

FIDELIS INSURANCE BERMUDA LIMITED

Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022



KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Fidelis Insurance Bermuda Limited

Opinion

We have audited the consolidated financial statements of Fidelis Insurance Bermuda Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income and comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements

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

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

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

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

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

Required supplementary information

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts labeled as Unaudited in Note 10 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 29, 2024

FIDELIS INSURANCE BERMUDA LIMITED
Consolidated Balance Sheets
At December 31, 2023 and December 31, 2022
(Expressed in millions of U.S. dollars, except for share and per share amounts)

	December 31, 2023	December 31, 2022
Assets		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: \$2,494.5, 2022: \$1,484.4 (net of allowances for credit losses of \$0.6, 2022: \$0.8))	\$ 2,477.3	\$ 1,408.7
Short-term investments, available-for-sale, at fair value (amortized cost: \$42.1, 2022: \$212.6 (net of allowances for credit losses of \$nil, 2022: \$nil))	42.1	212.7
Other investments, at fair value (amortized cost: \$50.8, 2022: \$126.3)	47.5	117.1
Total investments	2,566.9	1,738.5
Cash and cash equivalents	428.2	726.6
Restricted cash and cash equivalents	139.6	121.1
Accrued investment income	20.3	7.3
Premiums and other receivables (net of allowances for credit losses of \$5.2, 2022: \$1.4)	1,074.5	1,008.1
Amounts due from The Fidelis Partnership (net of allowances for credit losses of \$nil, 2022: \$nil)	50.5	—
Deferred reinsurance premiums	490.6	406.5
Reinsurance balances recoverable on paid losses (net of allowances for credit losses of \$nil, 2022: \$nil)	74.9	94.8
Reinsurance balances recoverable on reserves for losses and loss adjustment expenses (net of allowances for credit losses of \$1.1, 2022: \$1.0)	695.9	725.3
Deferred policy acquisition costs (includes Fidelis Partnership deferred commissions \$66.9, 2022: \$nil)	562.6	418.2
Amounts due from affiliates (net of allowances for credit losses of \$nil, 2022: \$nil)	116.8	127.9
Other assets	111.2	32.0
Total assets	\$ 6,332.0	\$ 5,406.3
Liabilities and shareholders' equity		
Liabilities		
Reserves for losses and loss adjustment expenses	\$ 1,701.8	\$ 1,628.6
Unearned premiums	1,916.1	1,620.7
Reinsurance balances payable	548.8	539.8
Amounts due to The Fidelis Partnership	148.2	—
Amounts due to affiliates	75.1	106.3
Other liabilities	25.8	19.2
Total liabilities	4,415.8	3,914.6
Commitments and contingencies		
Shareholders' equity		
Common shares, \$1 par value, 1,000,000 authorized, issued and fully paid	1.0	1.0
Additional paid-in capital	1,523.7	1,494.2
Accumulated other comprehensive loss	(17.6)	(74.3)
Retained earnings	409.1	70.8
Total shareholders' equity	1,916.2	1,491.7
Total liabilities and shareholders' equity	\$ 6,332.0	\$ 5,406.3

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE BERMUDA LIMITED
Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in millions of U.S. dollars)

	2023	2022
Revenues		
Gross premiums written	\$ 2,210.5	\$ 1,870.7
Reinsurance premiums ceded	(688.6)	(579.4)
Net premiums written	1,521.9	1,291.3
Change in net unearned premiums	(215.4)	(233.2)
Net premiums earned	1,306.5	1,058.1
Net realized and unrealized investment gains/(losses)	5.2	(26.8)
Net investment income	87.6	29.7
Other income	4.1	10.8
Total revenues	1,403.4	1,071.8
Expenses		
Losses and loss adjustment expenses	452.7	654.2
Policy acquisition expenses (includes The Fidelis Partnership commissions of \$118.6 (2022: \$nil))	536.4	343.2
General and administrative expenses	51.0	64.7
Net foreign exchange losses	1.3	3.1
Financing costs	2.6	3.2
Total expenses	1,044.0	1,068.4
Income before income taxes	359.4	3.4
Income tax benefit/(expense)	88.9	(0.6)
Net income	448.3	2.8
Other comprehensive income/(loss)		
Unrealized gains/(losses) on available-for-sale investments	\$ 57.8	\$ (66.7)
Income tax (expense)/benefit, all of which relates to unrealized gains/(losses) on available-for-sale investments	(1.1)	0.5
Total other comprehensive income/(loss)	56.7	(66.2)
Comprehensive income/(loss)	\$ 505.0	\$ (63.4)

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE BERMUDA LIMITED
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2023 and 2022
(Expressed in millions of U.S. dollars)

	Year Ended	
	December 31, 2023	December 31, 2022
Common shares		
Balance - beginning and end of year	1.0	1.0
Additional paid-in capital		
Balance - beginning of year	1,494.2	1,494.2
Share compensation expense	4.5	—
Capital contribution from parent	25.0	—
Balance - end of year	1,523.7	1,494.2
Accumulated other comprehensive loss, net of tax		
Unrealized losses on available-for-sale securities, net of tax		
Balance - beginning of year	(74.3)	(9.5)
Cumulative effect of adoption of Accounting Standard Updates	—	1.4
Unrealized gains/(losses) arising during the period	56.7	(66.2)
Balance – end of year	(17.6)	(74.3)
Retained earnings		
Balance – beginning of year	70.8	284.9
Cumulative effect of adoption of Accounting Standard Updates	—	(1.9)
Net income	448.3	2.8
Common dividend	(110.0)	(215.0)
Balance - end of year	409.1	70.8
Total shareholders' equity	\$ 1,916.2	\$ 1,491.7

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE BERMUDA LIMITED
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in millions of U.S. dollars)

	December 31, 2023	December 31, 2022
Operating activities		
Net income	\$ 448.3	\$ 2.8
Adjustments to reconcile net income after tax to net cash provided by operating activities:		
Depreciation	0.1	0.7
Net unrealized (gain)/loss on investments	(3.6)	26.4
Net realized gain on investments	(7.4)	(5.8)
Deferred tax benefit	(90.2)	—
Net changes in assets and liabilities:		
Accrued investment income	(13.0)	0.7
Premiums and other receivables	(56.8)	(28.4)
Amounts due from The Fidelis Partnership	(49.5)	—
Deferred reinsurance premiums	(84.1)	(29.2)
Reinsurance balances recoverable on paid losses	20.8	98.2
Reinsurance balances recoverable on reserves for losses and loss adjustment expenses	35.3	(89.4)
Deferred policy acquisition costs	(144.4)	(97.0)
Amounts due from affiliates	11.1	(65.7)
Other assets	15.0	(10.3)
Reserves for losses and loss adjustment expenses	59.7	450.8
Unearned premiums	295.4	262.3
Reinsurance balances payable	5.6	(9.7)
Amounts due to The Fidelis Partnership	148.0	—
Amounts due to affiliates	(31.2)	54.6
Other liabilities	5.9	(4.1)
Net cash provided by operating activities	565.0	556.9
Investing activities		
Purchase of available-for-sale securities	(1,785.3)	(1,347.6)
Proceeds from sales and maturities of available-for-sale securities	949.4	1,384.0
Proceeds from the sale of investments, trading	—	15.8
Proceeds from sale of other investments	75.2	223.9
Purchase of other investments	—	(100.0)
Proceed from disposal/purchase of fixed assets	0.7	(0.4)
Net cash provided by/(used in) investing activities	(760.0)	175.7
Financing activities		
Common dividend	(110.0)	(215.0)
Capital contribution from parent	25.0	—
Net cash used in financing activities	(85.0)	(215.0)
Effect of exchange rate changes on foreign currency cash	0.1	(2.9)
Net increase/(decrease) in cash, restricted cash, and cash equivalents	(279.9)	514.7
Cash, restricted cash, and cash equivalents, beginning of period	847.7	333.0
Cash, restricted cash, and cash equivalents, end of period	\$ 567.8	\$ 847.7
Cash, restricted cash, and cash equivalents comprise the following:		
Cash and cash equivalents	\$ 428.2	\$ 726.6
Restricted cash and cash equivalents	139.6	121.1
Cash, restricted cash, and cash equivalents	\$ 567.8	\$ 847.7
Supplemental disclosure of cash flow information:		
Net cash paid during the period for income taxes	—	—
Cash paid during the period for interest	—	—

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE BERMUDA LIMITED
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(Expressed in millions of U.S. dollars)

1. Nature of Operations

Fidelis Insurance Bermuda Limited (the “Company”, or “FIBL”) was incorporated as an exempted company under the laws of Bermuda on February 26, 2015 and writes insurance and reinsurance on a global basis. The Company is registered as a Class 4 insurer under the Insurance Act of 1978 and related regulations of Bermuda (the “Insurance Act”) and commenced (re)insurance operations in June 2015. The Company is a wholly owned subsidiary of Fidelis Insurance Holdings Limited (“Fidelis”, or “FIHL”) which was incorporated under the laws of Bermuda on August 22, 2014. FIHL’s common shares are listed on the New York Stock Exchange under the symbol “FIHL” following an initial public offering that was completed on July 3, 2023.

During 2018, the Company established the following wholly owned subsidiaries: Fidelis Insurance Ireland DAC (“FIID”) and Fidelis European Holdings Limited (“FEHL”). The Company and its subsidiaries are collectively referred to as the “Group” in these financial statements.

- FIID is an indirect wholly owned subsidiary of FIBL and was incorporated under the laws of Republic of Ireland (“ROI”) on December 27, 2017 and writes Specialty and Bespoke non-U.K. European business. FIID was licensed in the ROI by the Central Bank of Ireland (“CBI”) on October 22, 2018. FIID commenced writing business from January 1, 2019 and accepted non-UK European Economic Area (“EEA”) insurance policies from Fidelis Underwriting Limited (“FUL”) through a Part VII transfer under the Financial Services and Market Act of 2000 during 2019. The Part VII transfer was completed on March 29, 2019.
- FEHL was incorporated under the laws of England and Wales on January 11, 2018 to act as a holding company within the Group.

On 3 January 2023, FIHL completed a series of separation and reorganization transactions creating two distinct holding companies and businesses: FIHL and MGU HoldCo (the “Separation Transactions”). MGU HoldCo (or “The Fidelis Partnership”) is a separate, privately held company, which manages origination, underwriting, underwriting administration, outwards reinsurance and claims handling on behalf the Group. Following the consummation of the Separation Transactions, The Fidelis Partnership acquired 9.9% of the common shares in FIHL. FIHL and MGU HoldCo have entered into the Framework Agreement, effective from 1 January 2023, that governs the ongoing relationship between the two groups of companies. Further details are set out at Note 10, Related Party Transactions.

2. Significant Accounting Policies

Basis of presentation

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”) and include the results of Fidelis Insurance Bermuda Limited and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Reporting currency

The financial information is reported in United States dollars (“U.S. dollars” or “\$”), expressed in millions, except for share and per share amounts.

Use of estimates, risks and uncertainties

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates reflected in the financial statements include:

- Written and earned premiums;
- Reserves for losses and loss adjustment expenses;
- Reinsurance balance recoverable on reserves for losses and loss adjustment expenses;
- Fair value measurements of fixed maturity investments, available-for-sale; and
- Income tax expenses.

Cash and cash equivalents

Cash and cash equivalents consist of cash held in banks, money market funds and other short-term, highly liquid investments with original maturity dates of 90 days or less, provided they are not part of the investment portfolio.

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of cash held in segregated or trust accounts, which is unavailable for immediate use by the Group, primarily to provide collateral for letters of credit, reinsurance agreements, and to support the current value of any amounts that may be due to counterparties based on the value of underlying financial instruments.

Investments

The Group currently classifies its fixed maturity securities and short-term investments as “available-for-sale” (“AFS”) and, accordingly, they are carried at fair value with the changes in fair value recorded as an unrealized gain or loss component of accumulated other comprehensive income in shareholders’ equity.

The Group’s fixed-income securities portfolio comprises securities issued by governments and government agencies, corporate bonds, and asset-backed securities.

The Group’s other investments consist of the Wellington Opportunistic Fixed-Income UCITS Fund, a residual investment in a hedge fund, and in 2022, investments in structured notes (refer to Note 3 for further details). These are carried at fair value and realized and unrealized gains or losses included in net realized and unrealized investment gains and losses on the Consolidated Statement of Income. For the valuation methodologies refer to Note 4, Fair Value Measurements.

Investments with a maturity from three months up to one year from date of purchase are classified as short-term investments and recorded at fair value.

For all fixed maturity securities and other investments, any realized and unrealized gains or losses are determined on the basis of the first-in, first-out method. For all fixed maturity securities classified as available-for-sale, realized gains and losses in the audited consolidated financial statements include allowances for expected credit losses related to its available-for-sale debt securities. This allowance represents the difference between the security’s amortized cost and the amount expected to be collected over the security’s lifetime. Unrealized gains and losses represent the difference between the cost, or the cost as adjusted by amortization of any difference between its cost and its redemption value (“amortized cost”), of the security and its fair value at the reporting date and are included within other comprehensive income for securities classified as “available-for-sale.”

The Group reports accrued investment income separately from investment balances and has elected not to measure an allowance for credit losses for accrued investment income. Any uncollectible accrued interest income is written off in the period it is deemed uncollectible.

The Group’s accounting policy classified all fixed maturity securities acquired prior to January 1, 2018 as trading. At December 31, 2022, all securities classified as trading have matured. For securities classified as trading, realized and unrealized gains or losses were included in the audited consolidated financial statements within net realized and unrealized investment gains and losses.

Investments pending settlement include receivables and payables from unsettled trades with brokers. Receivables and payables from unsettled trades are carried at fair value based on quoted prices in active markets for identical assets or derived based on inputs that are observable. Receivables and payables from unsettled trades are classified within other assets and other liabilities, respectively, on the Consolidated Balance Sheets.

Net investment income

Net investment income includes amounts received and accrued in respect of periodic interest (“coupons”) payable to the Group by the issuer of fixed income securities and interest credited on cash and cash equivalents. It also includes amortization of premium and accretion of discount in respect of fixed income securities. Investment management, custody, and investment administration fees are charged against net investment income reported in the Consolidated Statement of Income. Investment transactions are recorded on a trade date basis.

Derivative assets and liabilities

All derivatives are recognized in the Consolidated Balance Sheets at fair value on a gross basis and not offset against any collateral pledged or received. Unrealized gains and losses resulting from changes in fair value are included in net realized and unrealized investment gains and losses or net foreign exchange gains and losses in the Consolidated Statements of Income. The Group’s derivative financial instrument assets are included in other assets and derivative financial instrument liabilities are included in other liabilities in the Consolidated Balance Sheets. None of the Group’s derivatives are designated as accounting hedges for financial reporting purposes. Pursuant to the International Swaps and Derivatives Association (“ISDA”) master agreements and other derivative

agreements, the Group and its counterparties typically have the ability to settle on a net basis. In addition, in the event a party to one of the ISDA master agreements or other derivative agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to set off against payments owed to the defaulting party or collateral held by the defaulting party.

The Group enters into derivative transactions to manage duration risk, foreign currency exchange risk, or other exposure risks. The Group also sometimes enters catastrophe swap derivatives to manage its exposure to catastrophe events. Derivative transactions typically include futures, options, swaps and forwards. Derivative assets represent financial contracts whereby, based upon the contract's current fair value, the Group will be entitled to receive payments upon settlement. Derivative liabilities represent financial contracts whereby, based upon the contract's current fair value, the Group will be obligated to make payments upon settlement.

The Group looks to manage foreign currency exposure by substantively balancing assets with liabilities for certain major non-U.S. dollar currencies, or by entering into currency forward contracts. However, there is no guarantee that this will effectively mitigate exposure to foreign exchange gains and losses.

Where a contract includes an embedded derivative, the embedded derivative is recognized separately only if the contract is not recognized at fair value, or the economic characteristics and risks of the embedded derivative are not clearly and closely related to those of the host contract.

Premiums and acquisition costs

Premiums written are recorded on inception of the policy. Premiums written include estimates based on information received from insureds, brokers and cedants, and any subsequent differences arising on such estimates are recorded as premiums written in the period they are determined. Premiums written are earned on a basis consistent with risks covered over the period the coverage is provided. The portion of the premiums written applicable to the unexpired terms of the underlying contracts and policies is recorded as unearned premium.

Reinstatement premiums are recognized as written and earned after the occurrence of a loss and are recorded in accordance with the contract terms based upon management's estimate of losses and loss adjustment expenses.

Policy acquisition expenses are directly related to the acquisition of insurance premiums and are deferred and amortized over the related policy period in line with earned premium. The Group only defers acquisition costs incurred that are directly related to the successful acquisition of new or renewal insurance contracts, including commissions to agents, brokers and premium taxes. All other acquisition related expenses including indirect costs are expensed as incurred. To the extent that future policy revenues on existing policies are not adequate to cover related costs and expenses, deferred policy acquisition costs are charged to earnings.

The Group evaluates premium deficiency and the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment return is greater than expected future losses and loss adjustment expenses and policy acquisition expenses.

Premiums receivable

Premiums receivable includes amounts receivable from insureds, net of brokerage costs, which represent premiums that are both currently due and amounts not yet due on insurance and reinsurance policies. Premiums for insurance policies are generally due at inception. Premiums for reinsurance policies generally become due over the period of coverage based on the policy terms. Contract periods can be several years in length with premiums received in annual or quarterly installments.

The Group monitors the credit risk associated with premiums receivable, taking into consideration the fact that in certain instances credit risk may be reduced by the Group's right to offset loss obligations against premiums receivable. The Group establishes an allowance for expected credit losses based upon an analysis of amounts due, historical write-offs, current economic conditions and expectations of future economic conditions. Changes in the estimate of (re)insurance premiums written will also result in an adjustment to premiums receivable in the period they are determined. Further details are set out at Note 8 (Reinsurance and Retrocessional Reinsurance).

Reinsurance and retrocession

The Group seeks to reduce the risk of net losses on business written by reinsuring certain risks and exposures with other reinsurers. Ceded reinsurance contracts do not relieve the Group of its primary obligation to insureds. Ceded premiums are recognized when the coverage period incepts and are expensed over the contract period in proportion to the coverage period or, when the coverage period does not align to the risk exposure, in proportion to the underlying risk exposure. Premiums relating to the unexpired portion of reinsurance ceded are recorded as deferred reinsurance premiums.

Commissions on ceded business are deferred and amortized over the period in which the related ceded premium is recognized. The deferred balance is recorded within deferred policy acquisition costs on the Consolidated Balance Sheets and the amortization is recognized within policy acquisition expenses in the Consolidated Statement of Income.

Losses and loss adjustment expenses

The liability for losses and loss adjustment expenses includes reserves for unpaid reported losses and for losses incurred but not reported (“IBNR”). These estimates are reported net of amounts estimated to be recoverable from salvage and subrogation. The reserve for losses and loss adjustment expenses is established by management based on reports from insureds, brokers, and ceding companies and the application of generally accepted actuarial techniques and represents the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Group as incurred.

The Group estimates ultimate losses using various actuarial methods as well as the Group’s own growing loss experience, historical insurance industry loss experience, estimates of pricing adequacy trends and management’s professional judgement. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage, subrogation and other recoveries. Ultimate losses and loss adjustment expenses may differ significantly from the amount recorded in the financial statements. These estimates are reviewed regularly and as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are recorded in losses and loss adjustment expenses in the periods in which they are determined.

The principal actuarial methods, and associated key assumptions including the weighting of actuarial methods, loss development factors and initial expected loss ratios, used to perform the Group’s loss reserve analysis include:

Initial expected loss ratio

To estimate ultimate losses, the Group multiplies earned premiums by an expected loss ratio. The expected loss ratio is determined using a combination of benchmark data, the business plan, and expert judgement.

Paid and incurred chain ladder

This method estimates ultimate losses by calculating past paid and incurred loss development factors and applying them to exposure periods with further expected paid loss development. The main underlying assumption of this method is that historical loss development patterns are indicative of future loss development patterns.

Paid and incurred Bornhuetter-Ferguson (“BF”)

This method combines features of the chain ladder and initial expected loss ratio method by using both reported and paid losses as well as an a priori expected loss ratio to arrive at an ultimate loss estimate. The weighting between these two methods depends on the maturity of the business. This means that for more recent years a greater weight is placed on the initial expected loss ratio, while for more mature years a greater weight is placed on the loss development patterns.

Benktander: Credible claims reserves

The Benktander method is similar to the Bornhuetter-Ferguson but replaces the initial loss ratio used within the BF method with the loss estimate from the BF method. The credibility factor is increased as claims develop. It gives more weight to:

- Emerged losses than the BF; and
- Initial expected loss ratio rather than the chain ladder.

Case-by-case

Given the nature of the business written, some of the lines of business may consist of a small number of policies. Where appropriate, the loss reserves will be calculated explicitly for a particular contract using expert judgement and documented appropriately. Salvage is recorded based on estimated realizable value and is deducted from the reserve for losses and loss adjustment expenses. It is the responsibility of the actuarial function to apply the relevant actuarial methodologies and judgements to the calculation of loss reserves. The Group Actuary presents the recommendations of the actuarial review of the reserves to the Reserving Committee for review, challenge and recommendation, the results of which are included in the Group Actuary’s Reserving Report for approval by the Company’s Board of Directors.

Reserves for losses and loss adjustment expenses represent the Group’s best estimate of the ultimate cost of settling reported and unreported claims and related expenses. As discussed previously, the estimation of losses and loss adjustment expense reserves is based on various complex and subjective judgments. Actual losses and settlement expenses which are ultimately required to be paid may deviate, perhaps substantially, from the reserve estimates reflected in the financial statements. Similarly, the timing for payment of the Group’s estimated losses is not fixed and is not determinable on an individual or aggregate basis. The assumptions used in estimating the payments due by period are based on industry and peer-group claims payment experience. Due to the uncertainty

inherent in the process of estimating the timing of such payments, there is a risk that the amounts paid in any period can be significantly different than the amounts discussed above.

Reinsurance balances recoverable

Amounts recoverable from reinsurers are estimated based on the terms and conditions of the reinsurance contracts in a manner consistent with the underlying liability reinsured. The Group evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimize its exposure to significant losses from individual reinsurers. The ceding of insurance does not legally discharge the Group from its primary liability for the full amount of the policies, and the Group will be required to pay the loss and bear collection risk if the reinsurer fails to meet its obligations under the reinsurance or retrocessional agreement. To further reduce credit exposure on reinsurance recoverables, the Group has received collateral, including letters of credit and trust accounts, from certain reinsurers. Collateral related to these reinsurance agreements is available, without restriction, when the Group pays losses covered by the reinsurance agreements.

An allowance is established for expected credit losses expected to be incurred over the life of the reinsurance recoverable, which is recorded net of this allowance. To determine the allowance for expected credit losses, the probability of default is calculated based on the reinsurer credit ratings and default factors developed by a major rating agency. The allowance is charged to net income in the period the recoverable is recorded and revised in subsequent periods to reflect changes in the Group's estimate of expected credit losses. Further details are set out at Note 8, Reinsurance and Retrocessional Reinsurance.

Leases

The Group assesses whether a contract contains a lease at the inception of the contract, determining at that point whether any leases identified are operating leases or finance leases. The Group does not currently have any finance leases.

For operating leases with a lease term in excess of 12 months, a lease liability and corresponding operating right-of-use asset is recognized. The lease liability takes into account any renewal options that are deemed to be reasonably certain and is discounted using the Group's incremental borrowing rate, where the rate implicit in the lease is not available.

The unwinding of the discount is recognized in general and administrative expenses. The operating right-of-use asset is amortized straight line over the term of the lease and recognized in general and administrative expenses in the Consolidated Statement of Income.

Income taxes

Income taxes have been provided for those operations that are subject to income taxes based on tax laws and rates enacted in those jurisdictions. Current and deferred taxes are charged or credited to income tax expense.

Deferred tax assets and liabilities result from temporary differences between the amounts recorded in the consolidated financial statements and the tax basis of the Group's assets and liabilities. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the Consolidated Statement of Income in the period that includes the enactment date.

A valuation allowance is provided to reduce deferred tax assets to the amount management deem more likely than not to be realized.

The Group recognizes the benefit from a tax position taken or expected to be taken in income tax returns only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities, based on the technical merits of the position. Tax positions that meet the more likely than not threshold are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement. The Group recognizes interest and penalties related to income taxes in income tax expense.

Foreign exchange

The functional currency of the Group and its subsidiaries is U.S. dollar. Transactions in foreign currencies are translated in U.S. dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currencies are re-measured at the exchange rates in effect at the reporting date. Foreign exchange gains and losses are included in the Consolidated Statement of Income. Non-monetary assets and liabilities are remeasured to the functional currency at historic exchange rates.

Comprehensive income

Comprehensive income represents all changes in equity that result from recognized transactions and other economic events during the period. Other comprehensive income refers to revenues, expenses, gains and losses that under U.S. GAAP are included in comprehensive income but excluded from net income, such as unrealized gains or losses on available-for-sale investments and foreign currency translation adjustments.

Reclassification

For the year ended December 31, 2023 commissions on ceded business of \$55.4 million (2022: \$32.7 million), respectively, have been presented within policy acquisition expenses. Commissions on ceded business are paid by a reinsurer to a cedant on proportional contracts to offset the underwriting and administrative expenses of the underlying business. In the current period, we have netted the cost of such commissions against policy acquisition expenses and reclassified the prior year commissions on ceded business from general and administrative expenses to conform to the current period presentation.

To facilitate comparison of information across years, certain other reclassifications have been made to prior year amounts to conform to the current year's presentation.

Recent accounting pronouncements

Accounting Standards not yet adopted

In December 2023, the FASB issued ASU 2023-09 "Improvements to Income Tax Disclosures". This guidance is intended to improve the transparency of income tax disclosures by requiring consistent categories and disaggregation of information in the effective income tax rate reconciliation and income taxes paid disclosures by jurisdiction. The guidance also includes other amendments to improve the effectiveness of income tax disclosures by removing certain previously required disclosures. The guidance is effective for 2025 annual reporting. Early adoption is permitted. The Company is currently evaluating the impact of adoption on the disclosures within its consolidated financial statements.

3. Investments

At December 31, 2023, the Group's investments are substantially all managed by external investment managers through individual investment management agreements. The Group monitors activity and performance of the external managers on an ongoing basis.

a. Fixed maturity securities

The following table summarizes the fair value of fixed maturity investments:

	December 31, 2023			
	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
U.S. Treasuries	\$ 613.3	\$ 3.7	\$ (9.1)	\$ 607.9
Agencies	6.2	—	(0.1)	6.1
Non-U.S. government	44.8	0.1	(1.2)	43.7
Corporate bonds	1,222.6	9.6	(14.8)	1,217.4
Residential mortgage-backed	112.8	1.3	(2.4)	111.7
Commercial mortgage-backed	53.1	—	(2.0)	51.1
Other asset backed securities	441.7	1.3	(3.6)	439.4
Total fixed maturity securities	\$ 2,494.5	\$ 16.0	\$ (33.2)	\$ 2,477.3
	December 31, 2022			
	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
U.S. Treasuries	\$ 540.9	\$ —	\$ (23.8)	\$ 517.1
Agencies	1.5	—	(0.2)	1.3
Non-U.S. government	50.3	—	(2.3)	48.0
Corporate bonds	608.4	—	(34.1)	574.3
Residential mortgage-backed	18.7	—	(2.6)	16.1
Commercial mortgage-backed	55.1	—	(3.6)	51.5
Other asset backed securities	209.5	0.1	(9.2)	200.4
Total fixed maturity securities	\$ 1,484.4	\$ 0.1	\$ (75.8)	\$ 1,408.7

Review of the fixed maturity securities is performed on a regular basis to consider concentration, credit quality and compliance with established guidelines. For individual fixed maturity securities, nationally recognized statistical rating organizations ("NRSROs") are used and the lower of two ratings is taken. Prior to December 31, 2023 the Group used the lower of two or middle of three ratings.

The December 31, 2022 disclosure has been presented to conform to the revised approach. The composition of the fair values of fixed maturity securities by credit rating is as follows:

	December 31, 2023		December 31, 2022	
	Fair Value	%	Fair Value	%
AAA	\$ 376.2	15%	\$ 202.1	14%
AA	893.9	37%	623.9	44%
A	794.3	32%	349.8	25%
BBB	407.9	16%	232.9	17%
BB	5.0	—%	—	—%
Total fixed maturity securities	\$ 2,477.3	100%	\$ 1,408.7	100%

The contractual maturities for fixed maturity securities are listed in the following table:

	December 31, 2023		December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 420.6	\$ 412.7	\$ 419.5	\$ 411.0
Due after one year through five years	1,603.8	1,596.7	866.2	810.6
Due after five years through ten years	215.9	216.4	93.7	89.7
Due after ten years	254.2	251.5	105.0	97.4
Total fixed maturity securities	\$ 2,494.5	\$ 2,477.3	\$ 1,484.4	\$ 1,408.7

Expected maturities may differ from contractual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Additionally, lenders may have the right to put the securities back to the borrower.

b. Short-term investments

The following investments were included in short-term investments and are classified as available-for-sale:

	December 31, 2023			
	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
U.S. Treasuries	\$ 42.1	\$ —	\$ —	\$ 42.1
Total short-term investments	\$ 42.1	\$ —	\$ —	\$ 42.1

	December 31, 2022			
	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
U.S. Treasuries	\$ 212.6	\$ 0.1	\$ —	\$ 212.7
Total short-term investments	\$ 212.6	\$ 0.1	\$ —	\$ 212.7

The composition of the fair values of short-term investments by credit rating is as follows:

	December 31, 2023		December 31, 2022	
	Fair Value	%	Fair Value	%
AA	42.1	100%	212.7	100%
Total short-term investments	\$ 42.1	100%	\$ 212.7	100%

c. Available-for-sale - net loss position

The following table summarises, by type of security, the aggregate fair value and gross unrealised loss by length of time the security has been in an unrealized loss position for the Group's available-for-sale portfolio:

	December 31, 2023				
	Fair value	0 - 12 months		> 12 months	Number of securities
		Gross unrealized losses	Gross unrealized losses	Gross unrealized losses	
U.S. Treasuries	\$ 336.1	\$ (0.2)	\$ (8.9)	48	
Agencies	3.5	—	(0.1)	3	
Non-U.S. government	35.2	—	(1.2)	22	
Corporate bonds	584.4	(0.7)	(14.1)	375	
Residential mortgage-backed	53.7	(0.2)	(2.2)	31	
Commercial mortgage-backed	43.2	(0.1)	(1.9)	23	
Other asset backed securities	208.2	(0.3)	(3.3)	74	
Total	\$ 1,264.3	\$ (1.5)	\$ (31.7)	576	

	December 31, 2022				
	Fair value	0 - 12 months		> 12 months	Number of securities
		Gross unrealized losses	Gross unrealized losses	Gross unrealized losses	
U.S. Treasuries	\$ 598.7	\$ (4.0)	\$ (19.8)	77	
Agencies	1.4	—	(0.2)	2	
Non-U.S. government	48.0	(0.5)	(1.8)	30	
Corporate bonds	644.0	(5.4)	(28.7)	449	
Residential mortgage-backed	16.2	(0.4)	(2.2)	25	
Commercial mortgage-backed	51.5	(0.4)	(3.2)	27	
Other asset backed securities	198.8	(4.1)	(5.1)	85	
Total	\$ 1,558.6	\$ (14.8)	\$ (61.0)	695	

At December 31, 2023 on a security level basis, 576 securities out of a total of approximately 963 securities were in an unrealized loss position and the largest single unrealized loss from a single security in the Group's fixed maturity portfolio was \$1.7 million. The Group believes that such securities were temporarily impaired at December 31, 2023. At December 31, 2022, on a security level basis, approximately 695 securities out of a total of approximately 719 securities were in an unrealized loss position and the largest single unrealized loss from a single security in the Group's fixed maturity portfolio was \$2.6 million.

d. Allowance for Expected Credit Losses - Available-for-sale

The following table provides a roll forward of the allowance for expected credit losses of the Group's securities classified as available-for-sale:

	2023	2022
Balance at beginning of year	\$ 0.8	\$ —
Expected credit losses on securities where credit losses were not previously recognized	2.7	0.8
Reductions for expected credit losses on securities where credit losses were previously recognized	(2.3)	—
Securities sold/redeemed/matured	(0.6)	—
Balance at end of year	\$ 0.6	\$ 0.8

The Group assesses each quarter whether the decline in the fair value of an available-for-sale investment below its amortized cost is the result of a credit loss. All available-for-sale securities with unrealized losses are reviewed. The Group considers many factors to determine whether a credit loss exists, including the extent to which fair value is below cost, the implied yield to maturity, rating downgrades of the security and whether or not the issuer has failed to make scheduled principal or interest payments. The Group also takes into consideration information about the financial condition of the issuer and industry factors that could negatively impact the capital markets.

If the decline in fair value of an available-for-sale security below its amortized cost is considered to be the result of a credit loss, the Group compares the estimated present value of the cash flows expected to be collected to the amortized cost of the security. The extent

to which the estimated present value of the cash flows expected to be collected is less than the amortized cost of the security represents the expected credit loss, which is recorded as an allowance and recognized in net income.

e. Other investments, at fair value

At December 31, 2023, other investments consisted of an opportunistic fixed income UCITS fund managed by Wellington Investment Management ("Wellington Funds") and a credit hedge fund managed by York Capital Management ("York Fund").

	December 31, 2023		December 31, 2022	
	Fair Value	%	Fair Value	%
Wellington Funds	\$ 46.9	99%	\$ 43.4	37%
York Fund	0.6	1%	0.9	1%
Equity and commodity structured notes	—	—%	72.8	62%
Total other investments at fair value	\$ 47.5	100%	\$ 117.1	100%

In 2021 the Group invested \$50.0 million in Wellington Funds. The fair value of the investment in the UCITS fund at December 31, 2023 was \$46.9 million (December 31, 2022 - \$43.4 million).

At the end of 2019 York Fund suspended redemptions in its credit hedge fund while the underlying assets of the fund are liquidated and proceeds distributed to investors. The fair value of the residual investment in York Fund at December 31, 2023 was \$0.6 million (cost: \$0.8 million) (December 31, 2022 - \$0.9 million (cost: \$1.3 million)). The Group has recorded its investment in the York Fund at reported net asset value. There are currently no outstanding commitments to the York Fund.

At December 31, 2022 the fair value of the equity market linked structured note was \$72.8 million (cost \$75.0 million). The equity market linked note matured in February 2023 at par value of \$75.0 million. The Group had recorded the investment at fair value using the income valuation approach.

f. Net Investment Income and Net Realized and Unrealized Investment Gains

The components of net investment return are as follows:

	2023	2022
Net interest and dividend income	\$ 90.5	\$ 32.0
Investment expenses	(2.9)	(2.3)
Net investment income	87.6	29.7
Net realized losses on fixed maturity securities, available-for-sale	(0.7)	(2.0)
Net realized gains on other investments	2.1	27.7
Net realized losses on interest rate contracts	—	(13.5)
Change in net unrealized losses on fixed maturity securities, trading	—	(0.4)
Change in net unrealized (losses)/gains on other investments	3.6	(39.8)
Change in net unrealized gains on interest rate contracts	—	0.6
Provision for expected credit losses	0.2	0.6
Net realized and unrealized investment gains/(losses)	5.2	(26.8)
Total realized and unrealized investments gains/(losses) and net investment income	\$ 92.8	\$ 2.9

4. Fair Value Measurements

FASB ASC 820-10, Fair Value Measurements and Disclosures, defines fair value, establishes a consistent framework for measuring fair value and requires disclosures about fair value measurements. The standard requires the Group to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair value hierarchy

FASB ASC 820-10 specifies a hierarchy of inputs based on whether the inputs are observable or unobservable. Observable inputs are developed using market data and reflect market participant assumptions, while unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets. The fair value is determined by multiplying the quoted price by the quantity held by the Group.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices (e.g. interest rates, yield curves, prepayment spreads, default rate, etc.) for identical or similar assets or liabilities in markets that

are not active, inputs other than quoted prices that are observable for the asset or liability or can be corroborated by observable market data.

- Level 3: Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement. Significant management assumptions can 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.

As required under the fair value hierarchy, the Group considers relevant and observable market inputs in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observable prices in those markets.

The Group's policy with respect to transfer between levels of the fair value hierarchy is to recognize transfers into and out of each level as of the end of the reporting period.

Determination of fair value

The following section describes the valuation methodologies used by the Group to measure assets and liabilities at fair value, including an indication of the level within the fair value hierarchy in which each asset or liability is generally classified.

Fixed maturity securities

Fair values for all securities in the fixed income investment portfolio are independently provided by the investment administrator, investment custodians, and investment managers, each of which utilize internationally recognized independent pricing services.

For determining the fair value of securities that are not actively traded, in general, pricing services use "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker-dealer quotes, interest rates, prepayment spreads, default rates and such other inputs as are available from market sources to determine a reasonable fair value.

The following describes the techniques generally used to determine the fair value of the Group's fixed maturity securities by asset class.

- U.S. Treasuries are bonds issued by the U.S. government. The significant inputs used to determine the fair value of these securities are based on quoted prices in active markets for identical assets and are therefore classified within Level 1.
- Agency securities consists of securities issued by U.S. and non-U.S. government sponsored agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, government development banks and other agencies which are not mortgage pass-through. The fair values of these securities are classified as Level 2.
- Non-U.S. government securities consist of bonds issued by non-U.S. governments and supranationals. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.
- Corporate bonds consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. When available, significant inputs are used to determine the fair value of these securities and are based on quoted prices in active markets for similar assets. When not available, the fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. The fair values of these securities are classified as Level 2.
- Residential mortgage-backed securities includes agency mortgage-backed securities and agency collateralized mortgage obligations. These are individually evaluated using option adjusted spreads ("OAS") and nominal spreads. The OAS valuations use a third-party prepayment model and OAS. Spreads are based upon tranche type and average life volatility. These spreads are gathered from dealer quotes, trade prices, and the new issue market. The fair values of these securities are classified as Level 2.
- Commercial mortgage-backed securities consist of investment grade bonds backed by pools of loans with underlying collateral. Securities held in this sector are primarily priced by pricing services. Inputs to the valuation process include broker-dealer quotes and other available trade information, prepayment speeds, current price data, the swap curve as well as cash settlement. The fair values of these securities are classified as Level 2.
- Other asset-backed securities consist of investment grade bonds backed by pools of loans with underlying collateral. The underlying collateral for asset-backed securities consists mainly of student loans, automobile loans and credit card receivables. These securities are primarily priced by index providers and pricing vendors. Inputs to the valuation process include broker-dealer quotes and other available trade information, prepayment speeds, tranche type, interest rate data and credit spreads. The Group classifies these securities within Level 2.

Short-term investments

The Group's short-term investments consist of commercial paper and bonds with maturities of 90 days or greater but less than one year at the time of purchase. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 1 and Level 2.

Derivative assets and liabilities

Exchange-traded derivatives, measured at fair value using quoted prices in active markets where available, are classified as Level 1 of the fair value hierarchy.

Derivatives without quoted prices in an active market and derivatives executed over the counter are valued using internal valuations techniques that consider the time value of money, volatility, the current market and contractual prices of underlying financial instruments. These derivative instruments are classified as either Level 2 or Level 3 depending upon the observability of the significant inputs to the model. The valuation techniques and key inputs depend on the type of derivative and the nature of the underlying instrument.

Other investments

The fair value of the Wellington Funds is based on unadjusted quoted market prices in active markets, therefore, the fair value of this security is classified as Level 1.

The Group values its investment in the York Fund at fair value, which is estimated based on the Group's share of the net asset value (NAV) as provided by the investment manager of the underlying investment fund. The Group has elected to use the practical expedient method to record the fair value of the investment at net asset value and has therefore not assigned levels to these investments in the fair value hierarchy.

The following table presents the financial instruments measured at fair value on a recurring basis at December 31, 2023 and 2022:

Assets	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents - money market funds	\$ 337.1	\$ —	\$ —	\$ 337.1
Fixed maturity securities				
U.S. Treasuries	607.9	—	—	607.9
Agencies	—	6.1	—	6.1
Non-U.S. government	—	43.7	—	43.7
Corporate bonds	—	1,217.4	—	1,217.4
Residential mortgage-backed	—	111.7	—	111.7
Commercial mortgage-backed	—	51.1	—	51.1
Other asset backed securities	—	439.4	—	439.4
Total fixed maturity securities	607.9	1,869.4	—	2,477.3
Short-term investments				
U.S. Treasuries	42.1	—	—	42.1
Total short-term investments	42.1	—	—	42.1
Other investments*	46.9	—	—	46.9
Other assets				
Investments pending settlement	1.6	—	—	1.6
Total other assets	1.6	—	—	1.6
Total assets measured at fair value	\$ 1,035.6	\$ 1,869.4	\$ —	\$ 2,905.0
Liabilities				
Other liabilities				
Derivative liabilities	\$ —	\$ (1.1)	\$ —	\$ (1.1)
Total other liabilities	—	(1.1)	—	(1.1)
Total liabilities measured at fair value	\$ —	\$ (1.1)	\$ —	\$ (1.1)

* excludes investments in the York Funds

Assets	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents - money market funds	\$ 411.5	\$ —	\$ —	\$ 411.5
Fixed maturity securities				
U.S. Treasuries	517.1	—	—	517.1
Agencies	—	1.3	—	1.3
Non-U.S. government	—	48.0	—	48.0
Corporate bonds	—	574.3	—	574.3
Residential mortgage-backed	—	16.1	—	16.1
Commercial mortgage-backed	—	51.5	—	51.5
Other asset backed securities	—	200.4	—	200.4
Total fixed maturity securities	517.1	891.6	—	1,408.7
Short-term investments				
U.S. Treasuries	212.7	—	—	212.7
Total short-term investments	212.7	—	—	212.7
Other investments*	43.4	72.8	—	116.2
Other Assets				
Derivative assets	—	6.3	—	6.3
Investment pending settlement	1.6	—	—	1.6
Total other assets	1.6	6.3	—	7.9
Total assets measured at fair value	\$ 1,186.3	\$ 970.7	\$ —	\$ 2,157.0

* excludes investments in the York Funds

There were no transfers into or out of Level 1 and Level 2 during the year ended December 31, 2023 and December 31, 2022.

5. Total cash, cash equivalents, restricted cash and restricted investments

The Group has cash and investments in trust funds that support the insurance contracts written on certain lines of business and in segregated portfolios primarily to provide collateral for letters of credit.

The following table provides a summary of cash and cash equivalents, restricted cash and restricted investments at December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 428.2	\$ 726.6
Restricted cash securing letter of credit facilities	5.7	1.4
Restricted cash securing reinsurance contracts	133.9	119.7
Total cash, cash equivalents and restricted cash	567.8	847.7
Restricted investments securing reinsurance contracts and letter of credit facilities	1,321.6	926.1
Total cash, cash equivalents, restricted cash and restricted investments	\$ 1,889.4	\$ 1,773.8

6. Derivative Financial Instruments

The Group enters into derivative instruments such as futures and forward contracts primarily for duration, interest rate and foreign currency exposure management. The Group's derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Group's derivative counterparties. In the event one party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure.

The following tables identify the listing currency, fair value and notional amounts of derivative instruments included in the Consolidated Balance Sheets, categorized by primary underlying risk:

	December 31, 2023		
	Listing currency (1)	Notional amounts ⁽²⁾	Fair value
Derivative liabilities by primary underlying risk			
Foreign exchange contracts			
Forwards ⁽³⁾	AUD/CAD/EUR/ GBP/JPY	\$ (9.7)	\$ (1.1)
Total derivative liabilities		\$ (9.7)	\$ (1.1)
	December 31, 2022		
	Listing currency (1)	Notional amounts ⁽²⁾	Fair value
Derivative assets by primary underlying risk			
Foreign exchange contracts			
Forwards ⁽³⁾	AUD/CAD/EUR/ GBP/JPY	\$ (44.0)	\$ 6.3
Total derivative assets		\$ (44.0)	\$ 6.3

(1) AUD = Australian Dollar, CAD = Canadian Dollar, EUR = Euro, GBP = British pound and JPY = Japanese Yen.

(2) The absolute notional exposure represents the Group's derivative activity, which is representative of the volume of derivatives held during the year.

(3) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

The following table presents derivative instruments by major risk type, the Group's net realized gains/(losses) and change in net unrealized gains/(losses) relating to derivative trading activities for the years ended December 31, 2023 and 2022. Net realized gains/(losses) and net unrealized gains/(losses) related to derivatives are included in net realized and unrealized investment gains/(losses) and net foreign exchange gains and losses in the Consolidated Statements of Income.

Derivatives	2023		2022	
	Net realized gains/(losses)	Change in net unrealized gains/(losses)	Net realized gains/(losses)	Change in net unrealized gains/(losses)
Interest rate contracts				
Futures ⁽¹⁾	\$ —	\$ —	\$ (13.5)	\$ 0.6
Total interest rate contracts	—	—	(13.5)	0.6
Foreign exchange contracts				
Forwards ⁽²⁾	3.3	(4.3)	3.5	5.4
Total foreign exchange contracts	3.3	(4.3)	3.5	5.4
Total	\$ 3.3	\$ (4.3)	\$ (10.0)	\$ 6.0

(1) Contracts used to manage interest rate risks in investments operations.

(2) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

The Group obtains/provides collateral from/to counterparties for OTC derivative financial instruments in accordance with bilateral credit facilities.

The Group does not offset its derivative instruments and presents all amounts in the Consolidated Balance Sheets on a gross basis. Unrealized gains are included within other assets and unrealized losses are included within other liabilities. The Group has pledged cash collateral to counterparties to support the current value of amounts due to the counterparties based on the value of the underlying security.

7. Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount determined from reported claims and estimates based on historical loss experience and industry statistics for losses incurred but not reported using a variety of actuarial methods.

The unpaid reported reserves for losses and loss adjustment expenses are established by management based on reports from brokers, ceding companies and insureds and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by the Group.

The reserves for IBNR losses and loss adjustment expenses are established by management based on actuarially determined estimates of ultimate losses and loss adjustment expenses. Inherent in the estimate of ultimate losses and loss adjustment expenses are expected

trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss adjustment expenses may differ materially from the amounts recorded in the consolidated financial statements.

These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in losses and loss adjustment expenses in the period in which they become known. IBNR reserves are calculated on a best estimate basis and are estimated by management using various actuarial methods as well as the Group's own growing loss experience, historical insurance industry loss experience, estimates of pricing adequacy trends and management's professional judgement. Due to the limited historical data available, reliance is placed upon industry data and a review of individual policies. Estimates are calculated at the lowest level line of business, separately for gross and ceded, and for attritional, extreme and catastrophic claims.

The reserve estimates contain an inherent level of uncertainty and actual results may vary, potentially significantly, from the estimates the Group has made. Reserves are reviewed on a quarterly basis and estimates are adjusted to reflect emerging claims experience.

The Group estimates reserves for unallocated claims adjustment expenses ("ULAE") based on a percentage of loss reserves as determined by management. However, this may be overridden in exceptional circumstances where this approach is not deemed appropriate. There were no material changes made to the Group's methodology for calculating reserves for unallocated claims adjustment expenses for the year ended December 31, 2023.

The following table presents a reconciliation of unpaid losses and loss adjustment expenses for the twelve months ended December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Reserves for losses and loss adjustment expenses, beginning of year	\$ 1,628.6	\$ 1,205.7
Reinsurance recoverable on reserves for losses and loss adjustment expenses	(725.3)	(649.1)
Net reserves for losses and loss adjustment expenses, beginning of year	903.3	556.6
Net losses and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	526.2	663.2
Prior years	(73.5)	(9.0)
Total incurred	452.7	654.2
Net losses and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(92.0)	(60.6)
Prior years	(273.7)	(222.3)
Total paid	(365.7)	(282.9)
Foreign exchange	15.6	(24.6)
Net reserves for losses and loss adjustment expenses, end of year	1,005.9	903.3
Reinsurance recoverable on reserves for losses and loss adjustment expenses	695.9	725.3
Reserves for losses and loss adjustment expenses, end of year	\$ 1,701.8	\$ 1,628.6

As a result of the changes in estimates of insured events in prior years, the reserves for losses and loss adjustment expenses net of reinsurance recoveries decreased by \$73.5 million for the year ended December 31, 2023 (2022: \$9.0 million).

Net favorable development for the year ended December 31, 2023 resulted from better than expected loss development in the Reinsurance and Bespoke segments, partially offset by net adverse development in the Specialty segment.

The favorable development in the Reinsurance segment of \$65.3 million related primarily to loss reductions from Hurricane Ian as well as favorable attritional experience driven by benign claim experience on prior year accidents. The favorable development in the Bespoke segment of \$22.5 million was driven by better than expected loss emergence across the majority of underlying lines of business. The adverse development in the Specialty segment of \$14.3 million related primarily to increased estimates on two contracts in the Energy line of business, adverse development within Aviation and Aerospace lines of business, and updated legal expense provisions in the reserve for the Ukraine Conflict.

Net favorable development for the year ended December 31, 2022 resulted from better than expected loss experience on the Bespoke and Specialty segments. This was partially offset by adverse development on the Reinsurance segment driven by deterioration on Hurricane Laura and the 2021 European Floods.

a. Incurred and paid loss development tables by accident year

The Group's loss reserve analysis is based primarily on underwriting year data. The preparation of the below accident year development tables required an allocation of underwriting year data to the corresponding accident year.

Allocations are performed using accident year loss payment and reporting patterns, which are derived from Group specific loss data. Ultimate reserves are allocated based on reserve movement splits between prior and current year and reflects the movement in earned premium by underwriting year.

The following tables present the Group's total losses and loss adjustment expenses incurred, net of reinsurance and paid losses and loss adjustment expenses by accident year, net of reinsurance. The information has been provided separately for the Specialty, Bespoke, and Reinsurance segments.

The reporting of cumulative claims frequency has been deemed to be impracticable as the information necessary to provide meaningful cumulative claims frequency is not available to the Group. Within the Reinsurance segment, the underlying claim count data is not provided for most reinsurance contracts written on a quota share basis, and for certain excess of loss contracts. With respect to the Specialty and Bespoke segments, certain MGAs and brokers report loss data on an aggregate basis. In determining our reserves for losses and loss adjustment expenses, the Group does not use claims frequency information as an input to the actuarial methods described in Note 2, Significant Accounting Policies.

Incurred losses and loss adjustment expenses – net of reinsurance

Specialty

Incurred losses and loss adjustment expenses – net of reinsurance

Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of IBNR plus expected development on reported losses
	<----- Unaudited ----->									
2015	2.2	1.0	0.2	—	—	—	—	—	—	—
2016		8.6	3.6	2.8	2.6	1.9	1.9	1.7	1.7	0.2
2017			7.4	5.2	1.9	1.6	1.6	1.5	1.7	—
2018				6.8	9.0	6.5	6.8	7.5	7.8	(0.4)
2019					18.0	14.0	19.8	24.6	32.8	8.0
2020						46.0	32.6	30.1	30.4	1.1
2021							128.4	120.0	128.5	4.8
2022								386.5	383.3	143.7
2023									351.1	178.9
Total									937.3	336.3

Cumulative paid losses and loss adjustment expenses, net of reinsurance

Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
	<----- Unaudited ----->								
2015	—	—	—	—	—	—	—	—	—
2016		—	—	1.5	1.5	1.6	1.6	1.5	1.5
2017			—	0.2	0.3	1.2	1.7	1.4	1.4
2018				—	1.7	5.4	5.5	5.7	6.2
2019					2.6	13.0	8.3	14.3	18.9
2020						4.3	18.8	20.9	23.9
2021							17.9	60.3	88.1
2022								39.1	136.4
2023									56.1
Total									332.5
Reserve FX									1.7
ULAE									4.6
Reserves for losses and loss adjustment expenses, net of reinsurance									611.1

Bespoke

Incurred losses and loss adjustment expenses – net of reinsurance

Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of IBNR plus expected development on reported losses ⁽¹⁾
	<----- Unaudited ----->									
2015	0.4	0.4	0.2	—	—	—	—	—	—	—
2016		6.4	4.0	4.0	2.9	2.1	1.1	1.0	1.0	0.1
2017			11.2	6.9	8.0	6.7	5.5	4.8	4.5	0.3
2018				19.4	16.3	12.7	11.1	9.4	8.4	(3.6)
2019					24.5	18.2	18.7	13.5	14.7	2.3
2020						56.6	46.9	46.7	43.2	(24.7)
2021							56.0	39.5	31.9	11.4
2022								110.4	99.1	78.7
2023									85.0	65.3
Total									287.8	129.8

Cumulative paid losses and loss adjustment expenses, net of reinsurance

Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	
	<----- Unaudited ----->									
2015	—	—	—	—	—	—	—	—	—	
2016		—	0.5	1.1	1.2	1.2	0.9	0.9	0.9	
2017			1.7	1.8	2.6	3.2	3.6	3.6	3.5	
2018				0.1	1.3	1.5	5.7	6.8	11.2	
2019					0.9	3.3	6.1	8.1	10.2	
2020						8.5	80.3	73.0	58.8	
2021							8.9	12.2	18.7	
2022								4.1	15.1	
2023									14.5	
									132.9	
Reserve FX										(4.3)
ULAE										1.8
Reserves for losses and loss adjustment expenses, net of reinsurance										152.4

(1) The total of IBNR plus expected development on reported losses for the 2020 accident year in the Bespoke segment includes amounts for salvage totaling \$29.7 million for which the Group has paid gross losses to the insured and expects to recover amounts paid via the sale of the repossessed property.

Reinsurance

Incurring losses and loss adjustment expenses – net of reinsurance

Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of IBNR plus expected development on reported losses
	<----- Unaudited ----->									
2015	8.9	7.1	7.0	2.8	2.8	2.8	2.8	2.8	2.9	—
2016		70.5	57.1	51.2	46.4	42.9	38.8	38.6	30.6	10.0
2017			87.1	58.8	51.5	55.4	59.5	55.3	50.9	9.5
2018				82.3	92.8	84.5	83.4	86.2	71.0	1.4
2019					50.5	58.7	60.1	51.2	43.1	3.0
2020						171.1	202.7	219.0	215.5	23.5
2021							333.7	362.5	360.1	35.7
2022								160.8	137.0	38.4
2023									90.1	56.6
Total									1,001.2	178.1

Cumulative paid losses and loss adjustment expenses, net of reinsurance

Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
	<----- Unaudited ----->								
2015	—	0.4	2.7	2.8	2.8	2.8	2.8	2.8	2.9
2016		2.0	9.3	18.3	19.5	19.7	20.3	20.5	20.6
2017			27.7	45.0	47.1	52.3	52.7	35.0	38.3
2018				23.7	22.6	45.8	57.8	70.6	66.7
2019					3.0	38.5	40.2	39.2	37.7
2020						49.4	125.5	155.1	176.4
2021							145.6	271.9	332.0
2022								19.3	70.6
2023									21.4
									766.6
Reserve FX									0.8
ULAE									7.0
Reserves for losses and loss adjustment expenses, net of reinsurance									242.4

b. Reconciliation of loss development information to the reserves for losses and loss adjustment expenses

The table below reconciles the loss development information to the Group's reserves for losses and loss adjustment expenses at December 31, 2023 and 2022:

	2023	2022
Reserves for losses and loss adjustment expenses, net of reinsurance		
Specialty	\$ 606.5	\$ 424.7
Bespoke	150.6	108.0
Reinsurance	235.4	356.7
Total reserves for losses and loss adjustment expenses, net of reinsurance	992.5	889.4
Reinsurance recoverable on reserves for losses and loss adjustment expenses		
Specialty	\$ 163.8	130.6
Bespoke	57.4	35.4
Reinsurance	474.7	559.3
Total reinsurance recoverable on reserves for losses and loss adjustment expenses	695.9	725.3
Unallocated loss adjustment expenses	13.4	13.9
Total gross reserves for losses and loss adjustment expenses	\$ 1,701.8	\$ 1,628.6

c. Historical loss duration

The Group was incorporated on August 22, 2014 and commenced underwriting in 2015. As a result, the Group has limited historical data and is unable to present a full cycle of loss payments beyond year five as movements beyond this time horizon are not meaningful and may be misleading to the users of the financial statements.

The following table presents the Group's historical average annual percentage payout of losses and loss adjustment expenses incurred, net of reinsurance by age at December 31, 2023:

	Year 1	Year 2	Year 3	Year 4	Year 5
	<----- Unaudited ----->				
Specialty	13 %	28 %	15 %	13 %	12 %
Bespoke	13 %	24 %	23 %	20 %	13 %
Reinsurance	29 %	34 %	17 %	9 %	6 %

8. Reinsurance and Retrocessional Reinsurance

The Group uses reinsurance and retrocessional reinsurance from time to time to manage its net retention on individual risks as well as overall exposure to losses while providing it with the ability to offer policies with sufficient limits to meet policyholder needs. In a reinsurance transaction, an insurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. In a retrocessional reinsurance transaction, a reinsurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. The ceding of insurance does not legally discharge the Group from its primary liability for the full amount of the policies, and the Group will be required to pay the loss and bear collection risk if the reinsurer fails to meet its obligations under the reinsurance or retrocessional agreement.

The following tables provide a breakdown of the Group's written and earned premiums and loss and loss adjustment expenses from direct business, reinsurance assumed and reinsurance ceded for the years ended December 31, 2023 and 2022:

	2023	2022
Written premiums		
Direct	\$ 820.7	\$ 693.3
Assumed	1,389.8	1,177.4
Gross premiums written	2,210.5	1,870.7
Ceded	(688.6)	(579.4)
Net premiums written	\$ 1,521.9	\$ 1,291.3
	2023	2022
Premiums earned		
Direct	\$ 634.8	\$ 486.0
Assumed	1,276.1	1,122.5
Gross premiums earned	1,910.9	1,608.5
Ceded	(604.4)	(550.4)
Net premiums earned	\$ 1,306.5	\$ 1,058.1
	2023	2022
Loss and loss adjustment expense		
Direct	\$ 256.5	\$ 364.1
Assumed	433.0	626.3
Loss and loss adjustment expense incurred	689.5	990.4
Ceded	(236.8)	(336.2)
Loss and loss adjustment expense incurred, net	\$ 452.7	\$ 654.2

The Group is exposed to the credit risk of the reinsurers, including the risk that one of its reinsurers becomes insolvent or otherwise unable or unwilling to pay policyholder claims. This credit risk is generally mitigated by either selecting well capitalized, highly rated authorized capacity providers or requiring that the capacity provider post substantial collateral to secure the reinsured risks, which, in some instances, exceeds the related reinsurance recoverable. Allowances are established for amounts deemed uncollectible.

The Group evaluates the financial condition of its reinsurers on a regular basis and monitors concentrations of credit risk with reinsurers. At December 31, 2023, the reinsurance balance recoverable on reserves for losses and loss adjustment expenses was \$695.9 million (December 31, 2022: \$725.3 million) and the reinsurance balance recoverable on paid losses was \$74.9 million (December 31, 2022: \$94.8 million). In evaluating the allowance for expected credit losses, the Group assesses the probability of default and loss given default for each reinsurer. This uses counterparty ratings from a major rating agency and an assessment of the current market conditions for the likelihood of default. Although the Group has not experienced any credit losses to date, an inability

of its reinsurers or retrocessionaires to meet their obligations to it over the relevant exposure periods for any reason could have a material adverse effect on its financial condition and results of operations. Of the Group's reinsurance recoverable balance at December 31, 2023, 76.7% is recoverable from reinsurers rated A- or higher by major rating agencies, 9.8% is collateralized by our reinsurers and 13.5% is recoverable from reinsurers rated lower than A- by major rating agencies (December 31, 2022: 70.8%, 17.1% and 12.1%, respectively).

The allowance for expected credit losses of the Group's reinsurance recoverables due from third parties on paid and unpaid claims was \$nil and \$1.1 million at December 31, 2023 (December 31, 2022: \$nil and \$1.0 million).

The following table provides a roll forward of the allowance for expected credit losses of the Group's reinsurance balances recoverable on reserves for losses and loss adjustments expenses:

	December 31, 2023	December 31, 2022
Balance at the beginning of the year	\$ 1.0	\$ —
Allowance for expected credit losses	0.1	1.0
Balance at the end of the year	\$ 1.1	\$ 1.0

The Group is also exposed to credit risk with respect to its premiums and other receivables. The following table provides a roll forward of the allowance for expected credit losses of the Group's premiums and other receivables:

	December 31, 2023	December 31, 2022
Balance at the beginning of the year	\$ 1.4	\$ —
Allowance for expected credit losses	3.8	1.4
Balance at the end of the year	\$ 5.2	\$ 1.4

9. Commitments and Contingencies

a. Letter of credit facilities

At December 31, 2023 and 2022, the Group had the following letter of credit facilities:

Bank	December 31, 2023			December 31, 2022		
	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Lloyds Bank plc⁽²⁾						
Unsecured ⁽¹⁾	\$ 25.0	\$ 18.4	September 20, 2024	\$ 25.0	\$ 21.8	September 20, 2023
Secured ⁽¹⁾	100.0	22.1	September 20, 2024	175.0	56.2	September 20, 2023
Ancillary own funds ⁽³⁾	75.0	—	March 13, 2027	50.0	—	December 9, 2025
Total Lloyds Bank Plc	200.0	40.5		250.0	78.0	
Citibank NA London branch⁽¹⁾⁽²⁾						
Secured	70.0	52.3	December 31, 2024	100.0	100.1	December 31, 2023
Total Citibank NA London branch	70.0	52.3		100.0	100.1	
Barclays Bank plc⁽¹⁾⁽²⁾						
Unsecured	60.0	43.3	September 13, 2024	60.0	42.5	September 15, 2023
Secured	80.0	31.0	September 13, 2024	160.0	36.8	September 15, 2023
Total Barclays Bank plc	140.0	74.3		220.0	79.3	
Bank of Montreal⁽¹⁾⁽²⁾						
Unsecured	40.0	33.9	September 17, 2024	100.0	68.9	September 17, 2023
Secured	100.0	32.1	September 17, 2024	100.0	6.6	September 17, 2023
Total Bank of Montreal	140.0	66.0		200.0	75.5	
Total letters of credit facilities	\$ 550.0	\$ 233.1		\$ 770.0	\$ 332.9	

(1) Letters of credit can be issued under the Standby Letter of Credit Facility for the purposes of supporting insurance and reinsurance obligations.

(2) The Facility agreements allow for additional capacity in the form of accordions and uncommitted amounts. The maximum additional capacity at the lenders as of December 31, 2023 was: Lloyds Bank plc \$50.0 million; Citibank NA London Branch \$200.0 million; Barclays Bank plc \$80.0 million; and Bank of Montreal \$60.0 million. As of December 31, 2022, all available accordions had been triggered and are included in the committed amounts shown.

- (3) The Standby Letter of Credit Facility Agreement was amended and restated on March 14, 2023, increasing the size of the facility to \$75.0 million for a four year period. The new letter of credit entirely replaced the \$50.0 million letter of credit issued under the previously facility, and the purpose is to provide regulated capital in respect to Ancillary Own Funds.

The following table shows the collateral underlying the secured letter of credit facilities:

Bank	December 31, 2023	December 31, 2022
Lloyds Bank plc	\$ 25.5	\$ 67.7
Citibank NA London branch	55.2	104.4
Barclays Bank plc	37.7	45.7
Bank of Montreal	35.9	10.8
Total	\$ 154.3	\$ 228.6

The Group's letter of credit facilities are generally bilateral agreements with a one or two year term. The letters of credit issued under the secured letter of credit facilities are fully collateralized. The Group also entered into a Standby Letter of Credit Facility Agreement with Lloyds to provide regulated capital in respect of Ancillary Own Funds ("AOF"). All above facilities are subject to various affirmative, negative and financial covenants that the Group considers to be customary for such borrowings including certain minimum net worth and maximum debt to capitalization standards.

b. Legal proceeding

From time to time in the normal course of business, the Group may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation, the outcomes of which determine the rights and obligations of the Group under the Group's (re)insurance contracts, and other contractual agreements, or other matters as the case may be. In some disputes, the Group may seek to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Group may resist attempts by others to collect funds or enforce alleged rights. While the final outcome of legal disputes that may arise cannot be predicted with certainty, the Group does not believe that the eventual outcome of any specific litigation, arbitration or alternative dispute resolution proceedings to which the Group is currently a party will have a material adverse effect on the financial condition of the Group's business as a whole after consideration of any applicable reserves.

c. Concentration of credit risk

Credit risk arises out of the failure of a counterparty to perform according to the terms of the contract. The Group underwrites a significant portion of its (re)insurance business through brokers and as a result credit risk exists should any of these brokers be unable to fulfil their contractual obligations with respect to the payments of premium or failure to pass on claims, if there is risk transfer, to the Group.

The Group has policies and standards in place to manage and monitor the credit risk of intermediaries with a focus on day-to-day monitoring of the largest positions. Note 8, Reinsurance and Retrocessional Reinsurance describes the credit risk related to the Group's reinsurance recoverables.

The following table sets forth the Group's premiums written by source that individually contributed more than 10% of total gross premiums written for the years ended December 31, 2023 and 2022:

	2023	2022
Aon plc	17 %	26 %
Marsh & McLennan Companies Inc	15 %	22 %

No other broker or other (re)insurance intermediary individually accounted for more than 10% of GPW in respect of the fiscal years 2023 and 2022.

d. Lease commitments

The Group's leases primarily consist of operating leases for its offices in Bermuda and in the Republic of Ireland. During 2023, the Group entered into a new lease in Bermuda.

Total expected lease payments are based on the lease payments specified in the contract and the stated term, including any options to extend or terminate.

The Group's operating leases have remaining lease terms of up to 4.5 years, some of which include options to extend the lease term. The Group considers these options when determining the lease term and measuring its lease liability and right-of-use asset. In addition, the Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Short-term operating leases with an initial term of twelve months or less were excluded from the Group's Consolidated Balance Sheet and

represent an inconsequential amount of operating lease expense. These were entered into for the use of various office fixtures such as photocopiers and other IT equipment.

As most leases do not provide an implicit rate, the Group uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments.

During the year ended December 31, 2023, the Group recognized operating lease expense of \$0.8 million (2022: \$1.0 million). The cash outflows resulting from the operating leases amounted to \$0.9 million (2022: \$1.0 million).

The following table presents the Group's operating lease right-of-use assets and lease liabilities:

	December 31, 2023	December 31, 2022
Operating lease right-of-use assets ⁽¹⁾	\$ 2.2	\$ 7.2
Operating lease liabilities ⁽²⁾	\$ 2.2	\$ 7.3
Weighted-average remaining lease term (years)	4.2	10.7
Weighted-average discount rate	10.9 %	8.1 %

(1) Operating lease right-of-use assets are included in other assets

(2) Operating lease liabilities are included in other liabilities

Future minimum lease commitments at December 31, 2023 under these leases are expected to be as follows:

	<u>Future Payments</u>
2024	\$ 0.7
2025	0.7
2026	0.6
2027	0.5
2028	0.2
2029 and thereafter	—
Total future annual minimum lease payments	<u>2.7</u>
Less: present value discount	(0.5)
Total lease liability at December 31, 2023	<u>\$ 2.2</u>

10. Related Party Transactions

On January 3, 2023, The Fidelis Partnership acquired 9.9% of the common shares of FIHL. Certain directors, senior managers and management of The Fidelis Partnership also own common shares of FIHL.

On December 20, 2022, FIBL and FIID entered into a rolling 10-year framework agreement with The Fidelis Partnership (the "Framework Agreement"), effective January 1, 2023, that governs the ongoing relationship between the two groups. Years one to three will roll automatically, whereas from year four onwards, the Framework Agreement will roll at the sole written election of the Group, with such election to be delivered at least 90 days prior to the commencement of the subsequent contract year. Any decision by the Group to elect not to roll the Framework Agreement will mean that the remainder of the 10-year terms then in effect will continue in place.

The underwriting activities of FIBL and FIID have been outsourced to the corresponding operating subsidiaries of The Fidelis Partnership on a jurisdictional basis. Each of FIBL and FIID have delegated underwriting authority to source and bind contracts to Shelf Opco Bermuda Limited and Pine Walk Europe, respectively. The Fidelis Partnership manages origination, underwriting, underwriting administration and claims handling under delegated authority agreements with the Group. Other services provided by The Fidelis Partnership to the Group include sourcing and administering the outwards reinsurance program, and support with business planning, capital management, insurance contract accounting and information technology. The Framework Agreement provides for the payment of the following fees with effect from January 1, 2023:

- a. Ceding commissions: (i) a ceding commission of 11.5% of net premiums written of open market business procured by The Fidelis Partnership on or after January 1, 2023; (ii) a ceding commission of 3% of net premiums written of business sourced by The Fidelis Partnership via third-party managing general underwriters on or after January 1, 2023; and (iii) a portfolio management fee of 3.0% of net premiums written of the business sourced by The Fidelis Partnership.

- b. Profit commission: a profit commission of 20.0% of the aggregate operating profit generated on the sourced business, subject to a hurdle rate of return of 5.0% of underwriting return on equity.

For insurance contracts that were sourced by Pine Walk MGAs for FIBL or FIID on or prior to December 31, 2022, the fees and commissions will continue to follow the arrangements set under the pre-existing agreements, and will not attract additional commissions under the terms of the Framework Agreement.

The following table summarizes The Fidelis Partnership commissions earned, which are included in policy acquisition expenses in the Consolidated Statements of Income:

	2023	2022
Ceding commission expense	\$ 72.2	\$ —
Profit commission expense	46.4	—
Total commissions	\$ 118.6	\$ —

Amounts receivable from The Fidelis Partnership at December 31, 2023 of \$50.5 million consist primarily of amounts collected by The Fidelis Partnership on behalf of the Group that were not remitted prior to the end of the year, and prepaid portfolio management fees. Amounts payable to The Fidelis Partnership at December 31, 2023 of \$148.2 million consist primarily of amounts payable to The Fidelis Partnership for ceding and profit commissions, and claims paid by The Fidelis Partnership on the Group's behalf.

The Framework Agreement provides that from January 1, 2023, in respect of commissions and profit commissions on ceded quota share business the Group shall retain 1.0% of reinsurance premiums ceded and the remainder is to be paid to The Fidelis Partnership. Commissions on ceded business for the year ended December 31, 2023 of \$33.3 million were paid to The Fidelis Partnership. For the year ended December 31, 2023 profit commissions of \$22.1 million were paid to The Fidelis Partnership.

Certain of the insurance contracts sourced by Pine Walk on or prior to December 31, 2022 contain profit commissions based on the results of each individual contract. The expense for the year ended December 31, 2023 was \$1.1 million and was included within policy acquisition expenses.

The Fidelis Partnership provides the Group with certain support services on a cost-plus basis, such as office space, insurance contract accounting, other finance and reporting services, IT infrastructure, maintenance and developments services and facilities management pursuant to a services agreement. The Group also provides certain services to The Fidelis Partnership. Included within general and administrative expenses is a net charge of \$1.5 million for these services for the year ended December 31, 2023.

The Company has a quota share intragroup reinsurance arrangement with FUL, under which FUL cedes 50% of net premiums retained after third party cessions to the Company. For the year ended December 31, 2023, FUL ceded reinsurance premiums of \$608.4 million (2022: \$608.3 million), of which \$538.6 million was earned in the year (2022: \$461.7 million) and ceded losses and loss adjustment expenses of \$264.6 million (2022: \$191.5 million) to the Company. At December 31, 2023, the Consolidated Balance Sheets includes a net payable for intergroup reinsurance of \$6.7 million (2022: \$146.7 million net receivable), \$250.9 million (2022: \$205.7 million) of deferred policy acquisition costs, \$351.7 million (2022: \$221.5 million) of reserves for losses and loss adjustment expenses and \$617.5 million (2022: \$547.7 million) of unearned premiums.

During the year, the Group received income for various marketing and administrative services provided to companies under common control. Fees received for these services were \$4.0 million (2022: \$10.5 million). The amount due from affiliates at December 31, 2023 is \$116.8 million (2022: \$127.9 million).

During the year, the Group incurred expenses for various marketing and administrative services received from companies under common control. Fees incurred for these services were \$19.9 million (2022: \$24.1 million) and are included in general and administrative expenses on the Consolidated Statements of Income. The amount due to affiliates at December 31, 2023 is \$75.1 million (2022: \$106.3 million).

Related party balances are due on demand and carry no interest.

During December 2022, the Group entered into a binder distribution agreement with Pine Walk Europe which resulted in the transfer of FIID's intangible assets, comprising customer lists and third party MGA relationships, in exchange for 2 preference shares in Pine Walk Europe. Each share had an issuance price of \$2.2 million. The Group recorded a gain on disposal of intangible assets in 2022 of \$4.4 million in general and administration expenses in the Consolidated Statements of Income. The Group subsequently sold its shares in Pine Walk Europe to Pine Walk Capital for \$4.4 million in cash.

During 2019, the Group made interest free loans to management of \$4.5 million which were recorded within additional paid-in capital in the Consolidated Balance Sheets. At December 31, 2023 there was no outstanding balance (December 31, 2022: \$4.5 million) as these loans were fully repaid in January 2023 as part of the Separation Transactions.

11. Statutory Requirements and Dividend Restrictions

The Group's ability to pay dividends is subject to certain regulatory restrictions on the payment of dividends by its subsidiaries. The payment of such dividends is limited by applicable laws and statutory requirements of the jurisdictions in which the Group and its subsidiaries operate, detailed further below. The minimum required statutory capital and surplus is the amount of statutory capital and surplus necessary to satisfy regulatory requirements based on the Group's current operations.

The estimated statutory capital and surplus and minimum required statutory capital and surplus for the Group's regulatory jurisdictions is as follows:

	December 31, 2023	
	Bermuda ⁽¹⁾	Republic of Ireland ⁽²⁾
Required statutory capital and surplus	\$ 735.0	\$ 95.0
Actual statutory capital and surplus	1,915.0	180.0

(1) Required statutory capital and surplus represents the Enhanced Capital Requirement ("ECR").

(2) Required statutory capital and surplus represents the Solvency II Solvency Capital Requirement ("SCR").

	December 31, 2022	
	Bermuda ⁽¹⁾	Republic of Ireland ⁽²⁾
Required statutory capital and surplus	\$ 622.2	\$ 84.3
Actual statutory capital and surplus	1,503.5	138.6

(1) Required statutory capital and surplus represents the Enhanced Capital Requirement ("ECR").

(2) Required statutory capital and surplus represents the Solvency II Solvency Capital Requirement ("SCR").

Statutory net income/(loss) of the Group's regulated insurance operations are detailed below:

Statutory Net Income/(Loss)	December 31, 2023	
	Bermuda	Republic of Ireland
Year ended December 31, 2023	\$ 345.2	\$ 19.3
Year ended December 31, 2022	(0.6)	(0.1)

For the Group, there are no significant differences between statutory financial statements and statements prepared in accordance with GAAP, other than the exclusion of the net deferred tax asset of \$90.0 million in connection with the implementation of the Bermuda corporate income tax (Note 12, Income Taxes) and the inclusion of a liability of \$48.6 million with respect to letters of credit encumbering assets in relation to FUL's business which is not ceded to the Company via the quota share intragroup reinsurance arrangement. There were no prescribed or permitted regulatory accounting practices for any of the Company's insurance or reinsurance entities that resulted in reported statutory surplus that differed from that which would have been reported under the prescribed practices of the respective regulatory authorities.

Bermuda operations

Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the Insurance Act), FIBL is required to prepare and submit annual audited GAAP financial statements and statutory financial statements and to file with the Bermuda Monetary Authority ("BMA") a statutory financial return ("SFR"), capital and solvency return ("CSR") and audited GAAP financial statements. The BMA acts as group supervisor of the Group and has designated FIBL as the 'designated insurer' of the Group. In accordance with the Group supervision and insurance group solvency rules, FIBL is required to prepare and submit audited Group GAAP financial statements, a Group SFR, a Group CSR and a Group Quarterly Financial Return ("QFR").

As a Class 4 (re)insurer, FIBL is required to maintain available statutory economic capital and surplus at a level equal to or greater than the ECR. The ECR is the higher of the prescribed minimum solvency margin ("MSM") or the required capital calculated by reference to the Bermuda Solvency Capital Requirement ("BSCR") model. The BSCR model is a risk-based capital model that provides a method for determining a (re)insurer's capital requirements (statutory capital and surplus) by taking into account the risk characteristics of different aspects of the (re)insurer's business. In addition, the Group is required to maintain available statutory economic capital and surplus at a level equal to or in excess of the group ECR which is established by reference to the Group BSCR model.

Under the Insurance Act, FIBL is restricted from payment of dividends for amounts greater than 25% of the prior year's statutory capital and surplus, or 15% of the prior year's statutory capital without seeking prior approval from the BMA by submitting an

affidavit stating that the proposed reduction of capital will not cause the insurer to fail to meet its relevant solvency and liquidity margins. At December 31, 2023 the maximum dividend FIBL can pay without approval from the BMA, having met minimum levels of statutory capital and surplus requirements, was approximately \$360.5 million (2022: \$424.4 million).

Ireland operations

FIID is regulated by the Central Bank of Ireland (“CBI”) and is also subject to the Solvency II regime which has been effective from 1 January 2016 and established a set of EU-wide capital requirements, risk management and disclosure standards. FIID is required to meet its SCR which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time horizon. FIID calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are not inappropriate for FIID’s risk profile.

The regulatory requirements impose no explicit restrictions on FIID’s ability to pay a dividend, but FIID would have to notify the CBI prior to any proposed dividend payment. Under Irish Company law dividends may only be distributed from profits available for distribution, which consist of accumulated realized profits less accumulated realized losses.

12. Income Taxes

Net income before tax is split between the Group’s operating jurisdictions based on the jurisdiction of tax residence:

	<u>2023</u>	<u>2022</u>
Bermuda	\$ 341.3	\$ (0.3)
Republic of Ireland	18.1	3.7
Total	\$ 359.4	\$ 3.4

Bermuda

Under current Bermuda law, FIBL is not required to pay any taxes in Bermuda on its income or capital gains. The impact of this is included within ‘Impact of differences in tax rates’ as set out in the reconciliation of the difference between the reported income tax expense (benefit) and expected income tax expense below. On December 27, 2023, the Government of Bermuda passed legislation enacting the Corporate Income Tax Act 2023, which applies a 15% corporate income tax to Bermuda businesses that are part of a multinational enterprise group with annual revenue of €750 million or more, effective on or after January 1, 2025. The Act also includes a provision for an economic transition adjustment (“ETA”), which intends to provide a fair and equitable transition into the tax regime through establishing a fair value tax basis in certain assets and liabilities and results in a deferred tax benefit for the Group of \$90.0 million.

Republic of Ireland

FIID is tax resident in the Republic of Ireland. FIID is subject to Irish corporation tax on its trading profits at a rate of 12.5%.

The 2019 to 2022 are tax years open to examination in Ireland.

The Group income tax (expense)/benefit for the years ended December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense	\$ (1.3)	\$ —
Deferred tax benefit/(expense) (excluding rate change)	90.2	(0.6)
Rate change on deferred tax	—	—
Income tax benefit/(expense)	\$ 88.9	\$ (0.6)
	<u>2023</u>	<u>2022</u>
Income tax benefit/(expense) allocated to net income	\$ 88.9	\$ (0.6)
Income tax (expense)/benefit allocated to other comprehensive income	(1.1)	0.5
Total income tax benefit/(expense) allocated to comprehensive income	\$ 87.8	\$ (0.1)

	2023			
	Income before income taxes	Current tax expense	Deferred tax benefit	Total income tax benefit/(expense)
Bermuda	\$ 341.3	\$ —	\$ 90.0	\$ 90.0
Republic of Ireland	18.1	(1.3)	0.2	(1.1)
Total	\$ 359.4	\$ (1.3)	\$ 90.2	\$ 88.9

	2022			
	Income/(loss) before income taxes	Current tax expense	Deferred tax expense	Total income tax expense
Bermuda	\$ (0.3)	\$ —	\$ —	\$ —
Republic of Ireland	3.7	—	(0.6)	(0.6)
Total	\$ 3.4	\$ —	\$ (0.6)	\$ (0.6)

The effective tax rate for the Group is (24.7)% (2022: 17.6%).

A reconciliation of the difference between reported income tax (expense)/benefit and the expected income tax (expense)/benefit at the Irish statutory income tax rate for the years ended December 31, 2023, and 2022 is provided below. The expected income tax (expense)/benefit has been calculated using income before income taxes multiplied by the Irish statutory income tax rate, as FIID is the taxpayer within the Group.

	2023	2022
Expected income tax expense at the Irish tax rate of 12.5% (2022: 12.5%)	\$ (44.9)	\$ (0.4)
Reconciling items		
Bermuda Economic Transition Adjustment	90.0	—
Impact of differences in overseas tax rates	43.1	—
Adjustments in respect of prior year	1.2	—
Other income not subject to income taxes	(0.5)	—
Disallowable expenses	—	(0.2)
Income tax benefit/(expense)	88.9	(0.6)

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

	2023	2022
Deferred tax assets:		
Intangible assets	\$ 90.0	\$ —
Other temporary differences	0.2	—
Available-for-sale investments	—	0.6
Total deferred tax assets	90.2	0.6

Pursuant to the 2023 enactment of the Bermuda corporate income tax and ETA, FIBL recorded a net deferred tax asset of \$90.0 million. The ETA deferred tax asset is expected to be utilized over a fifteen year period, with 99% of the deferred tax asset utilized by December 31, 2034.

The Group has not recognized a deferred tax liability with respect to the undistributed earnings of FIID as neither withholding taxes nor other incomes taxes are expected to apply to any distributions from this entity.

The Group did not pay or accrue any interest or penalties during the years ended December 31, 2023 and 2022.

The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits:

	2023	2022
Balance, beginning of year	\$ —	\$ —
Additions based on tax positions related to the current year	75.0	—
Balance, end of year	\$ 75.0	\$ —

Included in the balance of unrecognized tax benefits as of December 31, 2023 is \$75.0 million (2022: \$nil) of tax benefits, that if recognized, would reduce the effective tax rate.

13. Subsequent Events

Subsequent events have been evaluated up to and including April 29, 2024, the date of issuance of these consolidated financial statements.