,329	(23,097)
Movement in the year	(152,717)	138,088	(14,629)
At 31st December 2023	**(456,143)**	**418,417**	**(37,726)**

	Gross	Reinsurers' share	Net
	2022	**2022**	**2022**
		$'000	
At 1st January 2022	(142,501)	131,987	(10,514)
Movement in the year	(160,925)	148,342	(12,583)
At 31st December 2022	**(303,426)**	**280,329**	**(23,097)**

As at 31st December 2023 and 2022, the Company benefitted from an internal quota share arrangement with an affiliated group entity, whereby the Company cedes 90% of the business, net of any other inuring reinsurance. Reinsurers' share of the technical provisions as set out in the Statement of Financial Position, includes an asset of $456,143 (2022: $280,329) in respect of claims outstanding. Included in this amount is $358,611 (2022:$208,825) recoverable under the internal quota share agreement. The remaining $97,532 (2022: $71,504) represents amounts recoverable from non-group reinsurers.

The change in provisions for unearned premium and claims outstanding differs slightly to the amounts disclosed in the Profit and Loss Account, respectively, due to the revaluation of the Statement of Financial Position using closing foreign exchange rates.

12. Debtors arising out of insurance operations

	2023 US$'000	2022 US$'000
Amounts due relating to insurance operations	73,357	74,709
Total	**73,357**	**74,709**

13. Debtors arising out of reinsurance operations

	2023 US$'000	2022 US$'000
Amounts due relating to reinsurance operations	124,553	75,810
Total	**124,553**	**75,810**

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Other Prepayments and Accrued Income

Amounts falling due within one year:

	2023 US$'000	2022 US$'000
Accrued Interest	1,646	1,111
Prepayments and other	890	909
Other assets	**2,536**	**2,020**

15. Called up share capital

At 31st December 2023 and 2022, the authorised share capital of the Company is 50,000,000 shares from which the Company has issued and fully paid 1,000,001 ordinary common shares, with a par value of $1 per share. The Company has one class of ordinary shares which carry no right to fixed income. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up. See Note 4 for the Company's approach to capital management.

During 2023, the Company received an irrevocable capital contribution of $50,000 from the Company's parent company CRICL.

16. Creditors Arising out of Insurance Contracts

<u>Creditors arising out of Insurance operations</u>

	2023 US$'000	2022 US$'000
Premiums due to group reinsurers	103,108	78,302
Premiums due to other reinsurers	18,485	18,927
Ceded deferred acquisition costs over-rider group reinsurers	8,276	8,270
Ceded deferred acquisition costs over-rider other reinsurers	1,120	891
Total	**130,989**	**106,390**

The Company uses a right of offset on recoveries due from reinsurers where appropriate.

17. Creditors Arising out of Reinsurance Contracts

<u>Creditors arising out of reinsurance operations</u>

	2023 US$'000	2022 US$'000
Premiums due to group reinsurers	66,314	33,099
Premiums due to other reinsurers	52,340	42,983
Ceded deferred acquisition costs over-rider group reinsurers	7,938	3,313
Ceded deferred acquisition costs over-rider other reinsurers	900	743
Total	**127,492**	**80,138**

The Company uses a right of offset on recoveries due from reinsurers where appropriate.

18. Other Creditors including Tax and Social Insurance

<u>Other creditors including tax and social insurance</u>

	2023 US$'000	2022 US$'000
Payable to affiliates entities	5,521	7,701
Other payables	6,947	6,473
PAYE and PRSI	77	68
Total other creditors	**12,545**	**14,242**

All creditors are due within one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Accruals and Deferred Income

Accruals and deferred income in the Statement of Financial Position comprise of accrued expenses that the Company has recognised at 31st December 2023 and 2022 including audit fees, legal fees and other professional fees.

20. Post-Employment Benefits

The Company operates a defined contribution retirement benefit scheme for all qualifying employees which is run independently by Mercer, following a transition from Willis Towers Watson during year. The total expense charged to the profit and loss in the reporting period ended 31st December 2023 was $196 (2022: $196).

21. Related Party Transactions

The Company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within China Re.

22. Commitments

The Company has not entered into any material non-cancellable operating leases during the year ended 31st December 2023 and 2022.

During 2023 and 2022 respectively, in the normal course of its operations, the Company entered into agreements with financial institutions to obtain unsecured letters of credit facilities for collateral purposes. As at 31st December 2023, the total amount of such credit facilities available to the Company was $200,000 (2022: $150,000). Under the terms of certain reinsurance agreements, irrevocable letters of credit were issued for a total of $68,734 (2022: $38,650) on an unsecured basis in respect of losses and unearned premium reserves. The agreements include default covenants, which could require the Company to fully secure the outstanding letters of credit to the extent that the facility is not already fully secured and/or result in the Company not being allowed to issue any new letters of credit. As at 31st December 2023 and 2022 respectively, no conditions of default existed under these facilities

The Company had no other off-balance sheet commitments.

23. Events after the reporting date

No material events occurred since the reporting date which affect the Company's reported results for the year ended 31st December 2023.

24. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 4th April 2024 and were signed on its behalf on that day.