CONVEX RE LIMITED

Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(Expressed in thousands of U.S. dollars)

April 29, 2024

Report of Independent Auditors

To the Board of Directors and Shareholder of Convex Re Limited

Opinion

We have audited the accompanying consolidated financial statements of Convex Re Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and December 31, 2022, and the related consolidated statements of income/(loss) and comprehensive income/(loss), of shareholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and December 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Required supplemental information

Accounting principles generally accepted in the United States of America require that the required supplemental information pertaining to Short-Duration Contracts disclosures labelled as "Unaudited" within Note 8 on pages 19 to 20 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

CONVEX RE LIMITED
Consolidated Balance Sheets
As of December 31, 2023 and December 31, 2022

(Expressed in thousands of U.S. dollars, except for share amounts)

Assets		**2023**		**2022**
Investments				
Fixed maturity investments, at fair value (amortized cost: 2023: $4,043,319 2022: $2,988,596)	$	4,014,257	$	2,847,787
Short-term investments, at fair value (amortized cost: 2023: $138,340 2022: $434,616)		138,402		435,206
Other investments, at fair value (amortized cost: 2023: $182,801 2022: $91,912)		197,337		93,602
Total investments	$	4,349,996	$	3,376,595
Cash and cash equivalents		297,003		243,573
Accrued investment income		28,985		13,874
Insurance receivables		1,890,126		1,337,292
Prepaid reinsurance premiums		635,654		456,305
Deferred acquisition costs		310,750		190,318
Reserves recoverable		873,892		702,197
Receivable for securities sold		894		651
Balances due from affiliates		9		4,505
Deferred tax asset		75,640		—
Other assets		125,110		81,914
Total assets	**$**	**8,588,059**	**$**	**6,407,224**
Liabilities				
Reserve for losses and loss adjustment expenses		2,834,514		2,137,009
Unearned premiums		2,147,975		1,464,745
Reinsurance payables		786,611		627,037
Balances due to affiliates		70,808		63,916
Other liabilities		129,377		51,052
Total liabilities	**$**	**5,969,285**	**$**	**4,343,759**
Shareholder's equity				
Common A shares ($1.00 par; authorized, issued and outstanding: 1,000,000)		1,000		1,000
Additional paid-in capital		2,447,714		2,447,714
Retained earnings/(deficit)		170,060		(385,249)
Total shareholder's equity	**$**	**2,618,774**	**$**	**2,063,465**
Total liabilities and shareholder's equity	**$**	**8,588,059**	**$**	**6,407,224**

The accompanying notes are an integral part of these Consolidated Financial Statements

CONVEX RE LIMITED
Consolidated Statements of Income/(Loss) and Comprehensive Income/(Loss)
For the years ended December 31, 2023 and December 31, 2022

(Expressed in thousands of U.S. dollars)

	2023	2022
Revenues		
Gross premiums written	$ 4,217,602	$ 3,035,374
Reinsurance premium ceded	(1,376,643)	(1,012,311)
Net premiums written	2,840,959	2,023,063
Change in net unearned premiums	(503,881)	(336,567)
Net premiums earned	2,337,078	1,686,496
Other income	543	109
Net investment return	216,622	(93,159)
Foreign currency losses	(4,902)	(37,360)
Total revenues	**$ 2,549,341**	**$ 1,556,086**
Expenses		
Losses and loss adjustment expenses	1,225,311	1,028,336
Policy acquisition costs	458,248	280,162
Operating expenses	341,299	274,049
Finance charges	3,297	1,947
Other expenses	11,909	39,304
Total expenses	**$ 2,040,064**	**$ 1,623,798**
Net income/(loss) before tax	509,277	(67,712)
Tax benefit	51,607	1,862
Net income/(loss) and comprehensive income/(loss)	**$ 560,884**	**$ (65,850)**

The accompanying notes are an integral part of these Consolidated Financial Statements

CONVEX RE LIMITED
Consolidated Statements of Shareholder's Equity
For the Years Ended December 31, 2023 and December 31, 2022

(Expressed in thousands of U.S. dollars)

		Common shares	Additional paid-in capital	Retained (deficit)/ earnings	Total shareholder's equity
At December 31, 2022	$	1,000	2,447,714	(385,249)	2,063,465
Change in accounting policy (Note 3)		—	—	(5,575)	(5,575)
At January 1, 2023		1,000	2,447,714	(390,824)	2,057,890
Income for the year		—	—	560,884	560,884
At December 31, 2023	**$**	**1,000**	**2,447,714**	**170,060**	**2,618,774**

		Common shares	Additional paid-in capital	Retained deficit	Total shareholder's equity
At January 1, 2022	$	1,000	2,257,088	(319,399)	1,938,689
Contributed surplus		—	190,626	—	190,626
Loss for the year		—	—	(65,850)	(65,850)
At December 31, 2022	**$**	**1,000**	**2,447,714**	**(385,249)**	**2,063,465**

The accompanying notes are an integral part of these Consolidated Financial Statements

CONVEX RE LIMITED
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and December 31, 2022

(Expressed in thousands of U.S. Dollars)

		2023		2022
Cash flows provided by/(used in) operating activities				
Net income/(loss)	$	560,884	$	(65,850)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:				
Fair value adjustment to derivatives		11,005		39,527
Movement in allowance for expected credit losses		3,536		—
Change in net realized and unrealized (gains)/losses on investments		(92,992)		172,188
Foreign exchange losses included in income/(loss) from operations		5,631		27,031
Accretion of premium on fixed maturity investments		(44,175)		(17,957)
Change in operational balance sheet items:				
Accrued investment income		(15,111)		(4,474)
Insurance receivables		(561,945)		(454,470)
Prepaid reinsurance premiums		(179,349)		(114,169)
Deferred acquisition costs		(120,432)		(80,555)
Reserves recoverable		(171,695)		(362,820)
Reserve for losses and loss adjustment expenses		697,505		953,019
Unearned premiums		683,230		450,737
Reinsurance balances payable		159,574		235,959
Other operational balance sheet items, net		(46,667)		(33,873)
Net cash provided by operating activities	**$**	**888,999**	**$**	**744,293**
Cash flows provided by/(used in) investing activities				
Proceeds on maturities of investments		344,314		216,142
Purchases of fixed maturity investments		(2,462,829)		(2,825,733)
Sales of fixed maturity investments		1,062,796		1,945,904
Sales of short-term investments, net		310,377		80,745
Purchases of other investments, net		(90,886)		(73,349)
Net cash used in investing activities	**$**	**(836,228)**	**$**	**(656,291)**
Cash flows provided by/(used in) financing activities				
Capital raised from share issuance		—		11,020
Net cash provided by financing activities	**$**	**—**	**$**	**11,020**
Effect of foreign currency rate changes on cash and cash equivalents		659		(15,922)
Net increase in cash and cash equivalents		**53,430**		**83,100**
Cash and cash equivalents - beginning of the year		**243,573**		**160,473**
Cash and cash equivalents - end of the year	**$**	**297,003**	**$**	**243,573**
Supplemental information				
Income taxes paid	$	19,902	$	1,498
Non-cash balance sheet movements excluded				
Capital contribution from parent in the form of fixed maturity investments	$	—	$	64,008
Capital contribution from parent in the form of short-term investments	$	—	$	115,597

The accompanying notes are an integral part of these Consolidated Financial Statements

1. Nature of the business

Convex Re Limited (the “Company” or “CRL”), a company incorporated in Bermuda in November 2018, is registered as a Class 4 insurer under the Insurance Act 1978 of Bermuda, amendments thereto and related Regulations (“the Act”). The Company provides a diversified range of specialty insurance and reinsurance coverage to the global insurance market.

Convex Insurance UK Limited (“CIL”), a company incorporated in the United Kingdom in January 2019, is a wholly owned subsidiary of CRL and is authorised and licensed by the Prudential Regulation Authority (“PRA”) and Financial Conduct Authority (“FCA”).

Convex Europe S.A (“CES”), a company incorporated in Luxembourg in March 2021, is a wholly owned subsidiary of CIL and has a UK branch approved by the PRA and FCA.

Convex Guernsey Limited (“CGU”), a company incorporated in Guernsey in May 2021, is a wholly owned subsidiary of CRL.

Convex North America Insurance Services LLC (“CUS”), a company incorporated in Delaware, United States of America in June 2021, is a wholly owned subsidiary of CIL and is a managing general agent.

2. Basis of preparation and consolidation

These Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and cover the year ended December 31, 2023. The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, including CIL, CUS, CGU and CES. All significant intercompany accounts and transactions have been eliminated.

The preparation of these Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While the amounts included in the Consolidated Financial Statements reflect management's best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include:

- the reserve for losses and loss adjustment expenses;
- the premium written on a line slip or proportional basis;
- the loss reserves recoverable, including the provision for uncollectible amounts; and
- the valuation of invested assets and other financial instruments.

The term "ASC" used in these notes refers to Accounting Standard Codification issued by the United States Financial Accounting Standards Board (the "FASB").

3. Significant accounting policies

The following is a summary of significant accounting policies adopted by the Company:

(a) Premiums

Insurance and Assumed Reinsurance Premiums
Direct insurance premiums are recorded as written at the inception of each policy and are earned over the exposure period.

Direct insurance premiums on binders are estimated at inception, and are recognized by applying a writing pattern to the total estimated premium on the binder.

Premiums on assumed reinsurance contracts are estimated based on information provided by ceding companies, and are recorded at the inception of the policy.

For contracts with estimated premiums, the amount of premium ultimately received may differ from the amounts initially estimated in the Consolidated Financial Statements. These estimates are reviewed regularly and as new information becomes known, the recorded premiums are adjusted as necessary. These adjustments can lead to an increase or decrease in premiums recognized. Adjustments to premium estimates, if any, are recorded in the period in which they become known.

Written premiums are earned over the contract period commensurate with the underlying risk. For assumed reinsurance contracts written on a risk-attaching basis, the earning period is based on the terms of the underlying policies attached to that contract. This period extends past the expiry of the reinsurance contract and as a result premiums on assumed risk-attaching reinsurance policies are generally earned over the contract period plus 12 months.

Unearned premiums in respect of the above premiums represent the portion of premiums written which is applicable to the unexpired risk portion of the policies in force.

Reinstatement Premiums
Reinstatement premiums are calculated for all events by applying coverage limits for the remaining life of the contract as per the predefined contract terms. The accrual of reinstatement premiums is based on our estimate of losses and loss adjustment expense, which reflects management's judgment, as described in Note 3(c), "Reserve for losses and loss adjustment expense". Reinstatement premiums are fully earned when accrued.

Reinsurance
The Company enters into ceded reinsurance and retrocession agreements in order to mitigate its accumulation of loss, reduce its liability on individual risks, enable it to underwrite policies with higher limits and increase its aggregate capacity. Ceded reinsurance premiums are accounted for on bases consistent with those used in accounting for the underlying premiums assumed.

Prepaid reinsurance premiums represent the portion of premiums ceded applicable to the unexpired term of policies in force.

Reserves recoverable are estimated in a manner consistent with the claim liability associated with the reinsured policies and represent amounts that will be collectible from reinsurers once the losses are paid and includes an explicit allowance for expected credit losses, as appropriate.

(b) Deferred acquisition costs

Deferred acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal business, and consist principally of commissions and brokerage expenses. Acquisition costs are shown net of commissions earned on reinsurance ceded. These costs are deferred and amortized over the periods in which the related premiums are earned.

A premium deficiency exists if the sum of expected losses and loss adjustment expense and deferred acquisition costs exceed the related unearned premiums (and, if appropriate, expected future premium) and anticipated investment income. In this event, deferred acquisition costs are immediately expensed to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs, then a liability is accrued for the excess deficiency. No premium deficiency was recorded for the years ended December 31, 2023 and December 31, 2022.

(Expressed in Thousands of U.S. Dollars)

(c) Reserve for losses and loss adjustment expense

The reserve for losses and loss adjustment expense includes reserves for unpaid reported losses ("case reserves"), losses incurred but not reported ("IBNR"), and for unallocated loss adjustment expenses ("ULAE"). Case reserves are established by management based on reports from brokers, ceding companies and insureds and represents the unpaid portion of the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by, the Company, including Allocated Loss Adjustment Expenses ("ALAE"). IBNR reserves are established by management based on actuarially determined estimates of ultimate losses and loss expenses and include an explicit allowance for expected credit losses, as appropriate. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled.

The period of time from the occurrence of a loss to the reporting of a loss to the Company and to the settlement of the Company's liability may be several months or years. During this period, additional facts and trends may be revealed. Accordingly, losses and loss adjustment expenses ultimately paid may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. These adjustments sometimes lead to an increase or decrease in ultimate losses. Adjustments to ultimate loss estimates, if any, are recorded in earnings in the period in which they become known.

(d) Investments

The Company classifies its fixed maturity and short-term investments as trading. As such, all investments are carried at fair value with the change in unrealized gains and losses included in net income. All investment transactions are recorded on a first-in-first-out basis and realized gains and losses on the sale of investments are determined on the basis of amortized cost (or cost). Interest on fixed maturity securities is recorded in net investment income when earned and includes amortization of premium or accretion of discount.

Short-term investments comprise investments with a maturity of less than one year at date of purchase.

Other investments consist of investments in externally managed funds, carried at fair value. Their fair value is established using the net asset value (NAV) as a practical expedient.

(e) Leases

The Company classifies any new and existing leases as operating or finance leases. For all types of leases, the Company calculates a lease liability and a corresponding right of use asset using an appropriate discount rate considering the type of lease, and its duration. The Company does not have any finance leases. For operating leases, the Company recognises interest expense on the lease liability, and depreciation of the right of use asset on the statement of profit and loss, straight line over the life of the lease.

(f) Variable interest entities

The Company accounts for variable interest entities ("VIE"s) in accordance with FASB ASC Topic 810, *Consolidation*, which requires the consolidation of all VIEs by the primary beneficiary i.e. the investor that has the power to direct the activities of the VIE and that will absorb a portion of the VIE's expected losses or residual returns that could potentially be significant to the VIE.

When the Company determines it has a variable interest in a VIE, it determines whether it is the primary beneficiary of that VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders; (ii) the VIE's capital structure; (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE; (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE; and (vi) related party relationships.

The Company reassesses its determination of whether the Company is the primary beneficiary of a VIE upon changes in facts and circumstances that could potentially alter the Company's assessment. Refer to Note 14, "Variable interest entities," for further details on the Company's treatment of Hypatia Ltd which is the only entity accounted for as a variable interest entity.

(g) Fair value of financial instruments
Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date reflecting the highest and best use valuation concepts. ASC Topic 820, *Fair Value Measurement and Disclosure,* provides a framework for measuring fair value by creating a hierarchy of fair value measurements that distinguishes market data between observable independent market inputs and unobservable market assumptions by the reporting entity. The guidance further expands disclosures about such fair value measurements. The guidance applies broadly to most existing accounting pronouncements that require or permit fair value measurements (including both financial and non-financial assets and liabilities) but does not require any new fair value measurements. The Company has adopted all authoritative guidance in effect as of the balance sheet date regarding certain market conditions that allow for fair value measurements that incorporate unobservable inputs where active market transaction-based measurements are unavailable.

(h) Derivative instruments
The Company has entered into derivative instruments in the form of industry loss derivative instruments. These derivative instruments are used to provide protection against the Company's financial exposure to industry loss events. All the Company's outstanding derivative financial instruments are recognized in the Consolidated Balance Sheets at their fair values. Changes in the fair values of derivative instruments are reported in earnings. Refer to Note 6(a), "Derivatives not designated as hedging instruments," for further details.

(i) Property and equipment
Property and equipment are carried at historical cost, less accumulated depreciation and any impairment in value. Depreciation is calculated to write off the cost over the estimated useful economic life on a straight-line basis.

Leasehold improvements	5 years
Furniture/fixtures/fittings	2 years
Computer hardware	2 years
Computer equipment	2 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property or equipment is derecognized on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on the disposal of property and equipment are determined by comparing proceeds with the carrying amount of the asset and are included in the Consolidated Statements of Comprehensive Income/(Loss). Costs for repairs and maintenance are charged to profit or loss as incurred.

Property and equipment are included in other assets on the Consolidated Balance Sheets.

(j) Cash and cash equivalents
Cash and cash equivalents includes cash at bank in hand, deposits held at call with banks, and all investments and money market funds (including those held at the Company's investment managers) with a maturity of 90 days or less at the time of purchase.

(k) Foreign exchange
The U.S. dollar is the functional currency of the Company and its subsidiaries. Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rates in effect at the balance sheet date and revenues and expenses denominated in foreign currencies are valued at the prevailing exchange rate on the transaction date with the resulting foreign exchange gains and losses included in earnings. Non-monetary assets and liabilities denominated in foreign currencies are valued at the exchange rate in effect at the time of the underlying transaction.

(l) Income taxes and uncertain tax provisions

Deferred tax assets and liabilities are recorded in accordance with ASC Topic 740, *Income Taxes*. Consistent with ASC 740, the Company records deferred income taxes which reflect operating losses and tax credits carried forward and the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

The Company recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained upon examination by tax authorities based upon the technical merits of the position. Based on the more-likely-than-not recognition threshold, we must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. The Company classifies all interest and penalties related to uncertain tax positions in income tax expenses.

(m) Recently adopted accounting pronouncements

Expected Credit Losses (Topic 326)

In June 2016, the FASB issued updated guidance on the recognition of credit losses by replacing the incurred loss impairment methodology with new accounting models related to how credit losses on financial instruments are determined. The new guidance is applicable to financial assets measured at amortized cost such as loans, reinsurance receivables, trade receivables, debt securities, off-balance sheet credit exposures and other financial assets that have a contractual right to receive cash. The Company's investments, except for certain other invested assets that are accounted for using the equity method of accounting and Investments in real estate, are measured at fair value through net income, and therefore those investments are not impacted by the adoption of this guidance. The guidance is effective for annual periods beginning after December 15, 2022.

Starting on January 1, 2023 the Company adopted Accounting Standards Update ("ASU") 2016-13 Financial Instruments – Credit Losses (Topic 326). Accordingly, from the date of adoption, the Company uses a current expected credit loss model ("CECL") which is based on expected losses. The model used by the Company up to December 31, 2022 to estimate credit losses was based on incurred losses. The CECL model is applied by the Company to the measurement of credit losses on insurance receivables and reinsurance recoverable balances. Changes in expected credit losses are recorded through the respective credit loss allowances on the Consolidated Balance Sheets as well as in the provision for credit losses (recoveries) in the Consolidated Statements of Income/(Loss).

The total adjustment resulting from the adoption of this methodology on the opening balance of the Company's retained earnings as at January 1, 2023 was a negative adjustment of $5,575 relating to the Company's insurance receivables.

The Company's measurement of expected losses takes into account historical information and is primarily based on the product of the respective instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Company maintains an allowance for credit losses, which in management's opinion is adequate to absorb all estimated credit-related losses that are incurred in its financial assets at the balance sheet date.

The allowance for credit losses on insurance receivables is a valuation account that is deducted from the receivable balance to present the net amount expected to be collected. Amounts are charged off against the allowance when management believes the uncollectibility of a balance is confirmed. Expected recoveries typically do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. Refer to Notes 9(c) and 13(d) for further information regarding the impacts of adoption of this guidance

(Expressed in Thousands of U.S. Dollars)

4. Investments

The amortized cost (or cost) and fair value of the Company's investments as at December 31, 2023 and December 31, 2022 are as follows:

	2023	
	Amortized Cost or Cost	**Fair Value**
U.S. government securities	$ 2,129,485	$ 2,115,779
Agency residential mortgage-backed securities	327,253	323,286
Non-agency residential mortgage-backed securities	431	418
U.S. corporate	989,657	978,705
Non-U.S. corporate	311,618	313,459
Non-U.S. government and government agency	35,045	34,185
Asset-backed securities	238,115	237,427
Commercial mortgage-backed securities	11,715	10,998
Total fixed maturities	**4,043,319**	**4,014,257**
Short-term investments	**138,340**	**138,402**
Other investments	**182,801**	**197,337**
Total investments	**$ 4,364,460**	**$ 4,349,996**

	2022	
	Amortized Cost or Cost	**Fair Value**
U.S. government securities	$ 1,538,183	$ 1,470,502
Agency residential mortgage-backed securities	91,993	81,123
Non-agency residential mortgage-backed securities	842	805
U.S. corporate	790,318	754,301
Non-U.S. corporate	305,766	289,432
Non-U.S. government and government agency	34,901	33,624
Asset-backed securities	219,656	211,653
Commercial mortgage-backed securities	6,937	6,347
Total fixed maturities	**2,988,596**	**2,847,787**
Short-term investments	**434,616**	**435,206**
Other investments	**91,912**	**93,602**
Total investments	**$ 3,515,124**	**$ 3,376,595**

(Expressed in Thousands of U.S. Dollars)

(a) Fixed maturity investments

The following table sets forth certain information regarding credit quality ratings (weighted average rating methodology using Standard & Poor's and other recognized rating agencies) of the Company's fixed maturity investments as at December 31, 2023 and December 31, 2022:

	2023	
	Fair Value	**% of Total**
AAA	$ 219,097	$ 5.5%
AA	2,648,913	66.0%
A	857,889	21.3%
BBB	271,894	6.8%
Total investment grade fixed maturities	**3,997,793**	**99.6%**
BB	3,450	0.1%
NR	13,014	0.3%
Total non-investment grade fixed maturities	**16,464**	**0.4%**
Total fixed maturities	**$ 4,014,257**	**$ 100.0%**

	2022	
	Fair Value	**% of Total**
AAA	$ 1,726,752	$ 60.6%
AA	189,577	6.7%
A	663,294	23.3%
BBB	250,498	8.8%
Total investment grade fixed maturities	**2,830,121**	**99.4%**
BB	3,172	0.1%
NR	14,494	0.5%
Total non-investment grade fixed maturities	**17,666**	**0.6%**
Total fixed maturities	**$ 2,847,787**	**$ 100.0%**

(Expressed in Thousands of U.S. Dollars)

(a) Fixed maturity investments (continued)

The amortized cost and fair values for the Company's fixed maturity investments held at December 31, 2023 and December 31, 2022 are shown below by effective maturity. Actual maturity may differ from final maturity due to prepayment rights associated with certain investments.

	2023			
		Amortized Cost		Fair Value
Due in one year or less	$	464,584	$	460,095
Due after one year through five years		2,950,279		2,930,329
Due after five years through ten years		50,942		51,709
Due after ten years		—		—
		3,465,805		3,442,133
Asset-backed and mortgage-backed securities		577,514		572,124
Total fixed maturities	**$**	**4,043,319**	**$**	**4,014,257**

	2022			
		Amortized Cost		Fair Value
Due in one year or less	$	419,056	$	405,694
Due after one year through five years		2,172,132		2,066,409
Due after five years through ten years		77,980		75,756
Due after ten years		—		—
		2,669,168		2,547,859
Asset-backed and mortgage-backed securities		319,428		299,928
Total fixed maturities	**$**	**2,988,596**	**$**	**2,847,787**

(b) Net investment return

Net investment return was derived from the following sources for the years ended December 31, 2023 and December 31, 2022:

		2023		2022
Fixed maturities, short-term and other investments	$	121,078	$	61,855
Cash and cash equivalents		5,252		871
Total gross investment income		126,330		62,726
Accretion of premium on fixed maturity investments		1,812		3,369
Investment expenses		(5,124)		(3,490)
Total net investment income		123,018		62,605
Realized losses		(22,885)		(32,147)
Change in unrealized gains/(losses)		116,489		(123,617)
Net investment return	**$**	**216,622**	**$**	**(93,159)**

(c) Pledged investments

The Company holds restricted assets comprising cash and cash equivalents, short-term investments and fixed maturity investments that were pledged and held in trust during the normal course of business with various regulatory authorities. At December 31, 2023, $845,595 (2022: $626,321) of assets were on deposit with custodians in respect of letter of credit facilities and trust accounts.

5. Fair value measurements

(a) Classification within the fair value hierarchy

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under U.S. GAAP, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are described below:

Level 1 - Fair values are measured based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access.

Level 2 - Fair values are measured based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 - Fair values are measured based on unobservable inputs that reflect the Company's own judgments about assumptions where there is little, if any, market activity for that asset or liability that market participants might use.

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

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This may lead the Company to change the selection of the valuation technique (for example, from market to cash flow approach) or to use multiple valuation techniques to estimate the fair value of a financial instrument. These circumstances could cause an instrument to be reclassified between levels within the fair value hierarchy.

At December 31, 2023 and December 31, 2022 the Company's investments were allocated between Levels 1, 2 and 3 as follows:

(Expressed in Thousands of U.S. Dollars)

(a) Classification within the fair value hierarchy (continued)

	2023				
	Level 1	**Level 2**	**Level 3**	**Fair value based on NAV practical expedient (a)**	**Total**
U.S. government securities	$ 2,115,779	$ —	$ —	$ —	$ 2,115,779
Agency residential mortgage-backed securities	—	323,286	—	—	323,286
Non-agency residential mortgage-backed securities	—	418	—	—	418
U.S. corporate	—	978,705	—	—	978,705
Non-U.S. corporate	—	313,459	—	—	313,459
Non-U.S. government/government agency	—	34,185	—	—	34,185
Asset-backed securities	—	220,962	16,465	—	237,427
Commercial mortgage-backed securities	—	10,998	—	—	10,998
Total fixed maturities	**2,115,779**	**1,882,013**	**16,465**	—	**4,014,257**
Short-term investments	**92,066**	**46,336**	**—**	—	**138,402**
Other investments	**—**	**—**	—	**197,337**	**197,337**
Total investments	**$ 2,207,845**	**$ 1,928,349**	**$ 16,465**	**$ 197,337**	**$ 4,349,996**

	2022				
	Level 1	**Level 2**	**Level 3**	**Fair value based on NAV practical expedient (a)**	**Total**
U.S. government securities	$ 1,470,502	$ —	$ —	$ —	$ 1,470,502
Agency residential mortgage-backed securities	—	81,123	—	—	81,123
Non-agency residential mortgage-backed securities	—	805	—	—	805
U.S. corporate	—	754,301	—	—	754,301
Non-U.S. corporate	—	289,432	—	—	289,432
Non-U.S. government/government agency	—	33,624	—	—	33,624
Asset-backed securities	—	193,986	17,667	—	211,653
Commercial mortgage-backed securities	—	6,347	—	—	6,347
Total fixed maturities	**1,470,502**	**1,359,618**	**17,667**	—	**2,847,787**
Short-term investments	**325,735**	**109,471**	**—**	—	**435,206**
Other investments	**—**	**—**	—	**93,602**	**93,602**
Total investments	**$ 1,796,237**	**$ 1,469,089**	**$ 17,667**	**$ 93,602**	**$ 3,376,595**

(a) In accordance with ASC Topic 820, *Fair Value Measurements,* investments measured at fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets.

There were no transfers into or out of Level 3 during the years ended December 31, 2023 or December 31, 2022.

(b) Valuation techniques
There have been no material changes in the Company's valuation techniques during the period represented by these Consolidated Financial Statements. The following methods and assumptions were used in estimating the fair value of each class of financial instrument recorded in the Consolidated Balance Sheets.

Fixed maturity investments
In general, valuation of the Company's fixed maturity investment portfolio is provided by pricing services, such as index providers and pricing vendors, as well as broker quotations. The pricing vendors provide valuations for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Prices are generally verified using third party data. Index providers generally utilize centralized trade reporting networks, available market makers and statistical techniques.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however, they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.

The Company considers these Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

U.S. government securities
U.S. government securities consist of debt securities issued by the U.S. Treasury. U.S. government securities are priced based on unadjusted market prices in active markets. As all of the inputs used to price these securities are observable, the fair value of these investments are classified as Level 1.

Agency residential mortgage-backed securities
Agency residential mortgage-backed securities consist primarily of mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. Agency residential mortgage-backed securities are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

Non-agency residential mortgage-backed securities
The Company's non-agency mortgage-backed investments include non-agency prime residential mortgage-backed fixed maturity investments. The Company has no non-agency residential mortgage securities classified as sub-prime held in its fixed maturity investments portfolio. Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

(Expressed in Thousands of U.S. Dollars)

(b) Valuation techniques (continued)

U.S. corporate
U.S. corporate debt securities consist primarily of investment-grade debt of a wide variety of U.S. corporate issuers and industries. The Company's corporate fixed maturity investments are primarily priced by pricing services.

When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

Non-US. corporate
Non-U.S. corporate debt securities consist primarily of investment-grade debt of a wide variety of non-U.S. corporate issuers and industries. The Company's non-U.S. corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

Non-U.S. government and government agency securities
Non-U.S. government and government agency securities valuations are provided by independent pricing services, with prices typically provided through index providers and pricing vendors. The fair values of these securities are generally based on international indices or valuation models which include daily observed yield curves, cross-currency basis index spreads and country credit spreads. As the significant inputs used in the pricing process for non-U.S. government securities are observable market inputs, the fair value of these securities are classified within Level 2.

Asset-backed securities
Asset backed securities include mostly investment-grade debt securities backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, student loans, credit card receivables, and collateralized loan obligations originated by a variety of financial institutions. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2. There are a small number of collateralized loan obligations held that are generally illiquid and where inputs used to price these securities may not be directly observable and as such these are classified as Level 3.

Commercial mortgage-backed securities
Commercial mortgage backed securities are investment-grade debt primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

(Expressed in Thousands of U.S. Dollars)

(b) Valuation techniques (continued)

Short term investments
Short-term investments consist primarily of highly liquid securities, all with maturities of less than one year from the date of purchase. The fair value of the portfolio is generally determined using amortized cost which approximates fair value. As the highly liquid money market-type funds are actively traded, the fair value of these investments are classified as Level 1. To the extent that the remaining securities are not actively traded due to their approaching maturity, the fair value of these investments are classified as Level 2.

Other investments – measured using net asset valuation ("NAV") as a practical expedient
Other investments consist of investments in externally managed funds, carried at fair value. Their fair value is established through the net asset value (NAV) practical expedient. The fair value is generally established on the basis of the net valuation criteria determined by the manager of the investment; these criteria are established in accordance with the governing documents of the investment. Realized and unrealized gains and losses on other investments are included in net investment return.

The Company's fund managers are occasionally unable to provide final fund valuations as of the Company's current reporting date. In circumstances where there is a reporting lag between the current year end reporting date and the reporting date of the latest fund valuation, the Company estimates the fair value of these funds by starting with the prior month-end fund valuations, adjusting these valuations for actual capital calls, redemptions or distributions, as well as the impact of changes in foreign currency exchange rates. Actual final fund valuations may differ, perhaps materially so, from the Company's estimates and these differences are recorded in the Company's net income in the year in which they are reported to the Company as a change in estimate.

At December 31, 2023, the Company had $197,337 (2022: $93,602) of investment in independently managed external funds. There are $175,824 (2022: $101,194) unfunded commitments. The funds are primarily focused on equity and credit investment opportunities with a mixture of open and closed end fund structures.

6. Derivative instruments

(a) Derivatives not designated as hedging instruments
There were no derivatives designated as hedging instruments within the Company's Consolidated Balance Sheet as at December 31, 2023. The following table summarizes information on the classification and amount of the fair value of derivatives not designated as hedging instruments within the Company's Consolidated Balance Sheet as at December 31, 2022:

	2022		
Derivatives not designated as hedging instruments:	**Notional exposure**	**Asset Derivative at Fair Value (a)**	**Liability Derivative at Fair Value (a)**
Industry Loss Warranties	$ 350,000	$ 11,229	$ (12,921)
	$ 350,000	**$ 11,229**	**$ (12,921)**

(a) Derivatives are classified within Other Assets & Other Liabilities on the Consolidated Balance Sheets.

The industry loss warranties are valued on the basis of modelled and other information. The Company reviews this information, which represents Level 3 inputs, as it is ultimately management's responsibility to ensure that the fair values reflected in the Company's financial statements are appropriate.

The following table summarizes information on the classification and net impact on earnings, recognized in the Company's Consolidated Statement of Income/(Loss) relating to derivatives that were not designated as hedging instruments during the years ended December 31, 2023 and December 31, 2022.

(Expressed in Thousands of U.S. Dollars)

6. Derivative instruments (continued)

Derivatives not designated as hedging instruments:	Classification of losses recognized in net income	2023	2022
Industry Loss Warranties	Other expenses	$ (11,229)	$ (39,304)
		$ (11,229)	**$ (39,304)**

(b) Balance sheet offsetting

There was no balance sheet offsetting activity as at December 31, 2023 and December 31, 2022.

Our derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish terms that apply to all transactions. On a periodic basis, the amounts receivable from or payable to the counterparties are settled in cash.

7. Insurance receivables

Insurance receivables are composed of premiums in the course of collection, net of commissions and brokerage, premiums accrued but unbilled, net of commissions and brokerage, and paid losses recoverable. It is common practice in the (re)insurance industry for premiums to be paid on an instalment basis, therefore significant amounts will be considered unbilled and will not become due until a future date. The following is a breakdown of the components of insurance receivables as at December 31, 2023 and December 31, 2022:

	2023			
	Paid losses recoverable	**Premiums in course of collection**	**Premiums accrued but unbilled**	**Total**
Paid losses recoverable & Insurance receivables, beginning of year	$ 86,869	$ 145,591	$ 1,104,832	$ 1,337,292
Change during the year	36,915	92,305	432,727	561,947
Paid losses recoverable & Insurance receivables, end of year	**$ 123,784**	**$ 237,896**	**$ 1,537,559**	**$** 1,899,239
Allowance for expected credit losses				(9,111)
Insurance receivables including credit impairment allowance, end of year				**$ 1,890,128**

	2022			
	Paid losses recoverable	**Premiums in course of collection**	**Premiums accrued but unbilled**	**Total**
Paid losses recoverable & Insurance receivables, beginning of year	$ 39,732	$ 67,244	$ 775,846	$ 882,822
Change during the year	47,137	78,347	328,986	454,470
Paid losses recoverable & Insurance receivables, end of year	**$ 86,869**	**$ 145,591**	**$ 1,104,832**	**$ 1,337,292**

Insurance receivables includes the following allowance for expected credit losses:

	2023	2022
At 1 January 2023	$ 5,575	$ —
Movement during the year	3,536	—
At 31 December 2023	**$ 9,111**	**$ —**

The balance at the beginning of the year is the initial allowance upon adoption for the charge of expected credit losses.

(Expressed in Thousands of U.S. Dollars)

8. Reserve for losses and loss adjustment expense

The following table summarizes the Company's reserve for losses and loss adjustment expenses, gross of reinsurance recoveries, as at December 31, 2023 and December 31, 2022:

	2023	2022
Case reserves	$ 907,349	$ 675,418
IBNR	1,927,165	1,461,591
Reserve for losses and loss adjustments expenses	**$ 2,834,514**	**$ 2,137,009**

The following table represents an analysis of paid and unpaid losses and loss adjustment expenses and a reconciliation of the beginning and ending unpaid losses and loss expenses for the years ended December 31, 2023 and December 31, 2022:

	2023	2022
Reserve for losses and loss adjustment expenses, beginning of year	$ 2,137,009	$ 1,183,990
Less: Reserves recoverable, beginning of year	(702,197)	(339,377)
Net reserve for losses and loss adjustment expenses, beginning of year	1,434,812	844,613
Increase (decrease) in net incurred losses and loss adjustment expenses in respect of losses occurring in:		
Current year	1,273,799	1,143,245
Prior year	(48,488)	(114,909)
Total incurred losses and loss adjustment expenses	1,225,311	1,028,336
Foreign exchange loss/(gain)	10,365	(20,893)
Net paid losses and loss adjustment expenses in respect of losses occurring in:		
Current year	(166,751)	(215,039)
Prior year	(543,115)	(202,205)
Total net paid losses	(709,866)	(417,244)
Net reserve for losses and loss adjustment expenses, end of year	1,960,622	1,434,812
Add: Reserves recoverable, end of year	873,892	702,197
Reserve for losses and loss adjustment expenses, end of year	**$ 2,834,514**	**$ 2,137,009**

Reserving Methodology/ Process used to decide on assumptions

The Company's reserving methodology for each reserving class uses a combination of loss reserving processes that result in the Company's best estimate for its ultimate settlement and administration costs for losses and loss adjustment expenses. The Company records its best estimate of additional case reserves and IBNR in the Consolidated Financial Statements. The Company does not discount any of its reserves for losses and loss adjustment expenses.

A full analysis of claims reserves is performed on a quarterly basis. The Company considers and evaluates inputs from many sources, including actual claims data, the performance of prior reserve estimates, observed industry trends, the views of third-party actuarial firms, discussion with underwriters, actuaries, claims and finance personnel. These inputs are assessed and form the basis for the recommendations from the Reserving Committee, which includes members of the Company's senior management. The Reserving Committee's remit is to review the estimated claims reserves and to critically assess the claims reserving.

The claims reserves established can be more or less than adequate to meet individual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate reserves for known large losses and catastrophes, from inadequate provision for unknown losses, or from inadequate provision for the deterioration of existing notified losses. The prior year favourable development in the reserves is $48,488 (2022: $114,909). This was primarily related to improvements in loss estimate for Hurricane Ian as well as reductions in Casualty and Marine lines of business.

(Expressed in Thousands of U.S. Dollars)

8. Reserve for losses and loss adjustment expense (continued)

The following table is unaudited supplementary information which presents the average annual percentage payout of incurred loss and loss adjustment expense, by age, net of reinsurance:

Year 1 (Unaudited)	Year 2 (Unaudited)	Year 3 (Unaudited)	Year 4 (Unaudited)	Year 5 (Unaudited)
14.3%	22.6%	14.9%	7.7%	47.7%

Claims Frequency

The nature, size, terms and conditions of contracts that the Company enters into can vary from one accident year to the next. In addition, as a result of varying contractual or policy limits from one year to the next, the potential loss and loss expense associated with reported claims can range. For some contracts, such as proportional treaties, binders, and bulking lineslips, the Company may not have access to consistent claims frequency information. As a result of the nature of the business, it is not practicable to determine claims frequency.

Claims Development Tables by Accident Year

Incurred Loss and Loss Adjustment Expenses, Net of reinsurance

	For the years ended 31 December					
Cumulative incurred claims at end of accident year	**2019 (Unaudited)**	**2020 (Unaudited)**	**2021 (Unaudited)**	**2022 (Unaudited)**	**2023**	**IBNR plus expected development on reported claims**
2019	5,748	5,167	2,594	3,517	6,353	205
2020		368,495	375,818	356,278	329,334	52,706
2021			782,252	685,961	683,957	102,360
2022				1,122,352	1,099,975	358,355
2023					1,284,165	791,984
	5,748	**373,662**	**1,160,664**	**2,168,108**	**3,403,784**	**1,305,610**

Paid Loss and Loss Adjustment Expense, Net of reinsurance

	For the years ended 31 December				
Paid claims at end of accident year	**2019 (Unaudited)**	**2020 (Unaudited)**	**2021 (Unaudited)**	**2022 (Unaudited)**	**2023**
2019	114	1,251	1,934	2,048	5,076
2020		51,638	167,274	207,704	252,595
2021			146,844	308,505	457,673
2022				215,039	561,066
2023					166,751
	114	**52,889**	**316,052**	**733,296**	**1,443,161**

Change in losses and loss adjustment expenses for the years ended December 31, 2023 and December 31, 2022:

	2023	**2022**
Gross losses and loss adjustment expenses	$ 1,722,676	$ 1,569,714
Ceded losses and loss adjustment expenses	(497,365)	(541,378)
Losses and loss adjustment expenses	**$ 1,225,311**	**$ 1,028,336**

(Expressed in Thousands of U.S. Dollars)

9. Reinsurance

The Company's reinsurance balances recoverable at December 31, 2023 and December 31, 2022 are as follows:

		2023		2022
Reserves recoverable on unpaid:				
Case reserves	$	250,459	$	182,564
IBNR		623,433		519,633
Total reserves recoverable	**$**	**873,892**	**$**	**702,197**

Reserves recoverable includes an explicit allowance for expected credit losses of $nil (2022: $nil).

(a) Effects of reinsurance on premiums written and earned

The effects of reinsurance on net premiums written and earned, and on losses and loss adjustment expenses for the years ended December 31, 2023 and December 31, 2022 were as follows:

		2023		2022
Premiums written:				
Direct insurance	$	2,102,673	$	1,612,560
Treaty reinsurance		2,114,929		1,422,814
Ceded		(1,376,643)		(1,012,311)
Net premiums written	**$**	**2,840,959**	**$**	**2,023,063**
Premiums earned:				
Direct insurance	$	1,786,758	$	1,385,883
Treaty reinsurance		1,747,614		1,198,754
Ceded		(1,197,294)		(898,141)
Net premiums earned	**$**	**2,337,078**	**$**	**1,686,496**
Loss and loss adjustment expenses:				
Direct insurance	$	850,315	$	737,895
Treaty reinsurance		872,361		831,819
Ceded		(497,365)		(541,378)
Loss and loss adjustment expenses	**$**	**1,225,311**	**$**	**1,028,336**

(b) Credit risk

The cession of reinsurance does not legally discharge the Company from its primary liability for the full amount of the (re)insurance policies it writes, and the Company is required to pay the loss and bear collection risk regarding reinsurers' obligations under reinsurance and retrocession agreements. The Company records provisions for uncollectible reinsurance recoverable when collection becomes unlikely due to the reinsurer's inability to pay.

To the extent the creditworthiness of the Company's reinsurers were to deteriorate due to adverse events affecting the reinsurance industry, such as a large number of major catastrophes, actual uncollectible amounts could be significantly greater than the Company's provision. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying loss reserves.

The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers. The reinsurance program is generally placed with reinsurers whose rating, at the time of placement, was A- or better as rated by Standard & Poor's or the equivalent with other rating agencies. Exposure to a single reinsurer is also controlled with restrictions dependent on rating. In 2023, CRL placed 99% (2022: 99%) of its business with reinsurers rated A- or above. Reinsurers with less than A- rating are fully collateralized.

(Expressed in Thousands of U.S. Dollars)

(c) Credit losses

The Company adopted updated accounting guidance on the recognition of credit losses effective January 1, 2023. In assessing an allowance for reinsurance recoverable balances, the Company considers historical information, financial strength and credit ratings of reinsurers, collateralization amounts and the remaining expected life of reinsurance recoverable balances to determine the appropriateness of the allowance. Historically, the Company has not experienced material credit losses from retrocessional agreements. In assessing future default for reinsurance recoverable balances, the Company evaluates the valuation allowance under the probability of default and loss given default method and utilizes counterparty credit ratings from major rating agencies, as well as assesses the current market conditions and reasonable and supportable forecasts for the likelihood of default. At December 31, 2023, an assessment was undertaken and an allowance for credit losses on its reinsurance recoverable balance was not deemed necessary.

10. Share capital

The Company's authorized share capital is 1,000,000 (2022: 1,000,000) common shares with a par value of $1.00 each. At December 31, 2023, there were 1,000,000 (2022: 1,000,000) common shares outstanding.

The Company did not declare dividends on common shares during the year ended December 31, 2023 (2022: nil).

11. Pension contributions

The Company provides pension benefits to eligible employees through various plans which are managed externally and sponsored by the Company. The Company's contributions are expensed as incurred. The Company's expenses for its defined contribution plans for the year ended December 31, 2023 were $1,330 (2022: $1,013).

12. Income taxes

The Company provides for income taxes based upon profits/losses reported in the financial statements and the provisions of currently enacted tax laws. The Company is registered in Bermuda and is subject to Bermuda law with respect to taxation. On December 27, 2023 the Bermuda Corporate Income Tax Act ("CIT Act") received Royal Assent, applicable to periods beginning on or after January 1, 2025.

Under the CIT Act, Bermuda corporate income tax will be chargeable at a rate of 15% and will apply only to Bermuda entities that are part of Multinational Enterprise Groups ("MNE") with revenues of €750m or more in at least two of the four fiscal years immediately preceding the fiscal year in question. The CIT Act overrides the previous undertaking provided by the Minister of Finance, exempting the Company from taxes until March 31, 2035.

The CIT Act includes an exemption from the application of the rules for Groups within their 'initial phase of their international activity'. The Company expects to meet the requirements for the exemption and therefore should benefit from a 5-year deferral to January 1, 2030. The CIT Act also provides for an Economic Transition Adjustment ("ETA") which is intended to provide a fair and equitable transition into the tax regime by reducing future years' taxable income. In accordance with US GAAP, this ETA is recognized as a deferred tax asset as of December 31, 2023.

The Company's subsidiaries that operate outside of Bermuda are subject to tax in the jurisdictions in which they operate.

(Expressed in Thousands of U.S. Dollars)

12. Income taxes (continued)

The Company's net income/(loss) before tax for the years ended December 31, 2023 and December 31, 2022 was generated in the following domestic and foreign jurisdictions:

	2023	2022
Domestic	$ 325,187	$ 16,437
Foreign	184,090	(84,149)
Net income/(loss) before tax	**$ 509,277**	**$ (67,712)**
Current taxation		
Bermuda current tax at 0% (2022: 0%)	—	—
Bermuda corporation tax	**$ —**	**$ —**
Foreign taxation – current year	(23,846)	2,007
Foreign taxation – adjustment in respect of prior years	(187)	(145)
Foreign taxation	**$ (24,033)**	**$ 1,862**
Total current taxation (charge)/benefit	**$ (24,033)**	**$ 1,862**
Deferred taxation		
Origination & reversal of timing differences	$ 75,619	$ —
Adjustments in respect of prior periods	21	—
Total deferred tax benefit	**$ 75,640**	**$ —**
Tax benefit on ordinary activities	**$ 51,607**	**$ 1,862**

The table below is a reconciliation of the actual income tax (charge)/benefit for the years ended December 31, 2023 and December 31, 2022 to the amount computed by applying the effective tax rate of 0% under Bermuda law to income before taxes:

	2023	2022
Expected tax charge at local rate of tax	$ —	$ —
Effects of:		
Expected tax (charge)/benefit on foreign profits	(43,766)	17,290
Rate change adjustment	(1,509)	2,063
Prior year adjustment – current tax	(187)	—
Prior year adjustment – deferred tax	21	(145)
Permanent differences	24	(27)
Deferred tax not recognized	30,273	(16,987)
Other foreign taxes	(949)	(332)
Bermuda Economic Transition Adjustment	67,700	—
Actual income tax benefit	**$ 51,607**	**$ 1,862**

Deferred tax assets primarily represent the tax effect of temporary differences between the carrying value of assets and liabilities for financial statement purposes and such values as measured by tax laws and regulations in countries in which the operations are taxable. Deferred tax assets may also represent the tax effect of tax losses carried forward.

(Expressed in Thousands of U.S. Dollars)

12. Income taxes (continued)

In accordance with the CIT Act, the ETA requires that certain assets and liabilities of Bermuda taxable entities are revalued as at September 30, 2023. This has given rise to a deferred tax asset of $67,700 on the basis that the carrying value of these assets and liabilities is less than their estimated fair value, creating temporary differences.

The components of the Company's net deferred tax asset as of December 31, 2023 and December 31, 2022 are as follows:

	2023	2022
Deferred tax asset related to	$	$
Tax losses carried forward at local tax rates	13,746	38,933
GAAP Differences	4,246	809
Unrealised foreign exchange (gains)/losses	(7)	—
Deferred bonuses	302	169
Bermuda Economic Transition Adjustment	67,700	—
Total deferred tax assets	**$ 85,987**	**$ 39,911**
Less: valuation allowances	(10,347)	(39,911)
Total net deferred income tax assets	**$ —**	**$ —**
Net deferred income tax asset	**$ 75,640**	**$ —**

The Company has $13,745 (2022: $38,933) net deferred tax assets in respect of carried forward net operating losses ('NOLs') as at December 31, 2023. A 66% (2022: 100%) valuation allowance has been applied in order to reduce the deferred tax asset recognized on the Consolidated Balance Sheets, on the basis that future profits against which the NOLs can be offset are uncertain. In 2022 the UK government substantively enacted a change to the rate of UK corporation tax, which rose from 19% to 25% from April 1, 2023. The rate of current tax applied to the 2023 financial year in the UK was a blended rate of 23.5%, which will rise to 25% for future periods. This has led to an uplift in the value of UK NOLs by $395 (2022: $8,083) against which a 29% (2022: 100%) valuation allowance has been applied.

The movement in the deferred tax asset for the years ended December 31, 2023 and December 31, 2022 can be explained as follows:

	2023	2022
Balance at beginning of the year	$ —	$ —
Movement due to creation of tax losses carried forward	(22,606)	14,278
Movement of deferred tax on pension asset	—	(1)
Movement of GAAP differences	1,648	515
Movement on deferred bonuses	123	132
Movement on unrealised foreign exchange (gains)/losses	(10)	—
Prior year adjustment	21	—
Rate change	(1,509)	2,063
Movement on deferred tax asset on losses not recognised	30,273	(16,987)
Movement on Bermuda Economic Transition Adjustment	67,700	—
Balance at end of the year	**$ 75,640**	**$ —**

Management have been actively monitoring the developments of the global minimum tax of 15% under Pillar 2 and assessing the implications of these rules on the Company. The MNE Group is within the scope of the rules based on a consolidated turnover in excess of €750m. However, as the MNE Group is within its initial phase of international activity, the exemption from the under-taxed payment rule until January 1, 2030 should apply.

(Expressed in Thousands of U.S. Dollars)

12. Income taxes (continued)

The Company does not expect any additional tax liabilities to arise from the implementation of an income inclusion rule or qualifying domestic minimum top up tax as a consequence of legislation adopted in any country where the Company operates. Therefore, the Company has not recognised any tax exposures or liabilities arising from this legislation.

13. Commitments and contingencies

(a) Concentrations of credit risk

The Company underwrites a significant amount of its reinsurance business through brokers. There is credit risk associated with payments of (re)insurance balances to the Company in regard to these brokers' ability to fulfil their contractual obligations. These brokerage companies are large and well established, and there are no indications they are financially distressed.

The following table shows the brokers that accounted for more than 10% of gross premiums written for the years ended December 31, 2023 and December 31, 2022:

Broker	2023	2022
Marsh & McLennan Companies, Inc.	25.2 %	28.2 %
Aon Benfield	19.3 %	19.8 %
Arthur J. Gallagher	10.0 %	7.9 %

(b) Employment agreements

The Company has entered into employment agreements with certain individuals that provide for executive benefits and severance payments under certain circumstances.

(c) Leases

The Company adopted ASC Topic 842, the revised lease standard, effective January 1, 2022.

The Company leases office space and office equipment under various operating leases. All of these leases, the expiration of which range from 2024 to 2031, are for the rental of office space across the US, Luxembourg, Bermuda, and Guernsey.

In line with the revised standard, the Company has recognised a lease liability, and a corresponding right of use asset.

The lease liability recognised is the total of the present value of the fixed payments in line with the signed lease agreements across the various jurisdictions. The fixed payments were discounted using the treasury rates in each jurisdiction for the duration of the lease term.

The right of use asset recognised is the present value of the the lease liability adjusted for the payment holiday received at the inception of the lease. The payment holiday is amortized over the remaining life of the lease. The following table summarizes the operating lease charge for the twelve months ended December 31, 2023 and December 31, 2022:

	2023	2022
Amortization charge on right-of-use operating leased assets	$ 1,684	$ 1,326
Interest on operating lease liabilities	149	168
Release of lease incentive	(60)	(614)
Operating lease charge	**$ 1,773**	**$ 880**

(Expressed in Thousands of U.S. Dollars)

(c) Leases (continued)

The following table presents the lease balances within the Consolidated Balance Sheets as of December 31, 2023 and December 31, 2022:

	2023	2022
Operating lease right-of-use assets	$ 9,431	$ 11,299
Operating lease liabilities	$ 10,371	$ 12,181
Weighted average lease term (years)	6.8	7.9
Weighted average discount rate	1.7 %	1.4 %

Future minimum rental commitments as of December 31, 2023 and December 31, 2022 under these leases are expected to be as follows:

	2023	2022
Payment due		
Not later than one year	$ 1,726	$ 1,740
Not later than two years	1,718	1,504
Not later than three years	1,698	1,492
Not later than four years	1,666	1,492
Later than five years	4,522	5,731
Total future annual minimum rental payments	11,330	11,959
Less: present value discount	(959)	222
Total lease liability as of end of year	**$ 10,371**	**$ 12,181**

(d) Underwriting operations

The Company has exposure to credit risk as it relates to its business written through brokers, if any of the Company's brokers is unable to fulfill their contractual obligations with respect to payments to the Company. In addition, in some jurisdictions, if the broker fails to make payments to the insured under the Company's policy, the Company might remain liable to the insured for the deficiency. The Company's exposure to such credit risk is somewhat mitigated in certain jurisdictions by contractual terms.

The Company has exposure to credit risk related to reinsurance balances receivable, reinsurance recoverable on paid and unpaid losses, funds held by reinsured companies and deposit assets. The credit risk exposure related to these balances is mitigated by several factors, including but not limited to, credit checks performed as part of the underwriting process, monitoring of aged receivable balances and, in certain cases, the contractual right to offset amounts payable by the Company to the counterparty against amounts due to the Company from the counterparty.

The Company adopted updated accounting guidance on the recognition of credit losses effective January 1, 2023. In assessing future default for reinsurance balances receivable, the Company evaluates the valuation allowance under the loss rate method and utilizes historic loss activity, adjusted for its assessment of current market conditions and reasonable and supportable forecasts on loss rates. December 31, 2023, the Company's allowance for credit losses for its reinsurance balances receivable was $nil.

14. Variable interest entities

Hypatia Ltd.

Hypatia Ltd. ("Hypatia") is licensed as a Bermuda domiciled special purpose insurer to provide reinsurance capacity to the Company and its subsidiaries through derivatives agreements which are collateralized and funded by Hypatia through the issuance of one or more tranches of principal-at-risk variable rate catastrophe bonds to third-party investors.

Upon issuance of a tranche of bonds by Hypatia, all of the proceeds are deposited into collateral accounts, separated by tranche, to fund any potential obligation under the agreements entered into with the Company and its subsidiaries underlying the tranche. The outstanding principal of each tranche generally will be returned to holders of the bonds upon the expiration of the risk period underlying each tranche, unless an event occurs, which causes a loss under the applicable tranche, in which case the amount returned will be reduced by such bondholder's pro rata share of such loss, as specified in the applicable governing documents of such bonds. In addition, holders of the bonds are generally entitled to interest payments, payable quarterly, as determined by the applicable governing documents of each tranche of bonds.

Hypatia meets the definition of a VIE because it does not have sufficient equity capital to finance its activities. The Company has evaluated its relationship with Hypatia and concluded that the Company is not the primary beneficiary because it does not have an obligation to absorb losses or receive benefits that could potentially be significant to the VIE. As a result, the Company does not consolidate the financial position or results of operations of Hypatia. The Company has not provided any financial or other support to Hypatia that it was not contractually required to provide.

The only transactions related to Hypatia that are recorded in the Company's Consolidated Financial Statements are the payments made to Hypatia in respect of two contracts. The first contract expired on May 31, 2023 and was required to be accounted for as a derivative under ASC Topic 815, *Derivatives and Hedges*, while the second contract expires on March 31, 2024 and is accounted for as a reinsurance contract.

15. Credit facilities

Bilateral Letter of Credit Facilities

Uncommitted Standby Letter of Credit Facility with Citibank Europe

The Company and certain of its subsidiaries and affiliates are parties to a Standby Letter of Credit Agreement dated February 12, 2020 with Citibank Europe Plc, under which Citibank made available a letter of credit facility in the amount of $200,000. The facility was renewed on November 25, 2021 and increased to $300,000.The agreement provides for a secured, uncommitted facility under which letters of credit may be issued from time to time. The facility will be used to secure obligations to its policyholders. Pursuant to the agreement, the applicants may request secured letter of credit issuances. The agreement contains representations, warranties and covenants that are customary for facilities of this type. Under the agreement, each applicant is required to pledge eligible collateral having a value sufficient to cover all of its obligations under the agreement with respect to secured letters of credit issued for its account. At December 31, 2023, there were $231,607 (2022: $198,390) of secured letters of credit outstanding under this agreement, secured by collateral in the amount of $325,344 (2022: $249,839).

Committed Standby Letter of Credit Facility with Lloyds Bank plc

On November 10, 2021, a new Standby Letter of Credit Facility Agreement with Lloyds Bank plc ("Lloyds") was established, under which Lloyds committed to a letter of credit facility in the amount of $200,000. On November 22, 2021, the facility was amended to increase the overall commitments to $300,000. On November 23, 2022, the facility was amended to include a $100,000 unsecured accordion clause. On January 24, 2023, CRL and CIL as the borrowers on the Lloyds Letter of Credit Facility, increased the facility to include a $50,000 USD unsecured tranche. On October 31, 2023, the facility was extended for one additional year set to expire on November 10, 2024. The letter of credit facility has both secured and unsecured tranches and supports the Company's insurance and reinsurance obligations. As at December 31, 2023, there were letters of credit outstanding under this facility totalling $281,921 (2022: $273,753), secured by collateral in the amount of $351,078 (2022: $335,655).

(Expressed in Thousands of U.S. Dollars)

15. Credit facilities (continued)

Committed Standby Letter of Credit Facility with Barclays Bank plc

On December 23, 2022, a new Standby Letter of Credit Facility Agreement with Barclays Bank plc ("Barclays") was established, under which Barclays committed to a letter of credit facility in the amount of $100,000, with a $100,000 secured accordion. The letter of credit facility is $75,000 secured and $25,000 unsecured and supports the Company's insurance and reinsurance obligations. As at December 31, 2023, there were letters of credit outstanding under this facility totalling $80,343 (2022: $nil), secured by collateral in the amount of $82,179 (2022: $nil).

16. Related party transactions

Included in "Operating expenses" in the Consolidated Statements of Income/(Loss) are expenses which relate to professional services, accommodation, travel and entertainment which were provided by various related parties of the Company and amounted to $978 for the year ended December 31, 2023 (2022: $nil). There were $nil balances in accounts payable at December 31, 2023 (2022: $nil) relating to these transactions.

Included in "Gross premium written" in the Consolidated Statements of Income/(Loss) are gross premiums written with various related parties of the Company and amounted to $371,901 (2022: $173,007). The primary related party was Howden UK Group Limited which produced $284,536 of the gross premium written (2022: $129,993).

Kelly Lyles, who was appointed a director of the Company in 2021, serves as a director for Howden UK Group Limited. There was $90,236 balance in insurance receivables at December 31, 2023 (2022: $22,918) related to Howden UK Group Limited.

Nicholas Lyons, a director of the Company, serves as a director for Miller Insurance Services. There was $25,650 balance in insurance receivables at December 31, 2023 related to Miller Insurance Services (2022: $11,580).

17. Statutory and regulatory requirements

The Company has operations which are subject to laws and regulations in Bermuda, United Kingdom, Luxembourg, Guernsey and the United States of America.

The Company's (re)insurance subsidiaries prepare their statutory financial statements in conformity with statutory accounting practices prescribed or permitted by the applicable local laws and relevant regulatory authority. The statutory financial statements may vary materially from statements prepared in accordance with U.S. GAAP.

The Company and its subsidiaries are required to maintain certain measures of solvency and liquidity which provide restrictions on declaring dividends and distributions. Statutory capital and surplus as of December 31, 2023 and statutory net income for the year ended December 31, 2023 will not be filed with the BMA until April 2024. Statutory capital and surplus as at December 31, 2023 and statutory net income for the year ended December 31, 2023 for our (re)insurance subsidiaries in Bermuda, U.K., Luxembourg, and Guernsey were as follows:

	2023		
	Statutory capital and surplus		**Statutory net income/(loss)**
	Required	**Actual**	
Bermuda	861,555	2,548,016	493,184
U.K.	1,238,167	1,912,275	169,464
Luxembourg	61,264	86,301	7,801
Guernsey	366	3,664	(1,967)

(Expressed in Thousands of U.S. Dollars)

17. Statutory and regulatory requirements (continued)

	2022		
	Statutory capital and surplus		Statutory net loss
	Required	Actual	
Bermuda	760,979	2,061,547	(65,850)
U.K.	901,171	1,574,848	(42,047)
Luxembourg	45,188	82,869	(17,682)
Guernsey	225	3,624	(3,471)

(a) Bermuda

At December 31, 2023 the Company, a Class 4 Bermuda-based insurer, is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR") where applicable. The ECR is equal to the higher of the MSM or the Bermuda Solvency Capital Requirement ("BSCR") model or approved internal capital model.

The ability of the Company to pay dividends is limited under Bermuda law and regulations. The Insurance Act provides that a Class 4 Bermuda insurer may not declare or pay, in any financial year, dividends of more than 25% of its total statutory capital and surplus (as shown on its statutory balance sheet in relation to the previous financial year) unless it files with the BMA at least seven days prior to the payment, an affidavit signed by at least two directors and the Company's principal representative, stating that in their opinion, the Company will continue to satisfy the required margins following declaration of those dividends, however, there is no additional requirement for BMA approval.

In addition, before reducing its total statutory capital by 15% or more, a Class 4 Bermuda insurer must make application to the BMA for permission to do so. Such application shall consist of an affidavit signed by at least two directors and the Company's principal representative stating that in their opinion the proposed reduction in capital will not cause such subsidiaries to fail to meet its relevant margins, and such other information as the BMA may require.

The Company's primary restrictions on net assets consist of regulatory requirements placed upon it to hold minimum amounts of total statutory capital and surplus. There were no other material restrictions on net assets in place as of December 31, 2023.

(b) U.K.

The required and actual statutory requirements in the U.K. category in the table above relate to CIL. Under the jurisdiction of the United Kingdom's Prudential Regulation Authority ("PRA"), the Company's London based subsidiary, CIL must always maintain a margin of solvency under the Solvency II Directive from the European Insurance and Occupational Pensions Authority which was effective January 1, 2016. The regulations stipulate that insurers are required to calculate their minimum capital requirement ("MCR") and solvency capital requirement ("SCR"). Insurers can either apply for approval of an internal model to calculate the SCR or adopt the standard formula. CIL has utilized the standard formula for the SCR. As of December 31, 2023, the SCR of CIL was $1,238,167 (2022: $901,171) and there was surplus capital of $674,108 (2022: $673,677) with actual Own Funds Available of $1,912,275 (2022: $1,574,848).

The PRA regulatory requirements impose no explicit restrictions on CIL's ability to pay a dividend, but the Company would have to notify the PRA 28 days prior to any proposed dividend payment. Dividends may only be distributed from profits available for distribution. At December 31, 2023 CIL had $12,505, (2022: $nil) retained profits available for distribution.

(c) Luxembourg

The required and actual statutory requirements in the Luxembourg category in the table above relate to CES. Under the jurisdiction of Luxembourg's Commissariat aux Assurance ("CAA"), the Company's Luxembourg based subsidiary, CES must always maintain a margin of solvency under the Solvency II Directive from the European Insurance and Occupational Pensions Authority which was effective January 1, 2016. The regulations stipulate that insurers are required to calculate their minimum capital requirement ("MCR") and solvency capital requirement ("SCR"). Insurers can either apply for approval of an internal model to calculate the SCR or adopt the standard formula. CES has utilized the standard formula for the SCR. As of December 31, 2023, the SCR of CES was $61,264 (2022: $45,188) and there was surplus capital of $86,240 (2022: $82,824), with actual Own Funds Available of $86,301 (2022: $82,869).

The CAA regulatory requirements impose no explicit restrictions on CES's ability to pay a dividend, but the Company would have to notify the CAA 28 days prior to any proposed dividend payment. Dividends may only be distributed from profits available for distribution. At December 31, 2023 CES had $7,801 (2022: $nil) retained profits available for distribution.

(d) Guernsey

The required and actual statutory requirements in the Guernsey category in the table above relate to CGU. Under the jurisdiction of the Guernsey Financial Services Commission ("GFSC"), the Company's Guernsey based subsidiary, CGU, must always maintain a margin of solvency under the Insurance Business (Solvency) Rules and Guidance, 2021. The regulations stipulate that insurers are required to calculate their minimum capital requirement ("MCR") and prescribed capital requirement ("PCR"). As of December 31, 2023, the MCR of CGU was $127 (2022: $121) and the PCR was $366 (2022: $255) and there was surplus capital of $3,298 (2022: $3,400) with actual Regulatory Capital Available of $3,664 (2022: $3,624).

The GFSC regulatory requirements impose no explicit restrictions on CGU's ability to pay a dividend. Dividends may only be distributed from profits available for distribution. At December 31, 2023 CGU had $nil (2022: $nil) retained profits available for distribution.

18. Subsequent events

The Company has completed its review of events after the Statement of Financial Position date of December 31, 2023 through April 26, 2024, the date the financial statements were authorised for issue.

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