

Audited Consolidated Financial Statements

Endurance Specialty Insurance Ltd.

For the year ended December 31, 2023

With Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Endurance Specialty Insurance Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Endurance Specialty Insurance Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2023, December 31, 2022, and January 1, 2022, and the consolidated statements of profit and comprehensive income (loss), consolidated statements of changes in shareholder's equity and consolidated statements of cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, December 31, 2022, and January 1, 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and 2022, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matter

Without qualifying the above conclusion, we draw your attention to the change in accounting principles relating to the Insurance contracts, described in Note 2 to the consolidated financial statements presenting the impacts of IFRS 17 "Insurance Contracts" first time application from January 1, 2023.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young Ltd.

Hamilton, Bermuda
May 21, 2024

ENDURANCE SPECIALTY INSURANCE LTD.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022 (RESTATED), AND JANUARY 1, 2022 (RESTATED)
(In thousands of United States dollars)

		Restated		Restated
	Notes	December 31, 2023	December 31, 2022	January 1, 2022
ASSETS				
Cash and cash equivalents	5	\$ 3,153,235	\$ 3,401,757	\$ 2,906,242
Accrued investment income		158,815	83,155	55,169
Investments	6, 7	18,449,836	13,760,467	12,202,711
Investment in associates		69,319	13,728	13,954
Insurance contract assets	11	—	5	—
Reinsurance contract assets	11	7,574,695	6,820,145	6,335,181
Receivable on investments sold		41,485	90,875	81,432
Derivative assets	8	2,659	142,696	117,241
Current tax asset	20	5,872	699	2,533
Deferred tax asset	20	545,214	232,108	121,652
Property and equipment	13	237,408	190,593	212,875
Goodwill and intangible assets	10	681,643	682,861	710,466
Due from affiliates	18	10,348	4,426	64
Other assets		253,340	235,132	106,954
Total assets		<u>\$ 31,183,869</u>	<u>\$ 25,658,647</u>	<u>\$ 22,866,474</u>
LIABILITIES				
Insurance contract liabilities	11	\$ 19,879,264	\$ 16,657,137	\$ 15,155,494
Reinsurance contract liabilities	11	2,427	—	89
Derivative liabilities	8	85	82,888	86,540
Payable on purchases of investments		102,026	269,005	125,897
Current tax liability	20	33,236	3,054	41,810
Deferred tax liability	20	9,185	2,170	1,438
Due to affiliates	18	3,657	122	2,109
Due to parent	18	558,154	333,715	159,033
Other liabilities		450,101	219,113	220,324
Loans and borrowings	14	456,432	463,967	477,837
Total liabilities		<u>\$ 21,494,567</u>	<u>\$ 18,031,171</u>	<u>\$ 16,270,571</u>
SHAREHOLDER'S EQUITY				
Common shares	17	\$ 12,000	\$ 12,000	\$ 12,000
Contributed surplus		7,851,691	7,114,230	5,840,853
Accumulated other comprehensive loss		(74,617)	(56,156)	(35,899)
Retained earnings		1,796,351	557,402	778,949
Equity attributable to owners of company		<u>\$ 9,585,425</u>	<u>\$ 7,627,476</u>	<u>\$ 6,595,903</u>
Non-controlling interests		103,877	—	—
Total shareholder's equity		<u>\$ 9,689,302</u>	<u>\$ 7,627,476</u>	<u>\$ 6,595,903</u>
Total liabilities and shareholder's equity		<u>\$ 31,183,869</u>	<u>\$ 25,658,647</u>	<u>\$ 22,866,474</u>

See accompanying notes to the Consolidated Financial Statements.

ENDURANCE SPECIALTY INSURANCE LTD.
Consolidated Statements of Profit and Comprehensive Income (Loss)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (RESTATED)
(In thousands of United States dollars)

	Notes	2023	Restated 2022
REVENUES			
Insurance revenue		\$ 13,124,511	\$ 11,739,724
Insurance service expenses	12	(12,134,695)	(11,786,171)
Net insurance service result before reinsurance contracts held		989,816	(46,447)
Allocation of reinsurance contracts premiums paid	11	(4,213,846)	(3,958,669)
Amounts recovered from reinsurance contracts	12	4,370,626	4,436,239
Net expense from reinsurance contracts held		156,780	477,570
Net insurance service result		1,146,596	431,123
Net investment income		933,825	418,649
Net realized losses on investments		(127,286)	(132,074)
Net unrealized gains (losses) on investments		550,259	(1,154,953)
Net investment return		1,356,798	(868,378)
Finance (expenses) income from insurance contracts issued	11	(1,040,388)	1,116,938
Finance income (expenses) from reinsurance contracts held	11	368,999	(295,767)
Net insurance finance result		(671,389)	821,171
Net insurance and investment result		1,832,005	383,916
EXPENSES			
Corporate expenses		10,765	8,816
Amortization of intangible assets	10	48,758	50,502
Net foreign exchange (gains) losses		(162,715)	79,372
Loss on impairment of intangibles		4,424	—
Other (income) expenses		(14,660)	17,210
Share of loss from investment in associate		1,623	222
Loss on net monetary position due to hyperinflation		70,904	—
Total expenses		(40,901)	156,122
Profit before tax and financing costs		1,872,906	227,794
Financing costs		(15,463)	(15,944)
Profit before tax		1,857,443	211,850
Tax benefit (expense)	20	102,914	(11,171)
Profit after tax		\$ 1,960,357	\$ 200,679
Net income attributed to non-controlling interests		(12,954)	—
Profit attributable to the Company		\$ 1,947,403	\$ 200,679
OTHER COMPREHENSIVE LOSS			
Items that may be classified to profit (loss):			
Exchange loss on translating foreign currency operations		(20,656)	(20,257)
Remeasurement gain on defined benefit pension scheme		(254)	—
Other comprehensive loss		\$ (20,910)	\$ (20,257)
Comprehensive income		1,939,447	180,422
Comprehensive income attributable to non-controlling interests		(10,505)	—
Comprehensive income attributable to the Company		\$ 1,928,942	\$ 180,422

See accompanying notes to the Consolidated Financial Statements.

ENDURANCE SPECIALTY INSURANCE LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (RESTATED) AND JANUARY 1, 2022 (RESTATED)
(In thousands of United States dollars)

	Attributable to the owners of the Company						Total	Non-controlling interests	Total shareholder's equity
	Share capital	Contributed surplus	Retained earnings	Remeasurement of defined benefit plan	Foreign currency translation reserve	Accumulated other comprehensive loss			
Balance at January 1, 2022, as previously reported	\$ 12,000	\$ 5,840,853	\$ 905,979	\$ —	\$ (41,148)	\$ (41,148)	\$ 6,717,684	\$ —	\$ 6,717,684
Adjustment on initial application of IFRS 17, net of tax	—	—	(127,030)	—	5,249	5,249	(121,781)	—	(121,781)
Restated balance at January 1, 2022	\$ 12,000	\$ 5,840,853	\$ 778,949	\$ —	\$ (35,899)	\$ (35,899)	\$ 6,595,903	\$ —	\$ 6,595,903
Profit for the year ended December 31, 2022	—	—	200,679	—	—	—	200,679	—	200,679
Other comprehensive loss	—	—	—	—	(20,257)	(20,257)	(20,257)	—	(20,257)
Total comprehensive income (loss)	—	—	200,679	—	(20,257)	(20,257)	180,422	—	180,422
Contribution of capital received from parent	—	1,273,377	—	—	—	—	1,273,377	—	1,273,377
Dividends to parent	—	—	(422,226)	—	—	—	(422,226)	—	(422,226)
Restated balance as at December 31, 2022	\$ 12,000	\$ 7,114,230	\$ 557,402	\$ —	\$ (56,156)	\$ (56,156)	\$ 7,627,476	\$ —	\$ 7,627,476

ENDURANCE SPECIALTY INSURANCE LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (RESTATED) AND JANUARY 1, 2022 (RESTATED)
(In thousands of United States dollars)

Attributable to the owners of the Company

	Share capital	Contributed surplus	Retained earnings	Remeasurement of defined benefit plan	Foreign currency translation reserve	Accumulated other comprehensive loss	Total	Non- controlling interests	Total shareholder's equity
Restated balance as at December 31, 2022	\$ 12,000	\$ 7,114,230	\$ 557,402	\$ —	\$ (56,156)	\$ (56,156)	\$ 7,627,476	\$ —	\$ 7,627,476
Profit for the year ended December 31, 2023	—	—	1,947,403	—	—	—	1,947,403	12,954	1,960,357
Other comprehensive income (loss)	—	—	—	(254)	(18,207)	(18,461)	(18,461)	(2,449)	(20,910)
Total comprehensive income (loss)	—	—	1,947,403	(254)	(18,207)	(18,461)	1,928,942	10,505	1,939,447
Contribution of capital received from parent	—	737,461	—	—	—	—	737,461	(54,327)	683,134
Dividends to parent	—	—	(736,482)	—	—	—	(736,482)	—	(736,482)
Dividends attributable to non-controlling interest	—	—	—	—	—	—	—	(2,621)	(2,621)
Change in third-party investments in non- controlling interest	—	—	—	—	—	—	—	11,278	11,278
Restatement adjustment due to hyperinflation	—	—	28,028	—	—	—	28,028	—	28,028
Non-controlling interest acquired through business combination	—	—	—	—	—	—	—	139,042	139,042
Balance as at December 31, 2023	\$ 12,000	\$ 7,851,691	\$ 1,796,351	\$ (254)	\$ (74,363)	\$ (74,617)	\$ 9,585,425	\$ 103,877	\$ 9,689,302

ENDURANCE SPECIALTY INSURANCE LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (RESTATED)
(In thousands of United States dollars)

	Notes	2023	Restated 2022
Cash flows provided by operating activities:			
Profit before tax		\$ 1,857,443	\$ 211,850
Loss on net monetary position due to hyperinflation		70,904	—
Adjustments to profit before taxes for:			
Net taxes paid	20	(163,016)	(137,577)
Depreciation of property and equipment	13	40,328	34,586
Amortization of intangible assets	10	48,758	50,502
Loss on impairment of intangible assets		4,424	—
Amortization of investments	6	(50,971)	(17,932)
Net realized losses on sales of investments	6	127,286	132,074
Net unrealized (gains) losses on investments	6	(550,259)	1,154,953
Interest and dividend income	6	(746,112)	(355,194)
Equity in earnings of alternative funds	6	(32,293)	(27,303)
Interest expenses		15,463	15,944
Change in:			
Insurance contract assets		5	(5)
Reinsurance contract assets		(284,016)	(775,146)
Insurance contract liabilities		2,032,975	2,040,664
Reinsurance contract liabilities		2,427	(89)
Due (to) from Sampo affiliates		(3,314)	(77,926)
Due to Parent		224,439	174,682
Others		99,641	60,664
Net cash flows provided by operating activities		<u>2,694,112</u>	<u>2,484,747</u>
Cash flows used in investing activities			
Interest and dividend received	6	687,107	333,037
Purchases of investments	6	(9,407,931)	(7,723,700)
Proceeds from sales and maturities of investments	6	6,204,742	4,676,708
Purchases of property and equipment	13	(14,598)	(7,204)
Purchase of intangible assets	10	(25,368)	(30,197)
Proceeds from sale of property and equipment	13	505	2,208
Net settlement of derivatives		211	(3,043)
Net cash received from subsidiary acquisition		280,986	—
Net cash received (outgoing) upon disposal of subsidiary	4	142,200	(94,815)
Net cash flows used in investing activities		<u>(2,132,146)</u>	<u>(2,847,006)</u>
Cash flows (used in) provided by financing activities			
Interest paid		(17,968)	(5,869)
Contribution of capital from Parent		—	1,273,377
Repayments of lease liabilities		(24,108)	(19,280)
Net contributions from (distributions to) non-controlling interests		8,657	—
Dividends on common shares		(736,482)	(352,226)
Net cash flows (used in) provided by financing activities		<u>(769,901)</u>	<u>896,002</u>
Effect of exchange rate changes on cash and cash equivalents		(40,587)	(38,228)
Net (decrease) increase in cash and cash equivalents		(248,522)	495,515
Cash and cash equivalents, beginning of year		3,401,757	2,906,242
Cash and cash equivalents, end of year		<u>\$ 3,153,235</u>	<u>\$ 3,401,757</u>

See accompanying notes to the Consolidated Financial Statements.

ENDURANCE SPECIALTY INSURANCE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables expressed in thousands of United States dollars, except
for ratios and share amounts)

1. Organization

Endurance Specialty Insurance Ltd. ("Endurance Bermuda", together with its subsidiaries, the "Company"), was organized in Bermuda on November 30, 2001, and is a wholly-owned subsidiary of Sompo International Holdings Ltd. ("Sompo International"). Sompo International is a Bermuda holding company and a wholly-owned subsidiary of Sompo Japan Insurance Inc. ("SJI"). SJI is an insurer based in, and licensed under, the laws of Japan. SJI is a wholly-owned subsidiary of Sompo Holdings, Inc. ("Sompo Holdings" or the "Ultimate Parent"), a publicly-owned holding company, formed under the laws of Japan, whose capital stock is traded on the Tokyo Stock Exchange.

On April 5, 2023, Sompo International contributed its ownership of Sompo Holdings (Asia) Pte. Ltd. ("Sompo Asia"), an affiliated wholly-owned subsidiary of Sompo International to the Company. Consequently, five subsidiaries of Sompo Asia became subsidiaries of the Company: Sompo Brokers (Thailand) Company Limited ("Sompo Brokers Thailand"), Sompo Insurance (Thailand) Public Company Limited ("Sompo Insurance Thailand"), Sompo Insurance (Hong Kong) Company Limited ("Sompo Hong Kong"), Berjaya Sompo Insurance Berhad ("Sompo Malaysia"), and Sompo Taiwan Brokers Co., Ltd. ("Sompo Taiwan"). Sompo Asia owns 47.0%, 97.75%, 70.0% and 100.0% of Sompo Brokers Thailand, Sompo Hong Kong, Sompo Malaysia and Sompo Taiwan respectively. In addition, Sompo Asia then held a 0.8% effective shareholding in Sompo Insurance Thailand. Sompo Asia owns 40.0% of PGA Sompo Insurance Corporation ("Sompo Philippines") and 9.3% of Cover Genius Holdings Pty Ltd which have been accounted for as Investments in associates. These transactions were considered as transactions with entities under common control, recorded effective and based on carrying values as at January 1, 2023.

On May 17, 2023, Sompo International contributed its ownership of Sompo Sigorta Anonim Sirketi ("Sompo Turkey"), an affiliated wholly-owned subsidiary of Sompo International, to the Company. This transaction was considered as a transaction with entities under common control, recorded effective and based on carrying values as at January 1, 2023.

On October 24, 2023, a change in the shareholding of Sompo Insurance Thailand occurred. SJI transferred its remaining shares in Sompo Insurance Thailand to the Company. Consequently the Company, through its ownership of Sompo Asia, currently holds 99.1% of the shareholding in Sompo Insurance Thailand. This transaction was considered as a transaction with entities under common control and was recorded as effective and based on its carrying value as of January 1, 2023, in accordance with the Company's accounting policy. For additional information, see Note 4, Business combinations.

ENDURANCE SPECIALTY INSURANCE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables expressed in thousands of United States dollars, except
for ratios and share amounts)

1. Organization , cont'd.

Endurance Bermuda writes insurance and reinsurance business on a global basis through its operating subsidiaries:

Operating Subsidiaries	Domicile
Endurance Worldwide Insurance Limited ("Endurance U.K.")	England
SI Insurance (Europe), SA ("Sompo Europe")	Luxembourg
Sompo Insurance (Hong Kong) Company Limited ("Sompo Hong Kong")	Hong Kong
Sompo Seguros Mexico, S.A. de C.V. ("Sompo Mexico")	Mexico
Endurance Assurance Corporation ("Endurance Assurance")	Delaware
Endurance American Insurance Company ("Endurance American")	Delaware
Endurance American Specialty Insurance Company ("Endurance American Specialty")	Delaware
Endurance Risk Solutions Assurance Co. ("Endurance Risk Solutions")	Delaware
Berjaya Sompo Insurance Berhad ("Sompo Malaysia")	Malaysia
Sompo America Insurance Company ("Sompo America Insurance")	New York
Sompo America Fire & Marine Insurance Company ("Sompo America Fire & Marine")	New York
Sompo Insurance Singapore Pte. Ltd. ("Sompo Insurance Singapore")	Singapore
Bond Safeguard Insurance Company ("Bond Safeguard")	South Dakota
American Agri-Business Insurance Company ("American Agri-Business")	Texas
Lexon Insurance Company ("Lexon Insurance")	Texas
Sompo Sigorta Anonim Sirketi ("Sompo Turkey")	Turkey
Sompo Insurance (Thailand) Public Company Limited ("Sompo Insurance Thailand")	Thailand

ENDURANCE SPECIALTY INSURANCE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables expressed in thousands of United States dollars, except
for ratios and share amounts)

2. Significant accounting policies

The following are the material accounting and reporting policies adopted by the Company:

(a) Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The accounting policies and presentation adopted by the Company for these Consolidated Financial Statements are consistent with those for the financial year ended December 31, 2022, except for the adoption of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments effective January 1, 2023. The impact of their adoption to the financial statements is described under 2(c).

These Consolidated Financial Statements were authorized for issuance by the Company's Board of Directors on May 21, 2024.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for investments, derivative instruments, certain hyperinflation accounting adjustments (see Note 2(m)) and insurance contract liabilities which have been discounted for the time value of money. The Consolidated Financial Statements are presented in United States dollars ("U.S. Dollars"), which is the Company's reporting currency, rounded to the nearest thousand, unless otherwise indicated. Prior period amounts have been restated to conform to the presentation required by IFRS 17 Insurance Contracts. Certain prior period amounts, all of which are immaterial, have been reclassified to conform to the current period presentation.

(b) Basis of consolidation

The Consolidated Financial Statements are comprised of the Consolidated Balance Sheets of the Company and its subsidiaries as at December 31, 2023, 2022 (restated) and January 1, 2022 (restated), and the Consolidated Statements of Profit and Comprehensive Income (Loss), Consolidated Statements of Changes in Shareholder's Equity and Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022 (restated), and notes to the Consolidated Financial Statements.

A subsidiary is an entity that is controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries' accounting policies are generally consistent with the Company's accounting policies. Where they differ, adjustments are made on consolidation to bring the accounting policies in line. Subsidiaries acquired through business combinations are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. All significant intercompany transactions and balances are eliminated on consolidation.

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in an acquisition is generally measured at fair value, as are the identifiable net assets acquired. If goodwill is recognized it is measured at cost, which is the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed (including identifiable intangible assets). If the fair value of the net assets acquired is in excess of the net consideration transferred, the resulting gain on a bargain purchase is recognized in the Consolidated Statements of Profit and Comprehensive Income (Loss) immediately. Transaction costs are expensed as they are incurred, except if they are related to the issuance of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in the Consolidated Statements of Profit and Comprehensive Income (Loss).

ENDURANCE SPECIALTY INSURANCE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables expressed in thousands of United States dollars, except
for ratios and share amounts)

2. Significant accounting policies, cont'd.

(b) Basis of consolidation, cont'd.

Business combinations, cont'd.

A business combination involving entities under common control is a business combination in which the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and the control is not transitory. Transactions between entities under common control are scoped out of IFRS 3, *Business Combinations* ("IFRS 3"), and there is no authoritative literature for these transactions under IFRS. As a result, the Company adopted accounting principles similar to the pooling-of-interest method based on the predecessor values. The assets and liabilities of the acquired entity are transferred at book value. No new goodwill is recognized as a result of a business combination involving entities under common control. Differences between any consideration paid and the book value of the net assets acquired are treated as a capital contribution or deemed dividend where applicable. Subsidiaries arising from a business combination under common control are consolidated for the full year during which the combination occurred.

Non-controlling interests

The Company initially measures non-controlling interests at their proportionate share of the acquiree's identifiable net assets at the date of acquisition in the shareholder's equity section of the Company's Consolidated Balance Sheets. Net income attributable to non-controlling interests is presented separately in the Company's Consolidated Statements of Profit and Comprehensive Income (Loss).

Investment in associates

Associates are those entities in which the Company has significant influence over the operational and financial policies of the investee. Interests in associates are accounted for using the equity method. Under this method, the Company's investment in an associate is initially recognized at cost. Subsequent to initial recognition, the carrying amount of the investment is adjusted to recognize changes in the Company's proportionate share of net assets of the associate since the acquisition date and acquisition costs with any resulting profit or loss recognized in net investment income. Adjustments are made to the investee's accounting policies, where necessary, to be consistent with the Company's accounting policies.

(c) Changes in accounting policies and disclosures

In these financial statements, the Company has applied IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after January 1, 2023. The Company has restated comparative information for 2022 and also presented a transition balance sheet for January 1, 2022 applying the transitional provisions in IFRS 17. The nature of the changes in accounting policies can be summarized, as follows:

IFRS 17 Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company. Under IFRS 17, the Company's insurance contracts issued, and reinsurance contracts held are considered all eligible to be measured by applying the Premium Allocation Approach ("PAA"). The PAA simplifies the measurement of insurance contracts in comparison with the general measurement model in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage ("LRC") reflects premiums received net of deferred insurance acquisition cashflows and amounts recognised in profit or loss for insurance services provided over the coverage period;

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2. Significant accounting policies, cont'd.

(c) Changes in accounting policies and disclosures (cont'd.)

IFRS 17 Changes to classification and measurement (cont'd.)

- Measurement of the LRC involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision);
- Measurement of the liability for incurred claims ("LIC") (previously claims outstanding and incurred-but-not reported ("IBNR") claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred attributable expenses;
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct policies.

IFRS 17 Changes to presentation and disclosure

For presentation in the Consolidated Balance Sheets, the Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. The line-item descriptions in the Consolidated Statements of Profit and Comprehensive Income (Loss) have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross premiums written
- Ceded premiums written
- Change in unearned premiums
- Change in unearned premiums on premiums ceded
- Losses and loss adjustment expenses incurred
- Losses and loss adjustment expenses recoverable

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Finance (expenses) income from insurance contracts issue
- Finance income (expenses) from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognized in its financial statements from insurance contracts; and
- Significant judgements, and changes in those judgements, when applying the standard.

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2. Significant accounting policies, cont'd.

(c) Changes in accounting policies and disclosures (cont'd.)

IFRS 17 Transition

The Company adopted IFRS 17 for its financial statements for the year ended December 31, 2023 and applied the requirements retrospectively from the transition date of January 1, 2022 (the "Transition Date"). The Company has assessed the practicability of applying the full retrospective approach ("FRA") to all insurance contracts that had unexpired risk prior to the Transition Date. Based on the assessment, FRA was applied for insurance contracts in the 2021 and 2020 cohorts. Accordingly, the Company has recognized and measured each group of insurance contracts in this category as if IFRS 17 had always applied; derecognized any existing balances that would not exist had IFRS 17 always applied; and recognized any resulting net difference in equity.

For cohort 2019 and prior, the application of FRA is impracticable, and the Company applied the Modified Retrospective Approach ("MRA"). In applying the MRA, the Company leveraged certain modifications allowed under the standard to:

- Determine the profitability grouping based on reasonable and supportable information at the transition date; and
- Classify liabilities for settlement of claims incurred on contracts acquired as part of a business combination under IFRS 3 or common contract transaction, as LIC.

The Company has applied the transition provisions of IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line. The effects of adopting IFRS 17 on the Consolidated Financial Statements at January 1, 2022 are presented in the Consolidated Statement of Changes in Shareholder's Equity.

IFRS 9 Financial Instruments

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

The nature of the changes in accounting policies can be summarized, as follows:

IFRS 9 Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, fair value with changes recognised in other comprehensive income ("FVOCI") and fair value with changes recognised in the profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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2. Significant accounting policies, cont'd.

(c) Changes in accounting policies and disclosures (cont'd.)

IFRS 9 Classification of financial assets and financial liabilities (cont'd.)

There was no change in the measurement and classification categories following the adoption of IFRS 9 with all the previous elections under IAS 39 retained for all the financial instruments. For a detailed explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 2(f).

IFRS 9 Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

As permitted by IFRS 7, the Company has not disclosed information about the line item amounts IAS 8.28(b), (d) that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

The adoption of IFRS 9 has not had a material impact on the Company's financial results for the years ended December 31, 2023 and 2022.

IFRS 9 Effect of initial application - Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This required considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets measured at amortized cost, debt investments at FVOCI and lease receivables. The Company did not hold any such financial asset as at January 1, 2022 and therefore there was no additional impairment required.

Amendments to standards adopted effective January 1, 2023

In these financial statements, the Company has applied the following amendments to the standards for the first time.

Amendments to IAS 12- International Tax Reform — Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework ("Pillar Two"). This amendment introduces a disclosure requirement that states that in periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation. This has been disclosed under Note 20, Taxes.

Amendments to IAS 8 – Definition of Accounting Estimates

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

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2. Significant accounting policies, cont'd.

(c) Changes in accounting policies and disclosures (cont'd.)

Amendments to IAS 8 – Definition of Accounting Estimates (cont'd.)

A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. This amendment was adopted effective January 1, 2023 (see Note 2(d)) below.

(d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported and disclosed amounts at the balance sheet dates and the reported and disclosed amounts of revenues and expenses during the reporting periods. Actual results may differ materially from the estimates made.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The most significant estimate made by management is in relation to the insurance and reinsurance contract assets and liabilities. These estimates are discussed in Note 11, Insurance and reinsurance contracts.

Estimates are also made in determining the estimated fair value of certain financial instruments. The estimation of the fair value of financial instruments is discussed in Note 2(f) and in Note 7, Fair value measurement.

For goodwill and intangible assets that are recognized on the acquisition of a subsidiary, the fair value at the time of acquisition is largely based on the estimated expected cash flows of the business acquired and the contractual rights of that business. The Company determines whether its intangible assets with indefinite lives, including goodwill, are impaired on an annual basis. The assumptions made by management in performing impairment tests of goodwill and intangible assets are subject to estimation uncertainty. Details of the key assumptions required and used in the impairment assessment are discussed in Note 2(i) and Note 10, Goodwill and intangible assets.

(e) Insurance contracts

i) Insurance and reinsurance contracts classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company writes inward and outward business within its Commercial and Consumer businesses across 14 accounting portfolios (product lines) which include: Aviation, Agriculture, Surety, Other Specialty, Marine, Energy, Property, Catastrophe, Casualty, Professional lines, Motor, Healthcare, Weather and Life. These products offer protection of policyholder's assets and indemnification of other parties that may suffer damage as a result of a policyholder.

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2. Significant accounting policies, cont'd.

(e) Insurance contracts (cont'd.)

i) Insurance and reinsurance contracts classification (cont'd.)

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities. The Company does not issue any contracts with direct participating features.

ii) Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e., by year of issue) and each annual cohort into two groups based on the profitability of contracts:

- Any contracts that are onerous on initial recognition; and
- Any remaining contracts in the annual cohort.

The third grouping, "no significant possibility of becoming onerous" was not used because the Company does not see a significant difference in the accounting treatment between "no significant possibility of becoming onerous" and "other" groups.

The grouping of contracts under IFRS 17 limits the offsetting of gains on profitable contracts against losses on onerous contracts, which are recognized immediately.

The Company has identified portfolios of insurance contracts that are subject to similar risks and managed together based on the risks transferred from the policyholder to the Company under the insurance contracts and how the contracts are managed internally. The Company will separate cohorts into two profitability groups (insurance and reinsurance).

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and, for the remaining contracts, whether they have no significant possibility of becoming onerous subsequently.

For insurance contracts measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts may be onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous contracts. For non-onerous contracts, the Company assesses the likelihood of changes in relevant facts and circumstances in subsequent periods in determining whether contracts have no significant possibility of becoming onerous after initial recognition.

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2. Significant accounting policies, cont'd

(e) Insurance contracts (cont'd.)

ii) Insurance and reinsurance contracts accounting treatment (cont'd.)

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

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

The Company recognizes a group of reinsurance contracts held as follows:

Proportional Reinsurance Contracts Held are recognised at the later of:

- Inception date of the contract; or
- The date at which the underlying policy attaches.

Non Proportional Reinsurance contracts held are recognised at the inception dates of the contracts.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundary

The measurement of a group of insurance contracts includes all the cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. Cash flows outside of the boundary of the insurance contract are excluded from measurement. These cash flows relate to future insurance contracts.

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

The Company has identified certain contract terms or features, for example retroactive coverage, portfolio transfer, cancellation which could impact contract boundary. These may result in the contract boundary to be longer or shorter than the coverage period and therefore affect the measurement of the insurance contracts.

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2. Significant accounting policies, cont'd.

(e) Insurance contracts, cont'd.

ii) Insurance and reinsurance contracts accounting treatment (cont'd.)

Measurement - Premium Allocation Approach

The table below shows the elections by the company for each of the five accounting policy choices available in respect of the PAA approach.

	IFRS 17 Options	Adopted approach
PAA Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	The Company performed an eligibility assessment, and it was concluded that all insurance contracts issued and reinsurance contracts held qualify for PAA as there was no material difference in the measurement of the liability for remaining coverage between PAA and the general measurement model for contracts longer than 1 year. The Company will reassess based on certain triggering events.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is no longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortized over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortized over the coverage period of the related group.	Direct and Direct Shared acquisition expenses are typically more stable and do not vary by premium and as such the Company elected to expense them in the period incurred and presented under insurance service expenses. Contract-level acquisition costs (e.g. brokerage costs) are recognized as a reduction of LRC and amortized over duration of contracts. The fees paid to policyholders such as ceding commission, do not form part of acquisition expenses but reduction in insurance revenue by way of effectively charging less premium. Shared expenses are allocated at insurance/reinsurance segment level based on expense surveys by function leaders against specific variables such as headcount, net premiums earned and other appropriate basis.
Liability for Remaining Coverage ("LRC"), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	The Company expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Company does not adjust the LRC to reflect the time value of money and the effect of financial risk.
Liability for Incurred Claims, ("LIC") adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The Company will recognize the LIC of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates).
Insurance / Reinsurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI.	The Company has elected not to apply the option to recognize changes in discount rate in Other Comprehensive Income but rather recognize all effects of the time value of money, financial risk and changes therein in profit or loss as part of insurance / reinsurance finance income or expenses.

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2. Significant accounting policies, cont'd.

(e) Insurance contracts, cont'd.

ii) Insurance and reinsurance contracts accounting treatment (cont'd.)

Measurement - Premium Allocation Approach (cont'd.)

Insurance contracts – initial measurement

The Company applies the PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognizes the modified contract as a new contract.

If the modified terms do not satisfy any of the above conditions, then the changes in cashflows caused by the modified terms shall be accounted for in the same way as changes in fulfilment cashflows.

Presentation

The Company has presented separately, in the Consolidated Balance Sheets, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the total amount recognised in the Consolidated Statement of Profit and Comprehensive Income (Loss) and into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

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2. Significant accounting policies, cont'd.

(e) Insurance contracts, cont'd.

ii) Insurance and reinsurance contracts accounting treatment (cont'd.)

Presentation (cont'd.)

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined at the level of aggregation stage. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Loss-recovery components

Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(f) Financial instruments

Cash and cash equivalents

Cash equivalents include highly liquid, short-term deposits and securities with maturities of 90 days or less as at the time of acquisition. Cash equivalents are valued at FVTPL. Fixed maturity investments, bank deposits and investments in money market funds with maturities of greater than 90 days and less than one year are classified as short-term investments.

Investments

The Company designates its fixed maturity investments, short-term investments and equity securities as FVTPL because they are managed on a fair value basis and their performance is monitored on this basis. Securities designated as FVTPL are carried at estimated fair value, with related net unrealized gains or losses recognized in the Consolidated Statements of Profit and Comprehensive Income (Loss). Investment transactions are recorded on a trade date basis.

The Company determines the fair value of its FVTPL investments in accordance with current accounting guidance, which defines fair value and establishes a fair value hierarchy based on inputs to the various valuation techniques used for each fair value measurement. The use of valuation techniques for any given investment requires a significant amount of judgment and consideration of factors specific to the underlying investment. Fair value measurements determined by the Company seek to maximize observable inputs and minimize the use of unobservable inputs.

Fair value measurements are established in accordance with the framework provided by IFRS 13, *Financial Instruments: Disclosures* ("IFRS 13"), which establishes a fair value hierarchy with the highest priority given to quoted prices in active markets and the lowest priority given to unobservable inputs.

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2. Significant accounting policies, cont'd.

(f) Financial instruments, cont'd.

Investments, cont'd.

The following are levels within the fair value hierarchy:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These measurements include circumstances where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions may be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

The Company determines the estimated fair value of each individual security utilizing the highest level inputs available. Any transfers between the levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Alternative funds within the Company's investment portfolio also includes hedge funds, private investment funds and other investment funds that generally invest in senior secured bank debt, high-yield credit securities, distressed debt, macro strategies, multi-strategy, equity long/short strategies, distressed real estate, and energy sector private equity (collectively, "alternative funds"). These alternative funds are designated at FVTPL from the date of acquisition.

The Company has assessed its interests in alternative funds as Unconsolidated Structured Entities. Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when relevant activities are directed by means of contractual arrangements. Structured entities often have a narrow and well-defined objective or restricted activities. Alternative funds are not consolidated because they are not controlled or under significant influence by the Company. By nature, and notably because of the power of decision usually given to the asset managers (external to the Company), these funds are structured entities. Refer to Note 6, Investments for details on the carrying values, income derived, commitments and redemption restrictions related to the Company's holdings in alternative funds. The Company's maximum exposure to alternative funds is limited to the carrying value and unfunded commitments shown in Note 6, Investments.

Derivative financial instruments

Derivatives are classified as FVTPL. On the date a contract is entered into, the derivatives are recognized at estimated fair value and are subsequently carried at estimated fair value. Derivative instruments with a positive estimated fair value are recorded as derivative assets and those with a negative estimated fair value are recorded as derivative liabilities in the Consolidated Balance Sheets.

The Company may use various derivative instruments such as foreign exchange forwards, future and option contracts; industry loss warranty swaps; interest rate futures, swaps, swaptions, and options; credit default swaps; commodity futures and options; weather swaps and options; loss development covers; and to-be-announced mortgage-backed securities ("TBA's"). These derivative instruments are used to manage exposure to interest rate and currency risk, enhance the efficiency of the Company's investment portfolio, and economically hedge certain risks. The derivative instruments derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity, credit and market risks. Estimated fair values are based on exchange or broker-dealer quotations, where available, or discounted cash flow models, which incorporate the pricing of the underlying instrument, yield curves and other factors. Changes in the estimated fair value of instruments are recognized in the Consolidated Statements of Profit and Comprehensive Income (Loss) within net realized and unrealized (losses) gains on investments and net foreign exchange (gains) losses.

Derivative assets and liabilities are derecognized when the Company has transferred substantially all of the risks and rewards of ownership or the liability is discharged, canceled or expired.

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2. Significant accounting policies, cont'd.

(f) Financial instruments, cont'd.

Receivables

The Company's receivables have fixed or determinable payments and are carried at cost less any provision for impairment in value. These balances are reviewed for impairment on a quarterly basis, with any impairment loss recognized as an expense in the period to the extent that repayment is unlikely or no longer expected in full. In addition, the Company considers known and emerging credit events to determine if impairment is necessary.

Long-term debt

Long-term debt is recognized initially at fair value, net of transaction costs incurred. Thereafter, the long-term debt is held at amortized cost, with the amortization calculated using the effective interest rate method. Derecognition occurs when the obligation has been extinguished.

Securities lending

The Company participates in a securities lending program whereby some investments are loaned by the Company to a limited number of financial institutions. The Company retains all economic interest in the securities it lends, retains the earnings and cash flows associated with the loaned securities and receives a fee from the borrower for the temporary use of the securities. Collateral in the form of government securities is required at a rate of 102% of the market value of the loaned securities and is monitored and maintained by the lending agent. The securities lending US Government Security collateral is not recognized on the Company's Consolidated Balance Sheets.

Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

(g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives for the Company's significant asset classes are as follows:

Property and equipment asset classes	Depreciation period
Computer equipment	3-5 years
Furniture and fixtures	2-25 years
Buildings	39-50 years
Vehicles	2-5 years
Leasehold improvements	Over the term of the underlying lease
Right-of-use assets	Over the term of the underlying lease

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2. Significant accounting policies, cont'd.

(h) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. The lease liability is subsequently measured at amortized cost and is remeasured to reflect any lease modifications or reassessments. Under sale and leaseback arrangements the right-of-use asset arising from the leaseback is measured by determining the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company.

When the Company is an intermediate lessor, or sub-lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company presents its right-of-use assets within property and equipment and lease liabilities within loans and borrowings in the Consolidated Balance Sheets. Sub-lease payments received under operating leases as income are recognized on a straight-line basis over the lease term as part of allocated attributable expenses under insurance service expenses in the Consolidated Statements of Profit and Comprehensive Income (Loss).

The Company elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. If a head lease is a short-term lease to which the Company applies this exemption, then a corresponding sub-lease is also classified as an operating lease.

(i) Goodwill and intangible assets

Intangible assets acquired in a business combination are recognized at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite depending on the nature of the asset. Intangible assets with finite useful lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment at least annually at the cash generating unit ("CGU") level by comparing the net present value of the future earnings stream of the CGU to the carrying value of the intangible asset. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite useful life assessment continues to be supportable.

For impairment assessment purposes the Company has established two CGUs based on legal entities with identifiable groups of assets which generate largely independent cashflows and have an active market for the output. The first CGU comprises a group of legal entities providing only Commercial business ("Commercial CGU") and the second CGU comprises a group of legal entities providing a mix of Commercial business and Consumer business ("Retail CGU").

Goodwill is deemed to have an indefinite useful life and, after initial recognition, is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or when events or changes in circumstances indicate that it might be impaired.

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2. Significant accounting policies, cont'd.

(i) Goodwill and intangible assets, cont'd.

The estimated useful lives of each class of intangible asset and the amortization methods are as follows:

Intangible asset classes	Amortization method
Agent, broker, and customer relationships	7-15 years using the accelerated method or straight-line method
Renewal rights	7-15 years using the accelerated method
Insurance licenses	Indefinite life
Software	3-15 years using the straight-line method
Other intangible assets	2-20 years using the straight-line method

Amortization expense is recognized in the Consolidated Statements of Profit and Comprehensive Income (Loss) within Amortization of intangible assets.

(j) Pension plan

The Company operates defined contribution plans where the Company pays fixed contributions into third-party pension providers or into a Government mandated scheme in certain jurisdictions from which post-employment and other benefits are paid to the employees of the Company. The Company has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay the benefits relating to employees' service in the current and prior periods. Payments to the defined contribution plans are recognized as an expense when the employees have rendered services entitling them to the contributions. This is generally in the year of contribution.

The Company accounts for defined benefit plans by performing an actuarial assessment of the commitments based on each plan's internal rules. The present value of the future benefits paid by the employer is calculated annually on the basis of long-term projections of plan terms and compensation factors. Amounts charged to expense and other comprehensive loss are based on periodic actuarial determinations.

(k) Long-term incentive compensation plan

The Company has granted deferred cash awards to certain employees. The accounting for the compensation program is in accordance with IAS 19, *Employee Benefits* ("IAS 19").

(l) Foreign exchange

The functional currency, which is the currency of the primary economic environment in which operations are conducted, of the Company's Bermuda (including the Swiss and Singapore branches), U.S., and U.K. operations is U.S. Dollars. The functional currencies of Sampo Europe, Sampo Turkey, Sampo Asia and Sampo Insurance Singapore, Sampo Malaysia, Sampo Brokers Thailand and Sampo Insurance Thailand, Sampo Hong Kong, and Sampo Korea are Euros, Turkish Lira, Singapore Dollar, Malaysian Ringgit, Thai Baht, Hong Kong Dollar, and Korean Republic Won, respectively.

In translating the financial results of those entities whose functional currency is other than the U.S. Dollars, reporting currency assets and liabilities are converted into U.S. Dollars using the rates of exchange in effect at the balance sheet dates, and revenues and expenses are converted using the average foreign exchange rates for the period (other than those in hyperinflationary economies). The effect of translation adjustments are reported in the Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholder's Equity as a foreign currency translation adjustment, a separate component of Accumulated other comprehensive loss.

Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange in effect at the balance sheet dates. The resulting exchange differences on translation are recorded in the Consolidated Statements of Profit and Comprehensive Income (Loss) within net foreign exchange gains. Non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated at historic rates.

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2. Significant accounting policies, cont'd.

(m) Hyperinflationary economies

The financial statements of group companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation and then translated into U.S. Dollars using the balance sheet exchange rate. To determine the existence of hyperinflation, the Group assesses the qualitative and quantitative characteristics of the economic environment of the country, such as the cumulative inflation rate over the previous three years.

The Turkish economy was designated as hyperinflationary starting in the second quarter of 2022. As a result, application of IAS 29 'Financial Reporting in Hyperinflationary Economies' has been applied to Sampo Turkey whose functional currency is the Turkish lira. The Turkish Consumer Price Index, as published by the Central Bank of the Republic of Turkey, is used as the level of price index to account for the change in purchasing power and increased from 1,128.45 as of December 31, 2022 to 1,859.38 as of December 31, 2023. The application of IAS 29 includes:

1. Adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date;
2. Adjustment of the income statement for inflation during the reporting period;
3. The income statement is translated at the period-end foreign exchange rate instead of an average rate; and
4. Adjustment of the income statement to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

(n) Investment property

Investment property is measured initially at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Investment property is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjustments applicable to hyperinflationary economies. Any gain or loss on disposal of investment property, calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognized in the Consolidated Statements of Profit and Comprehensive Income (Loss).

(o) Income taxes

Income tax represents taxes currently payable and any deferred taxes. Tax payable is calculated based on taxable profit for the period using tax rates and tax laws enacted or substantively enacted at the year end reporting date and any adjustments to tax payable in respect of prior periods. Taxable profit for the period can differ from that reported in the Consolidated Statements of Profit and Comprehensive Income (Loss) due to non-taxable income and certain items which are not tax deductible or which are deferred to subsequent periods.

Deferred tax is recognized on all temporary differences between the assets and liabilities in the Consolidated Balance Sheets and their tax base. Deferred tax assets or liabilities are accounted for using the balance sheet liability method. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company recognizes a tax benefit relating to uncertain tax positions only where the position is probable to be sustained assuming examination by tax authorities in accordance with IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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2. Significant accounting policies, cont'd.

(p) Accounting standards and amendments issued but not yet adopted

Lease Liability in a Sale and Leaseback

In September 2022, the IASB published an amendment to IFRS 16 Leases, applicable January 1, 2024. For annual reporting periods on or after January 1, 2024, the standard will no longer prescribe specific measurement requirements for lease liabilities arising from a leaseback transaction. Prior to this amendment, IFRS 16 established that a seller-lessee initially measured the right-of-use asset and lease liability arising from a leaseback using the present value of expected lease payments at the commencement date. The Company does not intend on modifying its accounting policies pertaining to sale and leasebacks.

Classification of liabilities as Current or Non-current

In January 2020, the IASB issued "Classification of Liabilities as Current or Non-current", which amends IAS 1 Presentation of Financial Statements and will be applicable starting January 1, 2024, with earlier application permitted. The amendments clarify how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are not expected to impact the Company's classification or disclosures of its debt and other financial liabilities.

Non-current Liabilities with Covenants

In October 2022, the IASB issued "Non-current Liabilities with Covenants", which amends IAS 1 Presentation of Financial Statements and will be applicable starting January 1, 2024. The amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are not expected to impact the Company's classification or disclosures of its debt and other financial liabilities.

Supplier Finance Arrangements

In May 2023, the IASB issued "Supplier Finance Arrangement" which amends IAS 7 Statement of Cashflows and IFRS 7 Financial Instruments and will be applicable starting January 1, 2024. The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments are not expected to have a significant impact to the Company.

Lack of Exchangeability

In August 2023, the IASB issued "Lack of Exchangeability" which amends IAS 21 The Effects of Changes in Foreign Exchange Rates and will be applicable starting January 1, 2025. The amendment contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not, specify how an entity determines the exchange rate to apply when a currency is not exchangeable and require the disclosure of additional information when a currency is not exchangeable

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3. Risk disclosures

The Company's risk strategy is aligned to the business objectives of the Company. As a specialty (re)insurer operating in the global insurance and reinsurance marketplace, it is central to the achievement of the Company's business objectives that it seeks insurance and investment risk through the specialty products that it underwrites, and the investments made with the assets of the business. In undertaking this activity, the Company accepts exposure to other risks that it does not seek and for which it is not rewarded.

The principles underpinning the Company's risk management strategy include:

- The Company seeks to protect capital, liquidity, earnings and reputation, in line with its risk appetite;
- The Company sees risk as more than just a potential for loss, but also as a potential for opportunity;
- The Company only seeks risks that it has the capabilities and expertise to understand and to manage;
- The Company only accepts risks that provide a level of reward commensurate with the risk assumed;
- The Company uses its people, systems, processes and controls to minimise its exposure to risks for which it is not rewarded, subject to cost benefit considerations; and
- The Company defines the risk preferences and tolerances within which it will normally operate to achieve its business objectives.

The Company's approach to risk management is based upon the belief that risk management activity should be embedded across the business, leverage a diversity of skills, tools and people whilst being supported by a strong culture of risk awareness and engagement. In particular, the risk management system is designed to support the successful execution of the Company's business strategy by aligning the risk appetite to business objectives and inculcating a risk management culture that influences decisions from board level through to individual employees.

Risk management responsibilities are clearly defined across the company and are segregated across three 'lines of defence' that vary in the level of independence they have from the day-to-day running of the organization, specifically:

1. *The first line of defence*, business risk management, describes the infrastructure of processes, systems and controls owned by members of the business charged with responsibility for day-to-day operations. Ownership for each of the identified business risks is allocated to an appropriate member of the management team who is responsible for the design and operating effectiveness of the associated control framework in place to manage risk.
2. *The second line of defence*, risk management, describes the risk oversight activity, encompassing risk assessment, monitoring and reporting, undertaken by both the Risk and Compliance functions. Specific attention is given to monitoring how the risk profile of the Company compares to the board of directors approved appetite statements regarding risk preference and tolerance. The risk function may provide support and guidance to the first line with respect to the design of their control framework.
3. *The third line of defence*, internal audit, describes the risk assurance work done independently of the operation of the business and the risk function to determine that controls are being operated adequately, risks assessed appropriately and that the risk management framework remains effective.

The board of directors of Somp International has overall responsibility for approving the strategy and risk appetite of the Company at least annually. The board of directors of Somp International has delegated responsibility for overseeing the risk management framework to the Board Risk Committee which meets on a semi-annual basis to receive reports and management information from the Chief Risk Officer who is responsible for the risk function.

The risk governance of the Company also benefits from management committees and risk forums including the Somp International Management Risk Committee, which is responsible for the implementation of the group-wide enterprise risk management ("ERM") framework, and its risk sub-committees; these are specialist groups responsible for the identification, assessment and management of specific drivers of risk across the enterprise.

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3. Risk disclosures, cont'd.

Capital management oversight across the group is the primary responsibility of the Sompo International Capital Management Committee, a sub-committee of the Sompo International Management Committee. Its responsibilities include reviewing entity capital targets, capital management plans, group and entity capital forecasts, and the output of standard formula assessments. The Capital Management Committee helps to ensure a holistic view and approach to capital management across the Company and is responsible for providing any capital management recommendations to the group and entity boards.

The following sections address the Company's method and procedures for managing its primary risk exposure areas:

- Insurance risk including pricing, catastrophe, and reserve risks;
- Market risks including interest rate, foreign currency, equity price, and credit spread risks;
- Credit risks;
- Liquidity risk; and
- Operational risks

(a) (i) Insurance risks

The Company seeks risk through its (re)insurance underwriting activities to generate financial earnings. The main risks assumed through underwriting activity can be sub-divided into: pricing risk; catastrophe risk; and reserve risk.

- Pricing risk is the risk of systematic mispricing which could arise due to changes in the legal or external environment, changes to the supply and demand of capital, and companies' using inadequate information to make decisions. This risk could affect multiple classes across a number of underwriting years.
- Catastrophe Risk refers to the potential for large losses to arise from multiple independent insured policies as a result of a single cause. This definition applies to all classes of business written, in all territories, and includes both natural and manmade causes, for example: earthquakes, hurricanes, marine or aviation incidents, acts of terrorism, cyber events, or systemic malpractice.
- Reserve risk describes the potential that provisions set aside to meet claims payments in respect of events that have occurred turn out to be inadequate. This risk is most pronounced for medium and long tailed business where the typical period between loss occurrence and ultimate claim settlement can be very long, in these cases unanticipated changes in the legal landscape (e.g. tort reform) or external conditions (e.g. inflation) can have a material impact on the adequacy of claims provisions. For short-tailed business, reserve uncertainty can be significant immediately following a major event, however the typically shorter reporting and settlement periods mean this risk is unlikely to persist and compound over time.

The Company's approach to risk management for each of these is set out below.

Pricing risk

The Company recruits experienced underwriters with proven track-records and good standing in the market. Underwriting Letters of Authority ("LOA") are the primary tool for promulgating and implementing underwriting risk preferences and limits. The LOAs document permitted lines of business, territories, maximum premium and exposure limits and the underwriters' responsibility towards the peer review process. The LOA also sets out any restrictions for classes of business or exposures that an underwriter is not permitted to underwrite. The LOAs are consistent with established underwriting strategy and guidelines and detail an underwriter's ability to legally bind contracts on behalf of the Company. The underwriting process is supported by pre- and post-bind peer reviews, as well as regular independent reviews

In addition to technical and analytical practices, underwriters use a variety of underwriting tools, including specific contract terms, to manage exposure to loss. These include occurrence limits, aggregate limits, reinstatement provisions and loss ratio caps. Exclusions and terms and conditions to eliminate particular risks or exposures deemed outside of the intent of coverage are also considered.

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3. Risk disclosures, cont'd.

(a) (i) Insurance risks, cont'd

Pricing risk, cont'd.

The Company has fully integrated its internal actuarial and modelling staff into the underwriting and decision-making process. The Company uses in-depth actuarial and risk analyses to evaluate transactions prior to authorization, assessing and charting pricing changes and rate adequacy. In addition to internal actuaries and risk professionals, external specialists may also be used to provide support in developing and utilizing robust risk intelligence to inform underwriting decisions.

The Company has established a framework to enable the business to regularly assess and monitor performance drivers on a portfolio basis. The approach generates insight by integrating the analytics across a number of disciplines (including pricing, reserving, claims, capital modelling and exposure management) and engaging with underwriting teams regularly to pro-actively monitor and respond to underwriting performance trends on both an absolute and risk adjusted basis.

Concentrations of insurance risk

The following table presents the concentration of the Company's net insurance contract liabilities (net of reinsurance) by the geographic location in which the risk originated for the years ended December 31, 2023 and 2022:

	2023			2022		
Asia	\$	732,426	6.0 %	\$	319,635	3.3 %
Australia		336,390	2.7 %		319,537	3.3 %
Brazil		22,793	0.2 %		20,528	0.2 %
Canada		148,298	1.2 %		134,548	1.4 %
Europe		1,964,074	16.0 %		2,191,885	22.3 %
Japan		25,645	0.2 %		31,966	0.3 %
Turkey		307,951	2.5 %		3,987	— %
United States		7,915,845	64.3 %		5,242,699	53.3 %
Worldwide		801,138	6.5 %		1,193,977	12.1 %
Other		52,436	0.4 %		378,225	3.8 %
Total	\$	12,306,996	100.0 %	\$	9,836,987	100.0 %

The following table shows the concentration of net insurance and reinsurance contract balances by product line:

	2023			2022		
	Insurance	Reinsurance held	Net	Insurance	Reinsurance held	Net
Agriculture	1,340,438	\$ (1,190,230)	\$ 150,208	1,507,502	\$ (1,520,475)	\$ (12,973)
Aviation, Marine & Energy	1,528,606	(669,128)	859,478	1,077,984	(550,857)	527,127
Casualty	5,730,141	(1,984,589)	3,745,552	4,631,142	(1,585,263)	3,045,879
Professional Lines	5,638,205	(1,661,730)	3,976,475	5,301,935	(1,237,731)	4,064,204
Property & Catastrophe	2,769,008	(1,161,137)	1,607,871	2,359,429	(1,170,464)	1,188,965
Motor	903,163	(106,650)	796,513	259,646	(11,991)	247,655
Specialty (Global Specialty, Other Specialty)	392,652	(340,462)	52,190	287,372	(379,462)	(92,090)
Other (Surety, Life, Health, Weather)	1,577,051	(458,342)	1,118,709	1,232,122	(363,902)	868,220
Total	19,879,264	(7,572,268)	12,306,996	16,657,132	(6,820,145)	9,836,987

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3. Risk disclosures, cont'd.

(a) (i) Insurance risks, cont'd.

Catastrophe risk

Catastrophe Risk is managed by monitoring and limiting the accumulation of exposure (such as within geographical proximity for natural catastrophe exposures), maintaining a diverse portfolio of exposures across different business lines, and through purchasing outwards reinsurance protection. The outwards reinsurance purchasing strategy is reviewed at least annually, with reference to the objectives of the business, risk appetite, and prevailing market conditions or trading opportunities.

Proprietary and commercially available tools to quantify catastrophe risk are used to inform underwriting risk selection, portfolio design, and portfolio risk management. Tools include natural catastrophe, weather, casualty, aviation, credit, economic and other specialty risk models, as well as deterministic scenarios for individual events. Approaches to quantifying catastrophe risk rely heavily on past experience. While future trends are considered, there is often a high degree of uncertainty in projections. Areas such as climate change and social inflation are of direct relevance to catastrophe risk, as past experience alone may misrepresent the present nature of the risk. An active role is taken in the evaluation of licensed commercial tools, with feedback provided to improve the effectiveness of the tools.

The use of tools, models or scenarios, the methodologies employed, and the process of achieving an overall complete risk assessment is overseen by the Sampo International Natural Catastrophe Risk Sub-Committee and, ultimately, by the Sampo International Management Risk Committee.

Reserve risk

The actuarial function maintains a best estimate reserving process that integrates planning, pricing and exposure information to establish a feedback loop between the reserving and underwriting processes. At least annually, each class of business is subject to a detailed reserve review where actuarial and statistical techniques are used to derive loss reserve estimates from the most recently available data, as well as current information on future trends in claims severity and frequency, judicial theories of liability and other factors.

The results of the actuarial reserve reviews are discussed regularly with underwriting leaders for each product line and are monitored against the booked reserve estimates to ensure that in the aggregate, across all classes, booked reserves are considered adequate, as defined in the approved risk appetite. Additionally, the best estimates are compared against experience each quarter by undertaking an analysis of actual versus expected experience as well as other appropriate validations of assumptions, methodology, and results. The quarterly reserve analysis is reviewed by and discussed with underwriters, actuaries, claims, finance and senior management prior to submission to the Group Reserving Committee. The Group Reserving Committee reviews the sufficiency of the estimated loss reserves and appraises the adequacy and effectiveness of the loss reserving practices of the Company.

In respect of individual claims and/or events where the potential for reserve development is material, reserve selections are informed by an update of the loss circumstances provided by the claims team. For large events the initial loss estimates are determined by the claims team with input from underwriting and exposure management personnel as appropriate.

Oversight of loss reserves is provided by the Sampo International Audit, Risk and Compliance Committee, which meets quarterly to receive reserving information and discharge its oversight duties including monitoring reserve adequacy.

Note 11, Insurance and reinsurance contracts, presents the gross and net development of the estimates of ultimate cumulative claims for the Company after the end of each accident year, illustrating how amounts estimated have changed from the initial estimates made, and a summary of changes in liability for incurred claims for the years ended December 31, 2023 and 2022, including outstanding losses recoverable from reinsurers.

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3. Risk disclosures, cont'd.

(a) (ii) Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions (see Note 11, Insurance and reinsurance contracts) held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

	Change in assumptions	2023		2022	
		Effect on pre-tax profit or loss gross of reinsurance	Effect on pre-tax profit or loss net of reinsurance	Effect on pre-tax profit or loss gross of reinsurance	Effect on pre-tax profit or loss net of reinsurance
Expected loss	10 %	(1,025,955)	(590,189)	(1,050,577)	(603,521)
Inflation rate	0.50 %	(245,163)	(160,699)	(215,039)	(146,889)
Expected loss	-10 %	1,025,955	590,189	1,050,577	603,521
Inflation rate	-0.50 %	245,163	160,699	215,039	146,889

	Change in assumptions	2023		2022	
		Effect on Equity gross of reinsurance	Effect on Equity net of reinsurance	Effect on Equity gross of reinsurance	Effect on Equity net of reinsurance
Expected loss	10 %	(836,256)	(481,063)	(840,462)	(482,817)
Inflation rate	0.50 %	(199,832)	(130,986)	(172,031)	(117,512)
Expected loss	-10 %	836,256	481,063	840,462	482,817
Inflation rate	-0.50 %	199,832	130,986	172,031	117,512

(b) Market risks

Market risk describes the Company's exposure to external influences on assets resulting in financial losses or gains from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, currency exchange rates, equity prices and credit spreads.

The Company manages market risk through both a system of limits and a strategy to optimize the interaction of risks and opportunities, both of which are documented in an investment management policy. To ensure diversification of the investment portfolio and avoid excessive aggregation of risks, limits on asset types, economic sector exposure, industry exposure and individual security exposure are placed on the Company's investment portfolio and monitored on an ongoing basis.

The Company uses a number of capital-at-risk models, which include scenario-based measures, value-at-risk and credit impairment calculations to evaluate its investment portfolio risk. Portfolio risk is affected by four primary risk factors: asset concentration, asset volatility, asset correlation and systematic risk. The Company continuously evaluates the applicability and relevance of the models used and makes adjustments as necessary to reflect actual market conditions and performance over time

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3. Risk disclosures, cont'd.

(b) Market risks cont'd.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

i) Financial instruments

The Company's fixed income portfolio is exposed to interest rate risk. Fluctuations in interest rates have a direct impact on the market valuation of these securities. As interest rates rise, the fair value of our fixed income investments generally decreases, and as interest rates fall, the fair value of the fixed income investments generally increases. The Company manages its interest rate risk through an asset liability matching strategy that involves the selection of investments with appropriate characteristics, such as duration, yield, currency and liquidity that are tailored to the anticipated cash outflow characteristics of our liabilities. The duration of the assets comprising the fixed income investments increased from approximately 2.76 years at December 31, 2022 to 2.86 years at December 31, 2023. A significant portion of the Company's investment portfolio matures each quarter, allowing for reinvestment at current market rates.

The following tables show the impact of interest rate shifts on the Company's cash and fixed income investments as at December 31, 2023 and 2022.

December 31, 2023	Interest Rate Shift in Basis Points				
	(100)	(50)	—	50	100
Total fair value	\$ 20,511,788	\$ 20,225,099	\$ 19,939,679	\$ 19,655,528	\$ 19,372,646
Market value change from base	2.87 %	1.43 %	— %	(1.43)%	(2.84)%
Change in unrealized value	\$ 572,109	\$ 285,420	\$ —	\$ (284,151)	\$ (567,033)

December 31, 2022	Interest Rate Shift in Basis Points				
	(100)	(50)	—	50	100
Total fair value	\$ 16,301,859	\$ 16,080,692	\$ 15,860,834	\$ 15,642,284	\$ 15,425,043
Market value change from base	2.78 %	1.38 %	— %	(1.38)%	(2.74)%
Change in unrealized value	\$ 441,025	\$ 219,858	\$ —	\$ (218,550)	\$ (435,791)

ii) Insurance and reinsurance contracts

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear.

ENDURANCE SPECIALTY INSURANCE LTD.
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3. Risk disclosures, cont'd.

(b) Market risks cont'd.

Interest rate risk cont'd

ii) Insurance and reinsurance contracts cont'd.

The method used for deriving sensitivity information and significant variables has not changed from the previous period.

	2023		2022	
	Effect on pre-tax profit or loss gross of reinsurance	Effect on pre-tax profit or loss net of reinsurance	Effect on pre-tax profit or loss gross of reinsurance	Effect on pre-tax profit or loss net of reinsurance
Change in assumptions				
Interest +50 basis points	\$ 193,079	\$ 125,393	\$ 165,416	\$ 111,636
Interest -50 basis points	\$ (193,079)	\$ (125,393)	\$ (165,416)	\$ (111,636)

	2023		2022	
	Effect on Equity gross of reinsurance	Effect on Equity net of reinsurance	Effect on Equity gross of reinsurance	Effect on Equity net of reinsurance
Change in assumptions				
Interest +50 basis points	\$ 157,379	\$ 102,208	\$ 132,333	\$ 89,308
Interest -50 basis points	\$ (157,379)	\$ (102,208)	\$ (132,333)	\$ (89,308)

Foreign currency risk

The Company operates internationally and enters into reinsurance and insurance contracts for which it is obligated to pay losses in currencies other than U.S. Dollars. The majority of the Company's operating foreign currency assets and liabilities are denominated in Euro, British Pound Sterling, Canadian Dollars, Japanese Yen, New Zealand Dollars, Australian Dollars, Turkish Lira, Hong Kong Dollars, Malaysian Ringgit, and Singapore Dollars. The Company may, from time to time, experience losses from fluctuations in the values of these and other non-U.S. currencies, which could have a material adverse effect on its results of operations. The Company will attempt to manage its foreign currency risk by seeking to match its liabilities under insurance and reinsurance contracts that are payable in foreign currencies with cash and investments that are denominated in such currencies. The Company purchases assets which are matched in currency to its case reserves at or shortly after the time such reserves are established. The Company's investment portfolio will at times have non-U.S. Dollar exposure which may or not be hedged back to U.S. Dollars. As part of its asset-liability matching strategy, the Company may also consider the use of hedges when it becomes aware of probable significant losses that will be paid in non-U.S. Dollar currencies. For liabilities incurred in currencies other than those listed above, U.S. Dollars are converted to the currency of the loss at the time of claims payment. As a result, the Company may, from time to time, experience losses resulting from fluctuations in the value of foreign currencies.

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3. Risk disclosures, cont'd.

(b) Market risks, cont'd.

Foreign currency risk, cont'd.

The Company's assets and liabilities, categorized at their translated U.S. Dollars carrying amounts as at December 31, 2023 and 2022, are as follows:

December 31, 2023	USD	EUR	GBP	TRY	Others	Total
Assets						
Cash and cash equivalents	2,371,832	\$ 170,098	114,491	\$ 151,698	\$ 345,116	\$ 3,153,235
Accrued investment income	111,240	3,292	4,861	30,650	8,772	158,815
Investments	16,212,034	464,582	440,855	315,788	1,016,577	18,449,836
Investment in associates	13,069	—	—	—	56,250	69,319
Insurance contract assets	—	—	—	—	—	—
Reinsurance contract assets	6,086,533	673,386	190,763	257,389	366,624	7,574,695
Receivable on investments sold	29,605	2,165	170	6,772	2,773	41,485
Derivative assets	(82,969)	(21)	(155)	17	85,787	2,659
Current tax asset	274	376	—	745	4,477	5,872
Deferred tax asset	537,321	(7,192)	—	(3,330)	18,415	545,214
Property and equipment	159,763	3,447	9,352	29,574	35,272	237,408
Goodwill and intangible assets	641,933	10,428	—	2,752	26,530	681,643
Due from affiliates	10,172	83	88	48	(43)	10,348
Other assets	213,057	(177)	11,710	6,708	22,042	253,340
Total assets	\$ 26,303,864	\$ 1,320,467	\$ 772,135	\$ 798,811	\$ 1,988,592	\$ 31,183,869
Liabilities						
Insurance contract liabilities	\$ 16,055,628	\$ 1,378,082	\$ 830,066	\$ 558,732	\$ 1,056,756	\$ 19,879,264
Reinsurance contract liabilities	2,693	21	(262)	—	(25)	2,427
Derivative liabilities	(139)	121	171	—	(68)	85
Payable on purchases of investments	83,542	9,838	1,275	6,772	599	102,026
Current tax liability	15,645	(2,889)	—	12,383	8,097	33,236
Deferred tax liability	2,561	—	—	—	6,624	9,185
Due to affiliates	—	5	203	—	3,449	3,657
Due to Parent	588,990	(3,091)	(3,242)	—	(24,503)	558,154
Other liabilities	296,571	7,028	35,134	58,299	53,069	450,101
Loans and borrowings	426,903	2,836	13,637	142	12,914	456,432
Total liabilities	\$ 17,472,394	\$ 1,391,951	\$ 876,982	\$ 636,328	\$ 1,116,912	\$ 21,494,567
Net exposure	\$ 8,831,470	\$ (71,484)	\$ (104,847)	\$ 162,483	\$ 871,680	\$ 9,689,302

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3. Risk disclosures, cont'd.

(b) Market risks, cont'd.

Foreign currency risk, cont'd.

December 31, 2022	USD	EUR	GBP	TRY	Others	Total
Assets						
Cash and cash equivalents	\$ 2,976,999	\$ 138,818	\$ 143,840	\$ —	\$ 142,100	\$ 3,401,757
Accrued investment income	78,729	1,444	3,020	—	(38)	83,155
Investments	13,214,947	248,790	294,213	—	2,517	13,760,467
Investment in associates	7,259	(411)	6,880	—	—	13,728
Insurance contract assets	5	—	—	—	—	5
Reinsurance contract assets	6,679,914	157,727	(6,500)	10	(11,006)	6,820,145
Receivable on investments sold	90,254	249	283	—	89	90,875
Derivative assets	40,300	(21)	(5,204)	17	107,604	142,696
Current tax asset	290	409	—	—	—	699
Deferred tax asset	231,578	530	—	—	—	232,108
Property and equipment	173,695	2,554	11,588	—	2,756	190,593
Goodwill and intangible assets	672,786	10,075	—	—	—	682,861
Due from affiliates	3,998	358	70	—	—	4,426
Other assets	218,133	279	16,291	—	429	235,132
Total assets	\$ 24,388,887	\$ 560,801	\$ 464,481	\$ 27	\$ 244,451	\$ 25,658,647
Liabilities						
Insurance contract liabilities	\$ 14,622,996	\$ 1,071,306	\$ 648,712	\$ 387	\$ 313,736	\$ 16,657,137
Reinsurance contract liabilities	—	—	—	—	—	—
Derivative liabilities	70,672	10,832	171	—	1,213	82,888
Payable on purchases of investments	265,097	3,908	—	—	—	269,005
Current tax liability	(466)	3,520	—	—	—	3,054
Deferred tax liability	2,170	—	—	—	—	2,170
Due to affiliates	—	—	122	—	—	122
Due to Parent	342,304	(3,023)	(2,914)	—	(2,652)	333,715
Other liabilities	196,454	4,602	20,937	—	(2,880)	219,113
Loans and borrowings	447,131	1,981	12,447	—	2,408	463,967
Total liabilities	\$ 15,946,358	\$ 1,093,126	\$ 679,475	\$ 387	\$ 311,825	\$ 18,031,171
Net exposure	\$ 8,442,529	\$ (532,325)	\$ (214,994)	\$ (360)	\$ (67,374)	\$ 7,627,476

Assuming all other variables are held constant and disregarding any tax effects, a 10% change in the U.S. Dollars relative to the other currencies above could result in a \$85.8 million increase or decrease (2022 - \$(81.5) million) in the net assets held by the Company at December 31, 2023.

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3. Risk disclosures, cont'd.

(b) Market risks, cont'd.

Foreign currency risk, cont'd.

The following analysis is performed for reasonably possible movements in key variables, with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency-sensitive monetary assets and liabilities, including those relating to insurance and reinsurance contracts. The correlation of variables will have a significant effect in determining the ultimate impact of currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. The method used for deriving sensitivity information and significant variables did not change from the previous period.

Change in exchange rate	2023			2022		
	Effect on pre-tax profit or loss			Effect on pre-tax profit or loss		
	Insurance contracts		Financial assets	Insurance contracts		Financial assets
Gross of reinsurance	Net of reinsurance	Gross of reinsurance		Net of reinsurance		
EUR						
+10%	(78,456)	(69,976)	42,371	(59,613)	(61,176)	21,333
-10%	78,456	69,976	(42,371)	59,613	61,176	(21,333)
GBP						
+10%	(25,788)	(24,032)	22,414	(17,754)	(19,124)	12,256
-10%	25,788	24,032	(22,414)	17,754	19,124	(12,256)
TRY						
+10%	(37,665)	(36,106)	—	(15,160)	(14,595)	—
-10%	37,665	36,106	—	(15,160)	14,595	—

Change in exchange rate	2023			2022		
	Effect on Equity			Effect on Equity		
	Insurance contracts		Financial assets	Insurance contracts		Financial assets
Gross of reinsurance	Net of reinsurance	Gross of reinsurance		Net of reinsurance		
EUR						
+10%	(63,950)	(57,037)	34,537	(47,691)	(48,940)	17,066
-10%	63,950	57,037	(34,537)	47,691	48,940	(17,066)
GBP						
+10%	(21,020)	(19,588)	18,269	(14,203)	(15,299)	9,805
-10%	21,020	19,588	(18,269)	14,203	15,299	(9,805)
TRY						
+10%	(30,700)	(29,430)	—	(12,128)	(11,676)	—
-10%	30,700	29,430	—	12,128	11,676	—

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3. Risk disclosures, cont'd.

(b) Market risks, cont'd.

Equity price risk

The Company invests a portion of its investment portfolio in marketable equity securities. These equity investments are exposed to equity price risk, defined as the potential that the Company incurs an economic loss due to a decline of equity prices. Beta analysis is used to measure the sensitivity of our equity portfolio to changes in the value of the S&P 500 Index (an index representative of the broad equity market). As of December 31, 2023, the Company's current equity portfolio has a beta of 0.47 (2022 - 0.57) in comparison to the S&P 500 Index.

Using the beta, a sensitivity analysis can be used to assess equity price risk under varying conditions. The base sensitivity analysis below uses market scenarios of the S&P 500 Index increasing and declining both 10 percent and 20 percent to determine the impact on the value of the Company's equity securities.

	20% decrease	10% decrease	—	10% increase	20% increase
December 31, 2023	\$ 821,673	\$ 864,745	\$ 907,817	\$ 950,889	\$ 993,962
December 31, 2022	487,064	518,527	549,989	581,452	612,914

The changes described above do not take into account any potential mitigating impact from the Company's fixed income or alternative funds portfolios or the impact of taxes.

Credit spread risk

The Company considers the effect of credit spread movements on the market value of its fixed maturity investments, short-term investments and certain alternative funds that invest in fixed income securities. As credit spreads widen, the market value of the Company's fixed income securities decreases, and as credit spreads tighten, the market value of the fixed income securities increases. The following table summarizes the effect that an immediate, parallel shift in credit spreads in a static interest rate environment would have had on the Company's cash and fixed income investments at December 31, 2023 and 2022:

December 31, 2023	Credit Spread Shift in Basis Points				
	(100)	(50)	—	50	100
Total fair value	\$ 20,486,354	\$ 20,213,017	\$ 19,939,679	\$ 19,666,342	\$ 19,393,004
Market value change from base	2.74 %	1.37 %	— %	(1.37)%	(2.74)%
Change in unrealized value	\$ 546,675	\$ 273,338	\$ —	\$ (273,338)	\$ (546,675)

December 31, 2022	Credit Spread Shift in Basis Points				
	(100)	(50)	—	50	100
Total fair value	\$ 16,316,255	\$ 16,088,544	\$ 15,860,834	\$ 15,633,124	\$ 15,405,413
Market value change from base	2.87 %	1.43 %	— %	(1.43)%	(2.87)%
Change in unrealized value	\$ 455,421	\$ 227,710	\$ —	\$ (227,710)	\$ (455,421)

(c) Credit risks

The Company has exposure to credit risks primarily as a holder of fixed maturity investments, short-term investments, equity securities and alternative funds. The Company's risk management strategy and investment policy is to invest in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to particular ratings categories and any one issuer. The Commercial business attempts to limit its credit exposure by investing the fixed income portfolio primarily in investments rated BBB- or higher based on S&P or equivalent rating. The Consumer business attempts to limit its credit exposure by investing the fixed income portfolio in financial institutions awarded a high credit rating, based on the local rating agencies, which may not be consistent with a S&P or equivalent rating. In addition, through a tiered approach based on issuer ratings, the Company has limited its exposure to any single corporate issuer.

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3. Risk disclosures, cont'd.

(c) Credit risks, cont'd.

In addition, the Company has exposure to counterparty risk as it relates to losses recoverable on paid and unpaid losses where the Company has purchased ceded reinsurance and retrocessional coverages. For reinsurance contract assets, related to ceded reinsurance agreements the Company remains obligated for amounts ceded in the event that its reinsurers or retrocessionaires do not meet their obligations. Accordingly, when ceded reinsurance or retrocessional reinsurance is purchased, the Company requires its reinsurers to have strong financial strength ratings and, in certain cases, requires posting collateral. At December 31, 2023, the Company held collateral of \$1,219.5 million (2022 - \$1,103.8 million) related to its ceded reinsurance agreements. The Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis.

The following tables present an analysis of the Company's major exposures to counterparty credit risk, based on their rating at December 31, 2023 and 2022. The credit rating for each security was determined based on the highest rating assigned to the individual security by S&P, Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings, Inc., or DBRS, Inc. The tables also include other monetary assets from the Consolidated Balance Sheets.

December 31, 2023	Cash and cash equivalents	Fixed income investments ⁽¹⁾	Insurance contract assets	Receivable on investments sold	Derivative assets	Reinsurance contract assets
AAA	\$ 16,792	\$ 8,459,396	\$ —	\$ 18,864	\$ —	\$ 3,185
AA+, AA, AA-	48,633	1,012,852	—	1,240	—	3,779,069
A+, A, A-	2,702,411	2,346,829	—	—	—	2,882,342
BBB+, BBB, BBB-	205,425	1,694,140	—	—	—	745,339
Other / Not rated	179,974	3,273,443	—	21,381	2,659	164,760
Total	\$ 3,153,235	\$ 16,786,660	\$ —	\$ 41,485	\$ 2,659	\$ 7,574,695

(1) Investments only include short term investments and fixed maturity investments held at year-end as equity securities and alternative funds are not rated.

December 31, 2022	Cash and cash equivalents	Fixed income investments ⁽¹⁾	Insurance contract assets	Receivable on investments sold	Derivative assets	Reinsurance contract assets
AAA	\$ 17,806	\$ 6,764,119	\$ —	\$ 83,956	\$ 137,852	\$ —
AA+, AA, AA-	1,004,300	871,222	—	771	—	3,820,396
A+, A, A-	2,168,752	1,834,146	3	—	—	2,456,712
BBB+, BBB, BBB-	197,648	1,320,693	—	—	—	41,441
Other / Not rated	13,251	1,668,832	2	6,148	4,844	501,596
Total	\$ 3,401,757	\$ 12,459,012	\$ 5	\$ 90,875	\$ 142,696	\$ 6,820,145

(1) Investments only include fixed income investments held at year-end as equity securities and alternative funds are not rated.

The carrying amount of financial assets represents the maximum credit exposure.

For credit risks related to reinsurance contract assets, the Company's largest credit-risk exposure is related to third-party agents, brokers, and other intermediaries. It arises where premiums are collected from customers to be paid to the Company, or to pay claims to customers on behalf of the Company. The Company has policies and standards to manage and monitor credit risk related to intermediaries. The Company requires intermediaries to maintain segregated cash accounts for policyholder money. The Company also requires intermediaries to satisfy minimum requirements of capitalization, reputation and experience, and provide short-dated business credit terms.

For insurance contracts, the Company has no significant concentration of credit risk, as the Company has a large number of internationally dispersed debtors with unrelated operations.

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3. Risk disclosures, cont'd.

(d) Liquidity risk

Liquidity risk represents the risks where the short-term liability obligations cannot be met by the Company due to the inability to convert assets into cash. Such a scenario can be driven by a lack of buyers in an inefficient market.

When financial markets experience a reduction in liquidity, the Company's ability to conduct orderly investment transactions may be limited and may result in declines in fair values of the securities in the Company's investment portfolio. In addition, if the Company requires significant amounts of cash on short notice in excess of normal cash requirements (which could include claims following a major catastrophe event) in a period of market illiquidity, the Company may have difficulty selling its investments in a timely manner and may have to dispose of its investments for less than what may otherwise have been possible under other conditions.

Contractual maturities of the Company's fixed maturity and short-term investments are shown below as of December 31, 2023 and 2022. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2023	2022
Less than one year	\$ 1,092,702	\$ 389,176
Between one and five years	6,131,218	4,565,519
Between five and ten years	2,452,042	2,040,315
Over ten years	191,979	110,011
Residential mortgage-backed securities	3,831,004	2,856,773
Commercial mortgage-backed securities	1,369,778	1,057,502
Collateralized loan and debt obligations	886,818	823,183
Asset-backed securities	831,119	616,533
Total	\$ 16,786,660	\$ 12,459,012

The tables below show the maturity profile of the Company's insurance and reinsurance contract balances and financial liabilities as at December 31, 2023 and 2022:

December 31, 2023	Contractual undiscounted cash flows in years				
	Less than one	One to three	Three to five	Over five	Total
Insurance contracts ⁽¹⁾	\$ 7,336,513	\$ 6,066,745	\$ 2,950,036	\$ 2,801,138	\$ 19,154,432
Reinsurance contracts ⁽¹⁾	2,486,997	2,361,930	963,071	922,344	6,734,342
Financial liabilities	Contractual undiscounted cash flows in years				
Payables on purchases of investments	102,026	—	—	—	102,026
Derivative liabilities	85	—	—	—	85
Due to affiliates	3,657	—	—	—	3,657
Other liabilities	436,705	11,864	149	1,383	450,101
Loans and borrowings ⁽²⁾	12,150	24,300	282,150	—	318,600
Total	\$ 554,623	\$ 36,164	\$ 282,299	\$ 1,383	\$ 874,469

(1) Includes only the liability for incurred claims

(2) Loans and borrowings includes "expected" interest payments based on contractual obligation and excludes lease liabilities, which is disclosed in Note 13, Property and Equipment.

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3. Risk disclosures, cont'd.

(d) Liquidity risk, cont'd.

December 31, 2022	Contractual undiscounted cash flows in years				
	Less than one	One to three	Three to five	Over five	Total
Insurance contracts ⁽¹⁾	\$ 5,953,900	\$ 4,932,485	\$ 2,493,896	\$ 2,547,827	\$ 15,928,108
Reinsurance contracts ⁽¹⁾	2,543,552	1,872,190	788,749	759,161	5,963,652
Financial liabilities	Contractual undiscounted cash flows in years				
Payables on purchases of investments	269,005	—	—	—	269,005
Derivative liabilities	82,888	—	—	—	82,888
Due to affiliates	122	—	—	—	122
Other liabilities	216,904	300	1,909	—	219,113
Loans and borrowings ⁽²⁾	12,150	24,300	294,300	—	330,750
Total	\$ 581,069	\$ 24,600	\$ 296,209	\$ —	\$ 901,878

(1) Includes only the liability for incurred claims

(2) Loans and borrowings includes "expected" interest payments based on contractual obligation and excludes lease liabilities, which is disclosed in Note 13, Property and Equipment.

While the estimation of the ultimate liability for outstanding losses and loss expenses is complex and incorporates a significant amount of judgment, the timing of payment of outstanding losses and loss expenses is also uncertain. Actuarial and statistical techniques, past experience and management's judgment have been used to determine a likely settlement pattern.

The amounts from insurance contract liabilities that are payable on demand are set out below:

	2023	
	Amount payable on demand ¹	
Property & Catastrophe	\$	992
Aviation, Marine & Energy		132
Specialty (Global Specialty, Other Specialty)		186
Casualty		373
Motor		125
Professional lines		36
Other (Surety, Life, Health, Weather)		890
Total	\$	2,734

(1) The amounts payable on demand relate to entities that were not part of the Company at December 31, 2022. The amount payable on demand is equal to the carrying amount as of December 31, 2023.

(e) Operational risks

In undertaking its core underwriting and investment activity the Company accepts exposure to other risks that it does not seek and for which it is not rewarded, in particular operational risk. Operational risk refers to the loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk includes Regulatory and Legal Risk. Regulatory Risk includes the risk of non-compliance with prevailing regulatory requirements; Legal Risk includes the risk of non-compliance with corporate, taxation and employee legislation in any of the jurisdictions in which the Company operates.

The Company seeks to mitigate operational risks through the application of strong risk governance, processes and controls throughout its business and has specific processes and controls in place to manage high-priority operational risk matters such as business resilience and the oversight of third parties that provide key business services on an outsourced basis.

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3. Risk disclosures, cont'd.

(e) Operational risks, cont'd.

Individual accountability for all key business risks and controls is clear and documented in the risk register. Through the Risk & Control Self-Assessment ("RCSA") framework, each risk owner is responsible for assessing the design and operating effectiveness of their control environment, and, to the extent any gaps or deficiencies exist, assessing the corresponding impacts and level of operational risk / exposure to the company.

The internal audit function is responsible for performing an independent review of the adequacy and effectiveness of the Company's internal controls. The audit function considers the operational risk self-assessment to develop its audit universe and annual risk-based audit plan. In executing the audit plan a feedback loop exists where the recommendations arising from review of the control environment are considered by management and the risk function and, as appropriate, reflected in the risk register. All findings are reported to the Audit Committee.

(f) Sustainability risk

The Company's various stakeholders – including its employees, customers, reinsurers, investors, business partners, regulators, and communities – have become increasingly interested in ESG (environmental, social, and governance) principles. These principles are closely aligned with the Company's overarching purpose to "create a society in which every person can live a healthy, prosperous, and happy life in one's own way."

The Company has been designing and executing its ESG strategy, a key component of which is its response to the risks associated with climate change. Climate change has the potential to have a material impact on the global economy, and as an insurer and asset manager, the Company plays a role in facilitating the world's green transition. Thus, the Company has taken a multi-faceted, strategic approach to climate change risk assessment and management, as described below. The following are the most significant climate change risks facing the Company:

- Physical risk involves the risk that shifts in the frequency, severity, or other characteristics of natural catastrophes due to climate change may lead to an increase in insurance payments, leading to a possible deterioration in underwriting results. The Company considers this a prospective and material risk and manages it through its underwriting, pricing, and catastrophe modeling processes.
- Transition risk involves the risk associated with the transition to a decarbonized society. Technological progress or the introduction of stricter laws and regulations aimed at transitioning toward a decarbonized society could result in structural changes to many industries. Transition risk could also have an impact on the value of the Company's investment assets. It also introduces reputational risk if the Company fails to adequately address the energy transition. The Company considers this a prospective and material risk and manages it through its environmental policies and its transition plans.
- Liability risk involves customers who may have contributed to climate change or who have failed to ensure that their companies were sufficiently protected from the effects of climate change. The Company considers this both a prospective and retrospective risk; the latter in the form of reserve risk for its liability classes of business. The Company monitors and manages this risk through its claims and reserving processes.

The existing Sompo International Board-approved risk management framework sets forth the roles and responsibilities of those overseeing the implementation and monitoring of the risk management framework, which encompasses those risks facing the Company, including climate change. As greater understanding of financial risks from climate change develops, the risk management framework continues to evolve to reflect the distinctive elements of this risk to ensure effective management and oversight, including enhancement of scenario testing in this area.

In addition, the Company's ultimate parent, Sompo Holdings, has made sustainability and climate change key components of their Medium-Term Management Plan, which includes establishment of a Sustainability Management Office and a Chief Sustainability Officer, as well as pursuit of several climate related commitments. Most notably, the group has committed to becoming net zero in both its underwriting and its investments by 2050.

Sompo International has a Head of Sustainability to develop and implement an environmental, social and governance framework to strengthen our position as a responsible global corporate citizen in support of Sompo Holdings' broader efforts to address ESG issues.

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3. Risk disclosures, cont'd.

(g) Events Updates

The risks associated with the Ukraine and the Israel-Hamas wars continue to be monitored by the Company.

The Company's direct exposure to the war in Ukraine as well as the Israel-Hamas war through its underwriting and investment portfolio has so far been limited. The Company is also closely monitoring the indirect impact of the conflicts on the Company's financial condition driven by their contribution to the global inflationary and recessionary pressures, and the increased volatility in the financial markets.

4. Business combinations

Transactions with entities under common control

Sompo Asia and its subsidiaries were contributed by Sompo International to the Company during the year ended December 31, 2023 and the respective net assets totaling \$737.5 million were transferred at the IFRS book values as of the beginning of the fiscal year in which the transfers were completed, in accordance with the Company's accounting policy. See Note 1.

As of December 31, 2023, accumulated balances of non-controlling interests in Sompo Malaysia were \$86.6 million (2022 - \$nil) and profit allocated for the year ending December 31, 2023 was \$13.2 million (2022 - \$nil). All other non-controlling interests were insignificant to the group.

Divestiture of Lloyd's Business

On August 27, 2022, the Company entered into an agreement for the sale of its wholly-owned subsidiary companies Syndicate 5151, Endurance at Lloyd's Limited ("Endurance at Lloyd's"), and Endurance Corporate Capital Limited ("ECCL") for consideration of \$174.4 million. At December 31, 2022 \$32.2 million of the consideration had been received and \$142.2 million was outstanding. The transaction closed on December 19, 2022 after all conditions pertaining to the sale agreement were met, including approval by the applicable regulatory bodies. As a result, the Company divested of assets, other than \$127.1 million in cash and cash equivalents, of \$1,220.1 million and liabilities of \$1,174.6 million. The transaction generated a gain of \$1.6 million for the Company and is reflected in Net realized losses on investments in the Consolidated Statement of Profit and Comprehensive Income (Loss).

5. Cash and cash equivalents

The components of cash and cash equivalents as at December 31, 2023 and 2022, are as follows:

	2023	2022
Cash at bank and in hand	\$ 2,755,745	\$ 3,263,700
Cash equivalents	397,490	138,057
Total cash and cash equivalents	\$ 3,153,235	\$ 3,401,757

Cash equivalents include highly liquid short-term deposits and securities with maturities of ninety days or less at the time of acquisition. Cash equivalents are valued at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities.

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6. Investments

The components of investments as at December 31, 2023 and 2022 are as follows:

	2023	2022
Short-term investments, at FVTPL (designated as such upon initial recognition)	\$ 364,914	\$ 65,019
Equity securities, at FVTPL (designated as such upon initial recognition)	907,817	549,989
Alternative funds, at FVTPL (designated as such upon initial recognition)	755,359	751,466
Fixed maturity investments, at FVTPL (designated as such upon initial recognition)		
U.S. government and agencies securities	2,175,794	1,935,470
U.S. state and municipal securities	136,275	119,476
Foreign government securities	380,127	132,603
Government guaranteed corporate securities	17,719	14,608
Corporate securities	6,793,112	4,837,845
Residential mortgage-backed securities	3,831,004	2,856,773
Commercial mortgage-backed securities	1,369,778	1,057,502
Collateralized loan and debt obligations	886,818	823,183
Asset-backed securities	831,119	616,533
Total fixed maturity investments	16,421,746	12,393,993
Total investments	\$ 18,449,836	\$ 13,760,467

(a) Composition of net investment income

The components of net investment income for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	\$ 151,702	\$ 32,809
Fixed income investments ⁽¹⁾ at FVTPL	751,284	364,763
Equity securities at FVTPL	35,871	16,105
Alternative funds at FVTPL	32,293	27,223
Sub-total	\$ 971,150	\$ 440,900
Investment management expenses	(37,325)	(22,251)
Net investment income	\$ 933,825	\$ 418,649

(1) Fixed income investments comprise short-term investments and fixed maturity investments.

(b) Composition of net realized and unrealized (losses) gains

The components of net realized and unrealized (losses) gains recorded on the Consolidated Statements of Profit and Comprehensive Income (Loss) for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Fixed income investments at FVTPL	\$ (121,600)	\$ (123,932)
Equity securities at FVTPL	(7,502)	(8,731)
Derivative financial instruments	1,799	(978)
Disposal of subsidiary ⁽¹⁾	\$ 17	\$ 1,567
Net realized losses on investments	\$ (127,286)	\$ (132,074)

(1) Disposal of Lloyd's Syndicate 5151.

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6. Investments, cont'd.

(b) Composition of net realized and unrealized (losses) gains, cont'd.

	2023	2022
Fixed income investments at FVTPL	\$ 471,268	\$ (1,079,447)
Equity securities at FVTPL	78,874	(75,819)
Derivative financial instruments	117	313
Net unrealized gains (losses) on investments	\$ 550,259	\$ (1,154,953)

Net realized and unrealized (losses) gains are recognized in earnings using the first in, first out method. For additional information on the Company's derivative financial instruments, see Note 8, Derivatives.

(c) Investment in associates

As of December 31, 2022, the Company had invested \$13.7 million in associates. During the year ended December 31, 2023, the Company's Investment in associates increased to \$69.3 million. The Investment in associates is classified as non-current.

(d) Investment commitments

As of December 31, 2023, the Company had pledged cash and cash equivalents and fixed maturity investments of \$2,061.8 million (2022 - \$1,438.6 million), in favor of certain ceding companies to collateralize obligations. As of December 31, 2023, the Company had also pledged \$82.8 million (2022 - \$67.5 million) of its cash and fixed maturity investments as required to meet collateral obligations for \$46.6 million (2022 - \$44.6 million) in secured letters of credit outstanding under its credit facilities. In addition, at December 31, 2023, cash and fixed maturity investments with fair values of \$220.7 million (2022 - \$224.3 million) were on deposit with U.S. state regulators and fixed maturity investments with fair values of \$41.2 million (2022 - Nil) were guaranteed to the Turkish Treasury.

In addition to the Company's short-term, fixed maturity, and equity investments, the Company invests in alternative funds. At December 31, 2023, the Company had invested, net of capital returned, a total of \$587.4 million in alternative funds (2022 - \$548.6 million). The following tables summarize the unfunded commitments and redemption restrictions of alternative funds as at December 31, 2023 and 2022:

December 31, 2023	Fair value	Unfunded Commitments	Ineligible for Redemption in 2023
Hedge funds	\$ 259,592	\$ —	\$ 64,449
Private investment funds	473,521	308,430	473,460
Other investment funds	22,246	—	860
Total alternative funds	\$ 755,359	\$ 308,430	\$ 538,769

December 31, 2022	Fair value	Unfunded Commitments	Ineligible for Redemption in 2022
Hedge funds	\$ 277,117	\$ —	\$ 266,674
Private investment funds	454,729	285,902	454,729
Other investment funds	19,620	—	860
Total alternative funds	\$ 751,466	\$ 285,902	\$ 722,263

Hedge funds – The redemption frequency of the hedge funds range from monthly to every 5 years with notice periods from 60 to 90 days. Over one year, it is estimated that the Company can liquidate approximately 75% of the hedge fund portfolio, with the majority of the remainder over the following three years.

Private investment funds – The Company has no right to redeem certain of its interest in private investment funds in advance of dissolution of the applicable partnership. Instead, the nature of these investments is that distributions are received by the Company in connection with the distribution of income or the liquidation of the underlying assets of the applicable limited partnership. It is estimated that the majority of the underlying assets of the limited partnerships would liquidate over 5 to 10 years from inception of the limited partnership. A secondary market, with unpredictable liquidity, exists for limited partner interests in private investment funds.

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6. Investments, cont'd.

(e) Securities lending

The Company participates in a securities lending program whereby some investments are loaned by the Company to a limited number of financial institutions. These transferred assets remain on our Consolidated Balance Sheets and are accounted for as collateralized borrowing transactions. The borrowers of the Company's securities issue collateral, typically US Government Securities, which the Company does not maintain and which is held by the Broker. As at December 31, 2023, the Company had lent out securities with a market value of \$9.6 million, (2022 - Nil).

	2023	2022
Fair value of lent assets	9,603	—
Fair value of lent liabilities	—	—
Fair value of net position	<u>9,603</u>	<u>—</u>

7. Fair value measurement

The Company determines the fair value of its fixed maturity investments, short-term investments, equity securities, derivative assets and liabilities, and alternative funds in accordance with current accounting guidance, which defines fair value and establishes a fair value hierarchy based on inputs to the various valuation techniques used for each fair value measurement. The Company determines the estimated fair value of each individual security utilizing the highest level inputs available. Valuation inputs by security type may include the following:

- Government and agencies fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing services or index providers may use current market trades for securities with similar quality, maturity and coupon. If no such trades are available, the pricing service typically uses analytical models which may incorporate option adjusted spreads, daily interest rate data and market/sector news. The Company generally classifies the fair values of government and agencies securities in Level 2. Current issue U.S. government securities are generally valued based on Level 1 inputs, which use the market approach valuation technique.
- Government guaranteed corporate fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing service or index providers may use current market trades for securities with similar quality, maturity and coupon. If no such trades are available, the pricing service typically uses analytical spread models which may incorporate inputs from the U.S. treasury curve, SOFR. The Company generally classifies the fair values of its government guaranteed corporate securities in Level 2.
- Corporate fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing services or index providers typically use discounted cash flow models that incorporate benchmark curves for treasury, swap and high issuance credits. Credit spreads are developed from current market observations for like or similar securities. The Company generally classifies the fair values of its corporate securities in Level 2.
- Equity securities – These securities are generally priced by pricing services or index providers. Depending on the type of underlying equity security or equity fund, the securities are priced by pricing services or index providers based on quoted market prices in active markets or through a discounted cash flow model that incorporates benchmark curves for treasury, swap and credit for like or similar securities. The Company generally classifies the fair values of its equity securities in Level 1 or 2.
- Structured securities including agency and non-agency, residential and commercial mortgage, asset-backed securities and collateralized loan and debt obligations – These securities are generally priced by broker/dealers. Broker/dealers may use current market trades for securities with similar qualities. If no such trades are available, inputs such as bid and offer, prepayment speeds, the U.S. treasury curve, swap curve and cash settlement may be used in a discounted cash flow model to determine the fair value of a security. The Company generally classifies the fair values of its structured securities in Level 2.

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7. Fair value measurement, cont'd.

- Derivative assets and liabilities – A variety of derivative instruments are used to enhance the efficiency of the investment portfolio and economically hedge certain risks. These instruments are generally priced by pricing services, broker/dealers and/or recent trading activity. The market value approach valuation technique is used to estimate the fair value for these derivatives based on significant observable market inputs. Certain derivative instruments are priced by pricing services based on quoted market prices in active markets. These derivative instruments are generally classified in Level 1. Other derivative instruments are priced using industry valuation models and are considered Level 2, as the inputs to the valuation model are based on observable market inputs. Also included in this line item are proprietary, non-exchange traded derivative-based risk management products primarily used to address weather and energy risks. The trading market for these weather derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena. In instances where market prices are not available, the Company uses industry or internally developed valuation techniques such as spread option, Black Scholes, quanto and simulation modeling to determine fair value and classifies these in Level 3. These models may reference prices for similar instruments.
- Alternative funds - These investments are generally priced on net asset values ("NAV") received from the fund managers or administrators. Due to the timing of the delivery of the final NAV by certain of the fund managers, valuations of certain alternative funds and specialty funds are estimated based on the most recently available information, including period end NAVs, period end estimates, or, in some cases, prior month or prior quarter NAVs. As this valuation technique incorporates both observable and significant unobservable inputs, the Company generally classifies the fair value of its alternative funds in Level 3.

The carrying values of cash and cash equivalents, accrued investment income, insurance and reinsurance contract assets and liabilities, payables on purchases of investments, and other assets and liabilities approximated their fair values.

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7. Fair value measurement, cont'd.

The following tables set forth the Company's short-term investments, fixed maturity investments, equity securities, alternative funds, derivative assets and liabilities, and other fair value disclosures categorized by the level within the hierarchy in which the fair value measurements fall as at December 31, 2023 and 2022:

	2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments at FVTPL (designated as such upon initial recognition)	\$ 364,914	\$ —	\$ 364,508	\$ 406
Equity securities at FVTPL (designated as such upon initial recognition)	907,817	842,273	65,544	—
Alternative funds, at FVTPL (designated as such upon initial recognition)	755,359	—	—	755,359
Fixed maturity investments at FVTPL (designated as such upon initial recognition)				
U.S. government and agencies securities	2,175,794	48,837	2,126,957	—
U.S. state and municipal securities	136,275	—	136,275	—
Foreign government securities	380,127	—	380,127	—
Government guaranteed corporate securities	17,719	—	17,719	—
Corporate securities	6,793,112	—	6,022,032	771,080
Residential mortgage-backed securities	3,831,004	—	3,831,004	—
Commercial mortgage-backed securities	1,369,778	—	1,369,778	—
Collateralized loan and debt obligations	886,818	—	863,868	22,950
Asset-backed securities	831,119	—	831,119	—
Total fixed maturity investments	16,421,746	48,837	15,578,879	794,030
Total investments measured at fair value	18,449,836	891,110	16,008,931	1,549,795
Derivative instruments at FVTPL (Note 8)				
Derivative assets	2,659	—	2,659	—
Derivative liabilities	(85)	—	(85)	—
Total derivative instrument	2,574	—	2,574	—
Total investments and derivative instruments measured at fair value	\$ 18,452,410	\$ 891,110	\$ 16,011,505	\$ 1,549,795

Assets and liabilities for which fair values are disclosed

Loans and borrowings (Note 14) ⁽¹⁾	\$ 286,509	\$ —	\$ 286,509	\$ —
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(1) Loans and borrowings excludes lease liabilities, which is disclosed in Note 13, Property and Equipment. Fair values are determined from pricing services or index providers using current market trades.

ENDURANCE SPECIALTY INSURANCE LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. Fair value measurement, cont'd.

	2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments at FVTPL (designated as such upon initial recognition)	\$ 65,019	\$ —	\$ 65,019	\$ —
Equity securities at FVTPL (designated as such upon initial recognition)	549,989	485,414	64,575	—
Alternative funds, at FVTPL (designated as such upon initial recognition)	751,466	—	—	751,466
Fixed maturity investments at FVTPL (designated as such upon initial recognition)				
U.S. government and agencies securities	1,935,470	18,021	1,917,449	—
U.S. state and municipal securities	119,476	—	119,476	—
Foreign government securities	132,603	—	132,603	—
Government guaranteed corporate securities	14,608	—	14,608	—
Corporate securities	4,837,845	—	4,242,076	595,769
Residential mortgage-backed securities	2,856,773	—	2,856,773	—
Commercial mortgage-backed securities	1,057,502	—	1,057,502	—
Collateralized loan and debt obligations	823,183	—	795,043	28,140
Asset-backed securities	616,533	—	616,533	—
Total fixed maturity investments	12,393,993	18,021	11,752,063	623,909
Total investments measured at fair value	13,760,467	503,435	11,881,657	1,375,375
Derivative instruments at FVTPL (Note 8)				
Derivative assets	142,696	—	139,869	2,827
Derivative liabilities	(82,888)	(14)	(81,056)	(1,818)
Total derivative instrument	59,808	(14)	58,813	1,009
Total investments and derivative instruments measured at fair value	\$ 13,820,275	\$ 503,421	\$11,940,470	\$ 1,376,384

Assets and liabilities for which fair values are disclosed

Loans and borrowings (Note 14) ⁽¹⁾	\$ 288,548	\$ —	\$ 288,548	\$ —
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(1) Loans and borrowings excludes lease liabilities, which is disclosed in Note 13, Property and Equipment. Fair values are determined from pricing services or index providers using current market trades.

During the year ended December 31 2023, \$20.4 million U.S. government and agencies securities were transferred from Level 1 to Level 2 as they no longer qualified as on the run U.S. treasury securities (2022 - \$13.5 million). There were no other transfers made between Levels 1, 2 and 3 of the fair value hierarchy during the years ended December 31, 2023 and 2022.

Financial instruments included in Level 3

Alternative funds measured at fair value included assets of \$755.4 million (2022 - \$751.5 million) for which valuation techniques are not based on observable market data. The Company classifies alternative funds as Level 3 assets as the valuation techniques incorporate both observable and unobservable inputs. The estimated fair values of the Company's alternative funds are determined using a combination of the most recent NAVs provided by each alternative fund's independent administrator and the estimated performance provided by each fund manager. Independent administrators provide monthly reported NAVs with up to a three month delay in valuation. The valuation of the alternative funds at the reporting date are based on the most recently available information, including period end NAVs, period end estimates, or, in some cases, prior month or prior quarter NAVs, as provided by the fund manager. Historically, estimated fair values incorporating these performance estimates have not been significantly different from subsequent NAVs. Given the Company's knowledge of the underlying investments and the size of the Company's investment therein, we would not anticipate any material variance between estimated valuations and the final NAVs reported by the administrators.

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7. Fair value measurement, cont'd.

Financial instruments included in Level 3, cont'd.

The following tables present a reconciliation of the beginning and ending balances for all assets and liabilities measured at fair value on a recurring basis using Level 3 inputs during for the years ended December 31, 2023 and 2022:

2023	Alternative funds	Fixed income investments	Derivative assets	Derivative liabilities
Level 3, beginning of year	\$ 751,466	\$ 623,909	\$ 2,827	\$ (1,818)
Total realized and unrealized (losses) gains included in earnings	33,834	16,123	—	—
Total losses included in other underwriting (loss) income	—	—	—	—
Purchases	112,120	395,615	—	—
Issues	—	—	—	—
Sales	(142,061)	(241,211)	—	—
Settlements	—	—	(2,827)	1,818
Level 3, end of year	\$ 755,359	\$ 794,436	\$ —	\$ —

2022	Alternative funds	Fixed income investments	Derivative assets	Derivative liabilities
Level 3, beginning of year	\$ 829,557	\$ 155,469	\$ 19,413	\$ (11,736)
Total realized and unrealized (losses) gains included in earnings	19,067	(9,962)	—	—
Total losses included in other underwriting (loss) income	—	—	431	(1,201)
Purchases	167,505	548,866	—	—
Issues	—	—	—	12
Sales	(264,663)	(70,464)	—	—
Settlements	—	—	(17,017)	11,107
Level 3, end of year	\$ 751,466	\$ 623,909	\$ 2,827	\$ (1,818)

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8. Derivatives

In the prior year the Company transacted in certain derivative-based weather risk management products primarily to address weather and energy risks on behalf of third parties. The markets for these derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena. Generally, the Company's current portfolio of such derivative contracts is of short duration and such contracts are predominantly seasonal in nature. The balance is Nil for this type of Derivatives as of December 31, 2023.

The Company also invests a portion of its investments with third party investment managers with investment guidelines that permit the use of derivative instruments. The Company may enter derivative transactions directly or as part of strategies employed by its external investment managers.

The Company's objectives for holding these derivatives are as follows:

Interest Rate Futures, Swaps, Swaptions and Options - to manage exposure to interest rate risk, which can include increasing or decreasing its exposure to this risk through modification of the portfolio composition and duration.

Foreign Exchange Forwards, Futures and Options - as part of its overall currency risk management and investment strategies.

Credit Default Swaps - to manage market exposures. The Company may assume or economically hedge credit risk through credit default swaps to replicate or hedge investment positions. The original term of these credit default swaps is generally five years or less.

TBAs - to enhance investment performance and as part of the overall investment strategy. TBAs represent commitments to purchase or sell a future issuance of agency mortgage-backed securities. For the period between the purchase of a TBA and issuance of the underlying securities, the Company's position is accounted for as a derivative.

Energy and Weather Contracts - to address weather and energy risks. The Company may purchase or sell contracts with financial settlements based on the performance of an index linked to a quantifiable weather element, such as temperature, precipitation, snowfall or windspeed, and structures with multiple risk triggers indexed to a quantifiable weather element and a weather sensitive commodity price, such as temperature and electrical power or agriculture crops. Generally, the Company's current portfolio of energy and weather derivative contracts is of comparably short duration and such contracts are predominantly seasonal in nature.

Loss Development Cover – as part of the sale of Montpelier U.S. Insurance Company ("MUSIC") to Selective Insurance Group, Inc. ("Selective"), Montpelier Reinsurance Ltd. (now Endurance Bermuda) entered into a loss development cover with MUSIC which ensures that MUSIC's reserve for losses and loss expenses relating to retained business written on or prior to December 31, 2011 remains adequate. Under the loss development cover, any future adverse development associated with such retained reserves will be protected by Endurance Bermuda and any future favorable development associated with such retained reserves will benefit Endurance Bermuda.

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8. Derivatives, cont'd

The following tables show the fair value of derivative financial instruments, recorded as derivative assets or liabilities, together with their notional amounts. The notional amount, shown gross, is the amount of a derivative's underlying assets, reference rate or index and is the basis upon which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding and are indicative of neither the market risk nor the credit risk.

	2023		2022	
	Fair Value	Notional Principal Amount	Fair Value	Notional Principal Amount
Derivative assets				
Foreign exchange forward contracts	\$ 2,659	\$ 83,045	\$ 1,846	\$ 133,389
Credit default swaps	—	—	149	9,200
Interest rate futures	—	—	22	14,785
TBAs	—	—	137,852	154,100
Energy and weather contracts	—	—	2,827	—
Total derivative assets	\$ 2,659		\$ 142,696	
Derivative liabilities				
Foreign exchange forward contracts	\$ (114)	\$ 137	\$ 222	\$ 12,805
Credit default swaps	—	—	13	1,013
Interest rate swaps	—	—	618	24,724
Zero coupon swaps	—	—	—	—
Inflation Swaps	—	—	—	1,925
Interest rate futures	—	—	42	23,692
TBAs	—	—	79,866	88,800
Loss development cover	199	25,315	295	25,344
Energy and weather contracts	—	—	1,832	—
Total derivative liabilities	\$ 85		\$ 82,888	

At December 31, 2023, derivative assets of \$2.7 million (2022 - \$142.7 million) and liabilities of \$0.1 million (2022 - \$82.9 million) were subject to master netting agreements, which provide for the ability to settle the derivative asset and liability with each counterparty on a net basis. Interest rate futures are not subject to master netting agreements. The Company's derivative instruments were recorded on a gross basis in the Consolidated Balance Sheets.

9. Receivables and other assets

The following table shows receivables on investments sold, derivative assets, due from affiliates and other assets as at December 31, 2023 and 2022:

	2023	2022
Receivables on investments sold	\$ 41,485	\$ 90,875
Derivative assets	2,659	142,696
Other assets	253,340	235,132
Due from affiliates	10,348	4,426
Total	\$ 307,832	\$ 473,129

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9. Receivables and other assets, cont'd

The current and non-current portions of above balances at December 31, 2023 and 2022 are as follows:

	2023	2022
Current	\$ 136,505	\$ 436,034
Non-current	171,327	37,095
Total	\$ 307,832	\$ 473,129

10. Goodwill and intangible assets

The following tables present the changes in the Company's gross goodwill and intangible assets for the years ended December 31, 2023 and 2022:

	Gross balance at December 31, 2022	Acquisitions - business combinations (Note 4)	Acquisitions - separately acquired	Disposals	Foreign currency translation	Other	Gross balance at December 31, 2023
Agent, broker and customer relationships	\$ 305,936	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 305,936
Renewal rights	129,831	—	—	—	—	—	129,831
Insurance licenses	37,937	—	—	—	—	—	37,937
Computer software	130,282	46,532	19,673	(27)	(2,673)	976	194,763
Goodwill	419,401	—	—	—	776	—	420,177
Other intangible assets	6,915	25,928	—	—	393	—	33,236
	<u>\$ 1,030,302</u>	<u>\$ 72,460</u>	<u>\$ 19,673</u>	<u>\$ (27)</u>	<u>\$ (1,504)</u>	<u>\$ 976</u>	<u>\$ 1,121,880</u>

	Gross balance at December 31, 2021	Acquisitions - business combinations (Note 4)	Acquisitions - separately acquired	Disposals	Foreign currency translation	Other	Gross balance at December 31, 2022
Agent, broker and customer relationships	\$ 305,936	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 305,936
Renewal rights	129,831	—	—	—	—	—	129,831
Insurance licenses	37,937	—	—	—	—	—	37,937
Computer software	132,747	—	24,171	(26,652)	16	—	130,282
Goodwill	420,113	—	—	—	(712)	—	419,401
Other intangible assets	24,294	—	—	(17,379)	—	—	6,915
	<u>\$ 1,050,858</u>	<u>\$ —</u>	<u>\$ 24,171</u>	<u>\$ (44,031)</u>	<u>\$ (696)</u>	<u>\$ —</u>	<u>\$ 1,030,302</u>

For the year ended December 31, 2023, acquisitions of separately acquired computer software amount included additions of internally developed software costs that were capitalized of \$13.7 million (2022- \$16.0 million).

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10. Goodwill and intangible assets, cont'd.

The following tables present changes in the Company's accumulated amortization on the intangible assets for the years ended December 31, 2023 and 2022:

	Accumulated amortization and impairment loss at December 31, 2022	Acquisitions - business combinations (Note 4)	Amortization expense	Disposals	Foreign currency translation	Other ⁽¹⁾	Accumulated amortization and impairment loss at December 31, 2023
Agent, broker and customer relationships	\$ 189,351	—	19,667	—	—	—	\$ 209,018
Renewal rights	67,507	—	10,266	—	—	—	77,773
Insurance licenses	8,500	—	—	—	—	—	8,500
Computer software	76,577	30,613	15,209	(25)	(808)	9,719	131,285
Other intangible assets	5,506	5,606	3,616	—	124	(1,191)	13,661
	<u>\$ 347,441</u>	<u>\$ 36,219</u>	<u>\$ 48,758</u>	<u>\$ (25)</u>	<u>\$ (684)</u>	<u>\$ 8,528</u>	<u>\$ 440,237</u>

	Accumulated amortization and impairment loss at December 31, 2021	Acquisitions - business combinations (Note 4)	Amortization expense	Disposals	Foreign currency translation	Other ⁽¹⁾	Accumulated amortization and impairment loss at December 31, 2022
Agent, broker and customer relationships	165,960	—	23,391	—	—	—	\$ 189,351
Renewal rights	56,152	—	11,355	—	—	—	67,507
Insurance licenses	8,500	—	—	—	—	—	8,500
Computer software	88,533	—	14,118	(26,091)	17	—	76,577
Other intangible assets	21,247	—	1,638	(17,379)	—	—	5,506
	<u>\$ 340,392</u>	<u>\$ —</u>	<u>\$ 50,502</u>	<u>\$ (43,470)</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ 347,441</u>

(1) Other includes computer software impairment losses of \$4.4 million (2022 - Nil).

The following table presents the net carrying amount of the Company's goodwill and intangible assets as at December 31, 2023 and 2022:

	2023	2022
Agent, broker and customer relationships	96,918	116,585
Renewal rights	52,058	62,324
Insurance licenses	29,437	29,437
Computer software	63,478	53,705
Goodwill	420,177	419,401
Other intangible assets	19,575	1,409
	<u>\$ 681,643</u>	<u>\$ 682,861</u>

An explanation of the identifiable intangible assets is as follows:

- Agent, broker and customer relationships - These relationships included the Company's agent, brokers and customer relationships and consideration was given to the expectation of the renewal of these relationships and the associated expenses. The remaining amortization period is 1 to 9 years as at December 31, 2023;

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10. Goodwill and intangible assets, cont'd.

- Renewal rights - The value of policy renewal rights taking into consideration written premium on assumed retention ratios and the insurance cash flows and the associated equity cash flows from these renewal policies over the expected life of the renewals. The remaining amortization period is 1 to 12 years as at December 31, 2023;
- Insurance licenses - The value of insurance licenses providing the ability to write reinsurance in jurisdictions in the U.S. As there is no expiry to the licenses or they are expected to renew indefinitely, the insurance licenses are considered to have an indefinite useful economic life;
- Computer software - The value of computer software internally generated and separately acquired. The remaining amortization period is 3 to 15 years as at December 31, 2023; and
- Other intangible assets - Includes value of non-competition agreement and other intangible assets which are acquired through prior business combinations.

Goodwill arising from business combinations and intangible assets with indefinite lives are not amortized but are reviewed for impairment on an annual basis or more frequently if there are indicators that these assets may be impaired. Goodwill acquired in a business combination is allocated to groups of CGUs according to the level at which management of the Company monitors that goodwill. The Company has identified one CGU. Intangible assets with indefinite lives are allocated to the CGU to which they relate. The net carrying amount of goodwill and intangible assets with indefinite lives allocated to the CGU as at December 31, 2023 and 2022 is shown below.

	<u>2023</u>	<u>2022</u>
Commercial CGU		
Goodwill	\$ 420,177	419,401
Intangible assets with indefinite lives	29,437	29,437
	<u>\$ 449,614</u>	<u>\$ 448,838</u>

When testing for impairment, the recoverable amount of the CGU is determined based on value in use. Value in use is calculated using projected cash flows based on the financial projections of the CGU. These are approved by management and cover a five-year period. The most significant assumptions used to derive the projected cash flows include an assessment of premium growth rate, projected loss ratios, outwards reinsurance expenditure and investment returns, which are based on past experiences and management's best estimate. A pre-tax risk-adjusted discount rate specific to the Company of 14.2% (2022 - 12.9%) is used to discount the projected cash flow as at December 31, 2023, which reflects a combination of factors including the Company's expected cost of equity. The growth rate used at December 31, 2023 to extrapolate the cash flow is 3.7% (2022 - 3.6%) based on historical growth rates and the management's best estimate of future growth rates. The impairment review indicates that the recoverable amount exceeds the net carrying value for both the intangible assets with indefinite lives and goodwill and would not be sensitive to any reasonably possible change in the underlying assumptions.

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11. Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring LRC, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring LIC, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio. Direct and Direct Shared acquisition expenses are expensed in the period incurred and contract-level acquisition costs (e.g. brokerage costs) are recognized as a reduction of LRC and amortized over duration of contracts.

Onerous groups

For groups of contracts that are onerous, the LRC is determined by the fulfillment cash flows. Any loss-recovery component is determined with reference to the loss component recognized on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

Time value of money

The Company does not adjust the carrying amount of the LRC to reflect the time value of money since the financing component is deemed immaterial.

Liability for incurred claims

The Company incorporates a variety of actuarial methods and judgments in its reserving process. Two key inputs in the various actuarial methods employed by the Company are initial expected loss ratios and expected loss reporting patterns. These key inputs impact the potential variability in the estimate underlying the LIC. The Company's LIC consider and reflect, in part, deviations resulting from differences between expected loss and actual loss reporting as well as judgments relating to the weights applied to the LIC levels indicated by the actuarial methods. Expected loss reporting patterns are based upon internal and external historical data and assumptions regarding claims reporting trends over a period of time that extends beyond the Company's own operating history.

The Company establishes the LIC to provide for the estimated costs of paying claims under insurance policies and reinsurance contracts underwritten by the Company. The LIC includes estimates for both claims that have been reported and those that have been incurred but not reported and include estimates of all expenses associated with processing and settling these claims. Estimating the ultimate cost of future claims and claim adjustment expenses is based on management judgment and thus, actual losses incurred may vary significantly from management's estimates.

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

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11. Insurance and reinsurance contracts, cont'd

Liability for incurred claims cont'd.

Claims development - Gross claims development

The table below demonstrates how the estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amounts included in the Consolidated Balance Sheets. Balances have been translated at the exchange rates prevailing at the reporting date.

Estimate of gross undiscounted liability⁽¹⁾										
For the years ended December 31,										
Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
At end of accident year	\$ 2,663,502	\$ 2,804,918	\$ 4,064,182	\$ 4,233,266	\$ 4,357,070	\$ 5,792,663	\$ 7,727,060	\$ 10,248,333	\$ 9,732,095	\$ 51,623,089
One year later	2,477,502	2,695,787	4,258,430	4,534,690	4,339,669	5,847,025	7,632,945	10,471,835	—	\$ 42,257,883
Two years later	2,480,475	2,674,972	4,232,838	4,560,820	4,450,106	6,041,857	7,559,298	—	—	\$ 32,000,366
Three years later	2,508,838	2,617,608	4,453,531	4,697,360	4,697,984	6,114,115	—	—	—	\$ 25,089,436
Four years later	2,494,030	2,658,979	4,536,046	4,962,284	5,070,925	—	—	—	—	\$ 19,722,264
Five years later	2,526,700	2,796,542	4,672,575	5,225,719	—	—	—	—	—	\$ 15,221,536
Six years later	2,585,992	2,868,378	4,821,288	—	—	—	—	—	—	\$ 10,275,658
Seven years later	2,617,925	2,971,186	—	—	—	—	—	—	—	\$ 5,589,111
Eight years later	2,749,486	—	—	—	—	—	—	—	—	\$ 2,749,486
Estimates of incurred claims	2,749,486	2,971,186	4,821,288	5,225,719	5,070,925	6,114,115	7,559,298	10,471,835	9,732,095	\$ 54,715,947
Cumulative gross payments	2,521,701	2,636,786	4,248,136	4,405,245	3,973,360	4,656,632	5,037,731	5,994,330	2,630,479	\$ 36,104,400
Gross liabilities - accident years from 2015 to 2023	\$ 227,785	\$ 334,400	\$ 573,152	\$ 820,474	\$ 1,097,565	\$ 1,457,483	\$ 2,521,567	\$ 4,477,505	\$ 7,101,616	\$ 18,611,547
Gross liabilities - accident years before 2015	—	—	—	—	—	—	—	—	—	\$ 544,018
Effect of discounting	—	—	—	—	—	—	—	—	—	\$ (2,280,870)
Other	—	—	—	—	—	—	—	—	—	\$ (53,690)
Effect of the risk adjustment margin from non-financial risk	—	—	—	—	—	—	—	—	—	\$ 965,322
Total Liability for Incurred Claims as at December 31, 2023	—	—	—	—	—	—	—	—	—	17,786,326

(1) The Company has adjusted the most recent periods to reflect the exchange rate as at December 31, 2023 and approximated the foreign exchange rate impact for all other previous periods. All the prior history in relation to the disposed entities described under Note 4, Business combinations has been excluded.

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11. Insurance and reinsurance contracts, cont'd

Liability for incurred claims, cont'd

Claims development - Net claims development

The table below demonstrates how the estimates of total claims for each accident year net of reinsurance have developed over time and reconciles the cumulative claims to the amounts included in the Consolidated Balance Sheets. Balances have been translated at the exchange rates prevailing at the reporting date.

Estimate of net undiscounted liability⁽¹⁾										
For the years ended December 31,										
Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
At end of accident year	\$1,546,745	\$ 1,743,435	\$ 2,376,923	\$ 2,211,034	\$ 2,419,354	\$ 3,271,230	\$ 4,360,805	\$ 6,014,550	\$5,782,533	\$ 29,726,609
One year later	1,490,610	1,709,923	2,404,142	2,380,388	2,533,316	3,251,232	4,404,719	5,913,832	—	24,088,162
Two years later	1,498,228	1,686,791	2,396,544	2,398,015	2,566,233	3,289,876	4,394,754	—	—	18,230,441
Three years later	1,503,538	1,627,106	2,449,817	2,443,483	2,694,313	3,332,667	—	—	—	14,050,924
Four years later	1,506,259	1,673,714	2,509,037	2,548,453	2,849,510	—	—	—	—	11,086,973
Five years later	1,525,547	1,759,589	2,594,303	2,654,262	—	—	—	—	—	8,533,701
Six years later	1,558,507	1,805,173	2,666,945	—	—	—	—	—	—	6,030,625
Seven years later	1,575,394	1,863,724	—	—	—	—	—	—	—	3,439,118
Eight years later	1,630,095	—	—	—	—	—	—	—	—	1,630,095
Estimates of incurred claims	1,630,095	1,863,724	2,666,945	2,654,262	2,849,510	3,332,667	4,394,754	5,913,832	5,782,533	31,088,322
Cumulative gross payments	1,493,115	1,645,849	2,322,342	2,192,494	2,211,952	2,431,976	2,659,840	2,834,053	1,316,939	19,108,560
Net liabilities - accident years from 2015 to 2023	\$ 136,980	\$ 217,875	\$ 344,603	\$ 461,768	\$ 637,558	\$ 900,691	\$ 1,734,914	\$ 3,079,779	\$4,465,594	\$ 11,979,762
Net liabilities - accident years before 2015	—	—	—	—	—	—	—	—	—	\$ 401,587
Effect of discounting	—	—	—	—	—	—	—	—	—	\$ (1,494,983)
Other	—	—	—	—	—	—	—	—	—	\$ 62,597
Effect of the risk adjustment margin from non-financial risk	—	—	—	—	—	—	—	—	—	\$ 613,672
Total net liability for incurred claims as at December 31, 2023	—	—	—	—	—	—	—	—	—	\$ 11,562,635

(1) The Company has adjusted the most recent periods to reflect the exchange rate as at December 31, 2023 and approximated the foreign exchange rate impact for all other previous periods. All the prior history in relation to the disposed entities described under Note 4, Business combinations has been excluded.

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11. Insurance and reinsurance contracts, cont'd

Liability for incurred claims, cont'd

Discounting

The Company adopted a bottom-up approach to derive the discount rates applied to its insurance contracts based on the risk-free rates for major currencies with an illiquidity adjustment to adjust the risk-free curves to reflect the illiquid nature of the insurance contracts. Risk-free rates are obtained from European Insurance and Occupational Pensions Authority ("EIOPA"), whereas liquidity premiums are obtained from the Bermuda Monetary Authority ("BMA"). The requirement to measure the LIC using current discount rates is a significant change from the previous Company's practice of not discounting claim liabilities under the IFRS 4 regime.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer. The Company estimates the risk adjustment for non-financial risk separately from all other estimates.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future

The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

The risk adjustment is calculated at the entity level and then allocated down to each group of insurance contracts in accordance with their risk profiles. Although there is no prescriptive approach under IFRS 17, the Company adopted a percentile approach in its calculation using Value at Risk (VaR) with the risk adjustment based on the 75th percentile across the group. The VaR estimates the loss over a given time period at a specified percentile. For the risk adjustment, we consider the ultimate losses at the percentile set by management. The VaR approach is based on the reserve risk distribution derived from economic capital model simulations at the 75th percentile. The total risk adjustment is taken as the difference between the specified percentile and the mean of the distribution.

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11. Insurance and reinsurance contracts, cont'd

Liability for incurred claims, cont'd

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position, classified by product line, is set out in the tables:

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Insurance contracts issued						
Agriculture	—	(1,340,438)	(1,340,438)	—	(1,507,502)	(1,507,502)
Aviation, Marine & Energy	—	(1,528,606)	(1,528,606)	—	(1,077,984)	(1,077,984)
Casualty	—	(5,730,141)	(5,730,141)	—	(4,631,142)	(4,631,142)
Professional lines	—	(5,638,205)	(5,638,205)	—	(5,301,935)	(5,301,935)
Property & Catastrophe	—	(2,769,008)	(2,769,008)	—	(2,359,429)	(2,359,429)
Motor	—	(903,163)	(903,163)	—	(259,646)	(259,646)
Specialty (Global Specialty, Other Specialty)	—	(392,652)	(392,652)	—	(287,372)	(287,372)
Other (Surety, Life, Health & Weather)	—	(1,577,051)	(1,577,051)	5	(1,232,127)	(1,232,122)
	<u>—</u>	<u>(19,879,264)</u>	<u>(19,879,264)</u>	<u>5</u>	<u>(16,657,137)</u>	<u>(16,657,132)</u>

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Reinsurance contracts held						
Agriculture	1,190,230	—	1,190,230	1,520,475	—	1,520,475
Aviation, Marine & Energy	669,145	(17)	669,128	550,857	—	550,857
Casualty	1,984,708	(118)	1,984,590	1,585,263	—	1,585,263
Professional lines	1,661,739	(9)	1,661,730	1,237,731	—	1,237,731
Property & Catastrophe	1,161,137	—	1,161,137	1,170,464	—	1,170,464
Motor	106,650	—	106,650	11,991	—	11,991
Specialty (Global Specialty, Other Specialty)	340,462	—	340,462	379,463	—	379,463
Other (Surety, Life, Health & Weather)	460,624	(2,283)	458,341	363,901	—	363,901
	<u>7,574,695</u>	<u>(2,427)</u>	<u>7,572,268</u>	<u>6,820,145</u>	<u>—</u>	<u>6,820,145</u>

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11. Insurance and reinsurance contracts, cont'd

The roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims is set out in the tables below for the years ended December 31, 2023 and 2022.

	2023				
	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of present value of future Cash Flows	Risk Adjustment for Non-financial risk	
As at December 31, 2022					
Opening insurance contract assets	(2,089)	117	1,852	125	5
Opening insurance contract liabilities	1,923,382	7,836	13,949,891	776,028	16,657,137
As at January 1, 2023					
Opening insurance contract liabilities ¹	271,301	65,010	802,070	50,771	1,189,152
Net opening balance	2,196,772	72,729	14,750,109	826,674	17,846,284
Insurance revenue					
Contracts under modified retrospective approach	(179,575)	—	—	—	(179,575)
Other contracts	(12,944,936)	—	—	—	(12,944,936)
Total insurance revenue	(13,124,511)	—	—	—	(13,124,511)
Insurance Service Expenses					
Incurred claims and other expenses	—	(65,016)	9,024,701	311,240	9,270,925
Amortization of insurance acquisition cash flows	1,875,143	—	—	—	1,875,143
Changes that relate to past service (changes in fulfillment cash flows)	—	—	1,144,636	(321,946)	822,690
Changes that relate to future service:					
Losses for the net outflow recognized on initial recognition	—	133,262	—	—	133,262
Losses and reversal of losses on onerous contracts – subsequent measurement	—	32,675	—	—	32,675
Total Insurance Service Expenses	1,875,143	100,921	10,169,337	(10,706)	12,134,695
Investment Components	(205,397)		205,397		—
Total Insurance Service Result	(11,454,765)	100,921	10,374,734	(10,706)	(989,816)
Insurance Finance Income or Expenses					
The effect of and changes in time value of money and financial risk	—	(43,481)	962,584	48,948	968,051
Effect of movements in exchange rates	1,676	189	66,848	3,625	72,337
Total Insurance Finance Income or Expense	1,676	(43,292)	1,029,432	52,573	1,040,388
Other ²	19,620	(27,044)	(284,665)	(11,560)	(303,649)
Total changes in the statement of comprehensive income	(11,433,469)	30,585	11,119,501	30,306	(253,077)
Cash flows					
Premiums received	13,179,241	—	—	—	13,179,241
Claims and other insurance service expenses paid	—	—	(8,940,264)	—	(8,940,264)
Insurance acquisition cash flows	(1,952,920)	—	—	—	(1,952,920)
Total Cash Flows	11,226,321	—	(8,940,264)	—	2,286,057
Closing insurance contract liabilities	1,989,624	103,314	16,929,346	856,980	19,879,264

(1) Relates to Sompo Asia and its subsidiaries' contribution as at January 1, 2023 (See Note 4, Business combinations)

(2) Includes hyperinflation and foreign currency translation effects.

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11. Insurance and reinsurance contracts, cont'd

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims, cont'd.

	Liabilities for Remaining Coverage		2022 Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of present value of future Cash Flows	Risk Adjustment for Non-financial risk	
Opening insurance contract assets	—	—	—	—	—
Opening insurance contract liabilities	1,981,232	22,091	12,464,177	687,994	15,155,494
Net opening balance	1,981,232	22,091	12,464,177	687,994	15,155,494
Insurance revenue					
Contracts under modified retrospective approach	(224,324)	—	—	—	(224,324)
Other contracts	(11,515,400)	—	—	—	(11,515,400)
Total insurance revenue	(11,739,724)	—	—	—	(11,739,724)
Insurance Service Expenses:					
Incurred claims and other expenses	—	(13,567)	9,478,228	351,461	9,816,122
Amortization of insurance acquisition cash flows	1,213,858	—	—	—	1,213,858
Changes that relate to past service (changes in fulfillment cash flows)	—	—	951,766	(201,434)	750,332
Changes that relate to future service:	—	—	—	—	—
Losses for the net outflow recognized on initial recognition	—	5,465	—	—	5,465
Losses and reversal of losses on onerous contracts – subsequent measurement	—	394	—	—	394
Total Insurance Service Expenses	1,213,858	(7,708)	10,429,994	150,027	11,786,171
Investment Components	(190,283)	—	190,283	—	—
Total Insurance Service Result	(10,716,149)	(7,708)	10,620,277	150,027	46,447
Insurance Finance Income or Expenses					
The effect of and changes in time value of money and financial risk	—	(6,312)	(914,960)	(52,070)	(973,342)
Effect of movements in exchange rates	27,272	(214)	(161,245)	(9,409)	(143,596)
Total Insurance Finance Income or Expense	27,272	(6,526)	(1,076,205)	(61,479)	(1,116,938)
Other ¹	(15,747)	(137)	17,838	(639)	1,315
Total changes in the statement of comprehensive income	(10,704,624)	(14,371)	9,561,910	87,909	(1,069,176)
Cash flows					
Premiums received	11,975,462	—	—	—	11,975,462
Claims and other insurance service expenses paid	—	—	(8,078,048)	—	(8,078,048)
Insurance acquisition cash flows	(1,326,600)	—	—	—	(1,326,600)
Total Cash Flows	10,648,862	—	(8,078,048)	—	2,570,814
Net closing balance	1,925,471	7,719	13,948,039	775,903	16,657,132
Closing insurance assets	(2,089)	117	1,852	125	5
Closing insurance liabilities	1,923,382	7,836	13,949,891	776,028	16,657,137
Net closing balance	1,925,471	7,719	13,948,039	775,903	16,657,132

(1) Includes hyperinflation and foreign currency translation effects

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11. Insurance and reinsurance contracts, cont'd

The roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims is set out in the tables below for the years ended December 31, 2023 and 2022.

	Assets for remaining coverage		2023 Amounts recoverable on incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future Cash Flows	Risk Adjustment for Non-financial risk	
As at December 31, 2022					
Opening reinsurance contract assets	1,231,007	1,742	5,258,214	329,182	6,820,145
As at January 1, 2023					
Opening reinsurance contract assets ¹	68,479	39,545	339,764	28,045	475,833
Opening reinsurance contract liabilities ¹	782	453	3,749	315	5,299
Net opening balance	1,298,704	40,834	5,594,229	356,912	7,290,679
An allocation of reinsurance premiums	(4,213,846)	—	—	—	(4,213,846)
Amounts recoverable from reinsurers:					
Recoveries of incurred claims and other insurance service expenses	—	(38,253)	3,474,756	113,212	3,549,715
Changes that relate to past service (changes related to incurred claims component)	—	—	915,231	(168,878)	746,353
Changes that relate to future service:					
Recoveries of losses on onerous underlying contracts - initial recognition	—	50,688	—	—	50,688
Recoveries and reversals of losses on onerous underlying contracts - subsequent measurements	—	10,906	—	—	10,906
Total Amounts Recovered from Reinsurance	—	23,341	4,389,987	(55,666)	4,357,662
Investment Components	(111,260)	—	111,260	—	—
Effect of changes in Non-performance risk of Reinsurers	—	—	12,964	—	12,964
Total Net Expenses from Reinsurance	(4,325,106)	23,341	4,514,211	(55,666)	156,780
Reinsurance Finance Income or Expenses					
The effect of and changes in time value of money and financial risk	—	(15,749)	351,292	19,223	354,766
Foreign exchange gains or losses	1,171	(9)	12,374	697	14,233
Total Reinsurance Finance Income or Expenses	1,171	(15,758)	363,666	19,920	368,999
Other ²	3,577	(14,081)	(137,113)	(8,501)	(156,118)
Total changes in the statement of comprehensive income	(4,320,358)	(6,498)	4,740,764	(44,247)	369,661
Cash flows					
Premiums paid	4,335,895	—	—	—	4,335,895
Amounts received	—	—	(4,423,967)	—	(4,423,967)
Total Cash Flows	4,335,895	—	(4,423,967)	—	(88,072)
Net closing balance	1,314,241	34,336	5,911,026	312,665	7,572,268
Closing reinsurance assets	1,321,356	34,279	5,906,701	312,359	7,574,695
Closing reinsurance liabilities	7,115	(57)	(4,325)	(306)	2,427
Net closing balance	1,314,241	34,336	5,911,026	312,665	7,572,268

(1) Relates to the Sampo Asia and its subsidiaries' contribution as at January 1, 2023 (See Note 4, Business combinations)

(2) Includes hyperinflation and foreign currency translation effects.

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11. Insurance and reinsurance contracts, cont'd

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims, cont'd.

	Assets for remaining coverage		2022 Amounts recoverable on incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future Cash Flows	Risk Adjustment for Non-financial risk	
Opening reinsurance contract assets	1,384,561	7,419	4,651,560	291,641	6,335,181
Opening reinsurance contract liabilities	171	(9)	(67)	(6)	89
Net opening balance	1,384,390	7,428	4,651,627	291,647	6,335,092
An allocation of reinsurance premiums	(3,958,669)	—	—	—	(3,958,669)
Amounts recoverable from reinsurers:					
Recoveries of incurred claims and other insurance service expenses	—	(5,176)	3,966,104	151,741	4,112,669
Changes that relate to past service (changes related to incurred claims component)	—	—	423,976	(95,379)	328,597
Changes that relate to future service:	—	—	—	—	—
Recoveries of losses on onerous underlying contracts - initial recognition	—	1,968	—	—	1,968
Recoveries and reversals of losses on onerous underlying contracts - subsequent measurements	—	291	—	—	291
Total Amounts Recovered from Reinsurance	—	(2,917)	4,390,080	56,362	4,443,525
Investment Components	(105,225)	—	105,225	—	—
Effect of changes in Non-performance risk of Reinsurers	—	—	(7,286)	—	(7,286)
Total Net Expenses from Reinsurance	(4,063,894)	(2,917)	4,488,018	56,362	477,570
Reinsurance Finance Income or Expenses					
The effect of and changes in time value of money and financial risk	—	(2,729)	(291,676)	(18,947)	(313,352)
Foreign exchange gains or losses	9,027	(50)	8,112	496	17,585
Total Reinsurance Finance Income or Expenses	9,027	(2,779)	(283,564)	(18,451)	(295,767)
Other ¹	14,220	10	(7,536)	(375)	6,319
Total changes in the statement of comprehensive income	(4,040,647)	(5,686)	4,196,919	37,536	188,122
Cash flows					
Premiums paid	3,887,264	—	—	—	3,887,264
Amounts received	—	—	(3,590,333)	—	(3,590,333)
Total Cash Flows	3,887,264	—	(3,590,333)	—	296,931
Closing reinsurance contract assets	1,231,007	1,742	5,258,213	329,183	6,820,145

(1) Includes hyperinflation and foreign currency translation effects.

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12. Insurance service expenses and amounts recovered from reinsurance contracts

The breakdown of insurance service expenses is presented below:

	2023	2022
Incurring claims and other expenses	9,270,925	9,816,123
Changes that relate to past service	822,690	750,332
Losses and onerous contracts and reversal of those losses	165,937	5,858
Insurance acquisition cash flows amortization	1,875,143	1,213,858
Total insurance service expenses	\$ 12,134,695	\$ 11,786,171

The insurance service expenses are offset by the amounts recovered from reinsurance contracts presented below:

	2023	2022
Incurring claims and other expenses	3,549,715	4,112,669
Changes that relate to past service	746,353	328,597
Losses (and reversals of losses) on onerous insurance contracts	61,594	2,259
Change in the risk of non -performance	12,964	(7,286)
Total amounts recovered from reinsurance contracts	\$ 4,370,626	\$ 4,436,239

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13. Property and equipment

The components of property and equipment as at December 31, 2023, and 2022 are as follows:

	Right-of-use assets	Other property and equipment	Total
Cost			
Balance at January 1, 2021	\$ 249,479	\$ 148,716	\$ 398,195
Additions	1,081	7,204	8,285
Disposals	(13,600)	(31,499)	(45,099)
Foreign currency translation	4,743	(83)	4,660
Balance at December 31, 2022	241,703	124,338	366,041
Additions	16,934	14,598	31,532
Acquisitions through business combinations	17,977	81,334	99,311
Disposals	(10,316)	(6,997)	(17,313)
Foreign currency translation	1,312	(1,080)	232
Balance at December 31, 2023	267,610	212,193	479,803
Accumulated depreciation			
Balance at January 1, 2021	\$ 88,855	\$ 96,465	\$ 185,320
Depreciation	24,209	10,377	34,586
Disposals	(13,600)	(30,493)	(44,093)
Accumulated foreign currency translation	(379)	14	(365)
Balance at December 31, 2022	99,085	76,363	175,448
Depreciation	27,538	12,790	40,328
Acquisitions through business combinations	12,202	28,172	40,374
Disposals	(9,754)	(5,451)	(15,205)
Accumulated foreign currency translation	556	894	1,450
Balance at December 31, 2023	129,627	112,768	242,395
Net property and equipment			
Balance at December 31, 2022	\$ 142,618	\$ 47,975	\$ 190,593
Balance at December 31, 2023	\$ 137,983	\$ 99,425	\$ 237,408

Leases as a lessee

The Company leases buildings for its office space and vehicles. Some leases include an option to renew the lease for an additional period after the end of the contract term. The renewal options held are exercisable only by the Company, and it assesses at the lease commencement whether it is reasonably certain to exercise the renewal options. The Company also sub-leases some of its office spaces under operating leases. The Company recognizes its leases of office spaces as right-of-use assets recorded within property and equipment on the Consolidated Balance Sheets and depreciation is recorded within expenses on the Consolidated Statements of Profit and Comprehensive Income (Loss). Lease liabilities are recorded in loans and borrowings on the Consolidated Balance Sheets.

On inception of a lease, the weighted average incremental borrowing rate applied to lease liabilities is based on the comparable yield curve in the U.S. financial sector, adjusted for estimate of collateral spread.

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13. Property and equipment, cont'd.

Leases as a lessee, cont'd.

A maturity analysis for the undiscounted liabilities related to leases as at December 31, 2023 and 2022 is summarized as follows:

	2023	2022
Less than one year	\$ 30,378	\$ 26,219
One to five years	80,546	75,266
More than five years	61,925	72,229
Total undiscounted lease payments to be paid	\$ 172,849	\$ 173,714

Interest on lease liabilities is recognized as financing costs on the Consolidated Statements of Profit and Comprehensive Income (Loss) and for the year ended December 31, 2023 is \$5.5 million (2022 - \$5.9 million).

The total cash outflow for leases recognized in the Consolidated Statements of Cash Flows for the year ended December 31, 2023 is \$24.1 million (2022 - \$19.3 million).

The Company also leases IT equipment and machinery with contractual terms up to 5 years. These leases are generally considered to be leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases of low-value items.

Leases as a sub-lessor

The Company sub-leases some of its office buildings that it leases. These leases are classified as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. As at December 31, 2023, right-of-use assets included subleases accounted for as operating leases of \$3.8 million (2022 - \$4.2 million).

The following table sets out the maturity analysis of the undiscounted lease payments to be received after December 31, 2023 and 2022:

	2023	2022
Less than one year	\$ 695	\$ 545
One to five years	2,088	2,016
More than five years	366	914
Total undiscounted lease payments to be received	\$ 3,149	\$ 3,475

Sub-lease income of \$0.5 million is recorded in the Consolidated Statements of Profit and Comprehensive Income (Loss) for the year ended December 31, 2023 (2022 - \$0.5 million).

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14. Loans and borrowings

Credit Facilities

The Company, Sampo International and certain designated subsidiaries have been parties to the Uncommitted Letter of Credit and Reimbursement Agreement with Mizuho Bank, Ltd. (the "Mizuho Credit Facility") since 2017. The line of credit provided by the Mizuho Credit Facility has increased periodically since its inception and was increased on December 15, 2023 to \$1.75 billion. The Mizuho Credit Facility requires the compliance with certain customary restrictive covenants. The Obligors (as defined in the Mizuho Credit Facility) are required to pay a fee of 0.2% on the daily aggregate amount of letters of credit issued payable quarterly in arrears. As of December 31, 2023, there were letters of credit outstanding under the Mizuho Credit Facility of approximately \$1.1 billion (2022 - \$1.1 billion).

The Company, Sampo International and certain designated subsidiaries have been parties to the Continuing Letter of Credit Agreement (for Standby Letters of Credit) with MUFG Bank, Ltd. (formerly Bank of Tokyo-Mitsubishi UFJ, Ltd.) (the "MUFG Credit Facility") since 2017. The MUFG Credit Facility was initially a \$100.0 million unsecured letter of credit facility and has increased periodically since its inception rising to \$500.0 million in 2021. The MUFG Credit Facility requires the compliance with certain customary restrictive covenants. Each applicant is required to pay a fee of 0.2% on the daily aggregate amount of letters of credit issued payable quarterly in arrears. As of December 31, 2023, there were letters of credit outstanding under the MUFG Credit Facility of approximately \$497.9 million (2022 - \$488.5 million).

Other Uncommitted Letter of Credit Agreements

The Company is party to certain uncommitted letter of credit reimbursement agreements ("LOC Agreements") that allow for the issuance of letters of credit in a variety of currencies, including U.S. Dollars. The fees paid under the LOC Agreements depend on the amount of the outstanding letters of credit and vary from 0.3% to 0.45% on the principal amount of letters of credit outstanding to a fee negotiated at the time of issuance of the individual letters of credit. As of December 31, 2023, there were letters of credit outstanding under the LOC Agreements of \$69.4 million (2022 - \$54.1 million).

CGB Note

On December 28, 2020, a subsidiary of the Company, Endurance U.S. Holdings Corp. ("Endurance U.S. Holdings") issued to CGB Enterprises, Inc. ("CGB"), with Sampo International as guarantor, \$270.0 million principal amount of a 4.5% Note due December 28, 2030 as part of the consideration in the acquisition of CGB Diversified Services, Inc., a provider of crop insurance products (the "CGB Note"). The CGB Note allows for potential additional contingent payments based on certain loss ratio triggers during the term of the note. The CGB Note also permits Endurance U.S. Holdings to repurchase the CGB Note at any time following December 28, 2027, at an amount equal to the outstanding principal amount plus any accrued and unpaid interest. The CGB Note is an unsecured obligation of Endurance U.S. Holdings and ranks equally with all of Endurance U.S. Holdings' existing and future unsecured and unsubordinated debt.

The terms governing the CGB Note contain customary events of default for unsecured indebtedness, including non-payment of principal, interest, or contingent payments, a sale of Endurance U.S. Holdings or Sampo International, or the bankruptcy or insolvency of Endurance U.S. Holdings. The Company was in compliance with all the terms of the CGB Note as of December 31, 2023 and 2022.

15. Pension plan

Defined contribution plan

The Company provides retirement benefits to eligible employees through various defined contribution plans sponsored by the Company or as mandated by the government in certain jurisdictions. Under the Company's defined contribution plans, the Company makes contributions to its employees' accounts up to 17% of its employees' eligible earnings (as applicable depending on plan rules and the jurisdiction). This includes matching contributions made by the Company based on the level of employee contribution and additional contributions, depending on its annual financial performance. The employee and Company contributions in the defined contribution plans are invested at the election of each employee in one or more of several investment portfolios offered by third party investment advisors or within government funds. Company contributions for the year ended December 31, 2023 resulted in an expense of \$53.3 million (2022 - \$40.4 million) included within the expense lines of the Consolidated Statements of Profit and Comprehensive Income (Loss).

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16. Commitments and contingencies

Letters of credit

As of December 31, 2023, the Company had issued letters of credit of \$1,699.7 million (2022 - \$1,622.1 million) under its credit facilities and letter of credit reimbursement agreements in favor of certain ceding companies to collateralize obligations.

Investment assets held in trust

During 2015, Endurance Bermuda established a multi-beneficiary reinsurance trust (the "Endurance Reinsurance Trust") domiciled in Delaware. The Endurance Reinsurance Trust was established as a means of providing statutory credit to Endurance Bermuda's U.S. cedants. As of December 31, 2023, the fair value of the assets held in the Endurance Reinsurance Trust exceeded \$26.7 million (2022 - exceeded \$34.2 million), the minimum value required on each balance sheet date.

During 2015, Endurance Bermuda also established a second multi-beneficiary reinsurance trust (the "Reduced Collateral Trust") domiciled in Delaware. The Reduced Collateral Trust was established as a means of providing statutory credit to Endurance Bermuda's U.S. cedants in connection with a reduction in collateral requirements in certain states. As of December 31, 2023, the fair value of the assets held in the Reduced Collateral Trust exceeded \$45.8 million (2022 - exceeded \$42.6 million), the minimum value required on each balance sheet date.

Endurance Bermuda is party to a reinsurance trust (the "MUSIC Trust"). The MUSIC Trust was established as a means of providing statutory credit to MUSIC in support of the business retained in connection with the 2011 sale of MUSIC to Selective. As of December 31, 2023, the fair value of the assets held in the MUSIC Trust was \$9.2 million (2022 - \$10.6 million), the minimum value required on each balance sheet date.

The Company's investment assets held in trust appear on the Company's Consolidated Balance Sheets as cash and cash equivalents, investments and accrued investment income, as appropriate.

Reinsurance commitments

In the ordinary course of business, the Company enters into reinsurance agreements that may include terms which could require the Company to collateralize certain of its obligations.

Employment agreements

The Company has entered into employment agreements with certain officers that provide for long term incentive awards, executive benefits and severance payments under certain circumstances.

Legal proceedings

The Company is party to various legal proceedings generally arising in the normal course of its business. Sompo Insurance (Thailand) Public Company Limited are party to tax and civil claims at varying stages of litigation. As of December 31, 2023, contingent liabilities have been estimated at \$0.1 million (2022 - Nil million.), where practicable. While any proceeding contains an element of uncertainty, the Company does not believe that the eventual outcome of any litigation or arbitration proceeding to which it is presently a party could have a material adverse effect on its financial condition, results of operations or business. Pursuant to the Company's insurance and reinsurance agreements, disputes are generally required to be finally settled by arbitration.

17. Shareholder's equity

The Company's share capital for the years ended December 31, 2023 and 2022 is summarized as follows:

	2023	2022
Common shares:		
Authorized - \$1.00 par value each	20,000,000	20,000,000
Issued, outstanding and fully paid:		
Ordinary common shares - \$1.00 par value each	12,000,012	12,000,005

For the year ended December 31, 2023, the ordinary common shares have increased as a result of a capital injection from Sompo International.

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18. Related party transactions

Note 1, Organization, provides information about the Company's structure, including details of the operating subsidiaries and parent companies. Transactions with the related parties of the Company for the years ended December 31, 2023 and 2022 included Sampo Holdings, its ultimate parent company, and the following subsidiary companies of Sampo Holdings:

<u>Affiliates</u>	<u>Domicile</u>
Sampo International Holdings Ltd.	Bermuda
Blue Capital Management Ltd., manager of Blue Water Re	Bermuda
Sampo Japan Nipponkoa Insurance	Japan
SJNK Asset Management Co., Ltd.	Japan
Sampo China	China
Sampo Seguros S.A (Sampo BR)	Brazil
Nipponkoa Insurance Co (China)	China
United Ins. Company of Vietnam	Vietnam
Universal Gen Ins Co (India)	India
Sampo Risk Management Inc	Japan
AYA Sampo Myanmar	Myanmar
Sampo Digital Lab. Inc	United States
SJNKI-Australia Branch	Australia
SJNKI-Canada Branch	Canada

Sampo Insurance (Hong Kong) Company Limited, Berjaya Sampo Insurance Berhad, Sampo Insurance Singapore Pte. Ltd., Sampo Insurance (Thailand) Public Company Limited and Sampo Sigorta Anonim Sirketi were Company affiliates during 2022. The Company's Consolidated Statement of Profit and Comprehensive Income for the year ended December 31, 2022 included transactions with these then affiliates.

Intercompany reinsurance arrangements

The Company reinsured affiliates for property and casualty risks on an excess-of-loss and quota share basis. The Company also ceded a portion of it's direct and assumed business to affiliates.

The following table presents the impact in the Consolidated Statements of Profit and Comprehensive Income (Loss) of the related party reinsurance arrangements for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Insurance revenue	75,175	38,039
Insurance service expenses	(190,743)	(276,565)
Net insurance service result before reinsurance contracts held	(115,568)	(238,526)
Allocation of reinsurance contracts premiums paid	(269,450)	(203,213)
Amounts recovered from reinsurance contracts	414	422
Net expense from reinsurance contracts held	(269,036)	(202,791)
Net insurance service result	(384,604)	(441,317)

As of December 31, 2023, the Company has rendered services of \$6.1 million (2022 - \$6.1 million) and received services of \$4.0 million (2022 - \$0.0 million) from its affiliates.

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18. Related party transactions, cont'd.

The following table presents the impact in the Consolidated Balances Sheets of the related party reinsurance arrangements at December 31, 2023 and 2022:

	2023	2022
Insurance contract assets	—	—
Reinsurance contract assets	472,621	388,952
Insurance contract liabilities	135,523	78,418
Reinsurance contract liabilities	—	—

Other intercompany balances

At December 31, 2023, the Company had a balance of \$10.3 million (2022 - \$4.4 million) due from affiliates. At December 31, 2023, the Company had a balance of \$561.8 million (2022 - \$333.8 million) due to affiliates and Parent. On October 14, and October 31, 2022 Sompo International contributed a total of \$1.3 billion to the Company as capital contributions and 2 shares were issued. As at December 31, 2023 and 2022, the amount due to affiliates include unsecured intercompany balances between Sompo International and the Company.

Key management personnel compensation

Key management personnel of the Company includes its directors and certain members of its executive management. The aggregate remuneration of key management personnel compensation for the years ended December 31, 2023 and 2022 comprised the following:

	2023	2022
Short-term employee benefits	28,563	18,559
Post-employment benefits	900	776
Other long-term benefits	23,948	8,330
Termination benefits	5,512	—
Total	58,923	27,665

Total compensation of the Company's key management personnel includes salaries, annual incentives, and non-cash benefits.

19. Statutory requirements and dividend restrictions

The Company's insurance and reinsurance operations are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate, the most significant of which are Bermuda, the United States, the United Kingdom, Luxembourg, Singapore, Turkey, Hong Kong, Malaysia and Thailand. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities. The stated regulatory requirements would not pose significant restrictions on the Company's ability to access the funds and settle the liabilities as they come due during its normal course of operation.

Bermuda

	2023	2022
Required statutory capital	\$ 5,008,689	\$ 4,147,303
Actual statutory capital	10,025,965	8,358,833

For Endurance Bermuda, the consolidated statutory net profit for the year ended December 31, 2023 is \$1,633.6 million (2022 - \$214.1 million loss).

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19. Statutory requirements and dividend restrictions, cont'd.

Endurance Bermuda is a registered Class 4 insurer under the Insurance Act 1978 ("Bermuda Insurance Act") and related regulations as amended (the "Insurance Act"). Endurance Bermuda is required to maintain minimum solvency standards and to hold available statutory capital and surplus equal to or exceeding the Enhanced Capital Requirement as determined by the Bermuda Monetary Authority ("BMA") based upon a standard mathematical model that correlates the risk underwritten to the capital that is dedicated to the business. The required capital noted in the table above has been based on the Enhanced Capital Requirement. In addition to the Enhanced Capital Requirement, Endurance Bermuda is required to maintain a minimum statutory liquidity ratio and solvency margin. For all periods presented herein, Endurance Bermuda materially exceeded these minimum requirements.

Endurance Bermuda's ability to pay dividends and make capital distributions is subject to certain regulatory restrictions based on the Enhanced Capital Requirement, limits on the amount of Endurance Bermuda's premiums written and net reserves for losses and loss expenses and a minimum general capital and surplus requirement of \$100.0 million.

United States

	2023	2022
Required statutory capital	\$ 1,063,956	\$ 1,085,583
Actual statutory capital	4,389,898	4,084,225

For the entities registered in the United States, the aggregate statutory net profit for the year ended December 31, 2023 is \$426.2 million (2022 - \$84.9 million).

Endurance Assurance, Endurance American, Endurance American Specialty and Endurance Risk Solutions are subject to regulation by the Delaware Department of Insurance. American Agri-Business and Lexon Insurance are subject to regulation by the Texas Department of Insurance. Sampo American Insurance and Sampo America Fire & Marine are subject to regulation by the New York Department of Financial Services. Bond Safeguard is subject to regulation by the South Dakota Division of Insurance. Sampo International's Delaware, Texas, New York and South Dakota domiciled entities must maintain a minimum level of statutory capital as established by such jurisdictions. The amount of required capital is determined through the use of the Risk Based Capital model established by the National Association of Insurance Commissioners and adopted by Delaware, Texas, New York and South Dakota. The required capital noted in the table above has been based on the Risk Based Capital model and represents the authorized control level risk based capital for these entities.

Dividends are limited to available and accumulated surplus funds derived from net operating profits plus realized capital gains without additional regulatory approval for the Company's Delaware domiciled entities, the greater of 10% of policyholders' surplus of the preceding year or statutory net income of the preceding year for the Company's Texas domiciled entities, the lesser of 10% of policyholders' surplus without exceeding unassigned surplus or net investment income of record for the Company's New York domiciled entities, and the greater of 10% of policyholders' surplus or statutory net income of the preceding year which includes net realized capital gains in an amount not to exceed 20% of net unrealized capital gains for the Company's South Dakota domiciled entity. In addition, dividends may only be declared or distributed out of earned surplus.

At December 31, 2023, Endurance American, Endurance Risk Solutions and Endurance American Specialty did not have earned surplus and thus were precluded from declaring or distributing dividends during 2023 without the prior approval of the applicable insurance regulator. At December 31 2023, Endurance Assurance had earned surplus funds of \$430.2 million that could be paid as a dividend to its parent, Endurance U.S. Holdings Corporation in 2023. If the parent company is also an insurer, as is the case with Endurance American Specialty, Endurance Risk Solutions, Sampo American Insurance, Sampo American Fire & Marine and Endurance American, the parent company or companies must also meet their own dividend eligibility requirements in order to pass along any dividends received from subsidiary insurance companies.

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19. Statutory requirements and dividend restrictions, cont'd

United Kingdom

	2023	2022
Required statutory capital	\$ 419,275	\$ 381,138
Actual statutory capital	812,940	653,537

For the entities registered in the United Kingdom, the aggregate statutory net profit for the year ended December 31, 2023 is \$123.2 million (2022 - \$31.9 million loss).

Endurance U.K.

The required and actual statutory capital amounts in the "U.K." category in the table above include amounts related to Endurance U.K. Under the jurisdiction of the United Kingdom's Prudential Regulation Authority ("PRA"), Endurance U.K. must maintain a margin of solvency at all times 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. Endurance U.K. have utilized the standard formula for the SCR since transition to the Solvency II regime from December 31, 2016. As of December 31, 2023, the provisional SCR of Endurance U.K. was \$419.3 million (2022 - \$381.1 million) and there was surplus capital of \$393.7 million (2022 - \$272.4 million) with actual Own Funds Available of \$812.9 million (2022 - \$653.5 million).

The PRA regulatory requirements impose no explicit restrictions on Endurance U.K.'s ability to pay a dividend, but Endurance U.K. would have to notify the PRA 28 days prior to any proposed dividend payment. Dividends may only be distributed from profits available for distribution.

Switzerland

In 2008, Endurance Bermuda established a branch in Zurich, Switzerland named Endurance Specialty Insurance Ltd. Pembroke (Bermuda) Zurich Branch. In 2015, Endurance U.K. established a branch in Zurich named Endurance Worldwide Insurance Limited, London, Zurich Branch. Swiss law does not impose additional regulation upon a Swiss branch of a foreign reinsurer. In 2022, Sompo Europe established an insurance branch in Zurich named SI Insurance (Europe) SA, Luxembourg, Zurich Branch ("Zurich Insurance Branch") and was granted an insurance license from the Swiss regulator ("FINMA") in 2023. There are no separate solvency requirements or dividend restrictions imposed on the Zurich Insurance Branch by FINMA.

Singapore

	2023	2022
Required statutory capital	\$ 40,890	\$ 40,316
Actual statutory capital	207,434	165,167

For the entities registered in Singapore, the aggregate statutory net loss for the year ended December 31, 2023, is \$40.8 million (2022 - \$26.7 million).

Endurance Bermuda's Singapore branch ("Singapore Branch") and Sompo Insurance Singapore are regulated by the Monetary Authority of Singapore pursuant to the Singapore Insurance Act. These entities are subject to solvency and capital requirements as set out in the Risk-Based Capital Framework by the Monetary Authority of Singapore. At December 31, 2023 and 2022, the Singapore Branch and Sompo Insurance Singapore complied with both solvency and capital requirements promulgated by the Monetary Authority of Singapore.

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19. Statutory requirements and dividend restrictions, cont'd.

Luxembourg

	2023	2022
Required statutory capital	\$ 122,676	\$ 116,013
Actual statutory capital	236,010	242,857

For the entity registered in Luxembourg, the statutory net loss for the year ended December 31, 2023, is \$11.4 million (2022 - \$15.0 million).

In 2018, Sompo Europe was established under the laws of the Grand Duchy in Luxembourg. Under the jurisdiction of the Commissariat aux Assurances, Sompo Europe must maintain a margin of solvency at all times under the Solvency II Directive. Sompo Europe has utilized the standard formula for the SCR. As of December 31 2023, the provisional SCR was \$122.7 million (2022 - \$116.0 million) and there was surplus capital of \$113.3 million (2022 - \$126.8 million) with actual Own Funds Available of \$236.0 million (2022 - \$242.9 million).

Turkey

	2023	2022
Required statutory capital	\$ 111,863	\$ 101,922
Actual statutory capital	177,370	134,119

For the entity registered in Turkey, the statutory net profit for the year ended December 31, 2023 is \$89.5 million (2022 - \$24.6 million).

Sompo Turkey is subject to the capital adequacy requirements within the framework of the Regulation on the Measurement and Assessment of the Capital Adequacy of Insurance and Reinsurance Companies and Pension Companies as issued by the Ministry of Treasury and Finance. At December 31, 2023, Sompo Turkey complied with the capital requirements promulgated by the Ministry of Treasury and Finance. No prior regulatory approval is required to pay dividends.

Hong Kong

	2023	2022
Required statutory capital	\$ 8,900	\$ 8,900
Actual statutory capital	54,326	47,000

For the entity registered in Hong Kong, the statutory net profit for the year ended December 31, 2023 is \$5.7 million (2022 - \$3.4 million) .

Sompo Hong Kong is subject to capital adequacy requirements imposed by the Hong Kong Insurance Authority as defined in the local Insurance Companies Ordinance Section 25A. As at December 31, 2023, Sompo Hong Kong complied with the capital requirements as set forth by the Hong Kong Insurance Authority. No prior regulatory approval is required to pay dividends.

Malaysia

	2023	2022
Required statutory capital	\$ 104,141	\$ 100,240
Actual statutory capital	262,543	228,819

For the entity registered in Malaysia, the statutory net profit for the year ended December 31, 2023 is \$42.1 million (2022 - \$24.5 million).

Sompo Malaysia is subject to capital adequacy requirements regulated by the Bank Negara Malaysia, the Central Bank of Malaysia, and was in compliance as at December 31, 2023. Sompo Malaysia is required to get approval from the Bank Negara Malaysia to distribute dividends and can only distribute dividends if they can maintain a capital adequacy ratio above the Internal Target Capital Level imposed by the regulator.

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19. Statutory requirements and dividend restrictions, cont'd.

Thailand

	2023		2022	
Required statutory capital	\$	40,585	\$	12,179
Actual statutory capital		58,925		36,778

For the entity registered in Thailand, the statutory net profit for the year ended December 31, 2023 is \$1.3 million (2022 - \$3.1 million).

Sompo Thailand is subject to capital adequacy requirements regulated by Office of Insurance Commission, the regulator of Thailand's insurance industry, and was in compliance as at December 31, 2023. Sompo Thailand shall not pay dividends other than out of profits and is restricted from paying dividends if the company has an accumulated loss or if the dividend payment will reduce capital below required SCR. Payments of dividends shall be approved by the Meeting of Shareholders.

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20. Taxes

The following table shows the components of income tax expense for the years ended December 31, 2023 and 2022:

	2023	2022
Current tax:		
Current corporate tax expense for the year	\$ 208,050	\$ 128,589
Adjustments for prior year corporation tax	(15,054)	(7,730)
Total current tax expense	192,996	120,859
Deferred tax:		
Origination and reversal of temporary differences	(306,470)	(119,987)
Adjustments for prior year deferred tax	10,560	10,299
Total deferred tax (benefit)	(295,910)	(109,688)
Total income tax (benefit) expense	\$ (102,914)	\$ 11,171

Currently, the Company and its Bermuda subsidiaries are not subject to any income or capital gains taxes in Bermuda. A 15% corporate income tax is expected to apply to our Bermuda operations beginning in 2025 as a result of the enactment of the Bermuda Corporate Income Tax Act 2023 on December 27, 2023. The tax legislation includes a provision referred to as the economic transition adjustment, which is intended to provide a fair and equitable transition into the tax regime with respect to which the Company has recorded a deferred tax asset. The Company recorded a deferred tax asset of \$399.1 million which it expects to utilize to reduce taxes paid predominantly over a 10-year period. The Company expects to incur increased taxes in Bermuda beginning in 2025.

The Sampo Group is within the scope of the Organization for Economic Co-operation and Development (“OECD”) Pillar Two model rules. Pillar Two legislation was enacted during 2023 in various countries in which the group operates and will come into effect in these countries from 2024 onwards.

Under the legislation, the group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (“GloBE”) effective tax rate (“ETR”) per jurisdiction and the 15% minimum rate. This could be through top-up taxes in local jurisdictions or through top-up tax at the ultimate parent level in Japan under the income inclusion rule.

As of December 31, 2023 the Company has operating subsidiaries and branch operations, as listed in Note 1, Organization, which are subject to the relevant taxes in those jurisdictions.

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20. Taxes, cont'd.

The actual income tax expense attributable to profit for the years ended December 31, 2023 and 2022 differed from the amount computed by applying the combined effective rate of 0% under Bermuda law to profit before income taxes, as a result of the following:

	2023	2022
Profit before tax	\$ 1,857,443	\$ 211,850
Corporate tax at 0% under Bermuda law	—	—
Tax expense effect on foreign taxes	317,903	3,359
Adjustments in respect of prior period	(4,495)	2,568
Other permanent differences	(413,921)	6,645
Changes in tax rates	(295)	(1,591)
Tax losses for which no deferred tax asset is recognized	2,012	4,478
Utilization of tax losses previously unrecognized for deferred tax	(4,118)	(4,288)
Total income tax expense (benefit)	\$ (102,914)	\$ 11,171

Other permanent differences include the impact of a deferred tax asset of \$399.1 million in respect to Bermuda.

Deferred income taxes represent the tax effect of the differences between the book and tax bases of assets and liabilities. Deferred income tax assets and liabilities consisted of the following as of December 31, 2023 and 2022:

	Net deferred tax asset (liability) at December 31, 2022	Other	Recognized in Consolidated Statement of Profit in 2023	December 31, 2023		
				Net	Deferred tax asset	Deferred tax liability
Investments	\$ 145,435	\$ —	\$ (75,520)	\$ 69,915	\$ 69,915	\$ —
Intangible assets	(20,738)	—	397,551	376,813	376,813	—
Insurance and Reinsurance contracts	47,898	—	(28,728)	19,170	19,170	—
Employee benefits	24,626	—	15,519	40,145	40,145	—
Losses carried forward	60,057	—	26,201	86,258	86,258	—
Other	(27,340)	10,180	(39,112)	(56,272)	(47,087)	(9,185)
Total	\$ 229,938	\$ 10,180	\$ 295,911	\$ 536,029	\$ 545,214	\$ (9,185)

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20. Taxes, cont'd.

	Net deferred tax asset (liability) at December 31, 2021	Other	Recognized in Consolidated Statement of Profit in 2022	December 31, 2022		
				Net	Deferred tax asset	Deferred tax liability
Investments	\$ (20,642)	\$ —	\$ 166,077	\$ 145,435	\$ 145,436	\$ —
Intangible assets	(17,902)	—	(2,836)	(20,738)	(20,738)	—
Insurance and Reinsurance contracts	110,609	—	(62,711)	47,898	47,898	—
Employee benefits	26,673	—	(2,047)	24,626	24,625	—
Losses carried forward	39,878	—	20,179	60,057	60,057	—
Other	(18,402)	36	(8,974)	(27,340)	(25,170)	(2,170)
Total	<u>\$ 120,214</u>	<u>\$ 36</u>	<u>\$ 109,688</u>	<u>\$ 229,938</u>	<u>\$ 232,108</u>	<u>\$ (2,170)</u>

On December 31, 2023, Singapore and Sompo Europe's Italian and Spanish branches did not recognize deferred tax assets in relation to net operating loss carry forwards of \$8.4 million and \$143.0 million (2022 - \$134.0 million), respectively, due to the uncertainty regarding their recoverability. Net operating loss carry forwards have no expiration date in any of the above mentioned jurisdictions. Full valuation allowances are recognised in respect to the amounts.

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21. Subsequent events

Transaction with entity under common control

On March 26, 2024, an 80% interest in PT Sampo Insurance Indonesia (“Sampo Indonesia”) was contributed to the Company by Sampo International. The IFRS book value of Sampo Indonesia as of December 31, 2023 was \$72.0 million.

Dividends

On March 13, 2024, the Endurance Specialty Insurance Ltd. Board of Directors declared the payment of an ordinary dividend of \$106.0 million to Sampo International Holdings Ltd., which was settled on April 4, 2024.