DELIVERING RESULTS IN A CHANGING WORLD

Conduit Reinsurance Limited |

Financial Statements for the year ended 31 December 2023

CONDUIT RE

Independent Auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of
Conduit Reinsurance Limited

Opinion

We have audited the financial statements of Conduit Reinsurance Limited (the "Company"), which comprise the balance sheet as at 31 December 2023, the statements of comprehensive income (loss), changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's report
continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants

Hamilton, Bermuda

27 February 2024

Statement of comprehensive income (loss)
For the year ended 31 December 2023

	Notes	**2023 $m**	2022 $m (re-stated)
Reinsurance revenue	4, 13	633.0	392.4
Reinsurance service expenses	4, 13	(377.0)	(362.1)
Ceded reinsurance expenses	4, 13	(76.7)	(48.6)
Ceded reinsurance recoveries	4, 13	4.3	28.7
Reinsurance service result	4, 13	**183.6**	**10.4**
Net investment income	5	41.3	17.8
Net realised losses on investments	5	(1.3)	(2.8)
Net unrealised gains (losses) on investments	5, 11	30.6	(67.8)
Net investment result	5	**70.6**	**(52.8)**
Net reinsurance finance (expense) income	4, 6, 14	(32.8)	20.8
Net foreign exchange gains		1.4	2.0
Net reinsurance and financial result		**222.8**	**(19.6)**
Other expenses and operating expenses	4, 7, 17	(15.9)	(14.1)
Results of operating activities		**206.9**	**(33.7)**
Financing costs	8, 14	(1.1)	(0.7)
Total comprehensive income (loss) for the year		**205.8**	**(34.4)**

Balance sheet
As at 31 December 2023

	Notes	**2023 $m**	2022 $m (re-stated)	1 January 2022 $m (re-stated)
Assets				
Cash and cash equivalents	10, 14	199.1	112.4	65.5
Accrued interest receivable		8.5	5.5	3.7
Investments	11, 12, 14	1,238.4	1,021.7	1,008.4
Ceded reinsurance contract assets	13	42.7	67.3	41.0
Other assets		15.5	15.9	0.7
Intangible assets		-	1.4	1.1
Total assets		**1,504.2**	**1,224.2**	**1,120.4**
Liabilities				
Reinsurance contract liabilities	13	494.5	336.3	116.1
Other payables		1.0	4.0	16.0
Total liabilities		**495.5**	**340.3**	**132.1**
Shareholder's equity				
Share capital	15	1.0	1.0	1.0
Contributed surplus	15	866.3	947.3	1,017.3
Retained income (loss)		141.4	(64.4)	(30.0)
Total shareholder's equity		**1,008.7**	**883.9**	**988.3**
Total liabilities and shareholder's equity		**1,504.2**	**1,224.2**	**1,120.4**

The financial statements were approved by the Board of Directors on 27 February 2024 and signed on its behalf by:

Trevor Carvey
CEO

Elaine Whelan
CFO

Statement of changes in shareholder's equity
For the year ended 31 December 2023

	Notes	Share capital $m	Contributed surplus $m	Retained income (loss) $m	Total shareholder's equity $m
Balance as at 31 December 2021, as previously reported	18	**1.0**	**1,017.3**	**(37.0)**	**981.3**
Impact of initial application of IFRS 17	18	-	-	7.0	7.0
Balance as at 1 January 2022, re-stated	18	**1.0**	**1,017.3**	**(30.0)**	**988.3**
Total comprehensive loss for the year, re-stated		-	-	(34.4)	(34.4)
Return of capital	15	-	(70.0)	-	(70.0)
Balance as at 31 December 2022, re-stated		**1.0**	**947.3**	**(64.4)**	**883.9**
Total comprehensive income for the year		-	-	205.8	205.8
Return of capital	15	-	(81.0)	-	(81.0)
Balance as at 31 December 2023		**1.0**	**866.3**	**141.4**	**1,008.7**

Statement of cash flows
For the year ended 31 December 2023

	Notes	2023 $m	2022 $m (re-stated)
Cash flows from operating activities			
Comprehensive income (loss)		205.8	(34.4)
Write-off of intangible asset		1.4	-
Net investment income	5	(42.4)	(18.7)
Net realised losses on investments	5	1.3	2.8
Net unrealised (gains) losses on investments	5, 11	(30.6)	67.8
Net unrealised foreign exchange gains		(1.2)	(1.6)
Change in operational assets and liabilities			
– Reinsurance assets and liabilities		184.0	195.1
– Other assets and liabilities		(2.6)	(16.7)
Net cash flows from operating activities		**315.7**	**194.3**
Cash flows used in investing activities			
Purchase of investments		(541.5)	(304.9)
Proceeds on sale and maturity of investments		356.5	206.2
Interest received		37.0	21.1
Purchase of intangible assets		-	(0.3)
Net cash flows used in investing activities		**(148.0)**	**(77.9)**

	Notes	2023 $m	2022 $m (re-stated)
Cash flows used in financing activities			
Return of capital	15	(81.0)	(70.0)
Net cash flows used in financing activities		**(81.0)**	**(70.0)**
Net increase in cash and cash equivalents		**86.7**	**46.4**
Cash and cash equivalents at the beginning of the year	10	112.4	65.5
Effect of exchange rate fluctuations on cash and cash equivalents		-	0.5
Cash and cash equivalents at end of year	10	**199.1**	**112.4**

Notes to the financial statements
For the year ended 31 December 2023

1. General information
Conduit Reinsurance Limited ("CRL" or the "Company") was incorporated under the laws of Bermuda on 6 October 2020. The Company is registered as a Class 4 insurer under The Insurance Act 1978 of Bermuda, amendments thereto and related Regulations ("The Act"). The Company is a wholly owned subsidiary of Conduit MIP Limited, the ultimate parent is Conduit Holdings Limited, a company incorporated in Bermuda and publicly traded on the London Stock Exchange. The registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

2. Summary of material accounting policies
The basis of preparation, use of judgements and estimates, and material accounting policies adopted in the preparation of these financial statements are set out below. Excluding percentages, or where otherwise stated, all amounts in tables and narrative disclosures are in millions of US dollars.

Basis of preparation
These financial statements are prepared on a going concern basis in accordance with IFRS as issued by the IASB, and are prepared on a historical cost basis, except for items measured at fair value as disclosed in the relevant accounting policies. In accordance with the requirements of IAS 1, the financial statements' assets and liabilities have been presented in order of liquidity, which provides information that is more reliable and relevant for a financial institution.

In the course of preparing these financial statements, no judgements have been made in the process of applying CRL's accounting policies, other than those involving estimations as noted in the 'Use of judgements and estimates' section, that have had a significant effect on amounts recognised in these financial statements.

Going concern
The financial statements of CRL have been prepared on a going concern basis. In assessing CRL's going concern position as at 31 December 2023, the Board have considered a number of factors, including the current balance sheet position and CRL's strategic and financial plan, taking account of possible changes in trading performance and funding retention, and stress testing and scenario analysis. CRL's capital ratios and its capital resources are comfortably in excess of regulatory solvency requirements, and internal stress testing indicates CRL can withstand severe economic and competitive stresses.

As a result of the assessment, the Board have a reasonable expectation that CRL has adequate resources to continue in operational existence for the foreseeable future and therefore believe that CRL is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Changes in accounting policies and new standards
As previously disclosed, CRL has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. There are no other new or amended IFRS reporting standards, that have a material effect, that have become effective during the year. IFRS 17 has had a significant impact on accounting for reinsurance contracts. As a result, CRL has restated certain comparative amounts and presented an additional balance sheet as at 1 January 2022. CRL's updated accounting policies for reinsurance contracts and financial instruments are set out below. Disclosures relating to the transition to IFRS 17 and IFRS 9 have been set out in note 18.

Future accounting changes
Of the upcoming accounting standard changes, we do not anticipate that any will have a material impact on the financial statements' results, or presentation and disclosures.

Use of judgements and estimates
The preparation of financial statements in conformity with IFRS requires CRL to make judgements and estimates that affect the reported and disclosed amounts at the balance sheet date, revenues and expenses during the reporting period and the associated financial statement disclosures. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their prediction of future events. Actual results may differ significantly from the estimates made.

The most significant estimates made by management are in relation to the liability for incurred claims and associated ceded reinsurance recoveries, as discussed in note 3 and note 13.

Less significant estimates are made in determining the estimated fair value of certain financial instruments, as discussed in note 3 and note 11.

Notes to the financial statements
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In addition, some management judgement is exercised in determining the total premium cashflows expected to be received from reinsurance contracts that are used to determine the amount of reinsurance revenue recognised in the period.

Foreign currency
The functional currency, which is the currency of the primary economic environment in which CRL operates, is US dollars. Items included in the financial statements are measured using the functional currency. These financial statements are presented in US dollars.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued at period end exchange rates. The resulting foreign exchange differences on revaluation are recorded in the statement of comprehensive income (loss) within net foreign exchange gains (losses). Non-monetary assets and liabilities denominated in a foreign currency are carried at historic rates. Non-monetary assets and liabilities carried at estimated fair value and denominated in a foreign currency are translated at the exchange rate at the date the fair value was determined.

Reinsurance contracts
Prior to IFRS 17 coming into effect, IFRS was silent in respect of certain aspects relating to the measurement of reinsurance contracts. In such instances, the IFRS framework allows reference to another comprehensive body of accounting principles. CRL's management therefore determined appropriate measurement bases, to provide the most useful information to users of the financial statements, using their judgement and considering US GAAP.

IFRS 17 sets out the classification, measurement and presentation and disclosure requirements for reinsurance contracts. It requires reinsurance contracts to be measured using current estimates and assumptions that reflect the timing of cash flows and recognition of profits as insurance services are delivered. The standard provides two main measurement models which are the General Measurement Model (GMM) and the Premium Allocation Approach (PAA).

The PAA simplifies the measurement of reinsurance contracts for remaining coverage, or pre-claims, in comparison to the GMM. The PAA is similar to CRL's previous accounting policies under IFRS 4 for calculating revenue, however there are some key presentation changes with respect to certain commissions. The GMM is used for the measurement of the liability for incurred claims.

PAA eligibility
Under IFRS 17, CRL's reinsurance contracts issued and ceded reinsurance contracts held are all eligible to be measured by applying the PAA, due to meeting the following criteria:
- Loss-occurring reinsurance contracts with coverage period of one year or less are automatically eligible; and
- Modelling of risk-attaching contracts or contracts with a coverage period greater than one year produces a measurement for the group of reinsurance contracts that does not differ materially from that which would be produced applying the GMM.

Classification
Contracts that transfer significant reinsurance risk at the inception of the contract are accounted for as reinsurance contracts. Contracts purchased and held by CRL under which it transfers significant reinsurance risk to a counterparty are accounted for as ceded reinsurance contracts. Contracts that do not transfer significant reinsurance risk are accounted for as investment contracts. Reinsurance risk is transferred when a reinsurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

CRL's accounting policies apply to both reinsurance contracts issued and ceded reinsurance contracts held unless explicitly referenced as applying to contracts issued or ceded only. CRL writes both excess of loss and proportional (also known as quota share or pro-rata) reinsurance contracts. The type of contract impacts the recognition of reinsurance revenue.

Separating components from reinsurance contracts
IFRS 17 distinguishes three components that, if embedded in a reinsurance contract, should be bifurcated, and accounted for separately. These are:
- Cash flows relating to embedded derivatives that are required to be separated;
- Cash flows relating to distinct investment components; and
- Promises to transfer distinct goods or distinct non-insurance services.

IFRS 17 then applies to all remaining components of the contract. CRL does not have any contracts containing non-insurance components that require separation. Where contracts contain multiple reinsurance components that meet the requirements for separation, these are separated and accounted for as standalone contracts.

Notes to the financial statements
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Some reinsurance contracts issued contain profit sharing arrangements, such as profit commissions and no claims bonuses. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive either in the form of profit commission, or as reimbursement for claims, or another contractual payment, irrespective of the insured event happening. These are typically considered non-distinct investment components. Non-distinct investment components are not separated from the reinsurance contract as they are closely interrelated to the measurement of the reinsurance contract. However, the impact of the non-distinct investment components are excluded from the statement of comprehensive income (loss) by adjusting reinsurance revenue and reinsurance service expenses by the minimum amount due. There is no impact to the reinsurance service result as there is an equal reduction to both revenue and expenses.

Level of aggregation

CRL manages reinsurance contracts issued by class of business within an operating segment. Classes of business are aggregated into portfolios of contracts that are subject to similar risks. Contracts within each portfolio are grouped into groups of contracts that are issued within a calendar year, the annual cohort, and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of subsequently becoming onerous; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which reinsurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Onerous contracts

Under the PAA, it is assumed there are no contracts in the portfolio that are onerous at initial recognition, unless there are facts and circumstances that may indicate otherwise. Management primarily considers the following to determine whether there are facts and circumstances that mean a group of contracts are onerous:

- Pricing information;
- Results of similar contracts it has recognised; and
- External factors, such as a change in market experience or regulations.

If a group of contracts becomes onerous, CRL increases the carrying amount of the liability for remaining coverage to the amount of the fulfilment cash flows with the amount of such an increase recognised immediately in reinsurance service expenses. Subsequently, CRL amortises the amount of the loss component by decreasing reinsurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then CRL remeasures the loss component by reassessing the fulfilment cash flows as required until the loss component is reduced to zero.

Where a loss component is expected to be partially or fully recovered by ceded reinsurance contracts, the amount of recovery is recognised in ceded reinsurance recoveries.

Recognition

CRL recognises groups of reinsurance contracts it issues from the earliest of:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from the cedant is due or when the first payment is received if there is no due date; or
- For a group of onerous contracts, the date when facts and circumstances indicate that the group is onerous.

For ceded reinsurance contracts CRL recognises the group of contracts:

- If the reinsurance contracts provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of the underlying covered reinsurance contracts issued; or
- For non-proportionate coverage, the beginning of the coverage period of the group of contracts, unless an onerous group of underlying reinsurance contracts have been recognised and the ceded reinsurance contract has been signed before that date.

Modification and derecognition

CRL derecognises reinsurance contracts when:

- The rights and obligations relating to the contract are extinguished (meaning discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, CRL derecognises the initial contract and recognises the modified contract as a new contract. When a modification is not treated as a derecognition, CRL

Notes to the financial statements
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recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Contract boundaries

The measurement of a group of reinsurance contracts includes all future cash flows expected to arise within the boundary of each contract in the group. Cash flows are within the boundary of a reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period in which CRL can compel the cedant to pay the premiums, or in which CRL has a substantive obligation to provide the cedant with services. A substantive obligation to provide services ends when CRL has the practical ability to reassess the risks of the cedant and, as a result, can set a price of level of benefits that fully reflects those risks. Where CRL issues multi-year contracts and does not have the ability to re-price on each policy anniversary the contract is considered one contract and therefore future cash flows from each of the annual periods are considered on initial recognition.

For ceded reinsurance contracts the cash flows are within the boundary of the contract if CRL has a substantive right to receive services or if CRL is compelled to pay premiums to the reinsurer. The substantive right to receive services from the reinsurer ends when:

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

CRL assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effects of changes in circumstances on CRL's substantive rights and obligations. The assessment of the contract boundary, which defines the future cash flows that are included in the measurement of the contract, requires judgement and consideration of CRL's substantive rights and obligations. CRL issues risk-attaching reinsurance contracts which provide reinsurance coverage to underlying contracts issued within the terms of the contract. While the contracts can have an annual term the contract boundary is assessed with consideration of the coverage period of the underlying contracts. Contracts that cover claims from underlying contracts within the contract period, loss-occurring contracts, are typically annual term. Where contracts contain multi-year terms, CRL exercises judgement on whether provisions within the contract allow cancellation or re-pricing at each anniversary of the contract.

Measurement – Liability for remaining coverage

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured as the premiums received on initial recognition, if any, minus any reinsurance acquisition expense cash flows allocated to the group of contracts and any amounts arising from the derecognition of the prepaid reinsurance acquisition expense cash flows asset. CRL has chosen not to expense reinsurance acquisition expense cash flows on contracts with coverage of one year or less when they are incurred in order to apply a consistent treatment of reinsurance acquisition expense cash flows for all contracts, regardless of the length of coverage.

Subsequently, at the end of each reporting period, the liability for remaining coverage is:

- Increased by any premiums received in the period;
- Decreased for reinsurance acquisition expense cash flows paid in the period;
- Decreased for the amounts of expected premium cash flows recognised as reinsurance revenue for the services provided in the period;
- Increased for the amortisation of reinsurance acquisition expense cash flows in the period recognised as reinsurance service expenses; and
- Decreased for any non-distinct investment component paid or transferred to the liability for incurred claims.

CRL has elected not to adjust the liability for remaining coverage for the time value of money as its reinsurance contracts do not contain a significant financing component.

CRL measures the reinsurance asset for remaining coverage for its ceded reinsurance contracts that it holds on the same basis as reinsurance contracts issued, adapted to reflect the features that differ between contracts issued versus contracts held.

Reinsurance revenue recognised in the period is based on the total premium cash flows expected to be received over the lifetime of the contract, net of any deductions that are paid to the cedant. The amount of total expected revenue from a contract recognised in the period is dependent on the type of reinsurance contract, as discussed below.

Excess of loss contracts

For the majority of excess of loss contracts, expected premium cash flows are assessed based on the minimum and deposit or flat premium, as defined in the contract. Subsequent adjustments to the minimum and deposit premium are assessed in the period in which they are determined. For

Notes to the financial statements
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excess of loss contracts where no deposit is specified in the contract, premium cash flows are assessed based on estimates of premiums provided by the ceding company. Subsequent adjustments, based on reports of actual premium by ceding companies, or revisions in estimates, are assessed in the period in which they are determined. For multi-year policies that are payable in annual instalments, where the reinsured has the sole ability to cancel, the total expected premium cash flows for all annual periods are assessed at the inception of the contract. Where unilateral cancellation by the reinsurer exists at each anniversary of the contract the annual periods are assessed as separate contracts.

Reinsurance revenue for excess of loss contracts is generally recognised evenly over the term of the underlying risk period of the reinsurance contract, except where the period of risk differs significantly from the contract period. In these circumstances, reinsurance revenue is recognised over the period of risk in proportion to the amount of reinsurance protection provided. Where contract terms require the reinstatement of coverage after a ceding company's loss, as the reinstatement is contingent on the loss, the estimated mandatory reinstatement premiums are recorded within reinsurance service expenses.

Proportional contracts

Premium cash flows for proportional contracts are assessed based on estimates of ultimate premiums provided by the ceding company, supplemented by management's estimates of premiums based on its experience with the ceding company, familiarity with each market, the timing of the reported information and its understanding of the characteristics of each class of business. Initial estimates of premium cash flows are assessed in the period in which the contract incepts, or the period in which the contract is bound, if later. Contracts written on a 'risks-attaching' basis cover claims which attach to the underlying reinsurance policy written during the term of the respective policy. Reinsurance revenue on such policies generally extend beyond the original term of the contract. Subsequent adjustments, based on reports of actual premium by the ceding company, or revisions in estimates, are assessed in the period in which they are determined.

Reinsurance acquisition expense cash flows

Reinsurance acquisition expense cash flows represent the cash flows that arise from the cost of selling and underwriting a group of reinsurance contracts and include:
- Contract specific costs, such as brokerage;
- Operating expenses that are incurred in relation to the fulfilment of reinsurance contracts; and
- An allocation of fixed and variable overheads.

Reinsurance acquisition expenses are deferred over the period in which the related premiums are earned to the extent they are recoverable out of expected future revenue margins and recognised within reinsurance service expenses.

Commissions that are paid to cedants, such as ceding commissions, are not treated as reinsurance acquisition expense cash flows as they do not relate to a service. Such commissions are treated as a reduction in the expected premium recognised as reinsurance revenue.

Ceded reinsurance expenses

Ceded reinsurance is purchased in the normal course of business to increase capital capacity or to limit the impact of individual risk losses and loss events impacting multiple cedants, such as natural-catastrophes, or both. CRL may purchase ceded reinsurance on both an excess of loss and a proportional basis, and may supplement this with the use of ceded reinsurance linked to the issuance of catastrophe bonds or other capital market products. Ceded reinsurance premiums are recognised as ceded reinsurance expenses in the same manner as reinsurance contracts issued, depending on the terms of the contract. Ceding commissions received are deducted from the premium paid that is recognised in ceded reinsurance expenses. Other expenses incurred in the placing of ceded reinsurance contracts that are in relation to a service by a third party, such as brokerage, are recognised in ceded reinsurance expenses.

Measurement - Liability for incurred claims

The liability for incurred claims represents the estimated ultimate cost of settling all reinsurance claims arising from events that have occurred up to the end of the reporting period, including the operating costs that are expected to be incurred in the course of settling such claims, reinstatement premiums on specific loss events, profit commissions and similar expenses that are contingent on claims plus a provision for IBNR. The liability for incurred claims is derived from the estimated fulfilment cash flows relating to expected claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available, without undue cost or effort, about the amount, timing and uncertainty of those future cash flows. They also include an explicit adjustment for non-financial risk, the risk adjustment. Estimates of future cash flows for incurred claims are discounted on initial recognition and then re-measured to current rates as at the reporting date.

Notes to the financial statements
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Cash flows for outstanding losses are estimated initially on the basis of reported losses received from cedants. Cash flows for ACRs are determined where management's expectation of the ultimate cost of the reported loss is greater than that reported. Estimated cash flows for IBNR may also consist of a provision for additional development in excess of losses reported by cedants, as well as a provision for losses which have occurred but have not yet been reported by cedants.

Cash flows for IBNR are estimated initially using expected loss and loss adjustment expense ratios which are selected based on information derived by underwriters and actuaries during the initial pricing of the business. These estimates are reviewed regularly and, as experience develops and new information is received, the cash flows are adjusted as necessary. As actual loss information is reported, and CRL develops its own loss experience, management will use various actuarial methods as well as a combination of management's judgement and experience, historical reinsurance industry loss experience and estimates of pricing adequacy trends to estimate cash flows for IBNR.

The estimation of the liability for incurred claims is a complex process which incorporates a significant amount of judgement. It is reasonably possible that uncertainties in the reserving process, delays in cedants reporting losses to CRL, together with the potential for unforeseen adverse developments, could lead to a material change in the liability for incurred claims.

Any amounts recoverable from reinsurers are estimated using the same methodology as for the underlying losses except for the requirement under IFRS 17 to assess the ceded reinsurance recovery cash flows for the effect of any risk of non-performance, including expected credit losses. Management monitors the creditworthiness of its reinsurers on an ongoing basis and assesses any reinsurance assets for the risk of non-performance, with a provision for non-performance risk being recognised as an expense in the period in which it is determined.

Presentation of reinsurance contracts

Reinsurance assets and liabilities

The asset or liability for a portfolio of reinsurance contracts is the net position of both the liability for remaining coverage and the liability for incurred claims. Whether a portfolio is in a liability or asset position is typically impacted by the timing of cash flows received versus cash flows paid. CRL presents separately in the balance sheet portfolios of reinsurance contracts issued and held that are in an asset position and those that are in a liability position.

All reinsurance contract assets and liabilities are deemed monetary assets and liabilities and are revalued at period end exchange rates.

Reinsurance revenue

Reinsurance revenue in the statement of comprehensive income (loss) is the amount of expected premium cash flows, net of any deductions paid to the cedant and excluding any non-distinct investment component. CRL allocates the expected premium receipts to each period of coverage on the basis of passage of time or the expected risk pattern if it differs significantly from the passage of time.

Reinsurance service expenses

Reinsurance service expenses in the statement of comprehensive income (loss) includes changes in the liability for incurred claims that do not arise from the application of discount rates, being recognition and amortisation of any loss components, amortisation of reinsurance acquisition expense cash flows and other attributable operating expenses.

Ceded reinsurance income and expenses

CRL has elected to present the income and expenses from ceded reinsurance contracts separately in the statement of comprehensive income (loss). Ceded reinsurance expenses represent the total expected ceded premiums and other amounts, that are not contingent on recoveries, payable to the reinsurer. CRL recognises ceded reinsurance expenses based on the passage of time over the coverage period of a group of contracts or expected risk pattern. Income from ceded reinsurance contracts includes expected recoveries on incurred claims, changes in expected recoveries related to past service, the provision for the effects of changes in risk of reinsurer non-performance plus other amounts that are contingent on recoveries, such as ceded profit commissions payable to the reinsured.

Net reinsurance finance income (expense)

Reinsurance finance income (expense) includes the changes in the carrying amounts of reinsurance and ceded reinsurance assets and liabilities arising from the unwind of discount recognised in prior periods and the effects of remeasuring to current discount rates plus other financial assumptions. CRL has elected to disaggregate the changes in the risk adjustment for the time value of money and present in net reinsurance finance income (expense). CRL has chosen not to disaggregate finance income (expense) between other comprehensive income (OCI) and comprehensive income.

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Financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, money market funds, and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

Investments

CRL's fixed maturity securities portfolio meets the requirements for mandatory classification as FVTPL and is carried at estimated fair value in the balance sheet. The classification of financial assets is determined at the time of initial purchase. A financial asset is classified at FVTPL if it is held within a business model that is managed and evaluated on a fair value basis or if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking. Presentation of these securities in the FVTPL category is consistent with how management monitors and evaluates the performance of these securities on a fair value basis.

Regular way purchases and sales of investments are recognised at estimated fair value on the trade date, and are subsequently carried at estimated fair value. Balances pending settlement are reflected in the balance sheet in other assets or other payables. The estimated fair value of CRL's fixed maturity securities portfolio is determined based on bid prices from recognised exchanges, broker-dealers, recognised indices or pricing vendors. Changes in estimated fair value of investments classified as FVTPL are recognised in the statement of comprehensive income (loss) within net unrealised gains (losses) on investments.

Investments are derecognised when CRL has transferred substantially all the risks and rewards of ownership. On derecognition of an investment held at FVTPL, previously recorded unrealised gains and losses are recycled from net unrealised gains (losses) on investments to net realised gains (losses) on investments.

Interest income, amortisation and accretion of premiums and discounts on fixed maturity securities are calculated using the effective interest rate method and recognised in net investment income. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Other assets

CRL's other assets are measured at amortised cost. CRL applies the simplified approach to measuring expected credit losses (ECL) which uses a lifetime ECL for the assets. The lifetime ECL is measured from the initial recognition of other assets.

3. Risk disclosures

Introduction

CRL is exposed to risks from several sources, classified into six primary risk categories. The primary risk categories are: (a) reinsurance risk; (b) market risk; (c) liquidity risk; (d) credit risk; (e) operational risk; and (f) strategic risk. These are discussed in detail on the following pages. The primary risk to CRL is reinsurance risk.

The Board is responsible for determining the nature and extent of the principal risks CRL is willing to take in achieving its strategic objectives and should maintain sound risk management and internal control systems. To this end, the Board has established various committees to support the execution of its responsibilities. The Board, and committees thereof, define the risk preferences and appetites within which management is authorised to operate.

The risk function is responsible for supporting the Board, with the day-to-day oversight of the risks that CRL seeks or is exposed to in pursuit of its strategic objectives, and the satisfaction of certain regulatory risk management expectations relevant to CRL. The framework under which risks are managed contemplates risk appetite and tolerance constraints. Risk appetite is prescribed by the Board and is reviewed at least annually, with consideration of the financial and operational capacity of CRL. The use of financial capacity in this context relates to calculated or modelled capital requirements, based on residual unmitigated risk exposures. Current capital requirements are determined by reference to rating agency and regulatory capital requirements.

Day-to-day management of risk is the responsibility of management, operating within the defined appetite and tolerances. The risk framework prescribes a standardised approach to the management of risk, oversight and challenge by the risk function and independent assurance provided by the internal audit function. The risk framework also addresses the reporting of risks, emerging risks, risk events and compliance with risk appetite and tolerance statements to executive management and the Board, and relevant board committees, of CHL and CRL. To ensure alignment of the business, six Independent Non-Executive Directors from the CRL Board also serve on the CHL Board. Furthermore, the Board is invited to attend operating entity board

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level meetings and see all minutes and records of such operating entity board and committee meetings.

Climate change
CRL is exposed to risks associated with climate change but also potential opportunities arising from that risk. Risks from climate change can include physical risk and transition risk. Physical risks are those relating to the physical impacts of climate change, which can be from increased frequency and/or severity of climate-related events, or structural, due to longer-term shifts in climate patterns. Transition risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputational risk. The potential financial impact from these risks is mitigated by CRL's strategic and risk management policies.

Global tax reform
CRL continues to monitor developments in local and international taxation. On 27 December 2023 the Bermuda government enacted legislation, the Bermuda Corporate Income Tax Act of 2023 (Bermuda CIT), into law. CRL is currently not in scope for this new legislation. While certain implications of the new Bermuda CIT remain uncertain, CRL's current assessment is that CRL and its Bermuda-based affiliates (CHL, CSL, CML) do not meet the criteria to pay any taxes under the Bermuda CIT. If the Group were to meet the Bermuda CIT criteria in the future, it is likely that an exemption will be available for the first five years in which the tax would otherwise apply.

The international tax agenda continues to provide uncertainty to companies. CRL operates exclusively in Bermuda, which limits complexity. As CRL nor the Group meet the qualifying criteria under Bermuda CIT, CRL continues to benefit from an existing undertaking from the Bermuda government which exempts CRL from all Bermuda local income, withholding and capital gains taxes until 31 March 2035.

a. Reinsurance risk
CRL underwrites both short-tail and long-tail reinsurance contracts on a worldwide basis. These reinsurance contracts transfer insurance risk, including risks exposed to both natural and man-made catastrophes, and risk and liability losses. The risk in connection with underwriting reinsurance contracts is, in the event of a covered loss, whether the premiums will be sufficient to meet the associated loss payments and expenses. The underwriters evaluate and estimate the level of premiums sufficient to cover expected losses, expenses and profitability through a combination of sophisticated risk modelling tools, past experience and knowledge of loss events, current industry trends and broader economic indicators. In order to ensure appropriate reinsurance risk selection and limits on the concentration and diversification of the aggregate portfolio, CRL has established risk management and internal control systems to evaluate and assess the expected losses of each individual contract, class of business, geographic region and the aggregate portfolio.

These controls, include, but are not limited to:

— A five-year strategic plan is produced that defines the over-riding business goals that management and the CRL Board aim to achieve;
— A detailed business plan is produced annually and considers current market conditions and the risk-adjusted profitability of the underwriting portfolio;
— CRL's internal capital requirements consider the probability and magnitude of reinsurance losses varying adversely from the expected losses considered during the underwriting and subsequent reserving processes;
— Forecasts are produced periodically to assess the progress toward the business plan and the strategic plan;
— Each underwriter has a clearly defined limit of underwriting authority;
— Each contract underwritten is subject to a pre-bind peer review;
— An underwriting roundtable meeting, typically held daily, where deal flow, pricing and opportunities are discussed;
— Pricing models are used in all areas of the underwriting process and are stored centrally in our pricing platform;
— Risk appetite and tolerance statements have been established and the CRO reports quarterly on adherence;
— A number of modelling tools are used to model catastrophes and calculate the associated expected losses; and
— Outwards reinsurance is purchased to mitigate both frequency and severity of losses, and to protect CRL's capital base.

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Catastrophe management

Certain of CRL's classes of business provide coverage for natural-catastrophes (e.g., earthquakes, floods, hurricanes and wildfires) and are subject to seasonal variation and the impacts of climate change. CRL's business has exposure to large catastrophe losses in North America, Europe and Japan as a result of windstorms. The level of windstorm activity, and landfall thereof, during the North American, European and Japanese wind seasons may materially impact loss experience. The North American and Japanese wind seasons are typically June to November and the European wind season November to March. CRL also has exposure to other natural-catastrophes, such as earthquakes, tsunamis, droughts, floods, hail and tornadoes, which can occur throughout the year. In addition, CRL is exposed to risk losses throughout the year from perils such as fire, explosion, war, terrorism, political risk and other events, including loss arising from legal liabilities rather than physical damage.

CRL has defined its appetite and tolerances for risk accumulations and uses models to determine the expected frequency and severity of aggregating exposures. As with all such models, there is a risk that modelled expectations may not reflect actual outcomes and the scope of the models are such that not all exposures are captured.

CRL has set tolerances around various scenarios. Of these, at the commonly reported 100-year and 250-year return periods, CRL's most significant exposures to any single peril and region combination are to Florida windstorm and California earthquake. The table below shows the estimated net exposures to these peak zone perils on a first occurrence basis. Net positions are calculated by applying relevant reinstatement premiums and outwards reinsurance to the respective modelled gross exposures.

		2023		2022	
As at 31 December		**Net $m**	**% of tangible capital**	Net $m	% of tangible capital
Return period	**Peril**				
100-year	Florida windstorm	**92.7**	**9.2%**	18.5	**2.1%**
250-year	Florida windstorm	**90.0**	**8.9%**	61.1	**6.9%**
100-year	California earthquake	**72.0**	**7.1%**	20.8	**2.4%**
250-year	California earthquake	**72.7**	**7.2%**	74.8	**8.5%**

The table shows modelled estimated exposure at a point in time. At the 100-year return period the primary driver for the year-on-year increase is that in 2023 there were no individual loss events that were significant enough to CRL to reduce the magnitude of loss event needed to trigger aggregate outward reinsurance recoveries. The 2022 comparative, by contrast, reflected that events, including Hurricane Ian, had moved CRL closer to recoveries from aggregate protections. The increases are also influenced by increasing risk appetite as CRL scales.

The modelled estimated exposure for Florida windstorm on a net 250-year basis is lower than a 100 year basis due to the characteristics of the Stabilitas Re catastrophe bond. Refer to note 17 for additional details.

There can be no guarantee that the modelled assumptions and techniques deployed in calculating these figures are accurate. There could also be an unmodelled loss which exceeds these figures. The models also contain loss scenarios which could cause a larger loss to capital than the modelled expectation from the above return periods.

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Operating segments
The underwriting business is comprised of three principal divisions: Property, Casualty and Specialty. These divisions are also considered to be CRL's operating segments. Details of each operating segment and reinsurance revenue by geographic region and operating segment are as follows:

	2023					2022				
Year ended 31 December	**Property $m**	**Casualty $m**	**Specialty $m**	**Total $m**	**Total %**	Property $m	Casualty $m	Specialty $m	Total $m	Total %
US	198.0	118.3	20.6	336.9	53.2	109.8	104.0	3.9	217.7	55.5
Worldwide	101.2	23.4	74.7	199.3	31.5	56.5	14.9	51.4	122.8	31.3
Europe	21.7	28.2	19.7	69.6	11.0	15.7	16.2	7.0	38.9	9.9
Other	24.3	1.9	1.0	27.2	4.3	10.8	1.6	0.6	13.0	3.3
Reinsurance revenue	**345.2**	**171.8**	**116.0**	**633.0**	**100.0**	**192.8**	**136.7**	**62.9**	**392.4**	**100.0**

Property reinsurance
CRL is exposed to large natural-catastrophe losses, such as windstorm and earthquake losses, primarily from assuming risks associated with property treaties. Exposure to natural-catastrophe events is controlled and measured by managing to predefined limits within stochastic modelling and deterministic accumulations across classes per geographic zone and peril. The accuracy of these analyses is limited by the quality of data and the effectiveness of the modelling. It is possible that a catastrophic event significantly exceeds the expected modelled event loss.

Natural-catastrophe risk is written across both the US and internationally on an excess of loss and capped quota share basis. Reinsurance structures are offered typically in respect of peril, geography and probability of activation or exhaustion.

Property per risk treaties are offered with the strategy to minimise natural-catastrophe exposure, focusing on fire risk. This is considered by both natural-catastrophe specific metrics, treaty conditions and excess of loss structure.

Ceded reinsurance may be purchased to mitigate exposures to large natural-catastrophe losses. Ceded reinsurance is typically purchased on an ultimate net loss excess of loss basis, however industry loss warranties, catastrophe bonds issuances, or proportional treaty arrangements may also be utilised.

Casualty reinsurance
CRL underwrites a balanced portfolio of casualty classes of business, comprised of both excess of loss and proportional contracts, on a worldwide basis.

Casualty claims tend to take longer to be reported and ultimately settled than physical damage risks. CRL typically maintains a liability for incurred claims for casualty classes of business over a longer period of time than for the property and specialty classes of business where the costs of claims are generally known and settled within a shorter time frame.

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CRL will purchase ceded reinsurance to protect against any 'clash' between losses arising in its casualty portfolio.

The sub-classes of casualty business include directors and officers liability, financial institutions liability, general liability for multiple sub-classes and, on an excess and umbrella basis, medical malpractice, professional liability and transactional liability. CRL has limited appetite for, and generally avoids, workers compensation, standalone auto and cyber treaties.

Directors and officers liability
Directors and officers liability policies offer protection for company managers and directors and officers against claims that may arise in the normal course of operations. Coverage includes legal expenses and liability to shareholders, bondholders, creditors or others owing to actions or omissions by a director or officer of a private or public corporation, or not-for-profit organisation.

Financial institutions liability
Financial institutions coverage may cover risks such as computer and commercial crime, professional indemnity and civil liability.

General liability
General liability commonly provides cover for losses arising from the legal liability of an original insured and statutory liability in the case of employers' liability which result in bodily injury or disease to third parties or physical damage to third-party property. CRL offers a wide range of general liability reinsurance products including contractors general liability, excess general liability, umbrella, energy and environmental.

Medical malpractice
Medical malpractice reinsurance generally covers professional liability and errors and omissions specifically in the healthcare industry, protecting physicians and other healthcare professionals against claims of negligent acts or injury of patients under their care. Medical malpractice reinsurance does not cover intentional or criminal acts.

Professional liability
Professional liability generally provides coverage for third-party losses resulting from legal liability or civil liability or negligence, errors or omissions or wrongful acts arising from the provision of, or failure to provide, professional services by an original insured. Sub-classes of this business would include lawyers, accountants, architects and engineers, errors and omissions, plus miscellaneous professional liability.

Transactional liability
Transactional liability reinsurance is used by parties to various business transactions, such as mergers, acquisitions and divestitures, to transfer certain transaction-related risks to the reinsurance market. There can be a broad range of risks covered, including warranty, litigation, pension and tax uncertainties and employment matters.

Specialty reinsurance
CRL's specialty classes of business are written on both an excess of loss and proportional basis and can provide reinsurance coverage against physical damage (short-tail) or against legal liability (long-tail) losses. Although specialty classes of business are exposed to natural-catastrophe risk, it is generally to a lesser extent than property classes of business. They are more likely to be affected by specific large loss events such as accidents, collisions, fires and similar man-made catastrophe events. Specialty classes of business are highly diverse in nature and require specific market expertise and experience. The specialty classes of business include, but are not limited to, aviation, energy, engineering and construction, environmental, marine, renewables, political violence and terrorism and are offered on both a specific and a whole account basis.

CRL purchases ceded reinsurance protection to reduce exposure to both large risk losses and an accumulation of smaller claims arising from any one event. Ceded reinsurance is typically purchased on an excess of loss basis, but, from time to time, proportional arrangements may be entered into.

Aviation
The aviation class of business provides cover to the insurers of airlines, aircraft, airports, aircraft manufacturers and aviation related products, and includes cover for the aircraft themselves as well as losses arising from passenger and third-party liability claims against airlines and/or operators and/or manufacturers.

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Energy
The energy class of business provides reinsurance cover for a global spread of accounts that includes risks such as downstream energy, midstream energy, upstream energy, energy liability, construction and natural perils related coverages such as Gulf of Mexico wind and hurricane programmes. Policies typically cover legal liability of an insured and property for physical damage (including natural-catastrophe), machinery breakdown perils and consequential business interruption exposure. Loss limits are set at a level commensurate with the modelled estimated maximum loss scenario.

Engineering and construction
The class covers a wide range of products falling under related property and business income protection on a worldwide basis. These products include, but are not limited to, contractors' all risks, erection all risks, plant and equipment, machinery breakdown and loss of profits. Projects range from small bespoke to large civil engineering constructions. The main hazards are fire and explosion, theft, collapse and natural perils such as earthquake, windstorm and flood.

Environmental
Environmental products generally provide cover relating to the environmental and energy casualty classes with regard to pollution. The related sectors typically include energy, construction, and industrial which includes both commercial and residential risks.

Marine
Marine cargo is an international account and covers the reinsurance of commodities or goods in transit. Typically, transit cover is provided on an all-risks basis for marine perils for the full value of the goods concerned. Static cover is also provided for losses to cargo, from both elemental and non-elemental causes. In addition, the cargo account can include for example, fine art, vault risks, artwork on exhibition and marine war and terrorism business relating to cargo in the ordinary course of transit.

Marine liability commonly provides cover for legal liability for losses arising from the operation of marine and offshore related assets including but not limited to the reinsurance of the International Group of Protection and Indemnity Clubs, the operation and management of ships and vessels, cargo, and marine builders' risks covering the building of ocean-going vessels and offshore assets.

The marine hull class generally consists of worldwide coverage spanning physical damage, hull and machinery breakdown, loss of hire and mortgagees' interests for a range of maritime vessels from cargo and passenger ships to private pleasure craft. Products typically cover both risk and catastrophe exposures.

Renewables
The class covers a wide range of tailored solutions globally. The class includes offshore and onshore wind power, ground and rooftop solar power plus bioenergy fuels and associated operations. The risks exposed are quite unique, from difficult construction operations to installing complex equipment that is routinely exposed to natural hazards. Policies typically include cover for physical damage, legal liability, machinery breakdown and business interruption for both construction and operational phases.

Political violence and terrorism
Political violence and terrorism coverage is provided for US and worldwide property risks, but typically excluding nuclear, chemical, biological and cyber coverage in most territories.

Whole account
Coverage is generally provided on a worldwide basis and covers a broad spectrum of the cedants risks under a single policy. The classes of business covered under a whole account reinsurance policy can include property, specialty and casualty classes of business including commercial and personal automobile, general liability, workers' compensation, employers' liability, excess casualty and umbrella, as well as selected professional liability coverage.

Ceded reinsurance
Ceded reinsurance is purchased in the normal course of business to increase capital capacity, limit the impact of individual risk losses and loss events impacting multiple cedants (such as natural-catastrophes), or both. Ceded reinsurance may also be purchased from time to time to optimise the risk-adjusted return of CRL's aggregate underwriting portfolio. CRL may purchase ceded reinsurance on both an excess of loss and proportional basis, and may also use reinsurance linked to catastrophe bonds or other capital market products. The mix of ceded reinsurance coverage is dependent on specific loss mitigation requirements, market conditions and available capacity. In certain market conditions, CRL may deem it more economic to hold capital than purchase ceded reinsurance. Ceded reinsurance does not relieve CRL of its obligations to policyholders. CRL is exposed to reinsurance risk where ceded reinsurance contracts put in place

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to reduce gross reinsurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the limits purchased. Failure of a ceded reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section below. Ceded reinsurance coverage is not intended to be available to meet all potential loss circumstances. CRL will retain certain losses, as the cover purchased is unlikely to transfer the totality of CRL's exposure. Any loss amount which exceeds the ceded reinsurance coverage purchased would be retained by CRL. Some ceded reinsurance policies have limited reinstatements, therefore the number of claims which may be recovered on second, and subsequent loss circumstances is limited.

Under CRL's ceded reinsurance security policy, ceded reinsurers are assessed and approved based on their financial strength ratings, among other factors. These decisions are regularly reviewed as an integral part of the business planning and performance monitoring process. The management Counterparty Security Committee examines and approves all CRL's ceded reinsurers to ensure that they possess suitable security.

Fulfilment cash flows

Fulfilment cash flows consist of:

- The estimates of future cash flows required in the ultimate settlement of claims;
- An adjustment for the time value of money; and
- A risk adjustment for non-financial risk

Estimates of future cash flows

A significant and critical judgement and estimate made by management is the estimation of future cash flows in relation to ultimate claims settlements. Management estimates, in an unbiased way, future cash flows to cover its estimated liability for both reported and unreported claims on events that have occurred up to the latest valuation date, incorporating all reasonable and supportable information that is available without undue cost or effort. Management uses methodologies that calculate a point estimate for the ultimate losses, representing management's best estimate of ultimate future cash flows. CRL estimates future cash flows by taking outstanding losses, adding an estimate for IBNR and, if deemed necessary, ACRs which represent CRL's estimate for losses related to specific contracts that management believes may not be adequately estimated by the cedant as at that date.

Liabilities for incurred claims are not permitted until the occurrence of an event which may give rise to a claim. As a result, only provisions applicable to losses that have occurred up to the reporting date are established, with no allowance for the provision of a contingency liability to account for expected future losses or for the emergence of new types of latent claims. Claims arising from future events can be expected to require the establishment of substantial liabilities from time to time. The estimated timing of the future cash flows is determined by applying cash flow payment assumptions to the best estimate of ultimate future cash flows.

The reserving process is dependent on management's judgement and is subject to meaningful uncertainty due to both qualitative and quantitative factors, including, but not limited to: the nature of the business written, whether it is short-tail or long-tail, whether it is excess of loss or proportional, the magnitude and timing of loss events, the geographic areas impacted by loss events, time lags in the reporting process from the original claimant, limited claims data, policy coverage interpretations, case law, regulatory directives, demand surge and inflation, potential uncertainties related to reinsurance and ceding company reserving practices, and other factors inherent in the estimation process for the net ultimate liability for incurred claims.

The judgements and estimates used in establishing future cash flow calculations may be revised as additional experience or other data becomes available. Future cash flows are also reviewed as new or improved methodologies are developed and as laws or regulations change. Furthermore, as a business operating within a broker market, management must rely on loss information reported to brokers by other insurers and their loss adjusters, who must estimate their own losses at the policy level, often based on incomplete and changing information. The information management receives varies by cedant and may include paid losses, estimated case reserves and an estimated provision for IBNR reserves. Additionally, reserving practices and the quality of data reporting may vary among ceding companies, which adds further uncertainty to management's estimates of the ultimate losses.

CRL's internal actuaries review the assumptions and methodologies on a quarterly basis and develop an actuarial best estimate of CRL's future cash flows using the processes outlined above. The management Reserving Committee reviews the estimate for the liability for incurred claims on a quarterly basis. The reserves are subject to a semi-annual independent review by CRL's external actuaries. The results of the internal and independent reserve reviews are presented to the Audit Committee.

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Risk adjustment
The risk adjustment for non-financial risk is the compensation that CRL requires for bearing the uncertainty about the amount and timing of the cash flows arising from reinsurance contracts. CRL determines the risk adjustment at the entity level and allocates to the groups of reinsurance contracts.

CRL has estimated the risk adjustment using a margin-based approach. The margins are calibrated to a targeted confidence interval range using the BMA BSCR risk framework. CRL expects that the risk adjustment recognised within the fulfilment cash flow will fall within the range of the 75th and the 85th percentile, gross and net of ceded reinsurance. CRL estimates that the risk adjustment net of ceded reinsurance corresponds to the 82nd percentile as at 31 December 2023 and to the 81st percentile as at 31 December 2022.

Short-tail versus long-tail
Claims relating to short-tail risks are generally reported more promptly than those relating to long-tail risks. The timeliness of reporting can be affected by such factors as the nature of the event causing the loss, the location of the loss and whether the losses are from policies in force with primary insurers or reinsurers.

Excess of loss versus proportional
For excess of loss contracts, management is aided by the fact that each policy has a defined limit of liability arising from one event. Once that limit has been reached, there is no further exposure to additional losses from that policy for the same event. For proportional business, an initial estimated loss and loss expense ratio is generally used. This is based upon information provided by the ceding company and/or their broker and management's historical experience of that treaty, if any, and the estimate is adjusted as actual experience becomes known.

b. Market risk
CRL is at risk of loss due to movements in market factors. The main market risks CRL was exposed to include:
- Reinsurance risk;
- Investment risk; and
- Currency risk.

Reinsurance risk
CRL is exposed to reinsurance market risk from several sources, including the following:
- The advent or continuation of a soft market, which may result in a stabilisation or decline in premium rates and/or terms and conditions for certain classes, or across all classes;
- The actions and reactions of key competitors, which may directly result in volatility in premium volumes and rates, fee levels and other input costs;
- Market events, including unusual inflation in rates, may result in a limit in the availability of cover, causing political intervention or national remedies;
- Failure to maintain broker and cedant relationships, leading to a limited or substandard choice of risks inconsistent with CRL's risk appetite;
- Changes in laws and regulation, including capital, governance or licensing requirements: and
- Changes in the geopolitical environment;

The most important method to mitigate reinsurance market risk is to maintain strict underwriting standards. CRL manages reinsurance market risk in numerous ways, including the following:
- Reviews and amends underwriting plans and outlook as necessary;
- Reduces exposure to, or withdraws from, market sectors where conditions have reached unattractive levels;
- Purchases appropriate, cost-effective reinsurance cover to mitigate exposures;
- Closely monitors changes in rates, terms and conditions and inflation;
- Ensures through rigorous underwriting criteria that surplus capital does not drive short-term risk appetite;
- An underwriting roundtable meeting, typically held daily, where deal flow, pricing and opportunities are discussed;
- Holds quarterly management Underwriting Oversight Committee meetings that consider matters that include underwriting performance;
- Holds an annual strategy review meeting;
- Holds a quarterly Underwriting Committee board meeting that considers matters including underwriting performance;
- Holds a quarterly Risk, Capital and Compliance Committee meeting to review relevant risk and capital considerations; and
- Holds regular meetings with regulators and rating agencies.

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Reinsurance finance risk

Estimates of future cash flows for incurred claims are discounted on initial recognition and then re-measured to current rates as at each reporting date. Reinsurance liabilities and ceded assets for incurred claims are therefore sensitive to the level of market interest rates. Interest rate risk on reinsurance contracts is the risk that the value of the future cash flows will fluctuate due to changes in market interest rates. Movements in interest rates may lead to an adverse impact on the value of CRL's reinsurance contract assets and liabilities. CRL manages this risk by monitoring the duration of reinsurance contract cash flows and adopting policies regarding asset and liability matching to reduce the volatility arising from interest rate movements on assets and liabilities in the statement of comprehensive income (loss).

The total reinsurance contract assets and liabilities exposed to interest rate risk are detailed below:

		2023	2022
As at 31 December	**Note**	**$m**	$m
Ceded asset for incurred claims	13	42.6	58.5
Liability for incurred claims	13	(592.2)	(391.1)
Total		**(549.6)**	**(332.6)**

Discount rates

All future cash flows are discounted using yield curves that are adjusted to reflect the characteristics of the cash flows and the liquidity of the reinsurance contracts. CRL determines its discount rates using a bottom-up method of using a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields published by EIOPA for the relevant, material currencies. The illiquidity premium is estimated by reference to observable market corporate bond yields.

The annual spot rates, including illiquidity premium, used for the re-measurement of the net liability for incurred claims as at the balance sheet date are shown below for all portfolios:

	2023				2022			
As at 31 December	**1 year**	**3 years**	**5 years**	**10 years**	1 year	3 years	5 years	10 years
USD	5.26%	4.22%	4.00%	3.95%	5.57%	4.76%	4.45%	4.25%
EUR	3.86%	2.94%	2.82%	2.89%	3.68%	3.70%	3.63%	3.59%
GBP	5.24%	4.17%	3.86%	3.78%	4.96%	4.83%	4.56%	4.21%

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The sensitivity of CRL's net reinsurance liability for incurred claims to interest rate movements is detailed below, assuming linear movements in interest rates:

	2023		2022	
As at 31 December	**$m**	**%**	$m	%
Immediate shift in yield (basis points)				
100	17.4	3.2	10.7	3.2
75	13.1	2.4	8.1	2.4
50	8.7	1.6	5.4	1.6
25	4.4	0.8	2.7	0.8
0	-	-	-	-
-25	(4.4)	(0.8)	(2.7)	(0.8)
-50	(8.8)	(1.6)	(5.5)	(1.7)
-75	(13.3)	(2.4)	(8.2)	(2.5)
-100	(17.8)	(3.2)	(11.0)	(3.3)

Investment risk

Movements in investments resulting from changes in interest and inflation rates, credit spreads, and currency exchange rates, among other factors, may lead to an adverse impact on the value of CRL's investment portfolio. CRL seeks to invest in issuers with stronger ESG practices on balance, as it believes that this will also help reduce risk in the portfolio.

The Investment Committee of CRL is responsible for all investment-related decisions and investment guidelines. The investment guidelines set the parameters within which CRL's external managers must operate. Important parameters of these guidelines include permissible asset classes, duration ranges, credit quality, permitted currency, maturity, industry sectors, geographical, sovereign and issuer exposures. Guideline compliance is monitored on a monthly basis. The portfolio of fixed maturity securities is currently managed by four external managers. Their performance is monitored on an ongoing basis. CRL projects the level of funds required to meet near-term obligations and cash flow needs following extreme events in order to ensure adequate liquidity is maintained. CRL also prioritises liquid asset classes with higher credit quality and shorter duration so that CRL can meet reinsurance and other near-term obligations. CRL has split the portfolio into a short-tail mandate, to better match the property and specialty classes of business, and a long-tail mandate, to better match the casualty classes of business and some aspects of the specialty classes of business. The short-tail mandate will be slightly shorter duration than the long-tail mandate.

CRL reviews the composition, duration and asset allocation of its investment portfolio on a regular basis to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

CRL models various periods of significant stress in order to better understand the investment portfolio's risks and exposures. The scenarios represent what could, and most likely will, occur – albeit not in the exact form of the scenarios, which are based on historic periods of volatility. CRL also monitors the portfolio impact of more severe scenarios consisting of extreme shocks.

CRL focuses on the most significant risks in its investment portfolio which are interest rate risk, credit risk and liquidity risk, and has built stress testing and risk analytics around these risks to ensure they are within tolerances and preferences.

Strategic asset allocation reviews will be undertaken periodically to assess CRL's overall investment strategy and to consider alternative asset allocations to achieve the best risk-adjusted return within CRL's risk appetite. Any resulting recommendations would be approved by the appropriate management committee(s) and reported to the Board. The Investment Committee meets quarterly to ensure that the strategic and tactical investment actions were consistent with investment risk preferences, appetite, risk and return objectives and tolerances. The investment risk tolerances have been incorporated into the risk framework.

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The investment mix by mandate and sector of CRL's portfolio of fixed maturity securities is as follows:

As at 31 December 2023	**Estimated fair value short-tail $m**	**Estimated fair value long-tail $m**	**Estimated fair value total $m**
Short-term investments	42.0	4.7	46.7
US treasuries	230.0	113.9	343.9
US agency debt	2.0	1.8	3.8
US municipals	11.8	7.3	19.1
Non-US government and agency	2.0	-	2.0
Asset-backed	125.4	48.9	174.3
US government agency mortgage-backed	62.3	59.8	122.1
Non-agency mortgage-backed	11.7	6.6	18.3
Agency commercial mortgage-backed	7.8	-	7.8
Non-agency commercial mortgage-backed	25.6	31.2	56.8
Corporate	286.1	157.5	443.6
Total	**806.7**	**431.7**	**1,238.4**

As at 31 December 2022	Estimated fair value short-tail $m	Estimated fair value long-tail $m	Estimated fair value total $m
Short-term investments	33.2	4.7	37.9
US treasuries	103.6	106.6	210.2
US agency debt	-	1.8	1.8
US municipals	10.0	5.2	15.2
Non-US government and agency	2.0	-	2.0
Asset-backed	102.6	61.2	163.8
US government agency mortgage-backed	52.7	47.9	100.6
Non-agency mortgage-backed	9.8	3.0	12.8
Agency commercial mortgage-backed	3.2	-	3.2
Non-agency commercial mortgage-backed	21.9	30.8	52.7
Corporate	263.6	157.9	421.5
Total	**602.6**	**419.1**	**1,021.7**

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Corporate and non-US government and agency bonds by country are as follows:

As at 31 December 2023	**Financials $m**	**Other industries $m**	**Non-US government and agency $m**	**Total $m**
US	179.0	178.5	-	357.5
UK	22.9	1.6	-	24.5
Canada	16.1	0.9	-	17.0
Other countries	42.9	1.7	2.0	46.6
Total	**260.9**	**182.7**	**2.0**	**445.6**

As at 31 December 2022	Financials $m	Other industries $m	Non-US government and agency $m	Total $m
US	140.6	187.7	-	328.3
UK	21.7	5.5	-	27.2
Canada	23.2	0.5	-	23.7
Other countries	35.4	6.9	2.0	44.3
Total	**220.9**	**200.6**	**2.0**	**423.5**

The sector allocation of corporate bonds is as follows:

	2023		2022	
As at 31 December	**$m**	**%**	$m	%
Financials	260.9	58.8	220.9	52.4
Industrials	161.4	36.4	180.3	42.8
Utilities	21.3	4.8	20.3	4.8
Total	**443.6**	**100.0**	**421.5**	**100.0**

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CRL's investment portfolio is comprised of fixed maturity securities and cash and cash equivalents. Fair values can be impacted by movements in interest rates, credit ratings, exchange rates, the current economic environment and outlook. The estimated fair value of the portfolio of fixed maturity securities is generally inversely correlated to movements in market interest rates. If market interest rates fall, the estimated fair value of CRL's portfolio of fixed maturity securities would tend to rise and vice versa. The sensitivity of the price of fixed maturity securities to movements in interest rates is indicated by their duration. The greater a security's duration, the greater its price volatility to movements in interest rates. The sensitivity of CRL's portfolio of fixed maturity securities to interest rate movements is detailed below, assuming linear movements in interest rates.

	2023		2022	
As at 31 December	**$m**	**%**	$m	%
Immediate shift in yield (basis points)				
100	**(32.1)**	**(2.6)**	(23.0)	(2.2)
75	**(24.1)**	**(1.9)**	(17.2)	(1.7)
50	**(16.0)**	**(1.3)**	(11.5)	(1.1)
25	**(8.0)**	**(0.6)**	(5.7)	(0.6)
0	**-**	**-**	-	-
-25	**9.1**	**0.7**	6.6	0.6
-50	**18.3**	**1.5**	13.2	1.3
-75	**27.4**	**2.2**	19.7	1.9
-100	**36.5**	**2.9**	26.3	2.6

CRL mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines. The duration of the portfolio is matched to the modelled expected duration of the reinsurance reserves, within a permitted range. The permitted duration range for the portfolio is between 1.5 and 5 years. The overall duration for the fixed maturity securities, managed cash and cash equivalents is 2.4 years as at 31 December 2023 (as at 31 December 2022: 2.2 years).

In addition to duration management, CRL monitors VaR to measure potential losses in the estimated fair values of its cash and invested assets and to understand and monitor risk. The VaR calculation is performed using variance/covariance risk modelling. Securities are valued individually using standard market pricing models. These security valuations serve as the input to many risk analytics. The principal VaR measure that is produced is an annual VaR at the 99th percentile confidence level. Under normal conditions, the portfolio is not expected to lose more than the VaR metric listed below, 99% of the time over a one-year time horizon. The appropriateness of this measure is considered by the Investment Committee periodically.

CRL's annual VaR calculation is as follows:

	2023		2022	
As at 31 December	**$m**	**% of shareholders' equity**	$m	% of shareholders' equity
99th percentile confidence level	**91.9**	9.1 %	62.0	7.0 %

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Currency risk

CRL is susceptible to fluctuations in rates of foreign exchange, principally between the US dollar and pound sterling and the US dollar and the euro. Even though risks are assumed on a worldwide basis, they are predominantly denominated in US dollars. CRL is exposed to currency risk to the extent its assets are denominated in different currencies to its liabilities. CRL is also exposed to translation risk on non-monetary assets and liabilities. Foreign currency gains and losses are recorded in the period they occur in the statement of comprehensive income (loss).

CRL hedges monetary non-US dollar liabilities primarily with non-US dollar assets but may also use derivatives, such as currency forwards, to mitigate foreign currency exposures. The main foreign currency exposure relates to its reinsurance and ceded reinsurance assets and liabilities, cash holdings and dividend payable, if applicable.

With the adoption of IFRS 17 all reinsurance and ceded reinsurance assets and liabilities are monetary items and are revalued at period end exchange rates.

The following table summarises the carrying value of all monetary and non-monetary assets and liabilities categorised by CRL's main currencies. Prior periods have been restated for the adoption of IFRS 17:

As at 31 December 2023	**USD $m**	**GBP $m**	**EUR $m**	**Other $m**	**Total $m**
Total assets	1,411.2	50.9	16.6	25.5	1,504.2
Total liabilities	(425.7)	(20.1)	(29.3)	(20.4)	(495.5)
Net assets (liabilities)	**985.5**	**30.8**	**(12.7)**	**5.1**	**1,008.7**

As at 31 December 2022 (re-stated)	USD $m	GBP $m	EUR $m	Other $m	Total $m
Total assets	1,183.9	28.9	4.3	7.1	1,224.2
Total liabilities	(296.4)	(8.6)	(22.4)	(12.9)	(340.3)
Net assets (liabilities)	**887.5**	**20.3**	**(18.1)**	**(5.8)**	**883.9**

The impact on profit from a proportional foreign exchange movement of 10.0% against the US dollar at year end spot rates would be an increase or decrease of $3.4 million (31 December 2022: decrease or increase $1.0 million).

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c. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring unreasonable costs. CRL's main exposure to liquidity risk is with respect to its reinsurance and investment activities. CRL is exposed if proceeds from the sale of financial assets are not sufficient to fund obligations arising from reinsurance contacts and/or other liabilities. CRL can be exposed to fund daily calls on its available investment assets, principally to settle reinsurance claims and/or to fund trust accounts following a large catastrophe loss, or other collateral requirements.

Liquidity risk exposures related to reinsurance activities are as follows:

- Large catastrophic events, or multiple medium-sized events in quick succession, requiring the payment of high value claims within a short time frame or to fund trust accounts established to collateralise claims payment liabilities;
- Failure of cedants to meet their contractual obligations with respect to the timely payment of premiums; and
- Failure of CRL's ceded reinsurers to meet their contractual obligations to pay claims within a timely manner.

Liquidity risk exposures related to investment activities are as follows:

- Adverse market movements and/or a duration mismatch to obligations, resulting in investments needing to be disposed of at a significant realised loss; and
- An inability to liquidate investments due to market conditions.

CRL's investment strategy is to hold high quality, liquid securities sufficient to meet reinsurance liabilities and other near-term liquidity requirements. Portfolios are specifically designed to ensure funds are readily available in an extreme event.

The maturity dates of CRL's portfolio of fixed maturity securities are as follows:

As at 31 December 2023	**Short-tail $m**	**Long-tail $m**	**Total $m**
Fixed maturity securities at FVTPL			
Less than one year	174.6	29.9	204.5
Between one and two years	135.3	13.1	148.4
Between two and three years	122.3	47.7	170.0
Between three and four years	29.3	21.5	50.8
Between four and five years	41.1	79.8	120.9
Over five years	71.3	93.2	164.5
Asset-backed and mortgage-backed	232.8	146.5	379.3
Total	**806.7**	**431.7**	**1,238.4**

As at 31 December 2022	Short-tail $m	Long-tail $m	Total $m
Fixed maturity securities at FVTPL			
Less than one year	167.9	46.0	213.9
Between one and two years	149.5	37.0	186.5
Between two and three years	54.2	12.5	66.7
Between three and four years	15.8	48.8	64.6
Between four and five years	4.9	21.0	25.9
Over five years	20.1	110.9	131.0
Asset-backed and mortgage-backed	190.2	142.9	333.1
Total	**602.6**	**419.1**	**1,021.7**

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The estimated maturity profile of the reinsurance liability for incurred claims and financial liabilities of CRL is as follows:

	Years until liability becomes due – discounted											
	2023						2022					
As at 31 December	**Carrying value $m**	**Less than one $m**	**One to three $m**	**Three to five $m**	**Over five $m**	**Total $m**	Carrying value $m	Less than one $m	One to three $m	Three to five $m	Over five $m	Total $m
Reinsurance liability for incurred claims	592.2	158.0	231.4	117.3	85.5	592.2	391.1	109.9	160.0	66.1	55.1	391.1
Other reinsurance payables	12.0	12.0	-	-	-	12.0	16.2	16.2	-	-	-	16.2
Other payables	1.0	1.0	-	-	-	1.0	4.0	4.0	-	-	-	4.0
Total	**605.2**	**171.0**	**231.4**	**117.3**	**85.5**	**605.2**	**411.3**	**130.1**	**160.0**	**66.1**	**55.1**	**411.3**

Actual maturities of the above may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. The estimation of the ultimate liability for incurred claims is complex and incorporates a significant amount of judgement. The timing of payments is also uncertain and cannot be predicted as simply as for other financial liabilities. Actuarial and statistical techniques, past experience and management's judgement have been used to determine a likely settlement pattern.

As at 31 December 2023, cash and cash equivalents were $199.1 million (31 December 2022: $112.4 million). CRL manages its liquidity risks via its investment strategy to hold high quality, liquid securities, sufficient to meet its reinsurance liabilities and other near-term liquidity requirements. In addition, CRL has established asset allocation and maturity parameters within the investment guidelines such that the majority of the investments are in high quality assets which could be converted into cash promptly and at minimal expense. CRL monitors market changes and outlook and reallocates assets as it deems necessary.

As at 31 December 2023, CRL considers it has more than adequate liquidity to pay its obligations as they fall due even if difficult investment market conditions were to prevail for a period of time.

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d. Credit risk

Credit risk is the risk that a counterparty may fail to pay, or repay, a debt or obligation. CRL is exposed to credit risk on its fixed maturity investment portfolio, its expected premium cash flows due from cedants and on ceded reinsurance recoverables.

Credit risk on CRL's portfolio of fixed maturity securities is mitigated through the investment policy to invest in instruments of high credit quality issuers and to limit the amounts of credit exposure with respect to particular ratings categories and any one issuer. Securities rated below an S&P or equivalent rating of BBB+ may comprise no more than 10.0% of the portfolio. CRL also limits exposure to individual issuers, with declining limits for less highly rated issuers. CRL therefore does not expect any significant credit concentration risk on its investment portfolio, except for fixed maturity securities issued by the US government and its agencies.

CRL is potentially exposed to counterparty credit risk in relation to the total expected premium cash flows due from reinsurance brokers and cedants and on ceded reinsurance recoverables due from CRL's reinsurers. Credit risk on total expected premium cash flows due from cedants is managed by conducting business with reputable broking organisations, with whom CRL has established relationships, and by rigorous cash collection procedures. CRL also has a broker approval process in place. Credit risk from ceded reinsurance recoverables is primarily managed by the review and approval of reinsurer security, with ongoing monitoring in place.

Ceded reinsurance recoverables are recorded within ceded reinsurance contract assets as the ceded asset for incurred claims which is shown in note 14.

The table opposite presents an analysis of CRL's major exposures to counterparty credit risk, based on their rating. Expected premium cash flows are not rated, however there is limited default risk associated with these amounts.

As at 31 December 2023	**Cash and cash equivalents and fixed maturity securities $m**	**Ceded asset for incurred claims $m**
AAA	434.2	-
AA+, AA, AA-	562.0	-
A+, A, A-	331.9	23.1
BBB+, BBB, BBB-	109.4	-
Other	-	19.5
Total	**1,437.5**	**42.6**

As at 31 December 2022	Cash and cash equivalents and fixed maturity securities $m	Ceded asset for incurred claims
AAA	651.4	-
AA+, AA, AA-	74.5	-
A+, A, A-	279.2	31.0
BBB+, BBB, BBB-	129.0	-
Other	-	27.5
Total	**1,134.1**	**58.5**

The ceded reinsurance assets classified as other are fully collateralised.

As at 31 December 2023 the average credit quality of CRL's cash and cash equivalents and portfolio of fixed maturity securities was AA (31 December 2022: AA).

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Total expected premium cash flows represents the premium, net of deductions, expected to be received for past and future reinsurance coverage. The following table shows total expected premium cash flows that are not yet due and those that are past due but not impaired, which represents the exposure to credit risk on reinsurance contracts issued at the balance sheet date:

As at 31 December	**2023 $m**	2022 $m (re-stated)
Not yet due	318.2	215.0
Less than 90 days past due	42.7	29.8
Over 90 days past due	7.0	3.4
Total	**367.9**	**248.2**

For the years ended 31 December 2023 and 2022 no provisions have been made for impaired or irrecoverable balances and no amount was charged to the statement of comprehensive income (loss) in respect of bad debts.

e. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems or external events. During the reporting period, various operational risks were identified, and steps were taken to manage or mitigate these risks.

The risk framework addresses the identification, assessment and management of operational risks. This process involves the use of risk registers to identify inherent risk and residual risk after the application of controls. The management of individual risks is the responsibility of management, with independent challenge and oversight provided by the risk function. The results of compliance reviews and independent internal audits provide an additional level of review and verification. The Audit Committee has selected a reputable provider to serve as outsourced internal auditors.

f. Strategic risk

CRL has identified several strategic risks, including:
- The risks that either the poor execution of the business plan or an inappropriate business plan in itself results in a strategy that fails to reflect adequately the trading environment, resulting in an inability to optimise performance, including reputational risk;
- The risks of the failure to maintain adequate capital, accessing capital at an inflated cost or the inability to access capital and unanticipated changes in vendor, regulatory and/or rating agency models that could result in an increase in capital requirements or a change in the type of capital required; and
- The risks of succession planning, staff retention and key personnel risks.

Business plan risk

CRL's business plan forms the basis of operations and provides strategic direction to management. Actual versus planned results are monitored regularly.

Capital management risk

The total tangible capital is as follows:

As at 31 December	**2023 $m**	2022 $m (re-stated)
Shareholders' equity	1,008.7	883.9
Intangible assets	-	1.4
Total tangible capital	**1,008.7**	**882.5**

Risks associated with the effectiveness of CRL's capital management are mitigated as follows:
- Regular monitoring of current and prospective regulatory and rating agency capital requirements;
- Oversight of capital requirements by the Board;
- Ability to purchase sufficient, cost-effective reinsurance;
- Maintaining contact with vendors, regulators and rating agencies in order to stay abreast of upcoming developments; and

Notes to the financial statements
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- Participation in industry groups such as the Association of Bermuda Insurers and Reinsurers, Reinsurance Association of America and the International Underwriting Association.

CRL reviews the level and composition of capital on an ongoing basis with a view of:
- Maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- Maximising the risk-adjusted return to shareholders within the context of the defined risk appetite;
- Maintaining an adequate financial strength rating; and
- Meeting all relevant capital requirements.

Capital is increased or returned as appropriate. The retention of earnings generated leads to an increase in capital. Capital raising can include debt or contributions, and returns of capital may be made through a return of capital, dividends, redemption of debt or any combination thereof. Other capital management tools and products available to CRL may also be utilised. All capital actions require approval by the Board.

The primary source of capital used by CRL is equity shareholder's funds provided by its parent. The ability of CRL to pay dividends and make capital distributions is subject to the legal and regulatory restrictions of the jurisdiction in which it operates.

CRL is regulated as a Class 4 (re)insurer by the BMA and is required to hold sufficient capital in that under applicable regulations. BMA's regulatory framework, has been assessed as equivalent to the EU's Solvency II regime. CRL had sufficient capital at all times throughout the year to meet the BMA's requirements, inclusive of the BSCR standard formula and minimum margin of solvency.

Retention risk

Risks associated with succession planning, staff retention and key man risks are mitigated through a combination of resource planning processes and controls, including:
- The identification of key personnel with appropriate succession plans at CHL;
- The identification of key team profit generators at CRL and function heads with targeted retention packages;
- Documented recruitment procedures, position descriptions and employment contracts;
- Resource monitoring and the provision of appropriate compensation, including equity-based incentives which vests over a defined time horizon, subject to achieving certain performance criteria; and
- Training schemes.

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4. Segmental reporting

Management and the Board review CRL's business and evaluates its performance primarily by three segments: Property, Casualty and Specialty. These are considered to be the reportable segments for the purposes of segmental reporting. Further classes of business are underwritten within each reportable segment. The nature of these individual classes is discussed further in the Risk disclosures section in note 3.

Reportable segments	Operations and classes of business
Property	US and international property catastrophe and non-catastrophe risks on an excess of loss and proportional contract basis.
Casualty	US and international casualty risks principally including directors and officers liability, financial institutions liability, general liability, medical malpractice, professional liability and transactional liability.
Specialty	Diverse portfolio of business, including aviation, energy, engineering and construction, environmental, marine, renewables, political violence and terrorism and whole account.

Reportable segment performance is measured by the reinsurance service and finance result and the combined ratio. The chief operating decision maker does not manage CRL's assets by reportable segment, and, accordingly, investment income and other non-underwriting related items are not allocated to each reportable segment. Refer to the risk disclosures for more information. All amounts reported are transactions with external parties and associates.

There are no significant inter-segmental transactions.

Year ended 31 December 2023	**Property $m**	**Casualty $m**	**Specialty $m**	**Total $m**
Reinsurance revenue by geographic region				
US	198.0	118.3	20.6	336.9
Worldwide	101.2	23.4	74.7	199.3
Europe	21.7	28.2	19.7	69.6
Other	24.3	1.9	1.0	27.2
Reinsurance revenue	**345.2**	**171.8**	**116.0**	**633.0**

Year ended 31 December 2022	Property $m	Casualty $m	Specialty $m	Total $m
Reinsurance revenue by geographic region				
US	109.8	104.0	3.9	217.7
Worldwide	56.5	14.9	51.4	122.8
Europe	15.7	16.2	7.0	38.9
Other	10.8	1.6	0.6	13.0
Reinsurance revenue	**192.8**	**136.7**	**62.9**	**392.4**

Included within the worldwide geographic region, are premiums written with external parties in Bermuda for $4.0 million (31 December 2022: $0.6 million).

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Year ended 31 December	2023 Property $m	2023 Casualty $m	2023 Specialty $m	2023 Total $m	2022 Property $m	2022 Casualty $m	2022 Specialty $m	2022 Total $m
Reinsurance revenue	345.2	171.8	116.0	633.0	192.8	136.7	62.9	392.4
Ceded reinsurance expenses	(66.9)	(1.3)	(8.5)	(76.7)	(40.5)	(1.2)	(6.9)	(48.6)
Net reinsurance revenue	**278.3**	**170.5**	**107.5**	**556.3**	**152.3**	**135.5**	**56.0**	**343.8**
Reinsurance losses and loss related amounts, discounted	(136.5)	(120.7)	(70.8)	(328.0)	(142.9)	(116.1)	(73.5)	(332.5)
Reinsurance operating expenses	(30.4)	(11.9)	(6.7)	(49.0)	(16.7)	(8.5)	(4.4)	(29.6)
Reinsurance service expenses	**(166.9)**	**(132.6)**	**(77.5)**	**(377.0)**	**(159.6)**	**(124.6)**	**(77.9)**	**(362.1)**
Ceded reinsurance recoveries	4.6	0.2	(0.5)	4.3	21.4	0.2	7.1	28.7
Reinsurance service result	**116.0**	**38.1**	**29.5**	**183.6**	**14.1**	**11.1**	**(14.8)**	**10.4**
Net reinsurance finance expense	(9.5)	(15.0)	(8.3)	(32.8)	2.5	13.8	4.5	20.8
Reinsurance service and finance result	**106.5**	**23.1**	**21.2**	**150.8**	**16.6**	**24.9**	**(10.3)**	**31.2**
Other expenses and operating expenses				(15.9)				(14.1)
Net unallocated revenue (expenses)				70.9				(51.5)
Total comprehensive income				**205.8**				**(34.4)**
Net loss ratio (discounted)	47.4%	70.7%	66.3%	**58.2%**	79.8%	85.5%	118.6%	88.4%
Reinsurance operating expense ratio	10.9%	7.0%	6.2%	**8.8%**	11.0%	6.3%	7.9%	8.6%
Other expenses and operating expense ratio				**2.9%**				4.1%
Combined ratio (discounted)	58.3%	77.7%	72.5%	**69.9%**	**90.8%**	**91.8%**	**126.5%**	**101.1%**
Net loss ratio (undiscounted)	51.5%	89.4%	77.1%	**68.0%**	83.0%	93.8%	128.8%	94.7%
Combined ratio (undiscounted)	62.4%	96.4%	83.3%	**79.7%**	**94.0%**	**100.1%**	**136.7%**	**107.4%**

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5. Investment return

As at 31 December 2023	Net investment income $m	Net realised gains (losses) $m	Net unrealised gains (losses) $m	Total investment return $m
Fixed maturity securities	35.7	(1.3)	30.6	65.0
Cash and cash equivalents	5.6	-	-	5.6
Total	**41.3**	**(1.3)**	**30.6**	**70.6**

As at 31 December 2022	Net investment income $m	Net realised gains (losses) $m	Net unrealised gains (losses) $m	Total investment return $m
Fixed maturity securities	16.5	(2.8)	(67.8)	(54.1)
Cash and cash equivalents	1.3	-	-	1.3
Total	**17.8**	**(2.8)**	**(67.8)**	**(52.8)**

Included in net investment income is $1.3 million of investment management and custody fees for the year ended 31 December 2023 (31 December 2022: $1.1 million). Net foreign exchange gains (losses) on cash and cash equivalents and fixed maturity securities for the year ended 31 December 2023 was nil (31 December 2022: $0.5 million gain). Foreign exchange impacts are not included in the investment returns in the table above.

6. Reinsurance finance return

Year ended 31 December	2023 $m	2022 $m
Interest accretion from reinsurance contracts	(28.9)	(7.3)
Interest accretion from ceded reinsurance contracts held	2.9	1.2
Net interest accretion	**(26.0)**	**(6.1)**
Change in discount rates from reinsurance contracts	(7.2)	29.3
Change in discount rates from ceded reinsurance contracts held	0.4	(2.4)
Net change in discount rates	**(6.8)**	**26.9**
Net reinsurance finance income (expense)	**(32.8)**	**20.8**

7. Other expenses and operating expenses

The statement of comprehensive income (loss) includes expenses incurred by CRL during the ordinary course of business plus recharges from other Group subsidiaries.

The Company entered into service agreements with other Group subsidiaries during 2021. The established service agreements allow various operating expenses incurred by the Group's service companies, CSL and CRSL, to be recharged on normal commercial terms to the Company in relation to the services provided. The services provided cover a wide array of functions, and include items such as, provision of personnel, finance and administration, risk management, compliance and regulatory reporting, IT services and maintenance, procurement of goods and services, real estate and facility management, legal and company secretarial services, and human resource functions such as payroll processing, training and compensation administration. Payments of the incurred fees for these services, or adjustment to the service fee agreements, are agreed by both parties.

Notes to the financial statements
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8. Financing costs

Year ended 31 December	2023 $m	2022 $m
LOC and trust fees	1.1	0.7

Refer to note 14 for details of CRL's financing arrangements.

9. Tax

Bermuda

CRL has received an undertaking from the Bermuda government which exempts CRL from all Bermuda local income, withholding and capital gains taxes until 31 March 2035. On 27 December 2023 the Bermuda government enacted legislation, the Bermuda Corporate Income Tax Act of 2023, into law which may supersede such exemptions. The Group is not currently in scope for this new legislation and as such, the exemption provided by the Bermuda government undertaking still apply.

10. Cash and cash equivalents

As at 31 December	2023 $m	2022 $m
Cash at bank and in hand	38.8	21.0
Cash equivalents	160.3	91.4
Total	**199.1**	**112.4**

Cash equivalents include money market funds and other short-term highly liquid investments with three months or less remaining until maturity at the time of purchase. The carrying amount of these assets approximates their fair value. Refer to note 14 for cash and cash equivalents provided as collateral under CRL's financing arrangements.

11. Investments

As at 31 December 2023	Cost or amortised cost $m	Unrealised gains $m	Unrealised losses $m	Estimated fair value $m
Fixed maturity securities, at FVTPL				
Short-term investments	46.7	-	-	46.7
US treasuries	351.0	2.1	(9.2)	343.9
US agency debt	4.0	-	(0.2)	3.8
US municipals	19.5	0.3	(0.7)	19.1
Non-US government and agency	2.0	-	-	2.0
Asset-backed	177.3	0.3	(3.3)	174.3
US government agency mortgage-backed	135.9	0.7	(14.5)	122.1
Non-agency mortgage-backed	20.0	0.1	(1.8)	18.3
Agency commercial mortgage-backed	8.1	0.1	(0.4)	7.8
Non-agency commercial mortgage-backed	62.7	0.2	(6.1)	56.8
Corporate	456.0	2.5	(14.9)	443.6
Total	**1,283.2**	**6.3**	**(51.1)**	**1,238.4**

Notes to the financial statements
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As at 31 December 2022	Cost or amortised cost $m	Unrealised gains $m	Unrealised losses $m	Estimated fair value $m
Fixed maturity securities, at FVTPL				
Short-term investments	37.9	-	-	37.9
US treasuries	221.6	0.2	(11.6)	210.2
US agency debt	2.0	-	(0.2)	1.8
US municipals	16.4	-	(1.2)	15.2
Non-US government and agency	2.1	-	(0.1)	2.0
Asset-backed	171.6	-	(7.8)	163.8
US government agency mortgage-backed	116.3	0.1	(15.8)	100.6
Non-agency mortgage-backed	15.1	-	(2.3)	12.8
Agency commercial mortgage-backed	3.7	-	(0.5)	3.2
Non-agency commercial mortgage-backed	59.7	-	(7.0)	52.7
Corporate	450.7	0.1	(29.3)	421.5
Total	**1,097.1**	**0.4**	**(75.8)**	**1,021.7**

As at 31 December 2023 other assets and other payables included $0.1 million and nil for investments sold and purchased, respectively (31 December 2022: $1.2 million and $1.2 million, respectively).

CRL determines the estimated fair value of each individual security utilising the highest-level inputs available. Prices for the investment portfolio are provided via a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. Various recognised reputable pricing sources are used including pricing vendors. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing.

CRL has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for the years ended 31 December 2023 and 2022. The fair value of securities in the investment portfolio is estimated using the following techniques:

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

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

LEVEL (III) – Level (III) investments are securities for which valuation techniques are not based on observable market data and require significant management judgement.

CRL determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. Transfers from Level (I) to (II) securities amounted to $9.4 million and transfers from Level (II) to (I) securities amounted to $63.4 million during the year ended 31 December 2023 using end of current period positions and estimated fair values. Transfers from Level (I) to (II) securities amounted to $76.2 million and transfers from Level (II) to (I) securities amounted to $37.8 million during the year ended 31 December 2022 using end of current period positions and estimated fair values. There were no investments included in Level (III) for either year end.

Notes to the financial statements
continued

The fair value hierarchy of CRL's investment portfolio is as follows:

As at 31 December 2023	**Level I $m**	**Level II $m**	**Total $m**
Fixed maturity securities, at FVTPL			
Short-term investments	46.1	0.6	46.7
US treasuries	343.9	-	343.9
US agency debt	-	3.8	3.8
US municipals	-	19.1	19.1
Non-US government and agency	-	2.0	2.0
Asset-backed	-	174.3	174.3
US government agency mortgage-backed	-	122.1	122.1
Non-agency mortgage-backed	-	18.3	18.3
Agency commercial mortgage-backed	-	7.8	7.8
Non-agency commercial mortgage-backed	-	56.8	56.8
Corporate	93.6	350.0	443.6
Total	**483.6**	**754.8**	**1,238.4**

As at 31 December 2022	Level I $m	Level II $m	Total $m
Fixed maturity securities, at FVTPL			
Short-term investments	37.9	-	37.9
US treasuries	210.2	-	210.2
US agency debt	-	1.8	1.8
US municipals	-	15.2	15.2
Non-US government and agency	-	2.0	2.0
Asset-backed	-	163.8	163.8
US government agency mortgage-backed	-	100.6	100.6
Non-agency mortgage-backed	-	12.8	12.8
Agency commercial mortgage-backed	-	3.2	3.2
Non-agency commercial mortgage-backed	-	52.7	52.7
Corporate	51.3	370.2	421.5
Total	**299.4**	**722.3**	**1,021.7**

Refer to note 14 for investments provided as collateral under CRL's financing arrangements.

Notes to the financial statements
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12. Interests in structured entities

Unconsolidated structured entities in which Conduit has an interest

As part of CRL's investment activities, it invests in unconsolidated structured entities. CRL does not sponsor any of the unconsolidated structured entities. The business relations of CRL with the structured entities set out below do not give rise to consolidation because the criteria for control pursuant to IFRS 10, as contained in our consolidation principles, are not met.

A summary of interests in unconsolidated structured entities is as follows:

As at 31 December	**2023 $m**	2022 $m
Fixed maturity securities, at FVTPL		
Asset-backed	174.3	163.8
US government agency mortgage-backed	122.1	100.6
Non-agency mortgage-backed	18.3	12.8
Agency commercial mortgage-backed	7.8	3.2
Non-agency commercial mortgage-backed	56.8	52.7
Total	**379.3**	**333.1**

The fixed maturity structured entities are used to meet specific investment needs of borrowers and investors which cannot be met from standardised financial instruments available in the capital markets, providing liquidity and diversification. While individual securities may differ in structure, the principles of the instruments are similar and it is appropriate to aggregate the investments into the categories detailed above.

The risk that CRL faces in respect of the investments in structured entities is similar to the risk it faces in respect of other financial investments held on the balance sheet. Fair value is determined by market supply and demand, which is driven by investor evaluation of the credit risk of the structure and changes in the term structure of interest rates which can change the expectation of cash flows associated with the instrument and, therefore, its value in the market.

The maximum exposure to loss in respect of these structured entities would be the carrying value of the instruments that CRL holds. Generally, default rates would have to increase substantially before CRL would suffer a loss. This assessment is made prior to investing and regularly through the holding period for the security.

Refer to note 14 for investments provided as collateral under CRL's financing arrangements.

Notes to the financial statements
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13. Reinsurance contracts

The breakdown of portfolios of reinsurance contracts issued and reinsurance contracts held, that are in an asset position and those in a liability position and by type of reinsurance asset or liability, is set out below.

As at	**31 December 2023 $m**	31 December 2022 $m (re-stated)	1 January 2022 $m (re-stated)
Reinsurance contract liabilities	(494.5)	(336.3)	(116.1)
Reinsurance net asset (liability)	**(494.5)**	**(336.3)**	**(116.1)**
Liability for remaining coverage	109.7	71.0	49.1
Liability for incurred claims	(592.2)	(391.1)	(162.8)
Other reinsurance receivables (payables)	(12.0)	(16.2)	(2.4)
Reinsurance net asset (liability)	**(494.5)**	**(336.3)**	**(116.1)**
Ceded reinsurance contract assets	42.7	67.3	41.0
Ceded reinsurance net asset (liability)	**42.7**	**67.3**	**41.0**
Ceded asset (liability) for remaining coverage	(1.2)	(3.7)	(2.5)
Ceded asset for incurred claims	42.6	58.5	43.5
Ceded other receivables (payables)	1.3	12.5	-
Ceded reinsurance net asset (liability)	**42.7**	**67.3**	**41.0**

The reconciliation from the opening to the closing balances of the liability for remaining coverage and the liability for incurred claims for reinsurance contracts issued and ceded reinsurance contracts held is shown below. The reconciliation shows the movement in the liability by the reinsurance service result, total comprehensive income (loss) and cash flows separately for reinsurance contracts issued and ceded reinsurance contracts held.

Notes to the financial statements
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Year ended 31 December ($m)	2023				2022			
	Remaining coverage	Incurred claims			Remaining coverage	Incurred claims		
	Excluding loss component	Present value of future cash flows	Risk adjustment	Total	Excluding loss component	Present value of future cash flows	Risk adjustment	Total
Opening reinsurance asset (liability)	**71.0**	**(365.8)**	**(25.3)**	**(320.1)**	**49.1**	**(154.4)**	**(8.4)**	**(113.7)**
Reinsurance revenue	633.0	-	-	633.0	392.4	-	-	392.4
Reinsurance service expenses								
Incurred claims and other expenses	-	(311.9)	(27.1)	(339.0)	-	(324.4)	(21.0)	(345.4)
Amortisation of reinsurance acquisition expense cash flows	(37.6)	-	-	(37.6)	(22.9)	-	-	(22.9)
Changes to liabilities for incurred claims for past service	-	(5.9)	5.5	(0.4)	-	4.2	2.0	6.2
Reinsurance service expenses	(37.6)	(317.8)	(21.6)	(377.0)	(22.9)	(320.2)	(19.0)	(362.1)
Reinsurance service result	**595.4**	**(317.8)**	**(21.6)**	**256.0**	**369.5**	**(320.2)**	**(19.0)**	**30.3**
Reinsurance finance income (expense)	-	(33.2)	(2.9)	(36.1)	-	19.9	2.1	22.0
Effect of exchange rates	0.1	(1.3)	(0.1)	(1.3)	0.3	1.0	-	1.3
Total changes in comprehensive income (loss)	**595.5**	**(352.3)**	**(24.6)**	**218.6**	**369.8**	**(299.3)**	**(16.9)**	**53.6**
Investment components	20.1	(20.1)	-	-	13.7	(13.7)	-	-
Cash flows								
Premiums received	(595.5)	-	-	(595.5)	(376.5)	-	-	(376.5)
Claims and other attributable expenses paid	-	195.9	-	195.9	-	101.6	-	101.6
Reinsurance acquisition expense cash flows	18.6	-	-	18.6	14.9	-	-	14.9
Total cash flows	**(576.9)**	**195.9**	**-**	**(381.0)**	**(361.6)**	**101.6**	**-**	**(260.0)**
Closing reinsurance asset (liability)	**109.7**	**(542.3)**	**(49.9)**	**(482.5)**	**71.0**	**(365.8)**	**(25.3)**	**(320.1)**

Notes to the financial statements
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Year ended 31 December ($m)	2023 Remaining coverage: Excluding loss component recovery	2023 Incurred claims: Present value of future cash flows	2023 Incurred claims: Risk adjustment	2023 Total	2022 Remaining coverage: Excluding loss component recovery	2022 Incurred claims: Present value of future cash flows	2022 Incurred claims: Risk adjustment	2022 Total
Opening ceded reinsurance asset (liability)	**(3.7)**	**58.5**	**-**	**54.8**	**(2.5)**	**43.5**	**-**	**41.0**
Ceded reinsurance expenses	(76.7)	-	-	(76.7)	(48.6)	-	-	(48.6)
Ceded reinsurance recoveries								
Amounts recoverable on incurred claims	-	-	-	-	-	28.0	-	28.0
Changes to amounts recoverable for incurred claims	-	4.3	-	4.3	-	0.7	-	0.7
Ceded reinsurance recoveries	-	4.3	-	4.3	-	28.7	-	28.7
Reinsurance service result	**(76.7)**	**4.3**	**-**	**(72.4)**	**(48.6)**	**28.7**	**-**	**(19.9)**
Ceded reinsurance finance income (expense)	-	3.3	-	3.3	-	(1.2)	-	(1.2)
Effect of exchange rates	-	-	-	-	-	-	-	-
Total changes in comprehensive income (loss)	**(76.7)**	**7.6**	**-**	**(69.1)**	**(48.6)**	**27.5**	**-**	**(21.1)**
Investment components	-	-	-	-	-	-	-	-
Cash flows								
Premiums paid	79.2	-	-	79.2	47.4	-	-	47.4
Recoveries received	-	(23.5)	-	(23.5)	-	(12.5)	-	(12.5)
Total cash flows	**79.2**	**(23.5)**	**-**	**55.7**	47.4	(12.5)	-	34.9
Closing ceded reinsurance asset (liability)	**(1.2)**	**42.6**	**-**	**41.4**	**(3.7)**	**58.5**	**-**	**54.8**

Notes to the financial statements
continued

Year ended 31 December ($m)	**2023**				2022			
	Remaining coverage	**Incurred claims**			Remaining coverage	Incurred claims		
	Excluding loss component	**Present value of future cash flows**	**Risk adjustment**	**Total**	Excluding loss component	Present value of future cash flows	Risk adjustment	Total
Opening net reinsurance asset (liability)	**67.3**	**(307.3)**	**(25.3)**	**(265.3)**	**46.6**	**(110.9)**	**(8.4)**	**(72.7)**
Net reinsurance revenue	556.3	-	-	556.3	343.8	-	-	343.8
Net reinsurance service expenses				-				-
Net incurred claims and other expenses	-	(311.9)	(27.1)	(339.0)	-	(296.4)	(21.0)	(317.4)
Amortisation of reinsurance acquisition expense cash flows	(37.6)	-	-	(37.6)	(22.9)	-	-	(22.9)
Changes to net liabilities for incurred claims for past service	-	(1.6)	5.5	3.9	-	4.9	2.0	6.9
Net reinsurance service expenses	(37.6)	(313.5)	(21.6)	(372.7)	(22.9)	(291.5)	(19.0)	(333.4)
Reinsurance service result	**518.7**	**(313.5)**	**(21.6)**	**183.6**	**320.9**	**(291.5)**	**(19.0)**	**10.4**
Net reinsurance finance income (expense)	-	(29.9)	(2.9)	(32.8)	-	18.7	2.1	20.8
Effect of exchange rates	0.1	(1.3)	(0.1)	(1.3)	0.3	1.0	-	1.3
Total changes in comprehensive income (loss)	**518.8**	**(344.7)**	**(24.6)**	**149.5**	**321.2**	**(271.8)**	**(16.9)**	**32.5**
Investment components	20.1	(20.1)	-	-	13.7	(13.7)	-	-
Cash flows								
Net premiums received	(516.3)	-	-	(516.3)	(329.1)	-	-	(329.1)
Net claims and other attributable expenses paid	-	172.4	-	172.4	-	89.1	-	89.1
Reinsurance acquisition expense cash flows	18.6	-	-	18.6	14.9	-	-	14.9
Total cash flows	**(497.7)**	**172.4**	**-**	**(325.3)**	**(314.2)**	**89.1**	**-**	**(225.1)**
Closing net reinsurance asset (liability)	**108.5**	**(499.7)**	**(49.9)**	**(441.1)**	**67.3**	**(307.3)**	**(25.3)**	**(265.3)**

Notes to the financial statements
continued

CRL did not book any additional case reserves for the years ended 31 December 2023 and 2022. The net liability for incurred claims as at 31 December 2023 had an estimated duration of 3.1 years (31 December 2022: 3.1 years).

The liability established by CRL is viewed as adequate, however a 20% increase in estimated undiscounted losses would have a $133.9 million adverse impact on comprehensive income (loss) (31 December 2022: $91.9 million).

Despite an active period for natural catastrophe losses for the industry, there were no major event losses individually or in aggregate which had a material impact on CRL during 2023. During 2022 the most significant loss events impacting CRL were the Ukraine war and Hurricane Ian. The estimated undiscounted ultimate net impact, after ceded reinsurance and reinstatement premiums, is $24.6 million and $39.7 million respectively. Our undiscounted ultimate loss estimates, net of ceded reinsurance and reinstatement premiums, for previously reported loss events remain stable. During the year ended 31 December 2023 the changes in the discounted net liability for incurred claims for prior accident years was a reduction of $3.9 million (31 December 2022: $6.9 million).

Claims development table

The following tables show the estimates of cumulative undiscounted incurred claims, including the risk adjustment, for each successive accident year at each reporting date, together with the cumulative payments to date:

Gross undiscounted claims, including risk adjustment	**$m**	**$m**	**$m**	**$m**
Accident year	**2021**	**2022**	**2023**	**Total**
At end of accident year	190.7	391.2	401.3	
One year later	184.7	387.2		
Two years later	187.5			
Current estimate of undiscounted incurred claims	**187.5**	**387.2**	**401.3**	**976.0**
Cumulative payments to date	(112.8)	(135.7)	(58.0)	(306.5)
Current estimate of undiscounted liability for incurred claims	**74.7**	**251.5**	**343.3**	**669.5**
Effect of discounting				(74.3)
Current estimate of discounted liability for incurred claims				**595.2**

Notes to the financial statements
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Ceded undiscounted recoveries, including risk adjustment	$m	$m	$m	$m
Accident year	**2021**	**2022**	**2023**	**Total**
At end of accident year	(48.9)	(39.0)	-	
One year later	(50.1)	(36.9)		
Two years later	(57.3)			
Current estimate of ceded undiscounted incurred recoveries	**(57.3)**	**(36.9)**	**-**	**(94.2)**
Cumulative recoveries received to date	38.0	-	-	38.0
Current estimate of ceded undiscounted asset for incurred claims	**(19.3)**	**(36.9)**	**-**	**(56.2)**
Effect of discounting				4.7
Current estimate of ceded asset for incurred claims				**(51.5)**

Net undiscounted claims, including risk adjustment	$m	$m	$m	$m
Accident year	**2021**	**2022**	**2023**	**Total**
At end of accident year	141.8	352.2	401.3	
One year later	134.6	350.3		
Two years later	130.2			
Current estimate of net undiscounted incurred claims	**130.2**	**350.3**	**401.3**	**881.8**
Cumulative payments to date	(74.8)	(135.7)	(58.0)	(268.5)
Current estimate of net undiscounted liability for incurred claims	**55.4**	**214.6**	**343.3**	**613.3**
Effect of discounting				(69.6)
Current estimate of net liability for incurred claims				**543.7**

Notes to the financial statements
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A reconciliation of the net liability for incurred claims per the claims development tables to the carrying amounts included in the balance sheet has been provided below. Loss related amounts represent amounts due that are contingent on claims, such as reinstatement premiums and profit commissions.

Reconciliation to carrying amounts:

	2023			2022		
As at 31 December	**Gross $m**	**Ceded $m**	**Net $m**	Gross $m	Ceded $m	Net $m
Undiscounted liability for incurred claims per claims development tables	669.5	(56.2)	613.3	459.3	(76.6)	382.7
Discount	(74.3)	4.7	(69.6)	(54.9)	7.4	(47.5)
Liability for incurred claims per claims development tables	595.2	(51.5)	543.7	404.4	(69.2)	335.2
Other loss related amounts	(3.0)	8.9	5.9	(13.3)	10.7	(2.6)
Liability (asset) for incurred claims	**592.2**	**(42.6)**	**549.6**	**391.1**	**(58.5)**	**332.6**

The estimation of the ultimate fulfilment cash flows for claims is a complex process which incorporates a significant amount of judgement. It is reasonably possible that uncertainties inherent in the reserving process, delays in insureds or ceding companies reporting losses to CRL, together with the potential for unforeseen adverse developments, could lead to a material change in estimated liability for incurred claims. Further information on the calculation of the liability for incurred claims and associated risks are provided in the risk disclosures in note 3.

Notes to the financial statements
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14. Financing arrangements

Letters of credit and trust accounts

CRL is a non-admitted reinsurer in the US and Canada although during the year received reciprocal jurisdiction reinsurer status in certain states of the US (RJR). Subject to certain exceptions, RJR status reduces the need for CRL to post collateral to support cedants in states where CRL has RJR status. However, terms and conditions of certain reinsurance contracts with US and Canadian cedants require CRL to provide collateral for outstanding insurance contract liabilities, including the liability for remaining coverage and liability for incurred claims. The collateral can be provided by LOCs or by assets in trust accounts. Refer to note 8 for details of interest expense associated with these LOCs included in financing costs. Additional information about CRL's exposure to interest rate and liquidity risk is included in the risk disclosures section in note 3.

Standby letter of credit facility

During July 2021, CRL, as the borrower, entered into a $125.0 million standby letter of credit facility led by Lloyds Bank Corporate Markets PLC. CHL will guarantee the obligations of CRL with respect to the standby letter of credit facility. Terms of the standby letter of credit facility contain standard qualitative representations and require certain standard financial covenants be adhered to, including: a maximum consolidated debt to capital ratio of CHL of 35.0%; a minimum consolidated tangible net worth of CHL; and a minimum A.M. Best rating of B++ for CRL. CRL increased the aggregate amount of the commitment under the facility up to $150.0 million during 2022, with an additional $25.0 million increase concluded during 2023 increasing the facility to $175.0 million. As at 31 December 2023, $125.3 million (31 December 2022: $92.0 million) was outstanding under the standby letter of credit facility and is secured by cash and cash equivalents and investments of $153.2 million (31 December 2022: $110.7 million).

Uncommitted letter of credit facility

During September 2021, CRL entered into a $75.0 million uncommitted letter of credit facility with Citibank Europe PLC which was increased to $125.0 million during 2023. Terms of the uncommitted letter of credit facility include standard qualitative representations. As at 31 December 2023, $72.9 million (31 December 2022: $37.0 million) was outstanding under the uncommitted letter of credit facility and is secured by cash and cash equivalents and investments of $89.1 million (31 December 2022: $49.7 million).

Trust accounts

Several trust account arrangements have been established in favour of policyholders and ceding companies to provide collateral or comply with the security requirements of certain contracts. As at 31 December 2023, $170.8 million (31 December 2022: $127.4 million) of cash and cash equivalents and investments were restricted in favour of third parties.

Additional letter of credit and trust funding requirements

For the year ended 31 December 2023, $18.2 million (31 December 2022: $87.8 million) of collateral requests and collateral amendments in respect of that financial year were received subsequent to the year end date. These collateral requests will be completed in the normal course of business and will be funded during the subsequent year using cash and cash equivalents and/or investments.

Notes to the financial statements
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15. Share capital

Authorised common shares of $1.00 each	Number	$m
As at 31 December 2023 and 2022	1,000,000	1.0

Allocated, called up and fully paid	Number	$m
As at 31 December 2023 and 2022	1,000,000	1.0

Contributed surplus	$m
As at 31 December 2021	1,017.3
Capital returned to parent	(70.0)
As at 31 December 2022	947.3
Capital returned to parent	(81.0)
As at 31 December 2023	866.3

During the years ended 31 December 2023 and 2022 the Company returned capital to its parent to provide funding for CHL's interim and final dividend payments, and ongoing expenses incurred during the ordinary course of business.

16. Contingencies and commitments

Legal proceedings and regulations

CRL operates in the reinsurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to estimate or determine the final results of all pending or threatened legal proceedings, management does not believe that any such proceedings (including litigation) will have a material effect on its results and financial position.

Notes to the financial statements
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17. Related party disclosures

Stabilitas Re

Stabilitas Re Limited, a special purpose vehicle (Stabilitas Re), was launched in June 2023. CRL sponsored the launch of a catastrophe bond issued by Stabilitas Re and CRL entered into a collateralised reinsurance agreement with Stabilitas Re as part of the transaction. The catastrophe bond was issued to third-party investors by Stabilitas Re. CRL has no ownership interest in nor any control over Stabilitas Re and therefore does not consolidate that entity.

Key management compensation

Non-Executive Director's fees and expenses for the year ended 31 December 2023 was $0.1 million (31 December 2022 - $0.1 million). Non-Executive Directors do not receive any benefits in addition to their agreed fees and expenses and do not participate in any of the Company's incentive, performance, or pension plans.

Transactions with affiliates

The Company entered into service agreements with other Group subsidiaries during 2021. The statement of comprehensive income (loss) for the year ended 31 December 2023 includes expenses of $31.9 million (2022 – $26.0 million) in relation to such transactions.

As at 31 December 2023, included within the assets on the balance sheet was $15.1 million (31 December 2022: $13.8 million) of intercompany net receivables due from other Group subsidiaries. Due to the short term nature of these receivables the carrying value approximates fair value.

18. Transition to IFRS 17 and IFRS 9

IFRS 17, Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. In addition to the updated accounting policies and disclosure in notes 2, 3, 4, 6 and 13, some of the key differences between IFRS 17 and the accounting policies previously adopted by CRL under IFRS 4 are outlined below.

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of CRL's reinsurance contracts issued or ceded reinsurance contracts held. Under IFRS 17, CRL's reinsurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the PAA.

The measurement principles of the PAA are similar to accounting policies previously applied under IFRS 4 but are different in the following key areas:

Under IFRS 4 gross premiums written were recognised at the top of the statement of comprehensive income (loss) with an adjustment for the change in the unearned premium liability. IFRS 17 defines reinsurance revenue as the expected premium cash flows net of any deductions that are paid to the cedant, excluding any investment components.

If contracts are assessed as being onerous, a loss component is recognised. Previously these may have formed an unexpired risk reserve provision determined through the liability adequacy test.

Previously, only contract specific acquisition cash flows were deferred and amortised. Under IFRS 17, the recognition of reinsurance acquisition expense cash flows includes an allocation of acquisition-related operating expenses incurred in the period.

CRL recognises its reinsurance acquisition expense cash flows as part of the liability or asset for remaining coverage and amortises over the coverage period in line with the service provided.

Measurement of the liability for incurred claims (previously losses and loss adjustment expenses) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. Previously, under IFRS 4, losses and loss adjustment expenses were undiscounted without an explicit adjustment for non-financial risk.

IFRS 17 identifies cash flows that are contingent on claims as being presented within the reinsurance service expenses, such as reinstatement premiums and profit commissions. Previously under IFRS 4 these were recorded in gross premiums written and net acquisition expenses, respectively. Similar presentation impacts are noted on ceded reinsurance contracts, with cash flows that are contingent on recoveries, such as reinstatement premiums paid and profit commissions received, presented within ceded reinsurance recoveries.

Notes to the financial statements
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Changes to presentation and disclosure

Under IFRS 4 separate assets and liabilities were recognised for premium receivables, deferred acquisition costs, unearned premiums, and loss and loss adjustment reserves. These assets and liabilities were shown aggregated for all reinsurance contracts, separately for ceded. IFRS 17 groups the reinsurance assets and liabilities by portfolio, as defined by CRL's level of aggregation accounting policy in note 2, separately for reinsurance contracts issued and ceded reinsurance contracts held and presents a net asset or liability for the portfolio as a whole. This means that different portfolios could be in an asset or liability position depending on the timing of cash flows.

The statement of comprehensive income (loss) has changed significantly in its presentation. Previously CRL reported items such as gross premiums written, net premiums earned and loss and loss adjustment expenses. Under IFRS 17, the standard defines and requires separate presentation of reinsurance revenue and reinsurance service expenses. CRL has chosen to present income and expenses from ceded reinsurance contracts as separate line items.

The standard requires separate presentation of reinsurance finance income or expense which represents the unwind of discounting and changes in reinsurance liabilities due to updating to current discount rates.

Transition to IFRS 17

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach. Under the full retrospective approach, as at 1 January 2022 CRL:

— Identified, recognised and measured each group of reinsurance contracts as if IFRS 17 had always applied;
— Derecognised any existing balances that would not exist had IFRS 17 always applied. These include deferred acquisition expenses, reinsurance receivables and payables, net loss and loss adjustment expense reserves and unearned premium reserves. Under IFRS 17 they are included in the measurement of reinsurance contract assets or liabilities; and
— Recognised any resulting net difference in equity.

The increase to shareholders' equity from the application of IFRS 17 is predominantly driven by the discounting of net loss reserves which were previously undiscounted, the deferral of certain acquisition-related operating expenses and the revaluation of reinsurance balances that are now considered monetary items under IFRS 17. The impacts of discounting and the deferral of acquisition-related operating expenses are timing differences as both will be unwound over the settlement of claims liabilities and insurance contract coverage periods respectively. The effects of adopting IFRS 17 on the financial statements as at 1 January 2022 are shown below. Similar impacts were noted on the financial statements as at 31 December 2022.

As at	31 December 2021 (as reported) $m	1 January 2022 (re-stated) $m	Impact of adopting IFRS 17
Assets			
Cash and cash equivalents	65.5	65.5	-
Accrued interest receivable	3.7	3.7	-
Investments	1,008.4	1,008.4	-
Inwards premiums receivable	155.0	-	(155.0)
Ceded reinsurance contract assets	50.0	41.0	(9.0)
Other assets	0.7	0.7	-
Deferred acquisition expenses	44.6	-	(44.6)
Intangible assets	1.1	1.1	-
Total assets	**1,329.0**	**1,120.4**	**(208.6)**
Liabilities			
Reinsurance contract liabilities	324.4	116.1	(208.3)
Amounts payable to reinsurers	7.3	-	(7.3)
Other payables	16.0	16.0	-
Total liabilities	**347.7**	**132.1**	**(215.6)**

Notes to the financial statements
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As at	31 December 2021 (as reported) $m	1 January 2022 (re-stated) $m	Impact of adopting IFRS 17
Shareholders' equity			
Share capital	1.0	1.0	-
Other reserves	1,017.3	1,017.3	-
Retained loss	(37.0)	(30.0)	7.0
Total shareholders' equity	**981.3**	**988.3**	**7.0**
Total liabilities and shareholders' equity	**1,329.0**	**1,120.4**	**(208.6)**

IFRS 9, Financial Instruments

IFRS 9 replaced IAS 39, Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, CRL elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of CRL's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including debt instruments, equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition; and
- Debt instruments at amortised cost.

CRL's classification of its financial assets is explained in the accounting policies in note 2. CRL's financial investment portfolio of fixed maturity securities meets the requirements for mandatory FVTPL which is consistent with the measurement of CRL's previous accounting policies under IAS 39.

The classification and measurement of financial liabilities under IFRS 9 remains the same as IAS 39, except where a financial liability is designated as FVTPL.

Changes to presentation and disclosure

To reflect the differences between IAS 39 and IFRS 9, IFRS 7 Financial Instruments: Disclosures was also amended. There was no impact to CRL from these amendments with the implementation of IFRS 9.

Transition to IFRS 9

As CRL's accounting policies under IFRS 9 are consistent with those applied under IAS 39, there is no financial impact on transition. There is therefore no restatement of comparatives nor any impact from adoption on shareholders' equity.

19. Subsequent events

Dividends

On 20 February 2024, the CHL Board of Directors declared a final dividend for 2023 to be paid during the second quarter of 2024. As CHL does not generate its own cash flows and relies on dividends/distributions from its subsidiaries to meet its ongoing cash flow needs, the CRL Board of Directors approved a dividend to CHL in the amount of $50.0 million during February 2024.

Glossary

The following definitions apply throughout the financial statements unless the context otherwise requires. All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof. Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

ABIR The Association of Bermuda Insurers and Reinsurers (ABIR) represents the public policy interests of its members.

Additional case reserves (ACRs) ACRs represent Conduit's estimate for losses related to specific contracts which Conduit believes may not be adequately reported, or adequately covered in the application of IBNR.

Aggregate excess of loss (XOL) reinsurance A form of excess of loss reinsurance in which the excess and the limit of liability are expressed as annual aggregate amounts.

AGM Annual General Meeting of the CHL shareholders.

AM Best a global credit agency, news publisher and data analytics provider, focusing on the insurance sector.

AM Best rating (i) in respect of financial strength: A M Best's independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations, and (ii) in respect of long term issuer credit: A M Best's independent opinion of an entity's ability to meet its ongoing financial obligations.

BMA Bermuda Monetary Authority.

Board of Directors or **Board** unless otherwise stated refers to the CRL Board of Directors.

Broker An intermediary who negotiates contacts of insurance or reinsurance, receiving a commission for placement and other services rendered.

Brokerage The commission that is payable to a Broker for placing an insurance or reinsurance contract with an insurer or a reinsurer.

BSCR Bermuda Solvency Capital Requirement.

BI Business Interruption Insurance coverage that replaces income lost in the event that business is halted due to direct physical loss or damage.

Cedant A ceding insurer or a reinsurer that writes and issues a policy to an (re)insured and contractually transfers (cedes) a portion of the risk to a reinsurer or retrocessionaire.

CEO Chief Executive Officer

CFO Chief Financial Officer

CHL Conduit Holdings Limited.

Claim A request by an insured or reinsured for indemnification by an insurance or reinsurance company for loss incurred from an insured peril or event.

CML Conduit MIP Limited.

Combined ratio The sum of the net loss ratio, reinsurance operating expense ratio and other operating expense ratio.

Company Conduit Reinsurance Limited.

Coverholder A coverholder is a company or partnership authorised by a managing agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it in accordance with the terms of a binding authority.

Conduit The brand for Conduit Holdings Limited and all associated group companies.

Conduit Re The brand for all Conduit's reinsurance business.

CRL Conduit Reinsurance Limited.

CRO Chief Risk Officer.

CRSL Conduit Reinsurance Services Limited (previously named Conduit Marketing Limited).

CSL Conduit Services Limited.

CUO Chief Underwriting Officer.

ECR Enhanced capital requirement. Under the BSCR Model, the reinsurer's minimum required statutory capital and surplus is referred to as the enhanced capital requirement (ECR). The ECR is the greater of the calculated BSCR and the minimum solvency margin (MSM).

Estimated ultimate premiums written Premium reported by ceding companies, excluding reinstatement premiums, supplemented by management's judgement on the estimate provided.

Excess of loss (XOL, XL) or non-proportional Reinsurance that indemnifies against all or a specified portion of loss and loss expenses in excess of a specified monetary amount or other threshold, known as the cedant's retention or reinsurers attachment point, generally subject to a negotiated reinsurance contract limit.

FVTPL Fair value through profit or loss.

Gross premiums written (GPW) Amounts payable by the cedant before any deductions, which may include taxes, brokerage and commission.

Group Conduit Holdings Limited and all associated group companies.

IAS International Accounting Standard(s) are created by the IASB for the preparation and presentation of financial statements.

IASB International Accounting Standards Board.

IFRS International Financial Reporting Standard(s).

Incurred But Not Reported (IBNR) Reserve for anticipated or likely losses that may result from insured events which have taken place, but which have not yet been reported and/or possible adverse development of previously reported losses.

Liability for incurred claims (LIC) Liabilities established by reinsurers to reflect the estimated cost of claims payments and the related expenses that the reinsurer will ultimately be required to pay in respect of reinsurance contracts it has written. The LIC includes the risk adjustment and contractual payments made that are contingent on loss events, such as profit commissions and reinstatement premiums. The LIC is discounted.

Liability for remaining coverage (LRC) The liability for remaining coverage represents the balance of premium received, net of acquisition expenses, less the premium income and acquisition expenses amortised in the period.

LOC Letter of credit.

Losses occurring business Business where the wording stipulates that claims against liability policies can be notified to the Company at any time following the issue of the policy.

Loss reserve development The difference between the amount of the liability for incurred claims initially estimated by an insurer or reinsurer and the amount re-estimated in an evaluation at a later date.

LSE London Stock Exchange.

LTIP The long term incentive plan is an equity-based award plan granted to employees as nil-cost options.

Net loss ratio Ratio of net losses and loss related amounts expressed as a percentage of net reinsurance revenue in a period.

Non-admitted business Business written by a reinsurer not licensed by a particular state or jurisdiction, but nevertheless able to sell and service reinsurance policies to cedants located within that state or jurisdiction.

OECD Organisation for Economic Co-operation and Development.

Other operating expense ratio Ratio of other operating expenses expressed as a percentage of net reinsurance revenue in a period.

Overriding commission (OVR) A commission that is paid by a reinsurer over and above the cedant's original acquisition costs.

Quota share reinsurance A form of proportional reinsurance in which the reinsurer assumes an agreed percentage of each insurance contract being reinsured.

Retention The amount of the loss which is retained by the cedant prior to the attachment of a reinsurance programme.

Return on Equity (RoE) RoE is calculated as the profit for the period divided by the opening total shareholders' equity.

State(s) Refers to one or more of the fifty states making up the United States of America.

TCFD The Task Force on Climate-Related Financial Disclosures (TCFD) was created by the G20 established Financial Stability Board in December 2015 to improve the quality, quantity and consistency of climate-related disclosures. To achieve this, it developed a reporting framework which consists of a number of recommendations structured into four pillars: governance, strategy, risk, and metrics and targets.

The UK Code The UK Corporate Governance Code, monitored by the UK Financial Reporting Council.

Treaty reinsurance A form of reinsurance in which the ceding company makes an agreement to cede certain business and the reinsurer, in turn, agrees to accept all business qualifying under the agreement, known as the “treaty”.

Ultimate loss ratio The ratio of ultimate losses and loss related amounts to total reinsurance revenue received for all policies written in a given period.

VaR Value at Risk.

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