



XL Reinsurance



AXA XL
Reinsurance Ltd

**Consolidated Financial
Statements for the Years Ended
December 31, 2023 and 2022**

CONTENTS

	Page Number
REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS	3
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	7
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENT OF CASH FLOWS	11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13
Note 1 General Information	13
Note 2 Significant Accounting Policies	14
Note 3 Scope of Consolidation	42
Note 4 Acquisitions	43
Note 5 Financial and Reinsurance Risk Management	45
Note 6 Goodwill and Other Intangible Assets	59
Note 7 Investments	60
Note 8 Investments Accounted for using the Equity Method	70
Note 9 Receivables	71
Note 10 Shareholder's Equity and Minority Interests	72
Note 11 Insurance and Reinsurance Contracts	75
Note 12 Payables	94
Note 13 Tax	95
Note 14 Derivative Instruments	99
Note 15 Gross Insurance & Non-Insurance Revenues	104
Note 16 Net financial result excluding financing expenses	105
Note 17 Expenses by Nature	107
Note 18 Related-Party Transactions	108
Note 19 Contingent Assets and Liabilities and Unrecognized Contractual Commitments	110
Note 20 Litigation	112
Note 21 Subsequent Events	113



Report of Independent Auditors

The Board of Directors
AXA XL Reinsurance Ltd

Opinion

We have audited the consolidated financial statements of AXA XL Reinsurance Ltd (the Company), which comprise the consolidated statement of financial position as of December 31, 2023 and 2022, and the related consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Company adopted IFRS 17 "Insurance Contracts", effective January 1, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

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



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Ernst & Young LLP

April 30, 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes	(US Dollars in thousands)	December 31, 2023	December 31, 2022, restated	January 1, 2022, restated
	Goodwill	25,330	21,740	21,740
	Other intangible assets	20,595	21,579	23,321
6	Total intangible assets	45,925	43,319	45,061
	Investments in real estate properties	182,212	90,302	98,889
	Financial investments	6,677,692	4,514,504	6,529,972
7	Investments from insurance activities	6,859,904	4,604,806	6,628,861
8	Investments accounted for using the equity method	—	—	22,065
	Assets arising from reinsurance contracts held	2,183,990	2,054,588	2,147,104
11	Assets arising from insurance contracts, investment contracts, and reinsurance contracts held	2,183,990	2,054,588	2,147,104
	<i>of which present value of future cash flows ("PVFCF")</i>	2,134,444	1,991,137	2,086,985
	<i>of which risk adjustment for non-financial risk</i>	42,326	55,462	47,301
	<i>of which contractual service margin ("CSM")</i>	7,220	7,989	12,818
14	Derivative assets	2,010	—	—
	Tangible assets	5,493	1,070	2,397
13	Deferred tax assets	89,601	82,678	17,008
	Other assets	97,104	83,748	19,405
	Current tax receivables	25,506	17,290	27,309
	Other receivables	38,491	68,786	89,425
9	Receivables	63,997	86,076	116,734
	Cash and cash equivalents	793,337	643,270	689,154
	TOTAL ASSETS	10,044,257	7,515,807	9,668,384

Notes	(US Dollars in thousands)	December 31, 2023	December 31, 2022, restated	January 1, 2022, restated
	Shareholder's equity - Group share	3,709,854	2,528,646	3,005,398
	<i>of which Net income - Group share</i>	400,345	(330,170)	(144,221)
	Minority Interests	7,365	—	48,351
10	TOTAL SHAREHOLDER'S EQUITY	3,717,219	2,528,646	3,053,749
	Liabilities arising from insurance contracts and investment contracts with discretionary participation features	5,988,623	4,825,140	6,497,229
11	Liabilities arising from insurance contracts, investment contracts, and reinsurance contracts held	5,988,623	4,825,140	6,497,229
	<i>of which present value of future cash flows ("PVFCF")</i>	5,796,039	4,619,836	6,277,975
	<i>of which risk adjustment for non-financial risk</i>	184,987	196,819	205,929
	<i>of which contractual service margin ("CSM")</i>	7,597	8,485	13,325
	Provisions for risks and charges	5,832	3,029	3,970
13	Deferred tax liabilities	38,358	39,121	(2,193)
	Other liabilities	38,358	39,121	(2,193)
	Current tax payable	31,045	23,235	10,533
	Collateral debts relating to investments under a lending agreement or equivalent	156,589	—	—
	Other payables	106,591	96,636	105,096
12	Payables	294,225	119,871	115,629
	TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	10,044,257	7,515,807	9,668,384

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Notes <i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022 restated
Insurance revenue	2,384,663	2,424,467
Revenues from other activities	5,326	5,004
15 Revenues from all activities	2,389,989	2,429,471
Insurance service expenses	(1,641,528)	(2,563,300)
Net (expenses)/recoveries from reinsurance contracts held	(341,632)	128,780
Expenses from other activities	(299)	—
17 Expenses from all activities	(1,983,459)	(2,434,520)
Result from all activities	406,530	(5,049)
16 Investment return	266,144	(273,480)
Net finance income or expenses from insurance contracts issued	(194,336)	(4,510)
Net finance income or expenses from reinsurance contracts held	19,745	13,785
Net finance income or expenses from insurance and reinsurance contracts	(174,591)	9,275
Financial result excluding financing debt expenses	91,554	(264,205)
17 Other income and expenses	(6,990)	(103,792)
Change in impairment of goodwill and other intangible assets	(1,901)	(1,745)
Other operating expenses	(8,891)	(105,537)
Operating profit before tax	489,192	(374,791)
Financing debts expenses	(15)	(12)
Profit before tax	489,177	(374,803)
13 Income tax	(91,637)	44,633
Net income	397,540	(330,170)
<i>Split between</i>		
Net income - Group share	400,345	(330,170)
Net consolidated income - Minority interests	(2,805)	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022 restated
Net income	397,540	(330,170)
Changes in fair value of financial instruments ^(a)	222,690	(445,070)
Net finance income and expenses from insurance contracts issued	(165,616)	617,223
Net finance income from reinsurance contracts	42,041	(134,627)
Foreign currency translation differences	41,657	(85,956)
Items that may be reclassified subsequently to Profit or Loss	140,772	(48,430)
Realised capital gains or losses on equity instruments, without recycling in Profit or Loss	90	(90)
Change in fair value of equity instruments, without recycling in Profit or Loss ^(b)	1,116	(5,751)
Employee benefits actuarial gains and losses	(1,138)	1,227
Items that will not be reclassified subsequently to Profit and Loss	68	(4,614)
Other comprehensive income, net of tax	140,840	(53,044)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	538,380	(383,214)
<i>Splits between:</i>		
Comprehensive Income - Group share	542,140	(383,214)
Comprehensive Income - Minority Interests	(3,760)	

(a) Including changes in the fair value of cash flow hedge reserve and cost of hedging reserve.

(b) Including changes in the fair value hedge reserve of equity instruments.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(US Dollars in thousands, except for number of shares and nominal value)</i>	Number of shares	Nominal value	Share capital	Capital in excess of nominal value	Other reserves recognised through OCI	Translation reserves	Undistributed profits and other reserves	Shareholder's equity company share	Minority interests	Total shareholders' equity
Shareholder's equity opening January 1, 2023	10,000,000,000	0.01	100,000	3,024,888	(64,117)	(368,102)	(164,023)	2,528,646	—	2,528,646
Capital distribution to parent	—	—	—	(100,000)	—	—	—	(100,000)	—	(100,000)
Dividends paid	—	—	—	—	—	—	(150,000)	(150,000)	—	(150,000)
Others (including impact on change in scope) ^(a)	—	—	—	294,765	(95,267)	(10,513)	700,083	889,068	11,125	900,193
Impact of transactions with shareholder	10,000,000,000	0.01	100,000	3,219,653	(159,384)	(378,615)	386,060	3,167,714	11,125	3,178,839
Net consolidated income (loss)	—	—	—	—	—	—	400,345	400,345	(2,805)	397,540
Other comprehensive income (OCI)	—	—	—	—	101,276	41,657	(1,138)	141,795	(955)	140,840
Total comprehensive income (loss)	—	—	—	—	101,276	41,657	399,207	542,140	(3,760)	538,380
Shareholder's equity closing December 31, 2023	10,000,000,000	0.01	100,000	3,219,653	(58,108)	(336,958)	785,267	3,709,854	7,365	3,717,219

(a) Relates mainly to acquisitions of companies under common control (See Note 4.1).

AXA XL REINSURANCE LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

<i>(U.S dollars in thousands, except for number of shares and nominal value)</i>	Number of shares	Nominal value	Share capital	Capital in excess of nominal value	Other reserves recognised through OCI	Translation reserves	Undistributed profits and other reserves	Shareholder's equity company share	Minority interests	Total shareholders' equity
Shareholder's equity opening January 1, 2022	10,000,000,000	0.01	100,000	3,160,891	78,877	(285,957)	(77,570)	2,976,241	48,351	3,024,592
Adjustment on initial application of IFRS17 & IFRS 9, net of tax	—	—	—	—	(174,679)	3,811	200,025	29,157	—	29,157
Shareholder's equity opening January 1, 2022, restated	10,000,000,000	0.01	100,000	3,160,891	(95,802)	(282,146)	122,455	3,005,398	48,351	3,053,749
Capital distribution to parent	—	—	—	(100,000)	—	—	—	(100,000)	—	(100,000)
Others (including impact on change in scope) ^(a)	—	—	—	(36,003)	—	—	42,465	6,462	(48,351)	(41,889)
Impact of transactions with shareholder	10,000,000,000	0.01	100,000	3,024,888	(95,802)	(282,146)	164,920	2,911,860	—	2,911,860
Net consolidated income (loss)	—	—	—	—	—	—	(330,170)	(330,170)	—	(330,170)
Other comprehensive income (OCI)	—	—	—	—	31,685	(85,956)	1,227	(53,044)	—	(53,044)
Total comprehensive income (loss)	—	—	—	—	31,685	(85,956)	(328,943)	(383,214)	—	(383,214)
Shareholder's equity closing December 31, 2022 restated	10,000,000,000	0.01	100,000	3,024,888	(64,117)	(368,102)	(164,023)	2,528,646	—	2,528,646

(a) Relates mainly to acquisitions of companies under common control (See Note 4.1).

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Operating profit before tax	489,177	(374,803)
Net amortization expense	(105)	6,837
Change in goodwill impairment and other intangible assets impairment	1,901	1,745
Net increase / (write back) in impairment on investments and tangible assets	(2,453)	(47)
Change in fair value of assets and liabilities at fair value through profit or loss	76,082	170,462
Net change in liabilities arising from insurance and investment contracts	(40,592)	(2,296)
Net increase / (write back) in other provisions	1,405	(806)
Adjustment of non cash balances included in the operating income before tax	36,238	175,895
Net realized gains and losses	39,367	212,148
Financing debt expenses	15	12
Adjustment of balances included in operating income before tax for reclassification to investing or financing activities	39,382	212,160
Investment income & expense recorded in profit or loss during the period	(219,494)	(140,244)
Adjustment of transactions from accrued to cash basis	(219,494)	(140,244)
Dividends and interim dividends collected	8,226	—
Interests collected	214,042	155,367
Interests paid (excluding interests on financing and undated subordinated debts, margin calls and other)	(11,628)	(10,082)
Net cash provided by other assets and liabilities	(95,700)	200,313
Tax expenses paid	111,722	(6,240)
Other operating cash impact and non cash adjustment	(176,079)	174,217
Net cash impact of transactions with cash impact not included in the operating income before tax	50,583	513,575
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	395,886	386,583
Purchase of subsidiaries and affiliated companies, net of cash acquired	—	(218,380)
Disposal of subsidiaries and affiliated companies, net of cash ceded	—	13,058
Cash provided by contribution of common control entities	90,115	—
Net cash related to changes in scope of consolidation	90,115	(205,322)
Sales and / or repayment of debt instruments	1,950,479	1,511,828
Sales of equities instruments	—	40,254
Sales of investment properties held directly or not	—	139
Net cash related to sales and repayments of investments	1,950,479	1,552,221
Purchases of debt instruments	(2,204,011)	(1,391,549)
Purchases of equity instruments	—	(277,836)
Net cash related to purchases and issuance of investments	(2,204,011)	(1,669,385)
Increase in collateral payable/Decrease in collateral receivable	382,217	—
Decrease in collateral payable/Increase in collateral receivable	(216,787)	—
Net cash impact of assets lending/borrowing collateral receivables and payables	165,430	—
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	2,013	(322,486)
Distribution to parent	(100,000)	(100,000)
Dividend payment	(150,000)	—

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Net cash related to transactions with shareholder	(250,000)	(100,000)
Interests on financing debt paid	(15)	(12)
Net cash related to Group financing	(15)	(12)
NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	(250,015)	(100,012)
CASH AND CASH EQUIVALENT AS OF JANUARY 1	643,270	689,154
Net cash provided by operating activities	395,886	386,583
Net cash provided by investing activities	2,013	(322,486)
Net cash provided by financing activities	(250,015)	(100,012)
Net impact of foreign exchange fluctuations and reclassification on cash and cash equivalents	2,183	(9,969)
CASH AND CASH EQUIVALENT AS OF DECEMBER 31	793,337	643,270

Note 1 General Information

AXA XL Reinsurance Ltd (the “Company” or “AXA XL Re”) is an exempted company incorporated and domiciled in Bermuda and registered as a Class 4 insurer under the Insurance Act 1978. Its registered office is O’Hara House, One Bermudiana Road, Hamilton HM11 Bermuda. The Company was incorporated in Bermuda on December 10, 2020 in accordance with Section 14 of the Companies Act 1981 under the original name, Redesign Reinsurance Ltd, and changed its name to AXA XL Reinsurance Ltd on January 7, 2021. Effective February 3, 2021, the Company was registered in Bermuda as a Class 4 insurer with Section 4 of the Insurance Act 1978.

The Company’s shares are wholly owned by AXA XL Reinsurance Holdings Limited, and the ultimate parent is AXA SA, a French société anonyme that is the holding company of an international financial services group (“AXA”). A list of the main entities included in the scope of AXA XL Re’s consolidated financial statements is provided in Note 3.1.

The Company is part of the reinsurance segment of AXA XL, the P&C and specialty risk division of AXA, and is a leading reinsurer writing casualty, property risk, property catastrophe, specialty, and other reinsurance lines on a global basis with business being written on both a proportional and non-proportional treaty basis, as well as facultative basis. The Company and its subsidiaries operate mainly in Bermuda, Europe, the United States of America and Latin America.

Note 2 Significant Accounting Policies

2.1 BASIS OF PREPARATION

2.1.1 Statement of compliance

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS), and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union before the end of the reporting period with a compulsory adoption date of January 1, 2023.

The consolidated financial statements for the year ended December 31, 2023 were authorized for issue by the directors on April 30, 2024. The directors have the power to amend and reissue the financial statements.

2.1.2 Basis of accounting and going concern

The financial statements have been prepared on a going concern basis, based on the expectation that the Company will continue in operational existence for twelve months from the date of the financial statements.

The consolidated financial statements are prepared under the historical cost convention and modified by the measurement of certain financial assets and liabilities at fair value as follows:

- derivative financial instruments;
- financial instruments at fair value through profit or loss; and
- financial instruments at fair value through other comprehensive income.

2.1.3 Functional and presentation currency

The consolidated financial statements are presented in US Dollars, which is AXA XL Re's functional currency, and all values are rounded to the nearest thousand (\$'000 / US Dollars in thousands), except where otherwise indicated. Rounding differences may exist, including for percentages.

2.1.4 Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions. It requires a degree of judgment in the application of the Company's accounting principles described below. The Company's most significant areas of estimation include:

- reinsurance premium estimates;
- assets and liabilities arising from insurance contracts and reinsurance contracts held;
- valuation and impairment of investments;
- income taxes.

While management believes that all amounts included in the consolidated financial statements reflect the Company's best estimates and assumptions, actual results could differ materially from these estimates.

The principles set out in the Note 2 sections which follow specify the measurement methods used for these items. These methods, along with key assumptions where required, are discussed in greater depth in the Notes relating to the asset and liability items concerned where meaningful and useful.

As recommended by IAS 1, assets and liabilities are generally classified globally in the consolidated statement of financial position in increasing order of liquidity, which is more relevant for financial institutions than a classification between current and non-current items.

2.2 IFRS STANDARDS AND AMENDMENTS

2.2.1 IFRS requirements adopted on January 1, 2023

2.2.1.1 IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments

The Company has started applying IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments from January 1, 2023.

IFRS 17 - Insurance Contracts, published on May 18, 2017 and amended on June 25, 2020 and on December 9, 2021, was adopted by the European Union with an exemption regarding the annual cohort requirement.

IFRS 9 - Financial Instruments was issued on July 24, 2014 and adopted by the European Union on November 22, 2016, with the published effective date on January 1, 2018. However, amendments to IFRS 4 - Insurance Contracts allowed entities issuing insurance contracts within the scope of IFRS 4 to notably apply a temporary exemption from implementing IFRS 9 until the effective date of IFRS 17. In this context, AXA XL Re, eligible for this temporary exemption option, decided to defer the implementation of IFRS 9 until January 1, 2023.

Finally, an amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”, issued on December 9, 2021 and endorsed by the European Union on September 8, 2022, improved requirements for the comparative information to be disclosed on initial application of IFRS 17 and IFRS 9. This amendment permits entities that first apply both standards at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The Company decided to restate the comparative period at the first application of IFRS 9 and to apply this “classification overlay”, including the impairment requirements of IFRS 9, to all eligible financial assets.

The adoption of IFRS 17 and IFRS 9 results in significant accounting changes, with an impact on AXA XL Re’s consolidated statement of financial position, consolidated statement of profit or loss, and other comprehensive income. The nature and effects of these changes are summarized below.

Impacts of adoption of IFRS 17 and IFRS 9 at the transition date (January 1, 2022)

The restated consolidated statement of financial position as at January 1, 2022, compared to the consolidated statement of financial position as at December 31, 2021 as published, highlights the following impacts of IFRS 17 and IFRS 9 at the transition date:

<i>(US Dollars in thousands)</i>	December 31, 2021 (Published)	January 1, 2022 (Restated)	Impact of the restatement
Goodwill	21,740	21,740	—
Deferred acquisition costs and equivalent	708,989	—	(708,989)
Other intangible assets	23,321	23,321	—
Intangible assets	754,051	45,061	(708,989)
Investments in real estate properties	98,889	98,889	—
Financial investments	6,529,824	6,529,972	148
Investment from insurance activities	6,628,713	6,628,861	148
Investments accounted for using equity method	22,065	22,065	—
Assets arising from reinsurance contracts held	2,401,420	2,147,104	(254,316)
Assets arising from insurance contracts, investment contracts, and reinsurance contracts held	2,401,420	2,147,104	(254,316)
<i>of which present value of future cash flows (“PVFCF”)</i>	2,401,420	2,086,985	(314,435)
<i>of which risk adjustment for non-financial risk</i>	—	47,301	47,301
<i>of which contractual service margin (“CSM”)</i>	—	12,818	12,818
Tangible assets	2,399	2,397	(2)
Deferred tax assets	7,581	17,008	9,427
Other assets	9,980	19,405	9,425
Receivables arising from direct insurance and inward reinsurance operations	4,838,989	—	(4,838,989)
Receivables arising from outward reinsurance operations ^(a)	167,569	—	(167,569)
Current tax receivable	27,309	27,309	—
Other receivables	89,425	89,425	—
Receivables	5,123,291	116,734	(5,006,557)
Cash and cash equivalents	689,154	689,154	—
TOTAL ASSETS	15,628,673	9,668,384	(5,960,289)

(a) Insurance and reinsurance related receivables and payables as of December 31, 2021, are reclassified in the restated statement of financial position as of January 1, 2022, due to the cash basis presentation required by IFRS 17, leading to a decrease of technical liabilities and reinsurance assets of \$(4,259.9) million and \$(693.6) million, respectively.

<i>(US Dollars in thousands)</i>	December 31, 2021 (Published)	January 1, 2022 (Restated)	Impact of the restatement
Shareholders' equity excluding Other Comprehensive Income ("OCI") on investments and technical liabilities - Group share	2,897,364	3,101,200	203,836
OCI on investments and technical liabilities - Group share	78,877	(95,802)	(174,679)
Minority interests	48,351	48,351	—
TOTAL SHAREHOLDERS' EQUITY	3,024,592	3,053,749	29,157
TOTAL SHAREHOLDERS' EQUITY EXCLUDING OCI	2,945,715	3,149,551	203,836
Liabilities arising from insurance contracts and investment contracts with discretionary participation features	11,039,232	6,497,229	(4,542,003)
Liabilities arising from insurance contracts, investment contracts, and reinsurance contracts held	11,039,232	6,497,229	(4,542,003)
<i>of which present value of future cash flows ("PVFCF")</i>	<i>11,039,232</i>	<i>6,277,975</i>	<i>(4,761,257)</i>
<i>of which risk adjustment for non-financial risk</i>	<i>—</i>	<i>205,929</i>	<i>205,929</i>
<i>of which contractual service margin ("CSM")</i>	<i>—</i>	<i>13,325</i>	<i>13,325</i>
Provisions for risks and charges	3,490	3,970	480
Deferred tax liabilities	5,073	(2,193)	(7,266)
Other liabilities	5,073	(2,193)	(7,266)
Payables arising from direct insurance and inward reinsurance operations	579,053	—	(579,053)
Payables arising from outward reinsurance operations ^(a)	861,124	—	(861,124)
Current tax payable	10,533	10,533	—
Other payables	105,577	105,096	(481)
Payables	1,556,286	115,629	(1,440,658)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	15,628,673	9,668,384	(5,960,289)

(a) Insurance and reinsurance related receivables and payables as of December 31, 2021, are reclassified in the restated statement of financial position as of January 1, 2022, due to the cash basis presentation required by IFRS 17, leading to a decrease of technical liabilities and reinsurance assets of \$(4,259.0) million and \$(693.6) million, respectively.

The total restated shareholder's equity under IFRS 17 and IFRS 9, excluding other comprehensive income ("OCI") remains broadly stable at transition (\$3,149.6 million including minority interests) as compared to total shareholder's equity (excluding OCI) under IFRS 4 and IAS 39.

<i>(In USD - Thousands)</i>	December 31, 2021 (Published)	Net impact of IFRS 9	Net impact of IFRS 17	January 1, 2022 (Restated)
Shareholders' equity excluding Other Comprehensive Income ("OCI") on investments and technical liabilities - Group share	2,897,364	4,955	198,881	3,101,200
OCI on investments and technical liabilities - Group share	78,877	(4,766)	(169,913)	(95,802)
Minority interests	48,351	—	—	48,351
TOTAL SHAREHOLDERS' EQUITY	3,024,592	189	28,968	3,053,749
TOTAL SHAREHOLDERS' EQUITY EXCLUDING OCI	2,945,715	4,955	198,881	3,149,551

The scope of application of the OCI option is different under IFRS 17 compared to IFRS 4:

- for non-direct participating contracts, the impact of changes in discount rates on technical liabilities flows through OCI, which therefore partly matches the OCI on investments; both OCI components evolve in a consistent manner, mainly depending on interest rates movements, with some differences arising from duration gaps and the shape of the interest rate curves.

Further details on these impacts are provided below for both IFRS 17 and IFRS 9. For the description of the main IFRS 17 and IFRS 9 accounting principles applied by AXA XL Re, refer to paragraphs 2.7, 2.8 and 2.12.

IFRS 17 – Insurance ContractsMain changes resulting from the adoption of IFRS 17

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 - Insurance Contracts. It aims at being more economic and better reflecting the underlying profitability of the business, while increasing comparability across the industry.

The main changes in the measurement of insurance contracts under IFRS 17 compared to IFRS 4 are as follows:

- the present value of future cash flows (“PVFCF”) is a forward looking and market consistent best estimate of future cash inflows and outflows that are now discounted;
- the recognition of a risk adjustment for non-financial risk (“RA”) under IFRS 17, \$158.6 million as of January 1, 2022 net of reinsurance, which reflects the compensation required by AXA XL Re for bearing the uncertainty around the amount and timing of the future cash flows that arises from non-financial risk as insurance contracts are fulfilled. In this respect, the Company considers the 62.5th-67.5th percentile range as the adequate level of prudence on underlying insurance liabilities;
- the introduction of the Contractual Service Margin (“CSM”), \$0.5 million as of January 1, 2022 net of reinsurance, which represents the present value of estimated future profits attributable to the shareholders for non-onerous contracts; it is released through the statement of profit or loss over the coverage period of the contracts, as AXA XL Re provides services to policyholders;
- compared to the level at which the liability adequacy test was performed under IFRS 4, the level of aggregation of the contracts under IFRS 17 is more granular and can therefore result in more contracts being identified as onerous and losses on onerous contracts being recognized in profit or loss sooner.

IFRS 17 does not change the underlying profitability of any given insurance contract. It can only change the pattern of earnings recognition over the life of the contracts:

- for Life business, the CSM amortization profile can differ from the previous timing of profit recognition under IFRS 4 and the CSM mechanism is expected to absorb small to medium technical variances and also financial variances for direct participating contracts. However, in case of significant technical or financial shocks, some group of contracts may become onerous and trigger the recognition of a loss in profit or loss;
- for Property & Casualty business, the changes relative to IFRS 4 are limited and mainly linked to the discounting of all claims reserves, a more granular onerous contract testing based on facts and circumstances, and the inclusion of a risk adjustment for non-financial risk. Earnings of this line of business are more sensitive to interest rates level (e.g. positive impact from discounting claims reserves, net of the unwind of the discount, in a rising interest environment).

In respect of the presentation of the consolidated statement of financial position, the other changes compared to IFRS 4 relate notably to the following:

- intangible assets decreased as a result of the removal of deferred acquisition costs (“DAC”) for \$709.0 million as of January 1, 2022; these assets are henceforth implicitly embedded within the CSM under IFRS 17, whereas the goodwill was not affected by the adoption of IFRS 17;
- insurance and reinsurance related receivables and payables are no longer presented separately from technical liabilities and reinsurance assets, leading to a reduction of total assets and liabilities;
- portfolios of contracts that have asset balances and those that have liability balances are presented separately on each side of the consolidated statement of financial position.

Furthermore, in the consolidated statement of profit or loss, insurance revenue will not reflect the premiums underwritten during the year but the premiums earned during the period, net of any investment component, corresponding to the release of the fulfillment cash flows (i.e. the expected cash flows of the period plus the related release of risk adjustment for non-financial risk) and the CSM.

Transition methods

The transition to IFRS 17 involved determining the methodology to be used for measuring the insurance contracts in force at the transition date, which is the beginning of the annual reporting period immediately preceding the date of initial application, namely January 1, 2022.

Theoretically, the transition from IFRS 4 to IFRS 17 requires applying the new standard fully retrospectively, as if it was applied from the inception of insurance contracts in force. However, if the application of this full retrospective approach (“FRA”) is impracticable, the two following options are possible:

- either the modified retrospective approach (“MRA”), which consists in applying certain modifications of general requirements, to the extent that the full retrospective application is impracticable, but still with the objective to achieve the outcome as close as possible to the retrospective application, based on reasonable and supportable information available without undue cost and effort;

- or the fair value approach (“FVA”), which consists in repricing the contracts in the light of actuarial and financial parameters seen at the transition date by calculating the CSM as the positive difference between (i) the fair value of liabilities determined in accordance with IFRS 13 – Fair Value Measurement, corresponding to the price that would be required by an external party to acquire the liabilities, and (ii) the fulfillment cash flows of insurance contracts.

In practice, the Company has applied the FRA only to the liabilities for remaining coverage (“LRC”) of insurance contracts measured using the Premium Allocation Approach (“PAA”) and to the liabilities for incurred claims (“LIC”) occurred since 2019. This date aligns with the acquisition of AXA XL by AXA, the Company’s ultimate parent.

For the other groups of insurance contracts, different factors (such as the impossibility of running models since the inception of the contracts, the unavailability of yield curves, the lack of historical data) have made the application of the FRA impracticable. For these groups of contracts, AXA XL Re has applied the FVA, namely:

1. for long-term Life contracts, the FVA was the approach used;
2. for LIC occurred before 2019 related to non-direct participating contracts, in the absence of reasonable and supportable information (under IFRS 4, claims reserves are generally not discounted), the FVA was applied and the Company used the yield curve in force at the time of acquisition of AXA XL by AXA.

Other information related to transition

- Yield curves

The yield curves (including a liquidity premium) used to discount the future cash-flows at transition date, i.e. as at January 1, 2022, by main currencies were as follows:

Yield curve at transition corresponding to spot rate						
Maturity	EUR	USD	GBP	JPY	CHF	HKD
1	-0.4%	0.9%	1.0%	-0.1%	-0.6%	0.6%
2	-0.2%	1.2%	1.2%	-0.1%	-0.4%	1.0%
3	-0.1%	1.5%	1.3%	-0.1%	-0.3%	1.2%
5	0.1%	1.7%	1.3%	-0.1%	-0.1%	1.4%
7	0.2%	1.8%	1.2%	-0.1%	0.1%	1.5%
10	0.4%	1.9%	1.2%	0.1%	0.2%	1.6%
15	0.6%	2.0%	1.1%	0.3%	0.3%	1.8%
20	0.6%	2.1%	1.1%	0.5%	0.6%	1.9%
25	0.8%	2.1%	1.1%	0.6%	0.8%	2.1%
30	1.0%	2.1%	1.1%	0.7%	1.0%	2.3%

Besides, when retrospective approaches were used to measure the CSM and the OCI on technical liabilities at transition, yield curves have been rebuilt 2019 to 2022. For LIC occurred before 2019 for which the FVA was applied, the Company used the yield curve in force at the time of acquisition of AXA XL by AXA.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments provides accounting requirements related to the classification and measurement of financial instruments and replaces IAS 39 – Financial Instruments: Recognition and Measurement. Changes in accounting policies resulting from the adoption of IFRS 9 are applied retrospectively, excluding the changes in hedge accounting that are applied prospectively from January 1, 2023, with the exception of the “cost of hedging approach” (see below) applied retrospectively. The comparative period has been restated.

The main changes in the Company’s accounting policies resulting from the adoption of IFRS 9, as well as their effects on the Company’s consolidated financial statements, are disclosed below.

Classification and measurement of financial assets

On adoption of IFRS 9, the previous IAS 39 categories of financial assets are replaced by the IFRS 9 classification categories based on how financial assets are subsequently measured (at cost, at fair value through other comprehensive value (“FV OCI”) or at fair value through profit or loss (“FV P&L”) and determined depending on both the business model in which those financial assets are managed and their contractual cash flow characteristics. The new IFRS 9 classification requirements notably led to reclassifying some debt instruments and non-consolidated investment funds from FV OCI to FV P&L (see the tables below).

Regarding the classification options for financial assets, IFRS 9:

- narrows the scope of the optional designation of financial assets at fair value through profit or loss by limiting it to the only situations when doing so eliminates or significantly reduces accounting mismatches that would otherwise arise from measuring those financial assets at amortized cost or at FV OCI;
- introduces the optional FV OCI designation for qualifying investments in equity instruments, referred to as “FV OCI without recycling”; and
- provides an option to designate a credit exposure as measured at FV P&L when an entity uses a credit derivative measured at FV P&L to manage the credit risk of this credit exposure.

Another change compared to IAS 39 lies in derivatives embedded in hybrid contracts that are not separated when the host is a financial asset in the scope of IFRS 9. Instead, the hybrid financial instrument as a whole is assessed for classification applying the general IFRS 9 approach for financial assets.

The approach applied by AXA XL Re to classify and measure its financial investments under IFRS 9 is detailed in paragraph 2.7.2.1.

Most of the Company’s financial assets are measured at fair value both before and after transition to IFRS 9, and most of the debt instruments accounted for at FV OCI under IAS 39 (debt instruments available for sale) continue to be accounted for at FV OCI under IFRS 9. The new classification and measurement requirements however resulted in the changes detailed hereafter.

The following table sets out the reclassifications from the original categories under IAS 39 to the new categories under IFRS 9 for each class of financial assets included in investments from insurance activities in the Company’s consolidated statement of financial position as at January 1, 2022.

Reclassification of financial assets (IAS 39 versus IFRS 9) as of January 1, 2022

	Original carrying amount under IAS 39 December 31, 2021^(a)	IFRS 9 remeasurement	New carrying amount under IFRS 9 January 1, 2022
<i>(US Dollars in thousands)</i>			
Debt instruments	6,177,438		6,177,438
FV OCI IAS 39 (Available for Sale) / FV OCI IFRS 9	6,108,181	—	6,108,181
FV P&L IAS 39 / FV P&L - Mandatory IFRS 9	69,257	—	69,257
Equity instruments	45,826		45,826
FV OCI IAS 39 (Available for Sale) / FV OCI without recycling IFRS 9	45,826	—	45,826
Non controlled investment funds	306,561		306,561
FV OCI IAS 39 (Available for Sale) / FV P&L - Mandatory IFRS 9	306,561	—	306,561
TOTAL	6,529,824		6,529,824

(a) Adjusted for items transferred out of Financial Investments, mainly derivatives, presented alongside their underlying financial instruments as of December 31, 2021, reclassified in separate assets and liabilities lines in the statement of financial position as of January 1, 2022.

On the basis of the opening consolidated statement of financial position as of January 1, 2022:

- some non-consolidated funds, for a total of \$306.5 million, were reclassified from FV OCI to FV P&L with unrealized gains of \$7.6 million transferred from OCI to retained earnings, either because those instruments do not meet the SPPI criteria or because the optional designation at FV P&L is applied;
- for equity securities, as the IAS 39 category FV OCI with recycling of realized gains and losses in profit or loss (equity instruments available for sale) is no longer permitted under IFRS 9, AXA XL Re applies the optional designation at FV OCI without recycling for most of equity securities held, in order to avoid a significant new volatility in resulting from this asset class, compared to the previous IAS 39 accounting. The total carrying value of equity instruments designated at FV OCI without recycling represented \$45.8 million (of which (\$4.1) million of net unrealized loss accumulated in OCI).

The following table sets out the reclassifications from the original categories under IAS 39 to the new categories under IFRS 9 for each class of the Company’s financial assets as at January 1, 2023.

Reclassification of financial assets (IAS 39 versus IFRS 9) as of January 1, 2023

<i>(US Dollars in thousands)</i>	Original carrying amount under IAS 39 December 31, 2022 ^(a)	IFRS 9 remeasurement	New carrying amount under IFRS 9 January 1, 2023
Debt instruments	3,966,994	—	3,966,994
FV OCI IAS 39 (Available for Sale) / FV OCI IFRS 9	3,896,343	—	3,896,343
FV P&L IAS 39 / FV P&L - Mandatory IFRS 9	70,651	—	70,651
Equity instruments	40,075	—	40,075
FV OCI IAS 39 (Available for Sale) / FV OCI without recycling IFRS 9	40,075	—	40,075
Non controlled investment funds	507,436	—	507,436
FV OCI IAS 39 (Available for Sale) / FV P&L - Mandatory IFRS 9	305,467	—	305,467
FV P&L IAS 39 / FV P&L - Mandatory IFRS 9	201,969	—	201,969
TOTAL	4,514,504	—	4,514,504

(a) Adjusted for items transferred out of Financial Investments, mainly derivatives, presented alongside their underlying financial instruments as of December 31, 2022, reclassified in separate assets and liabilities lines in the statement of financial position as of January 1, 2023.

Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses (“ECL”), as opposed to incurred credit losses under IAS 39. Under the IFRS 9 impairment approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses.

The Company’s IFRS 9 impairment approach is detailed in paragraph 2.7.2.2.

The following table presents the reconciliation between the balances of cumulated impairment allowances under IAS 39 and cumulated ECL allowances under IFRS 9 as of January 1, 2022.

Reconciliation of impairment allowances on financial assets (IAS 39 versus IFRS 9) as of January 1, 2022

<i>(US Dollars in thousands)</i>	Impairment allowance under IAS 39	IFRS 9 remeasurement	ECL allowance under IFRS 9
Debt instruments	(5)	(1,416)	(1,421)
FV OCI IAS 39 (Available for Sale) / FV OCI IFRS 9	(5)	(1,416)	(1,421)
Non controlled investment funds	(133)	133	—
FV OCI IAS 39 (Available for Sale) / FV P&L - Mandatory IFRS 9	(133)	133	—
TOTAL	(138)	(1,283)	(1,421)

The application of the new IFRS 9 impairment requirements generates the following impacts on the Company’s opening consolidated statement of financial position as of January 1, 2022:

- for non-consolidated investment funds reclassified from FV OCI to FV P&L, the cumulated amount of IAS 39 impairment allowances, \$0.1 million, was removed without any impact on the Company’s retained earnings;
- for debt instruments measured at FV OCI under both IAS 39 and IFRS 9, the application of new impairment requirements results in limited additional impairment allowances (\$1.4 million).

The following table presents the reconciliation between the balances of cumulated impairment allowances under IAS 39 and cumulated ECL allowances under IFRS 9 as of January 1, 2023.

Reconciliation of impairment allowances on financial assets (IAS 39 versus IFRS 9) as of January 1, 2023

<i>(US Dollars in thousands)</i>	Impairment allowance under IAS 39	IFRS 9 remeasurement	ECL allowance under IFRS 9
Debt instruments	(5)	(783)	(788)
FV OCI IAS 39 (Available for Sale) / FV OCI IFRS 9	(5)	(783)	(788)
Equity instruments	(10,474)	10,474	—
FV OCI IAS 39 (Available for Sale) / FV OCI without recycling IFRS 9	(10,474)	10,474	—
Non controlled investment funds	(19,892)	19,892	—
FV OCI IAS 39 (Available for Sale) / FV P&L - Mandatory IFRS 9	(19,892)	19,892	—
Total	(30,371)	29,583	(788)

Classification and measurement of financial liabilities

IFRS 9 requirements for financial liabilities remain largely unchanged compared to IAS 39, except for the changes in fair value of financial liabilities that are optionally designated at fair value through profit or loss.

Under IAS 39, the entire amount of those changes was recorded in profit or loss, whereas IFRS 9 requires an entity to recognize the portion thereof attributable to changes in the credit risk of that liability in other comprehensive income, unless this treatment would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting

When first applying IFRS 9, an entity may make an accounting policy choice to continue applying the hedge accounting requirements in IAS 39, instead of those in IFRS 9. AXA XL Re decided to apply IFRS 9 requirements for all hedges with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as “fair value macro hedges”). For the latter, AXA XL Re continues applying the hedge accounting requirements currently in IAS 39 as allowed by the IASB that is addressing macro hedge accounting as a separate project.

IFRS 9 establishes a more principle-based approach for the general hedge accounting model and aligns hedge accounting more closely with risk management.

In particular, IFRS 9 introduces the possibility to apply prospectively from January 1, 2023 the hedge accounting for fair value hedges of equity instruments designated at fair value through OCI, that implies to record in OCI, without recycling into profit or loss, the changes in fair value of both the hedged equity instrument and the derivative.

In addition, IFRS 9 provides a new accounting mechanism, applicable retrospectively from January 1, 2023, designed to reduce the volatility in profit or loss and referred to as “cost of hedging approach”, for the situations where only a part of a derivative is designated as the hedging instrument (for example, changes in intrinsic value of a purchased option or changes in the spot element of a forward contract).

IFRS 9 accounting for derivative instruments and hedge relationships applied by AXA XL Re is detailed in paragraph 2.8.

2.2.1.2 Other IFRS amendments adopted on January 1, 2023

Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Amendments to IAS 12 Income Taxes published on May 7, 2021 narrow the scope of the exemption from the recognition of deferred tax liabilities and assets. This exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. These amendments mainly concern lease transactions of the Company. As a result, on initial recognition of a lease, AXA XL Re needs to assess the tax bases of the right-of-use and the lease liability by identifying the amounts attributable to them for tax purposes. Then, if the taxable and the deductible temporary differences are equal, a deferred tax liability related to the right-of-use and a deferred tax asset related to the lease liability are recognized.

Amendments to IAS 12: International tax reform Pillar Two model rules

The international tax reform released by Organization for Economic Cooperation and Development (OECD), known as Pillar Two, aims to ensure that an effective taxation of 15% is reached in each jurisdiction where multinational groups operate. This OECD tax reform will be effective in France, where the AXA Group head office is located, starting for the 2024 fiscal year. As a result, AXA Group will determine the effective tax rate based on Pillar 2 rules in each jurisdiction where it operates, and, if this rate is lower than the minimum 15% rate, an additional tax liability will be payable.

Amendments to IAS 12 - Income Taxes issued by the IASB on May 23, 2023 and endorsed by the European Union on November 8, 2023, introduce a mandatory temporary exception in IAS 12, prohibiting both the recognition and disclosure of deferred tax assets and deferred tax liabilities that arise from the implementation of the OECD Pillar Two model rules.

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (“The Act”), which will apply a 15% corporate income tax to certain Bermuda businesses in fiscal years beginning on or after January 1, 2025. The Company expects to be subject to this corporate income tax starting for the 2025 fiscal year. Pursuant to this legislation, the Company recorded a \$5.1 million deferred tax asset in the fourth quarter of 2023 primarily related to technical reserves and investment fair value adjustments.

Other IFRS amendments

The application of the amendments below as of January 1, 2023 had no material impact on the AXA XL Re’s Consolidated Financial Statements.

Amendments	Publication date	Topic
IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	February 12, 2021	The amendments to IAS 1 require entities to disclose their “material accounting policy information” rather than their “significant accounting policies”. IFRS Practice Statement 2 Making Materiality Judgments is modified accordingly to support these amendments.
IAS 8 - Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	February 12, 2021	The amendments introduce a definition of “accounting estimates” and other changes to help entities distinguish changes in accounting policies from changes in accounting estimates.

2.2.2 Standards and amendments published but not yet effective

Amendments	Publication date	Effective for annual periods beginning on or after	Topic
IAS 1 - Presentation of Financial Statements: - Classification of Liabilities as Current or Non-current; - Classification of Liabilities as Current or Non-current – Deferral of Effective Date; - Non-current Liabilities with Covenants	January 23, 2020, July 15, 2020, October 31, 2022	January 1, 2024 ^(a)	The amendments clarify requirements in IAS 1 for the presentation of liabilities in the statement of financial position and improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.
IFRS 16 - Leases: Lease Liability in a Sale and Leaseback	September 22, 2022	January 1, 2024 ^(a)	The amendments introduce specific subsequent measurement requirements for sale and leaseback transactions.
IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments Disclosures: Supplier Finance Arrangements	May 25, 2023	January 1, 2024 ^{(a)(b)}	The amendments introduce specific disclosure requirements relating to the effects of supplier finance arrangements on the entity’s liabilities, cash flows and its exposure to liquidity risk.
IAS 21 – The Effects of Changes in Foreign Exchange Rates: Determination of the exchange rate when there is a long-term lack of exchangeability	August 15, 2023	January 1, 2025 ^{(a)(b)}	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

(a) With earlier application being permitted (subject to conditions in some cases) but not elected by the Company.

(b) Not yet endorsed by the European Union.

2.3 CONSOLIDATION

2.3.1 Scope and basis of consolidation

Companies in which AXA XL Re exercises control are subsidiaries. They are fully consolidated from the date on which control is transferred to AXA XL Re. Under IFRS 10, - Consolidated Financial Statements, AXA XL Re controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Only substantive rights (i.e. the holder must have the practicability to exercise them) and rights that are not protective are considered in the control evaluation.

Companies in which AXA XL Re exercises significant influence are accounted for under the equity method. Under IAS 28 - Investments in Associates and Joint Ventures, significant influence is presumed when AXA XL Re directly or indirectly holds 20% or more of the voting rights. Significant influence can also be exercised through an agreement with other shareholders.

Under the equity method, AXA XL Re's share in equity investments' post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in reserves is stated under "Other reserves".

Investment funds and real estate companies are either fully consolidated or accounted for under the equity method, depending on which conditions of IFRS 10 / IAS 28 listed above that they satisfy. Fees received by asset managers are also taken into account in the assessment of the exposure to variability of returns. For fully consolidated investment funds, minority interests are recognized at fair value and shown as liabilities in the consolidated statement of financial position if the companies' instruments can be redeemed at any time by the holder at fair value. Investment funds accounted for using the equity method are shown under the caption "Financial investments".

2.3.2 Business combinations of entities under common control

For business combinations of entities under common control, the acquired entities' results and consolidated statement of financial position are incorporated retroactively to the earliest period of common control. Assets and liabilities of the acquired entity are stated at predecessor carrying values adjusted to achieve uniform accounting policies. Any difference between the consideration given and aggregate carrying value of assets and liabilities of the acquired entity at the date of transaction is included in equity.

2.3.3 Purchase and sale of minority interests in a controlled subsidiary

Purchase and sale transactions of minority interests in a controlled subsidiary that do not change the conclusion of control are recorded through shareholder's equity (including direct acquisition costs).

If control in a subsidiary is lost, any gain or loss is recognized in net income. Furthermore, if an investment in the entity is retained by the Company, it is re-measured to its fair value and any gain or loss is also recognized in net income.

2.3.4 Intra-group transactions

Intra-group transactions, including internal dividends, payables/receivables and gains/losses on intra-group transactions are eliminated:

- in full for controlled subsidiaries; and
- to the extent of AXA XL Re's interest for entities accounted for using the equity method.

The effect on net income of transactions between consolidated entities is always eliminated. However, in case of a loss, an impairment test is performed in order to assess whether an impairment has to be booked.

In the event of an internal sale of an asset that is not intended to be held for the long term by the Company, deferred tax is recognized as the current tax calculated on the realized gain or loss and is eliminated.

2.4 FOREIGN CURRENCY TRANSLATION

The results and financial position of all AXA XL Re entities that have a functional currency (i.e. the currency of the primary economic environment in which the entity operates) different from AXA XL Re's presentational currency are translated into US Dollars as follows:

- assets and liabilities are translated at the year-end exchange rate;
- revenues and expenses are translated at the monthly average exchange rates over the period;

- all resulting foreign exchange differences are recognized as a separate component of equity (translation differences).

At the local entity level, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of profit or loss, except where hedge accounting is applied as explained in Note 2.8.

All assets and liabilities arising from insurance contracts are treated as monetary items. At each period end foreign currency monetary items are revalued using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Assets and liabilities of foreign operations whose functional currency is not the US Dollar are then translated into the Company's US reporting currency at prevailing financial position-date exchange rates, while revenue and expenses of such foreign operations are translated into the Company's US reporting currency at monthly average exchange rates during the year. The net effect of these translation adjustments, as well as any gains or losses on intercompany balances for which settlement is not planned or anticipated in the foreseeable future, net of applicable deferred income taxes, are included in shareholder's equity in the currency translation reserve.

Goodwill arising on the acquisition of a foreign entity is recorded in the local currency of the acquired entity and is translated into US Dollars at the closing date.

Foreign exchange differences arising from monetary financial assets at fair value through other comprehensive income ("OCI") are recognized as income or expense for the period in respect of the portion corresponding to amortized cost. The residual translation differences relating to fair value changes are recorded in OCI, like for non-monetary items such as equity securities designated at fair value through OCI without recycling.

The groups of insurance contracts that generate cash flows in one or several foreign currencies are treated as monetary items, which requires translating their carrying amounts at the end of the reporting period into the functional currency using the closing rate.

Foreign exchange differences arising from the translation of a net investment in a foreign subsidiary, borrowings and other currency instruments qualifying for hedge accounting of such investment are recorded in shareholder's equity under translation differences and are recycled in the statement of profit or loss as part of the realized gain or loss on disposal of the hedged net investment. As of December 31, 2023 and December 31, 2022, the Company did not enter into any derivative transactions that would qualify as a net investment hedge.

Regarding the cumulative amount of the exchange differences related to disposed business, the Company applies the step-by-step consolidation method (IFRIC 16).

2.5 FAIR VALUE MEASUREMENT

The Company applies the fair value hierarchy of IFRS 13 - Fair Value Measurement as described below for all assets and liabilities where another IFRS requires or permits fair value measurement or disclosures about fair value measurement in the Notes to the Consolidated Financial Statements. The principles below address mostly assets given the nature of the activities of the Company.

2.5.1 Assets and liabilities quoted in an active market

An asset or a liability is considered as being quoted in an active market when quoted prices are readily and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis between a willing seller and a willing buyer.

The assets need to be liquid, meaning that AXA XL Re can dispose of them in the ordinary course of business within a certain limited time period at approximately the price at which the asset is valued. Liquidity for debt instruments is assessed using a multi-criteria approach including the number of quotes available, the place of issuance and the evolution of the widening of bid ask spreads.

The fair value of assets and liabilities traded on active markets is determined using quoted market prices when available. For financial instruments traded in active markets, quotes received from external pricing services represent consensus prices, i.e. using similar models and inputs resulting in a very limited dispersion.

The fair value of assets and liabilities for which fair value is determined in whole directly by reference to an active market is disclosed as level 1 in the Notes to the Consolidated Financial Statements.

2.5.2 Assets and liabilities not quoted in an active market

An asset or liability is regarded as not quoted in an active market:

- if there is little observation of transaction prices as an inherent characteristic of the asset or the liability;
- when there is a significant decline in the volume and level of trading activity;
- in case of significant illiquidity;
- if observable prices cannot be considered as representing fair value because of dislocated market conditions.

Characteristics of inactive markets can therefore be very different in nature, inherent to the asset or the liability, or indicative of a change in the conditions prevailing in certain markets.

The fair value of assets and liabilities that are not traded in an active market is estimated using:

- external and independent pricing services; or
- valuation techniques.

The fair value of assets and liabilities that are not traded in an active market mainly based on observable market data are disclosed as level 2 in the Notes to the Consolidated Financial Statements. Those which are mainly not based on observable market data are disclosed as level 3.

2.5.2.1 No active market: use of external pricing services

External pricing services may be fund asset managers in the case of non-consolidated investments in funds or brokers. Where possible, AXA XL Re collects quotes from external pricing providers as inputs to measure fair value. Prices received may form tight clusters or dispersed quotes which may then lead to the use of valuation techniques. The dispersion of quotes received may be an indication of the large range of assumptions used by external pricing providers given the limited number of transactions to be observed or reflect the existence of distress transactions.

2.5.2.2 No active market: use of valuation techniques

The objective of valuation techniques is to arrive at the price at which an orderly transaction would take place between market participants (a willing buyer and a willing seller) at the measurement date. Valuation techniques include:

- market approach: the consideration of recent prices and other relevant information generated by market transactions involving substantially similar assets or liabilities;
- income approach: use of discounted cash flow analysis, option pricing models, and other present value techniques to convert future amounts to a single current (i.e. discounted) amount;
- cost approach: the consideration of amounts that would currently be required to construct or replace the service capacity of an asset.

Valuation techniques are subjective in nature and significant judgment is involved in establishing fair values. They include recent arm's length transactions between knowledgeable willing parties on similar assets if available and representative of fair value and involve various assumptions regarding the underlying price, yield curve, correlations, volatility, default rates and other factors. Unlisted equity instruments valuation is based on cross checks using different methodologies such as discounted cash flows techniques, price-earnings ratios multiples, adjusted net asset values, taking into account recent transactions on instruments which are substantially the same if concluded at arm's length between knowledgeable willing parties, if any. The use of valuation techniques and assumptions could produce different estimates of fair value. However, valuations are determined using generally accepted models (discounted cash flows, Black & Scholes models, etc.) based on quoted market prices for similar instruments or underlyings (index, credit spread, etc.) whenever such directly observable data are available and valuations are adjusted for liquidity and credit risk.

Valuation techniques may be used when there is little observation of transaction prices as an inherent characteristic of the market, when quotes made available by external pricing providers are too dispersed or when market conditions are so dislocated that observed data cannot be used or need significant adjustments. Internal mark to model valuations are, therefore, either normal market practices for certain assets and liabilities inherently scarcely traded or exceptional processes implemented due to specific market conditions.

When valuation techniques are used, the classification between levels 2 and 3 depends on the proportion of assumptions supported by observable market data used by external pricing services or, in very limited cases, by the Company.

2.5.2.3 Use of valuation techniques in dislocated markets

The dislocation of certain markets may be evidenced by various factors. For example, a very large widening of bid ask spreads may be a helpful indicator in understanding whether market participants are willing to transact. The dislocation of markets may also be suspected in case of wide dispersion in the prices (over time or among market participants), small number of transactions, closing down of primary and/or secondary markets, forced transactions motivated by needs of liquidity or other difficult financial conditions with insufficient time to market the assets to be sold, and large bulk sales to exit such markets at all costs that may involve side arrangements (such as sellers providing finance for a sale to a buyer).

In such cases, the Company uses valuation techniques including observable data whenever possible and relevant, adjusted if needed to develop the best estimate of fair value, including adequate risk premiums, or develops a valuation model based on unobservable data representing estimates of assumptions that willing market participants would use when prices are not current, relevant or available without undue costs and efforts. In inactive markets, transactions may be inputs when measuring fair value, but would likely not be determinative and unobservable data may be more appropriate than observable inputs.

2.6 INTANGIBLE ASSETS

2.6.1 Goodwill and impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of AXA XL Re's share of the net assets of an acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill arising on acquisition of subsidiaries is shown as a separate intangible asset, while that on associates and joint ventures is included within the carrying value of those investments.

Goodwill is considered to have an indefinite useful life and is therefore not amortized, but instead subject to a test for impairment at least annually.

Goodwill is allocated to AXA XL Re's Reinsurance cash-generating unit ("CGU") according to the smallest identifiable unit to which cash flows are generated and at which goodwill is monitored for internal management purposes.

The impairment process examines whether or not the carrying value of the goodwill attributable to individual CGUs exceeds its recoverable amount. Any excess of goodwill over the recoverable amount arising from this process indicates impairment. Any impairment charges are presented as part of operational expenses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Impairment of goodwill is not reversible.

AXA XL Re performs an impairment test of goodwill by CGU, using valuation approaches that rely on parameters such as market indicators, market value of assets, market value of liabilities and future operating profits, derived on the basis of operational and economic assumptions in order to determine any significant adverse changes that might lead to the non-recoverability of the goodwill. Compliant with IAS 36 - Impairment of Assets, within the CGU, a comparison is made between net book value and the recoverable value (equal to the higher of fair value less costs to sell and value in use). Value-in-use consists of the net assets and the value placed on expected future earnings from existing and new business.

The value-in-use approach is built upon cash flow projections based on the business plans approved by AXA XL Re management and discounted using a risk adjusted rate. Cash flows beyond that period are extrapolated using a steady growth rate and a terminal value.

2.6.2 Other intangible assets

The Company's definite-lived intangibles consist primarily of acquired distribution networks. These assets are deemed to have defined useful lives and are amortized on a straight-line basis over the assets' estimated useful lives. The amortization period of twenty years approximates the time over which the Company expects to generate future net cash inflows from the use of these assets. In accordance with IFRS, these assets are subject to impairment testing when events or conditions indicate that the carrying value of an asset may not be fully recoverable from future cash flows. If the carrying value of a definite-lived intangible asset is in excess of its fair value, the asset must be written down to its fair value through the recognition of an impairment charge to earnings. The Company tests definite-lived intangible assets whenever events or circumstances indicate that carrying values may not be recoverable.

2.7 INVESTMENTS FROM INSURANCE ACTIVITIES

Investments from insurance activities include investments in real estate properties and financial investments.

2.7.1 Investments in real estate properties

Investments in real estate properties, including investments in real estate funds, are recognized at cost. The properties' components are amortized over their estimated useful lives, also considering their residual value if it may be reliably estimated.

In case of unrealized loss over 15%, an impairment is recognized for the difference between the net book value of the investment property and the fair value of the asset based on an independent valuation. Furthermore, at the level of each reporting entity, if the cumulated amount of unrealized losses under 15% (without offsetting with unrealized gains) represents more than 10% of the cumulated net cost of real estate assets, additional impairment is booked on a line-by-line approach until the 10% threshold is reached.

In subsequent periods, if the appraisal value rises to at least 15% more than the net carrying value, previously recorded impairment is reversed to the extent of the difference between (i) the net carrying value and (ii) the lower of the appraisal value and the depreciated cost (before impairment).

The fair value of investments in real estate properties generally cannot be determined via reference to quotes of an active market from an exchange market or service provider. Instead, AXA XL Re real estate properties are valued by qualified independent appraisers with relevant professional qualification and experience in the locations and segments of the properties to be valued.

Three main valuation methods may apply to determine the fair value of AXA XL Re real estate assets (the first two ones being the most used):

- the discounted cash flow method determines the value of the real estate property from its potential to generate future income. Thus, the value is estimated by compiling the net present value of the future cash flows. Main inputs for the valuation are: projected rental income, projected operating expenses, capital expenditures requirements, discount rate and exit yield which corresponds to the rate used to capitalize the exit rent to determine the exit value of an asset. The Group provides external appraisers with all relevant information (notably detailed rent rolls, budget, etc.) to enable them to determine future cash flows, to which they also apply their own assumptions. The discount rate and exit yield applied vary from one property to another since they are combination of the risk-free rate and the risk premium attached to each property due to its location, quality, size, and technical specificities;
- the income capitalization method determines the value of the real estate property by applying a capitalization rate at the net operating income at perpetuity. The income capitalization method can notably be used when cash flows are stable and relatively certain, mainly where the real estate asset is fully leased (with limited number of tenants) and/or no occupancy changes are expected. In that case, it may not be necessary to consider an explicit forecast period such as used under the discounted cash flow methodology and a terminal value may form the only basis for value;
- the Hardcore method is a variation of the income capitalization method and determines the value of the real estate property by applying a different capitalization rate at the net operating income depending on the type of income.

2.7.2 Financial investments

2.7.2.1 Classification of financial assets

Financial assets held by AXA XL Re include notably debt instruments, equity instruments, loans, receivables and investments in non-consolidated investments funds. These instruments are held directly or through controlled investment funds.

The classification of financial assets reflects the basis on which those assets are subsequently measured in the statement of financial position and how gains and losses generated by those assets are reported. The classification of financial assets (including the application of classification options) is assessed at initial recognition applying the guidance below and cannot be modified afterwards, unless if, in extremely rare cases, the business model in which those financial assets are held changes.

Financial assets held directly

Financial assets are classified in the three following measurement categories, based on the business model in which those financial assets are held and on the characteristics of their contractual cash flows:

- a financial asset is measured at amortized cost if both (i) the asset is held within a business model whose objective is achieved by collecting contractual cash flows from the assets held, and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”);
- if both (i) the asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets (which is the major business model for AXA XL Re’s investments in debt instruments), and (ii) the contractual terms of cash flows are SPPI, the financial asset is measured at fair value through other comprehensive income (“FV OCI”) and realized gains or losses are recycled through profit or loss upon sale;
- assets not fitting either of these categories are measured at fair value through profit or loss (“FV P&L”).

In addition to the general classification guidance above, the Company uses the following classification options:

- optional FV OCI designation for investments in equity instruments (other than those held for trading), also referred to as “FV OCI without recycling”. When applying this option, all subsequent changes in fair value on concerned equity instruments are presented in OCI and never recycled to profit or loss ; however, the corresponding cumulative gains or losses are transferred to retained earnings on de-recognition. Dividends received on those instruments are recognized in profit or loss. AXA XL Re applies this optional designation for most of equity securities held except those backing contracts where the financial risk is borne by policyholders, measured at a FV P&L basis;

- optional FV P&L designation (Fair Value Option for financial assets). AXA XL Re applies this option for some financial assets that otherwise meet the requirements to be measured at amortized cost or at FV OCI, if doing so eliminates or significantly reduces an accounting mismatch in profit or loss.

Financial assets held through consolidated investment funds

Assets held through consolidated investment funds are classified:

- either as assets of the “Core Investment Portfolios” which include assets backing liabilities arising from insurance and investment contracts, managed in accordance with the AXA XL Re’s Assets and Liabilities Management (“ALM”) strategy;
- or as assets of the “Satellite Investment Portfolios”, reflecting the strategic asset allocation based on a dynamic asset management aiming at maximizing returns. Those portfolios are managed, and their performance is evaluated on a fair value basis.

Underlying financial instruments held in the “Core Investment Portfolios” are classified on a line-by-line basis as if they were held directly. Debt instruments held in those funds are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and, by consequence, are measured at FV OCI to the extent that their contractual cash flows are SPPI on the principal amount outstanding.

Underlying financial instruments held in the “Satellite Investment Portfolios” are held within a business model whose objective is achieved neither by collecting contractual cash flows nor collecting contractual cash flows and selling financial assets and are, therefore, accounted for at FV P&L.

2.7.2.2 Impairment of financial investments

The impairment applies to debt instruments, loans and receivables measured at amortized cost or at FV OCI and reflects Expected Credit Losses (“ECL”) on those financial assets.

The Company measures ECL allowances at an amount equal to:

- 12-month ECL resulting from default events that are possible within the 12 months after the reporting date and recognized for financial instruments for which the credit risk has not increased significantly since initial recognition (it is also assumed that the credit risk has not increased significantly since initial recognition if the financial instrument has low credit risk at the reporting date); or
- lifetime ECL resulting from all possible default events over the expected life of the financial instrument and calculated for financial instruments for which there have been significant increases in credit risk since initial recognition, as well as for financial instruments for which a credit event has occurred since their initial recognition.

ECL for receivables that are within the scope of IFRS 9, typically outstanding for a relatively short period of time, are always measured at an amount equal to lifetime ECL.

Financial instruments for which 12-month ECL are recognized referred to as “Stage 1” financial instruments. Financial instruments for which lifetime ECL are recognized but for which no credit event has occurred are referred to as “Stage 2” financial instruments. Finally, financial instruments for which a credit event has occurred since their initial recognition are referred to as credit-impaired, or “Stage 3” financial instruments.

To perform the impairment stage allocation, at each reporting date, the Company assesses, for each financial instrument within the scope of the ECL calculation:

- whether the financial instrument has low credit risk;
- whether the credit risk on the financial instrument has increased significantly since initial recognition;
- whether the credit risk on the financial instrument previously classified in Stage 2 has improved since the previous reporting date; and
- whether a credit event (default) has occurred.

The approach used by AXA XL Re to perform the impairment stage allocation includes the following components:

- the quantitative assessment designed to detect, for all financial assets within the scope of the ECL calculation, significant increases and decreases in credit risk. This quantitative assessment is based on the AXA XL Re’s IFRS 9 rating which captures all relevant information, including forward-looking information, required to identify significant changes in credit risk since initial recognition based on fact and circumstances specific to the financial asset; and
- the qualitative assessment, based on expert judgment, performed to confirm transfers between “Stage 1” and “Stages 2 or 3” for material exposures within the scope derived from the quantitative assessment.

ECL is defined at each financial reporting date based on the key inputs which are the probability of the default, the magnitude of the potential credit loss after any potential recovery and the exposure to the risk of default determined as the financial instrument’s gross carrying amount plus the accrued interests at the closing date.

The amount of ECL is updated at each reporting date to reflect changes in credit risk on the concerned financial instruments. Any increase in credit risk gives rise to an additional ECL allowance. Previously recognized ECL allowances are reversed when the corresponding credit risk improves. ECL allowances and reversals are recognized in profit or loss and, as a counterpart, affect:

- for the financial instruments measured at amortized cost, their carrying value in the statement of financial position;
- for the financial instruments measured at FV OCI, the amount of unrealized gains or losses on those instruments accumulated in the OCI.

2.7.3 Repurchase agreement and securities lending

The Company is party to repurchase agreements and securities lending transactions under which financial assets are sold to a counterparty, subject to a simultaneous agreement to repurchase these financial assets at a certain later date, at an agreed price. Since substantially all of the risks and rewards of the financial assets remain with the Company over the entire lifetime of the transaction, the Company does not derecognize the financial assets. The liability in balance of the cash received is reported separately in the statement of financial position. Interest expense from repurchase and security lending transactions is accrued over the duration of the agreements.

Additionally, the Company is party to total return swaps under which financial assets are sold to a counterparty with a corresponding agreement. Cash flows equal to those of the underlying assets will be remitted to the Company in exchange for specified payments taking into account any increase or decline in the fair value of the assets. This results in substantially all of the risks and rewards of the financial assets remaining with the Company. As such, the Company does not derecognize the financial assets.

2.8 DERIVATIVE INSTRUMENTS

Derivatives are initially recognized at fair value at purchase date and are subsequently re-measured at their fair value at the reporting date. Unrealized gains and losses are recognized in the statement of profit or loss unless they relate to a qualifying hedge relationship as described below.

In the statement of financial position, derivatives are presented in separate line items, as an asset or a liability depending upon the fair value position at the reporting date, with no offsetting, regardless of whether these derivatives meet the criteria for hedge accounting.

The Company designates certain derivatives as either: (i) hedging the exposure to variability in cash flows attributable to a recognized asset or liability or a highly probable future transaction (cash flow hedge), or (ii) hedging the exposure to changes in fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), or (iii) hedging net investments in a foreign operation (net investment hedges).

The Company formally documents, at inception of a designated hedging relationship, its risk management objectives and strategy for undertaking the hedge. This documentation includes (i) the identification of the hedged item and of the hedging instrument, (ii) the nature of the risk being hedged, (iii) the economic relationship between the hedged item and the hedging instrument, including whether the changes in the value of the hedged item and the hedging instrument are expected to offset each other, (iv) and how the assessment of whether the hedging relationship meets the hedge effectiveness requirements will be performed, including its analysis of the sources of hedge ineffectiveness.

The hedging relationship documentation is updated on an ongoing basis.

The purpose and condition of the use of derivatives within the Company are detailed in Note 14.

2.8.1 Cash flow hedge

A separate component of equity, referred to as cash flow hedge reserve, is adjusted through other comprehensive income ("OCI") for the lower of the following amounts:

- gain or loss on the hedging instrument cumulated since inception of the hedge, and
- change in fair value of the hedged item cumulated since inception of the hedge (i.e. the present value of the cumulative change in the hedged expected future cash flows).

If the cumulative gain or loss on the hedging instrument exceeds the change in fair value of the hedged item (sometimes referred to as an 'over-hedge'), the related ineffectiveness is recognized in profit or loss. If the cumulative gain or loss on the hedging instrument is lower than the change in fair value of the hedged item (sometimes referred to as an 'under-hedge'), no ineffectiveness appears.

Cumulative gain or loss in shareholders' equity is recycled in the statement of profit or loss when the hedged underlying item impacts the profit or loss for the period (for example when the hedged future transaction is recognized). When a hedging instrument reaches its maturity date or is sold, or when a hedge no longer qualifies for hedge accounting, the cumulative gains or losses in shareholder's equity are released in profit or loss when the initially hedged future transaction ultimately impacts the statement of profit or loss. If the hedged future cash flows are no longer expected to occur, the cumulative gains or losses are immediately reclassified from shareholder's equity to profit or loss.

2.8.2 Fair value hedge

Changes in the fair value of derivatives designated and qualifying as fair value hedges of equity instruments designated at FV OCI are recorded in OCI, without recycling into profit or loss, together with changes in fair value of the hedged equity instrument.

Changes in the fair value of derivatives designated and qualifying as fair value hedges of other financial instruments are recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability. Therefore, the gain or loss relating to any ineffective portion is directly recognized in the statement of profit or loss.

2.8.3 Net investment hedge

The accounting of net investments in foreign operations hedge is similar to the accounting of cash flow hedge. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in shareholder's equity; the gain or loss relating to the ineffective portion is recognized in the statement of profit or loss. Cumulative gains and losses in shareholder's equity impact the statement of profit or loss only on disposal of the foreign operations.

2.8.4 Cost of hedging approach

When only a part of a derivative is designated as the hedging instrument (for example, changes in intrinsic value of a purchased option or changes in the spot element of a forward contract), the Company applies a specific accounting mechanism in IFRS 9 referred to as "cost of hedging approach" and resulting in less volatility in profit or loss. Conversely, the cost of hedging approach is not applied when hedging equity instruments are measured at FV OCI without recycling.

Consistent with the cost of hedging approach, if only changes in intrinsic value of an option are designated as the hedging instrument, the changes in fair value of the time value of the option are deferred in OCI. This cumulated amount is removed from OCI and recognized in profit or loss following the timing that depends on the nature of the hedged item:

- if the hedged item is transaction related (e.g. a forecast purchase denominated in a foreign currency) - when the hedged transaction affects profit or loss;
- if the hedged item is time-period related (e.g. the fair value of an item for a period of time) - over the period of the hedge.

The identical approach applies to:

- the changes in forward points of a forward contract when only the change in the spot element of such a contract is designated as the hedging instrument, and
- the changes in the foreign currency basis spread when separated from a financial instrument and excluded from the designation of that financial instrument as the hedging instrument.

2.8.5 Derivatives not qualifying for hedge accounting

Most of the derivatives used by the Company are purchased with a view to hedge or as an alternative to gain exposure to certain asset classes through "synthetic positions". However, given IFRS 9 constraints, only qualifying hedges are eligible to hedge accounting provisions described above. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized in the statement of profit or loss.

The Company holds financial assets that also include embedded derivatives. A derivative embedded in a contract where the host is a financial asset in the scope of IFRS 9 is not separated. Instead, the hybrid financial instrument as a whole is assessed for classification applying the guidance described in section 2.7.2.1. Conversely, if the host contract is a financial liability within the scope of IFRS 9 and is not measured at FV P&L, the embedded derivative is separated from the host contract to the extent that the impact is deemed material, unless the economic characteristics and risks of both the embedded derivative and the host contract are closely related. In this case, the host contract is accounted for as a financial liability within the scope of IFRS 9, and the separated derivative is accounted for at FV P&L and might be eligible as a hedging instrument.

2.9 ASSETS HELD FOR SALE

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. The assets, particularly buildings, are measured at the lower of their carrying value and their fair value net of estimated selling costs and are shown separately in the consolidated statement of financial position.

2.10 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits while cash equivalents are short-term, liquid investments that are readily convertible to cash and which are subject to low volatility.

2.11 SHAREHOLDER'S EQUITY

2.11.1 Share capital

Ordinary shares are classified in shareholder's equity when there is no obligation to transfer cash or other assets to the holders.

Additional costs (net of tax) directly attributable to the issue of equity instruments are shown in shareholder's equity as a deduction to the proceeds.

2.11.2 Compound financial instruments

Any financial instrument issued by the Company with an equity component (for example certain options granted to convert the debt instrument into an equity instrument of the Company) and a liability component (a contractual obligation to deliver cash) is classified separately on the liability side of the consolidated statement of financial position with the equity component reported in Company shareholder's equity and the liability component reported in financing debt. Gains and losses relating to redemptions or refinancing of the equity component are recognized as changes to shareholder's equity.

2.11.3 Minority interests

Minority interests in the Company's shareholder's equity represent equity in subsidiary entities which is not directly or indirectly attributable to the Company's controlling shareholder.

2.12 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD

In the consolidated statement of financial position, (i) insurance contracts and (ii) reinsurance contracts held are aggregated by portfolios and presented separately, depending on their balances at the end of the reporting period, leading to the four following categories:

- the carrying amount of portfolios of insurance contracts that are assets;
- the carrying amount of portfolios of insurance contracts that are liabilities;
- the carrying amount of portfolios of reinsurance contracts held that are assets; and
- the carrying amount of portfolios of reinsurance contracts held that are liabilities.

IFRS 17 - Insurance Contracts applies to these contracts, such as detailed in sections 2.12 of this Note.

Significant judgments and estimates are made by the Company in applying IFRS 17. The judgments that have the most significant effects on the amounts recognized in the consolidated financial statements relate to the classification of contracts, their level of aggregation and their measurement.

In particular, the Company makes significant judgments regarding inputs, assumptions concerning the future and other sources of uncertainty at the reporting date, and uses estimation techniques to measure the insurance contracts. These assumptions and estimates are reviewed on an ongoing basis, based on changes in facts and circumstances (including market changes), which leads to adjustments in the measurement of contracts.

The Company uses notable assumptions to project future cash flows and ensures to design them to adequately reflect any uncertainty underlying the cash flows. Non-market assumptions, based on latest best estimate assumptions (historical data and expert judgment), include the following information: loss ratios, best estimate reserves, and payment patterns.

In respect of estimation techniques used to measure the non-Life insurance contracts, different actuarial projection models are applied, based on (i) the portfolios' main features (in terms of risk drivers, underwriting and claims policies), (ii) quality, relevance and consistency over time of available statistical data, (iii) selection of relevant actuarial assumptions and models, and (iv) ability to economically interpret and justify the projected range of results, both quantitatively and qualitatively.

In respect of estimation techniques used to measure the Life contracts, they are based on projections of the key components of statutory financial statements, namely income or expenses that relate to policyholders and beneficiary obligations.

The main assumptions that may generate material changes in the estimate of the future cash flows relate to (i) mortality, morbidity, and longevity rates, (ii) policyholder behavior (due to lapse and surrender), and (iii) overhead expenses.

More specifically, assumptions made about the discount rates, the confidence level for risk adjustment for non-financial risk, the pattern of the Contractual Service Margin (CSM) release are explained in paragraph 2.12.5 and quantitative information about these assumptions is disclosed in Note 11.

2.12.1 Definition and classification

An insurance contract is a contract under which an issuer accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event (an "insured event") adversely affects this policyholder. The assessment whether a contract transfers a significant insurance risk considers all substantive rights and obligations (including those arising from law or regulation) and is based on the use of judgment.

2.12.1.1 Insurance contracts with direct participation features

The Company classifies as insurance contract with direct participation features (i.e. direct participating contract) a contract for which (i) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items, (ii) the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and (iii) the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. In addition to the transfer of significant insurance risk to the issuer, a direct participating contract is therefore based on a substantially investment-related service under which an entity promises an investment return on underlying items (the link must be enforceable), as well as on a contractually specified participation. The underlying items determine some of the amounts payable to a policyholder and can comprise any items (e.g. a reference portfolio of assets, technical items, the net assets of the entity, or a specified subset of the net assets of the entity). The nature of underlying items mainly depends on local regulation and products' features. The Company assesses whether the conditions above are met using its expectations at inception of the contract and needs not reassess the conditions afterwards, unless the contract is modified. AXA XL Re does not have any insurance contracts with direct participation features.

2.12.1.2 Insurance contracts without direct participation features

The Company classifies as insurance contract without direct participation features an insurance contract that is not an insurance contract with direct participation features, namely:

- an insurance contract with indirect participation features (i.e. indirect participating contract) because the payment to policyholders depends upon the return on underlying items, without meeting the criteria defined for insurance contracts with direct participation features; or
- an insurance contract without any participation features (i.e. non-participating contract) as the payment to policyholders does not depend upon the return on underlying items.

2.12.2 Separating components from insurance contracts

The following components are separated from insurance contracts: (i) distinct embedded derivatives, if they meet certain specified criteria, (ii) distinct investment components, and (iii) distinct performance obligations to provide non-insurance goods and services. These components are accounted for separately by the Company in accordance with the related standards.

After having performed this separation, the Company applies IFRS 17 to all remaining components of the host insurance contract. All these remaining components, including embedded derivatives and investment components that have not been separated from the host contract, are considered a single insurance contract.

2.12.3 Level of aggregation of insurance contracts

The insurance contracts are aggregated at inception to form a group, which is the basis for recognition, measurement and presentation. To define the level of aggregation to be used, the Company applies the process hereafter:

- first, portfolios of insurance contracts are identified, each of them only comprising contracts that are managed together and subject to similar risks:
 - since the way insurance contracts are managed is based on the nature of service provided to the policyholder (e.g. Property and Casualty, Life, adverse development cover...), contracts for which the service provided to the policyholder is substantially similar are managed together. In assessing the nature of the service provided, the entity considers different factors such as the granularity at which the internal strategy is designed, the business units organization or the granularity of financial reporting;
 - contracts are bearing similar risks when the nature of the risk drivers (death, longevity, liability, motor, property damage ...) at inception of contracts is similar,
- then, these portfolios are broken down by annual cohort (IFRS 17 as issued by the IASB preventing contracts issued more than one year apart from being included in the same group).
- finally, a further split is performed depending on the level of profitability, with notably a separate group for contracts that are onerous at initial recognition.

A group of insurance contracts should not be reconsidered after initial recognition.

2.12.4 Initial recognition

The groups of insurance contracts issued are recognized from the earliest of (i) the beginning of the coverage period of the group of contracts, which is the general case, (ii) the date when the first payment from a policyholder in the group becomes due, and (iii) for a group of onerous contracts, the date when this group becomes onerous.

2.12.5 The General Measurement Model or “BBA”

IFRS 17 requires applying by default the General Measurement Model of insurance contracts, called the “Building Block Approach” (“BBA”) as it is based on the following building blocks:

- the Fulfillment Cash Flows (“FCF”), which comprise:
 - the present value of future cash flows (“PVFCF”) corresponding to probability-weighted estimates of future cash inflows and outflows (forward looking) with an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows (market consistent); and
 - a risk adjustment (“RA”) for non-financial risk;
- the Contractual Service Margin (“CSM”), which is calculated at inception as the difference between the premium paid by the policyholder and the expected FCF, and corresponds to the present value of future expected profits.

The General Measurement Model is used for AXA XL Re Life business.

2.12.5.1 Insurance acquisition cash flows (“IACF”)

The insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts. When these IACF are incurred prior to the date of initial recognition of the group of insurance contracts, such IACF are recognized as an asset, which is deducted from the carrying amounts of insurance contracts. The recoverability of assets for IACF is assessed at the end of each reporting period, if facts and circumstances indicate that the asset may be impaired. If an impairment loss is identified, the carrying amount of the asset for IACF is adjusted and the impairment loss is recognized in the statement of profit or loss. When the group of insurance contract is recognized, the corresponding asset for IACF is derecognized and included in the measurement of that group.

2.12.5.2 Estimates of future cash flows

The FCF notably include all the probability-weighted estimates of future cash flows within the boundary of each contract already recognized. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which AXA XL Re can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends notably when AXA XL Re has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

The unbiased estimate of the expected future cash flows within the boundary of insurance contracts, including the cost of options and guarantees, are based on a probability-weighted mean of the full range of possible outcomes to factor the uncertainty about the timing and amounts of the cash flows, determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables reflecting conditions existing at the measurement date.

The cash flows attributable to the group of insurance contracts include premiums from the policyholders, claim payments (including reported, incurred and all the future claims for which AXA XL Re has a substantive obligation net of recoveries from claims), expenses, and commissions.

The following cash flows are not included in the contracts boundary: investment returns as they are recognized, measured and presented separately under other applicable IFRSs, costs of investment activities performed for the benefit of shareholders, payments or receipts that arise under reinsurance contracts held (as they are accounted for separately), those that may arise from future insurance contracts, overheads that do not provide any economic benefits to fulfilling insurance contracts, income tax payments and receipts AXA XL Re does not pay or receive in a fiduciary capacity, flows arising from components separated from the insurance contracts and accounted for using other applicable IFRSs.

If insurance premiums are first collected by an intermediary and then transferred to AXA XL Re at a later date, the premium receivables from the intermediary are generally accounted for as future cash flows within the boundary of insurance contracts included in the measurement of the corresponding group of insurance contracts applying IFRS 17.

2.12.5.3 Discount rate

AXA XL Re has a defined methodology for the calibration and the generation of “IFRS 17 yield curves” used to discount the estimate of future cash flows within the boundary of contracts, consistent with the IFRS 17 requirements and applied homogeneously across all AXA XL Re entities.

If the standard does not impose a particular estimation technique to determine the yield curves, AXA XL Re has chosen to adopt a bottom-up approach. This approach consists in using a basic Risk-Free Rate (“RFR”), based on swaps for most currencies and government bonds for others, adjusted by adding on a Liquidity Premium (“LP”) allowance to reflect the remuneration of illiquidity observed on traded assets until the Last Liquid Point (“LLP”), meaning the longest maturity for which there are enough traded bonds. An Ultimate Forward Rate (“UFR”) macro-economically defined as the sum of the average of past real interest rates and central bank’s target inflation is also considered. Discount rates between the LLP and the UFR maturities are obtained by extrapolation.

The yield curves used by AXA XL Re for main currencies are summarized in Note 11.5.

The Company has chosen to apply the “OCI option” (refer to paragraph 1.21.2) to all portfolio of insurance contracts, allowing to recognize the impact of changes in discount rates through Other Comprehensive Income.

2.12.5.4. Risk adjustment for non-financial risk (“RA”)

The measurement of the risk adjustment reflects the compensation required by AXA XL Re for bearing the uncertainty around the amount and timing of the future cash flows that arises from non-financial risk as AXA XL Re fulfills insurance contracts. In this respect, the Company considers the 62.5th-67.5th percentile range as the adequate level of prudence on underlying insurance liabilities.

The determination of the risk adjustment follows a value-at-risk type approach, reflecting a retained confidence level with reference to the risk drivers of insurance liabilities. The value-at-risk is the maximum loss within a certain confidence level. The implementation is slightly different between Life and Property & Casualty businesses. For Life business, groups of contracts are first shocked, risk factor by risk factor, up to the retained confidence level to assess the change in the present value of future cash flows. Then, diversification benefits between risks implicit to the entity’s portfolio are considered by applying correlation factors between risks. For Property & Casualty liabilities for incurred claims, a direct value-at-risk calculation, reflecting the retained confidence level, is applied to the full probability distribution of the related liabilities. Finally, a diversification effect between AXA XL Re entities is considered to reflect the fact that a same risk is unlikely to impact all the Company’s entities at the same time.

The changes in the risk adjustment for non-financial risk are presented in the insurance service result (i.e. they are not disaggregated into an insurance service component and an insurance finance component).

2.12.5.5 Contractual Service Margin (“CSM”)

For a group of insurance contracts, the CSM represents the unearned profit attributable to the shareholders. At inception, the CSM is the amount that offsets the FCF, less the derecognition of any IACF (see above), or the value of AXA XL Re’s rights in excess of the value of its obligations under the insurance contracts. On the other hand, the CSM cannot be negative. Consequently, if the expected cash outflows exceed the expected cash inflows, the group of contracts is onerous and the loss, which corresponds to the expected net cash outflow, is expensed immediately in the statement of profit or loss.

At the end of each subsequent reporting period, AXA XL Re remeasures the liability for remaining coverage (“LRC”), which comprises the FCF related to future services and the CSM of the group of contracts at that date. Hence, the CSM is adjusted at each subsequent reporting period for changes in expected future cash flows driven by changes in technical assumptions (death, morbidity, longevity, surrenders, expenses, future premiums...). Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of future cash flows).

Moreover, the CSM is progressively recognized and included in insurance revenue in the consolidated statement of profit or loss over the coverage period of insurance contracts (refer to paragraph 2.15.1). The portion of the CSM to be released as part of insurance revenue for a reporting period, which reflects the provision of insurance contract services, is based on coverage units. In practice, AXA XL Re:

- identifies the total number of coverage units for each group of contracts, which is the quantity of services provided for the insurance contracts belonging to the group over the expected coverage period;
- allocates the CSM at the end of the reporting period (before having recognized any amounts in the statement of profit or loss to reflect the services provided in the period) equally to each coverage unit provided in the current reporting period and expected to be provided in the future; and
- recognizes the amount of CSM allocated to the coverage units provided in the current reporting period in the statement of profit or loss.

Given the variety of insurance contracts, AXA XL Re exercises its judgment to define coverage units, considering both the level of coverage defined within the contract (e.g. a death benefit over a fixed term, the policyholders' account value, or a combination of guarantees) and the expected coverage duration of the contract.

However, this release of CSM is not applicable if there are adverse changes in future cash flows greater than the remaining CSM. In this case, the group of contracts becomes onerous and the loss is immediately recognized in the statement of profit or loss.

When a group of insurance contracts is onerous, on initial recognition or subsequently, the LRC includes a loss component reflecting the loss recognized in the statement of profit or loss. As long as the group of contracts remains onerous, subsequent changes in the amount of loss component are immediately allocated to the statement of profit or loss.

2.12.5.6 Liability for Incurred Claims (“LIC”)

After initial recognition of a group of insurance contracts, the carrying amount of the group at each reporting date is the sum of two different components: the LRC, that relates to the remaining coverage (see above) and the LIC, which corresponds to the FCF related to past services allocated to the group.

The LIC reflects AXA XL Re's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses, as well as to pay amounts relating to other insurance contract services already provided or any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the LRC.

2.12.6 Measurement with the Premium Allocation Approach (“PAA”)

The Premium Allocation Approach is used for AXA XL Re's Property and Casualty business.

This is a simplified model permitted for the measurement of the liability for remaining coverage (“LRC”) provided that the measurement of the LRC does not differ materially from the general measurement model (“BBA”) or the coverage period is one year or less. With the PAA, the LRC corresponds to premiums received at initial recognition less acquisition costs and amounts already recognized on a pro rata basis as insurance revenue at the closing date. However, the BBA remains applicable for the measurement of incurred claims.

Insurance acquisition cash flows (“IACF”) incurred before the recognition of a group of contracts measured with the PAA are recognized as an asset allocated to that group and future groups of insurance contracts that will include contracts arising from expected renewals. In practice, the recognition of a portion relating to the expected renewals is limited to the groups of insurance contracts with up front or extra-commissions paid for acquiring new business.

2.12.7 De-recognition of insurance contracts

An insurance contract is de-recognized from the group of contracts to which it belongs in case of extinguishment, transfer, or a modification of its terms in a such a way that a new contract is recognized in a new group. The de-recognition of insurance contracts leads to the elimination of the Fulfillment Cash Flows (“FCF”) and an adjustment to the Contractual Service Margin (“CSM”) of the group of contracts instead of generating a direct and immediate effect in the statement of profit or loss, unless the group of contracts becomes onerous or empty. Depending on the cause of de-recognition, the CSM of the group of contracts is adjusted:

- in case of extinguishment of an insurance contract, by the same amount eliminated from the FCF;
- in case of a portfolio transfer to a third party, by the difference between the amount eliminated from the FCF and the premium charged by the third party;
- in case of a modification of insurance contracts (requiring a de-recognition followed by a recognition in a new group of contracts), by the difference between the amount eliminated from the FCF and any additional premium charged to the

policyholder as a result of the modification. This means that the global adjustments of CSM generated by the modification is split between the initial group of contracts and the new one, depending on the hypothetical premium that the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification.

Finally, if an insurance contract is de-recognized because of its transfer to a third party or a modification, the remaining amount previously recognized in Other Comprehensive Income (“OCI”) is reclassified in the statement of profit or loss when the Building Block Approach applies.

2.12.8 Reinsurance contracts

The Company assumes and cedes reinsurance in the normal course of business. Assumed reinsurance refers to the Company’s acceptance of certain insurance risks that other companies have underwritten leading to the recognition of groups of reinsurance contracts issued. Ceded reinsurance refers to the transfer of insurance risks, along with the related premiums, to other reinsurers who will assume the risks as the Company seeks to reduce the potential amount of loss arising from claims events by reinsuring certain levels of risk underwritten, leading to the recognition of groups of reinsurance contracts held.

Both groups of reinsurance contracts issued and groups of reinsurance contracts held are subject to the Building Block Approach (“BBA”) or the Premium Allocation Approach (“PAA”) described in the previous paragraphs provided that there is a transfer of significant insurance risk; in any case, they are not eligible for the Variable Fee Approach as they are not insurance contracts with direct participation features. As the specificities of the treaties can affect their classification, each reinsurance contract is subject to a detailed analysis by AXA XL Re in order to determine the appropriate accounting treatment.

Whereas the recognition and measurement of reinsurance contracts issued are similar to insurance contracts issued, the reinsurance contracts held have some specificities which are described hereafter.

Date of initial recognition

The recognition of groups of reinsurance contracts held depends on the type of coverage. When the reinsurance contract held provides proportionate coverage, the date of recognition of the group corresponds to the date when any underlying insurance contract is recognized by AXA XL Re. When the reinsurance contract held does not provide proportionate coverage, the group of reinsurance contracts is recognized at the earliest of the beginning of the coverage period of the group of underlying insurance contracts and the date when the entity recognizes an onerous group of underlying insurance contracts.

Boundary of contract

For reinsurance contracts held, the cash flows are within the boundary of the reinsurance contract if AXA XL Re has a substantive right to receive services from the reinsurer or a substantive obligation to pay premiums to the reinsurer. Depending on the relationship between the contract boundary of the direct insurance contracts and that of the reinsurance contracts held, in some cases, the reinsurance treaty might offer protection for underlying insurance contracts that AXA XL Re has not issued yet. However, the carrying amount of a reinsurance contract held is nil before any cash flows occur or any service is received.

Measurement

Similarly to underlying insurance contracts, PAA is used for short term reinsurance coverages, while long term coverages are measured with the BBA.

The measurement of reinsurance contracts held follows a mirroring principle of the underlying insurance contracts leading to estimate the present value of the future cash flows of the reinsurance contract held using assumptions consistent with those used for the underlying insurance contracts. Thus, the reinsurance asset is derived using the same assumptions as those used by AXA XL Re for the underlying insurance contracts as these are the ones used to determine the expected reinsurance recoveries. In practice, some reinsurance contracts held by AXA XL Re provide cover for underlying contracts that are included in different groups.

However, using consistent assumptions does not imply the use of the same assumptions as those used for measuring the underlying contracts if those assumptions are not valid for the reinsurance contract held. In practice, the use of the same discount rate might not be appropriate, especially if the reinsurance contract is entered into during the coverage period of the underlying contracts. In addition, the cash flows from the reinsurance contract held include an adjustment for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

At inception, the reinsurance coverage, in exchange of a reinsurance premium, is measured as:

- the reinsurer’s share of the expected present value of the cash flows generated by the underlying insurance contracts, including an adjustment to reflect the fact that the reinsurer might dispute coverage or fail to satisfy its obligations under the contract (risk of non-performance / counterparty risk) ; and
- typically a “net cost” (a “net gain” can however occur in some cases), which is in substance a negative Contractual Service Margin (“CSM”) corresponding to the cost paid to the reinsurer, depending on the pricing of the reinsurance contract held and assessed independently of the CSM arising from the underlying insurance contracts.

The mechanics of the measurement models are the same for the underlying insurance contracts with the difference that the concept of CSM is replaced by the concept of net cost / net gain. This net loss or net gain is deferred and released in profit or loss throughout the coverage period, in line with the provision of reinsurance services. However, if the net cost of purchasing reinsurance relates to past events, i.e. retrospective reinsurance contracts covering such as adverse development covers for incurred claims, any net cost occurring at inception is immediately recognized in the statement of profit or loss.

Subsequently, at the end of each reporting period, the carrying amount of the net deferred cost or gain for reinsurance contracts held is adjusted to reflect changes in estimates. However, if AXA XL Re recognizes losses in the statement of profit or loss on underlying contracts because of adverse changes in estimates of fulfillment cash flows, the corresponding changes in cash inflows for reinsurance contracts held are also recognized in profit or loss and therefore do not adjust the net deferred loss or gain of the group of reinsurance contracts held. As a result, there is no net effect in the profit or loss for the period to the extent that the change in the fulfillment cash flows of the underlying contracts is matched with a change in the fulfillment cash flows on the reinsurance contracts held.

2.13 OTHER LIABILITIES

2.13.1 Deposit liabilities

Contracts entered into by the Company that are not deemed to transfer significant underwriting risk and/or timing risk are accounted for as deposits, whereby liabilities are initially recorded at an amount equal to the assets received. The Company uses a portfolio rate of return of equivalent duration to the liabilities in determining risk transfer. An initial accretion rate is established based on actuarial estimates whereby the deposit liability is increased to the estimated amount payable over the term of the contract.

The deposit accretion rate is the rate of return required to fund expected future payment obligations (this is equivalent to the “best estimate” of future cash flows), which are determined actuarially based upon the nature of the underlying indemnifiable losses.

The Company periodically reassesses the estimated ultimate liability. Any changes to this liability are reflected as adjustments to interest expense to reflect the cumulative effect of the period the contract has been in force, and by an adjustment to the future accretion rate of the liability over the remaining estimated contract term.

2.13.2 Income taxes

The current income tax expense (benefit) is recorded in the statement of profit or loss on the basis of local tax regulations.

Deferred tax assets and liabilities emerge from temporary differences between the accounting and fiscal values of assets and liabilities, and when applicable from tax loss carry forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset the temporary differences taking into account the existence of tax groups and any legal or regulatory requirements on the limits (in terms of amounts or timing) relating to the carry forwards of unused tax credits. The recoverability of deferred tax assets recognized in previous periods is re-assessed at each closing.

In particular, a deferred tax liability is recognized for any taxable temporary difference relating to the value of shares in a consolidated company held, unless the Company controls at what date the temporary difference will reverse and it is probable that the temporary difference will not reverse in the foreseeable future. If an AXA XL Re company decides to sell its stake in another consolidated entity, the difference between the carrying value and the tax value of these shares for the company that holds them leads to the recognition of deferred tax (including as part of a business combination when the Company as the buyer intends to sell or carry out internal restructuring of the shares following the acquisition). The same approach applies to dividend payments that have been voted or deemed likely, to the extent that a tax on dividends will be due.

The measurement of deferred tax liabilities and deferred tax assets reflects the expected tax impact, at the end of the reporting period. That would follow the way the Company expects to recover or settle the carrying amount of its assets and liabilities. When income taxes are calculated at a different rate if dividends are paid, deferred taxes are measured at the tax rate applicable to undistributed profits. The income tax consequences of dividends are only accounted when a liability to pay the dividend is recognized. Deferred tax assets related to the Contractual Service Margin (refer to paragraph 2.12.5.5) are measured at usual local tax rate.

2.14 PROVISIONS FOR RISKS, CHARGES AND CONTINGENT LIABILITIES

2.14.1 Restructuring costs

Restructuring provisions, other than those that may be recognized on the consolidated statement of financial position of an acquired company on the acquisition date, are recorded when the Company has a present obligation evidenced by a binding sale agreement or a detailed formal plan whose main features are announced to those affected or their representatives.

2.14.2 Other provisions and contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when the provision can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at management's best estimate, at the end of the reporting period, of the expenditure required to settle the obligation, discounted at the market risk-free rate of return for long term provisions.

2.15 REVENUES FROM ALL ACTIVITIES

2.15.1 Insurance revenues

The insurance revenue reflects the insurance contract services provided by AXA XL Re over the period, which is derived from the reduction in the liability for remaining coverage ("LRC") during the reporting period, subject to corrections (adjustment of premiums, loss components) and excluding investment components (i.e. amounts to be paid to a policyholder even if an insured event does not occur).

However, the way these changes are reflected in the insurance revenue differs by measurement model.

For the contracts measured under the Premium Allocation Approach ("PAA"), the insurance revenue corresponds to the amount of expected insurance coverage during the period (or passage of time if not significantly different), excluding any investment components.

For the contracts measured under the Building Block Approach ("BBA"), the insurance revenue corresponds to the release of the LRC, depending on the quantity of provided services, and an allocation of insurance acquisition cash flows (refer to paragraph 2.12.5.5).

In substance, the amounts related to the provision of insurance contract services include:

- the expected claims, including expenses other than insurance acquisition cash flows, but excluding those not contributing to the fulfillment of insurance contracts (i.e. non-attributable expenses);
- the release of the risk adjustment for non-financial risk;
- the allocation of the Contractual Service Margin ("CSM") to the period.

The allocation of insurance acquisition cash flows represents the portion of premiums that corresponds to the recovering of those cash flows to each reporting period in a systematic way based on the passage of time, the same amount being recognized as insurance service expenses. This mechanism enables to add back the part of the premium corresponding to the coverage of insurance acquisition cash flows. This means that insurance acquisition cash flows are not recognized in the statement of profit or loss when the acquisition cash flows occur but when the CSM is released.

2.15.2 Revenues from other activities

Revenues from other activities mainly include insurance companies revenues from non-insurance activities, notably commissions received on the sales or distribution of financial products.

2.15.3 Deposit accounting

Contracts entered into by the Company that are not deemed to transfer significant underwriting risk and/or timing risk are accounted for as deposits (see section 2.13.1).

2.16 EXPENSES FROM ALL ACTIVITIES

2.16.1 Insurance service expenses

Insurance service expenses arising from groups of contracts issued by AXA XL Re are recognized in the statement of profit or loss as they are incurred, excluding amounts allocated to refunds of premiums and payment of policy loans. Symmetrically to insurance revenue, the payments relating to investment components are excluded from insurance service expenses.

All insurance service expenses correspond to actual cash outflows within the boundary of contracts identified when projecting and calculating the present value of future cash flows (refer to paragraph 2.12.5). These cash flows are:

- those that relate directly to the fulfillment of insurance contract; and
- those over which AXA XL Re has discretion over the amount or timing. In this respect, the change in discretionary cash flows is determined at inception of the contract (e.g. by identifying the minimum guarantees and defining its profit-sharing policy).

2.16.2 Net expenses from reinsurance contracts held

In the consolidated statement of profit or loss, net expenses from reinsurance contracts held (net income in some cases) are presented separately from the insurance service expenses and included in a single aggregate, corresponding to the net between reinsurance service expenses and amounts recovered from the reinsurers.

2.16.3 Expenses from other activities

The expenses from other activities include the expenses that are the twin of revenues from other activities, namely acquisition costs and administrative expenses relating to other non-insurance activities (i.e. those incurred by insurance entities and holding entities).

2.17 FINANCIAL RESULT (EXCLUDING FINANCING EXPENSES)

2.17.1 Investment return

The investment return recognized through profit or loss consists of:

- net investment income from investments, including net of interest expenses and depreciation expense; this item includes interest received calculated using the effective interest method for debt instruments and dividends received on equity instruments;
- realized gains and losses relating to investments at amortized cost and at fair value through other comprehensive income (with recycling), net of releases of impairment following sales;
- net realized gains and losses and change in fair value of investments at fair value through profit or loss; and
- change in impairment on investments.

2.17.2 Net finance income or expenses from insurance and reinsurance contracts held

Net finance income or expenses from insurance and reinsurance contracts is presented in the AXA XL Re consolidated statement of profit or loss with a split between insurance contracts issued and reinsurance contracts held.

This aggregate comprises the changes in the carrying amount of the groups of contracts that relate to financial risk arising from both (i) the effect of the time value of money and changes in the time value of money and, (ii) the effect of financial risk and changes in financial risk (i.e. effect of changes in discount rates, exchange rate, the time value of options and guarantees).

However, the option to disaggregate insurance (and reinsurance) financial income or expense between the statement of profit or loss and the Other Comprehensive Income ("OCI") is applied by AXA XL Re in order to limit the volatility in profit or loss (considering that many of the supporting financial assets are measured at fair value through OCI under IFRS 9).

Under this option, for contracts without direct participation features, the difference between the valuation of the liabilities at locked-in rates (used for the unwind in the finance income or expenses) and their valuation at current rates is recognized by AXA XL Re in OCI. In the same way, when changes in liabilities arise from a contractual link (indexation) between inflation and the payments to policyholders, the changes due to inflation that relate to future services shall also be considered as resulting from a financial risk

and therefore are recognized by AXA XL Re through OCI with a release over the duration of the payments to the policyholders. The amount included in the statement of profit or loss is determined by a systematic allocation of the expected total insurance (and reinsurance) finance income or expenses over the duration of the group of contracts. This systematic allocation is based on the characteristics of the contracts, depending on whether the changes in assumptions relating to financial risk have a substantial effect on the amount paid to the policyholder or not:

- when the changes in financial risk assumptions do not have a substantial effect on amounts paid to the policyholders, the systematic allocation is determined using the discount rates at the date of initial recognition of the groups of contracts measured with the Building Block Approach and at the date of the incurred claims for groups of contracts applying the Premium Allocation Approach;
- when the changes in financial risk assumptions do have a substantial effect on amounts paid to the policyholder, the systematic allocation is determined by using a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield approach) or a crediting rate based on the amounts credited to the policyholders in the period and expected to be credited in future periods (i.e. the projected crediting approach).

2.18 OTHER INCOME AND EXPENSES

Other income and expenses notably include other insurance expenses, which correspond to overheads assessed as being not attributable to the fulfillment of insurance contracts (refer to paragraph 2.12.5).

2.19 SUBSEQUENT EVENTS

Subsequent events relate to events that occur between the end of the reporting period date and the date when the financial statements are issued:

- such events lead to an adjustment of the consolidated financial statements if they provide evidence of conditions that existed at the end of the reporting period;
- such events result in additional disclosures if indicative of conditions that arose after the end of the reporting period, and if relevant and material.

See Note 21 for further details.

Note 3 Scope of Consolidation

3.1 CONSOLIDATED COMPANIES

3.1.1 Main fully consolidated companies

Below is a list of the main fully consolidated companies of AXA XL Re, excluding consolidated investment funds and real estate entities. Each of the below are wholly owned by AXA XL Re.

AXA XL Re Entities	Jurisdiction
AXA XL Reinsurance Ltd	Bermuda
XL Re Europe SE	Ireland
Catlin Re Switzerland Ltd	Switzerland
XL Reinsurance America Inc	United States

3.1.2 Main investments in companies accounted for using the equity method

Companies accounted for using the equity method are discussed in Note 8 with the exception of equity-method investment funds. As of December 31, 2023, investment funds accounted for using the equity method amounted to \$215.0 million invested assets (\$202.0 million at the end of 2022). See Note 2.7.2.1 for further details.

3.2 NON-CONSOLIDATED STRUCTURED ENTITIES

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when relevant activities are directed by means of contractual arrangements. Structured entities often have a narrow and well-defined objective or restricted activities.

The Company holds interests in investment funds including real estate companies. These funds are accounted for using the equity method (see Note 2.3.1). Other funds are not consolidated because they are not controlled or under significant influence. By nature, and notably because of the power of decision usually given to the asset managers (internal or external to AXA XL Re), most of these funds are structured entities.

As an investor, AXA XL Re's interests in non-consolidated funds are limited to the investments held which are fully recognized in the consolidated statement of financial position. Depending on the nature of its investment, AXA XL Re receives interests or dividends and can realize capital gains or losses when sold. These investments are subject to impairment testing as any financial asset.

Information on these non-consolidated investment funds are provided in different sections of these financial statements:

- Note 7 Investments, with the breakdown of investments and detail on non-consolidated investment funds in Note 7.7.
- Note 16 Net financial result excluding financing expenses.

Note 4 Acquisitions

4.1 COMMON CONTROL ACQUISITIONS

Throughout 2020 and 2021, XL Group Ltd. through XL Bermuda Ltd (“XLB”) and XL Reinsurance America Inc. (“XLRA”) designed a number of transactions to create a reinsurance specific reporting entity – AXA XL Reinsurance Ltd.

During 2022 and 2023, the Company and its subsidiaries continued to enter into certain transactions to transfer reinsurance business from other AXA entities to AXA XL Re.

4.1.1 Accounting method

The below acquisition transactions are classified as common control transactions, as the combining entities are ultimately controlled by the same party (or parties) both before and after the combination. Common control combinations are outside the scope of IFRS 3 and as explained in Note 2.3.2, AXA XL Re has accordingly applied the predecessor value method to account for these business combinations retroactively from the date these entities came under common control.

4.1.2 Acquisition of XL Reinsurance America Inc.

During 2023, XLB contributed all shares of XL Reinsurance America Inc. (“XLRA”) to AXA XL Reinsurance (Holdings) Ltd, with no consideration paid. Prior to the effective date, XL America Inc., a subsidiary of XLB, was the sole shareholder of XLRA, with a carrying value of \$948.9 million. The Company and XLB are ultimately controlled by the same parent company, AXA.

Immediately subsequent to the initial contribution, AXA XL Reinsurance (Holdings) Ltd contributed all assets to the Company, which is a direct subsidiary of AXA XL Reinsurance (Holdings) Ltd. As a result, XLRA is now a direct wholly-owned subsidiary of the Company.

The table below provides the details of the assets and liabilities acquired, net of reserves and translation reserves assumed of \$636.4 million, prior to any consolidation adjustments including the elimination of intercompany reinsurance agreements. Refer to Note 18 for detail regarding the intercompany reinsurance agreements.

Reserves and translation reserves were comprised mainly of retained earnings and other comprehensive income relating to unrealized gains on investments. A total of \$636.4 million assumed share consideration equal to the share capital of XLRA, was contributed by XLB to AXA XL Re, via AXA XL Reinsurance (Holdings) Ltd, on acquisition. The balances presented below have been restated for the implementation of IFRS 4 and IFRS 17, which were adopted on January 1, 2023.

(US Dollars in thousands)

Intangible assets	4,467
Investments	1,741,002
Assets arising from reinsurance contracts held	750,678
Receivables	860,470
Cash and cash equivalents	90,115
Total carrying value of assets acquired	3,446,732
Liabilities arising from insurance contracts and investment contracts with discretionary participation features	2,118,449
Provisions for risks and charges	1,313
Payables	378,075
Total carrying value of liabilities assumed	2,497,837
Carrying value of net assets acquired	948,895
Less: reserves and translation reserves assumed	(636,392)
Carrying value of net assets acquired net of reserves and translation reserves assumed	312,503
Total consideration received in shares	312,503

4.1.3 Acquisition of AXA XL Resseguros S.A.

During 2021, AXA XL Re's subsidiary Catlin Re Switzerland Ltd ("CRCH") owned 50.32% of AXA XL Resseguros S.A. Effective January 21, 2022, CRCH acquired the remaining 49.68% shares in AXA XL Resseguros S.A. from XL Insurance Company SE ("XLICSE") for \$46.4 million, with one share remaining in possession of another AXA entity. As AXA XL Resseguros S.A. was previously an indirect partially-owned subsidiary of the Company, it was consolidated in the financial statements for the years ending December 31, 2022 and 2023.

4.1.4 Singapore Branch

During 2021, CRCH established a Singapore Branch to assume any new or renewed business previously written by the XLB Singapore Branch, an affiliated company. Effective January 1, 2022, the assets and liabilities from XLB Singapore Branch were transferred to CRCH Singapore Branch for a cash consideration of \$197.0 million. The Singapore Branch is licensed by the Monetary Authority of Singapore to carry on general business in Singapore under section 8 of the Insurance Act.

The table below provides the details of these assets and liabilities acquired, net of reserves and translation reserves assumed of \$91.9 million. Reserves and translation reserves were comprised mainly of retained earnings and other comprehensive income relating to unrealized gains on investments. The balances presented below have not been restated for the implementation of IFRS 4 and IFRS 17, which were adopted on January 1, 2023.

(US Dollars in thousands)

Intangible assets	4,850
Investments	281,911
Reinsurers' share in insurance contracts liabilities	16,809
Receivables	138,304
Cash and cash equivalents	25,024
Total carrying value of assets acquired	466,898
Liabilities arising from insurance contracts	164,520
Provisions for risks and charges	120
Deferred tax liabilities	1,289
Payables	100,424
Total carrying value of liabilities assumed	266,353
Carrying value of net assets acquired	200,545
Total consideration paid	196,968
Difference between net assets acquired and consideration paid	3,577

Note 5 Financial and Reinsurance Risk Management

5.1 RISK MANAGEMENT AND INTERNAL ORGANIZATION

The Company faces strategic, financial and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment, reserving, changes in laws or regulations, information systems, business interruption and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on the Company's profitability, capital strength and liquidity. This is managed by the Risk Management ("RM") function, an integrated part of all business processes, who define and deploy the Risk Management Framework ("RMF").

The Company RMF consists of a set of risk policies and standards. These are reviewed and approved by the Board, at least annually. The RMF would be reviewed more regularly if the Company was subject to a major change in regulatory requirements, strategy or organizational structure.

The aim of the RMF is to:

- Support business objectives and strategy;
- Provide management information to facilitate the identification and understanding of material risks including related mitigants;
- Contribute to the Company's overall internal control framework by helping to manage the inherent complexity within the business;
- Maintain the desired credit rating which is applicable to the Company;
- Support regulatory risk management requirements.

The Board meets regularly and oversees the implementation and embedding of the RMF and monitoring of Company performance against risk appetite. The Board also has responsibility for capital monitoring. The Board ensures that material and emerging risks are identified and reported and that appropriate arrangements are in place to manage and mitigate those risks effectively. The Company's stress testing framework and outputs are reviewed by the Board and support understanding of the risk profile.

The AXA XL Division ("AXA XL") and the Company are required by AXA Group to comply with AXA Group policies and standards. The AXA Group Standards form part of the overall risk management framework including Compliance, Internal Audit, Internal Control and Risk Management. AXA Group Standards have specifically identified Divisional and Company standard owners. The Group Solvency II Policies have been implemented and adapted to AXA XL Division's specificities as described in the AXA XL Division's Solvency II Policies. These policies are also implemented at legal entity level with local addendums. The Solvency II Policies implement AXA's risk strategy throughout the AXA XL Division and the Company, facilitate control mechanisms and consider the nature, scope and time horizon of the business and the associated risks.

The AXA standards include Risk Management Second Opinions, the Internal Control Framework and the Risk Appetite Framework which are outlined below.

5.1.1 Risk management second opinions

The AXA Standards require Risk Management to provide formal "Second Opinions" in certain key areas of risk to ensure that the viewpoint of Risk is formally documented within any related concerns and mitigation plans. The "Second Opinions" are provided by Risk Management "Centers of Excellence" at the divisional level and cover the following areas:

- New products and loss-making portfolios;
- Reserves;
- New investments and changes to the Strategic Asset Allocation ("SAA");
- Strategic business plan;
- Reinsurance program ; and
- Major projects.

5.1.2 Internal control framework

The AXA XL Internal Control team, within the Risk Management function, manages the AXA Internal Control Framework at AXA XL Division and monitors the overall system of controls, covering all AXA XL departments and processes, ensuring all controls are performed. The AXA Internal Control Framework provides a robust and effective approach by:

- Implementing a risk-based approach to focus on risks that really matter;
- Promoting management accountability for controls;
- Introducing a common set of tools and techniques to be consistently used across the Group;
- Improving coordination between the different control functions.

The implementation of the AXA XL framework was finalized in 2021, with a total of 30 macro-processes for AXA XL that constitute the AXA XL value chain for the insurance and reinsurance business. For each macro-process, key risks are defined and for each key risk, control objectives are defined to cover them. For each control objective, controls are designed and operated locally to efficiently meet control objectives and mitigate the related key risk.

The AXA XL Internal Control team is also responsible for the Internal Financial Control framework, looking at key controls around financial reporting and Solvency II across the Division. This framework has been in place at AXA XL for many years and provides reasonable assurance to legal entities within the Division that financial reporting is reliable and compliant with applicable laws and regulations and provides comfort over the completeness, accuracy and appropriateness of data.

5.1.3 Risk appetite framework ("RAF")

The Company's RAF is a key dimension of the risk management strategy and mirrors the AXA Group RAF. The RAF distinguishes between 'Risk Appetite Statements' which apply to multiple risk types, and 'Risk Appetite Exposures' which apply to single risk types. In addition, there exists the potential for additional 'Risk Indicators' which are not explicitly specified in the scope of the RAF but are identified as required by the Company. The RAF is used to provide governance for setting new monitoring requirements, as well as reviewing and updating existing risk appetite statements, tolerances and limits, so that these are aligned with business and risk management strategies. The Company's RAF focuses on regulatory capital at risk, tolerances to risks from material individual events (e.g. natural catastrophes, realistic disaster scenarios that cross multiple lines of business, etc.), liquidity standards, and tolerance to specific investment related risks. The Board approved risk appetites and risk tolerances were reviewed during the 2024 business planning process and it was determined that all statements and tolerances were appropriate to allow the Company to execute the 2024 business plan.

5.1.4 Risk management strategy

The risk management strategy is overseen by the Board and supports the delivery of the overall business strategy. To support the Board, the RM function oversees detailed risk management activity and monitoring against the Board approved risk appetites.

The risk management strategy is to ensure that risk implications, as well as reward, are considered in both setting and implementing the Company's strategic and business objectives, and risks associated with the strategic direction of the business are appropriately monitored. The strategy is articulated in the risk policies and is achieved by incorporating risk processes, information and decisions in the day to day running of the business.

The Company's strategy involves taking on risk to generate return. Risks are selected and controlled or traded off through the risk strategy that focuses on:

- Retaining risk within an approved risk appetite that is consistent with our strategic objectives while maintaining appropriate levels of capital;
- A diversified portfolio of underwriting and financial markets risks;
- Managing excessive aggregation risk via a limit framework;
- Exercising consistency and transparency of risk management and control across the Company;
- Risk mitigation on key underwriting and financial market risks to protect capital from the impact of extreme events; and
- Risk reporting to the Board and other stakeholders (e.g. regulators).

The risk management strategy and risk appetite frameworks are supported by the following:

- Risk Governance - a clear and cost-effective organizational structure for risk management, including clear roles and responsibilities. The Company operates a 'Three Lines of Defense' governance structure, at a functional level and at a management committee level.

- Risk Definition and Categorization - provides a common taxonomy and language for risk to allow for categorization of all risks in a way which facilitates links between the business and risk management processes.
- Risk Cycle and Processes - the approach taken to top down, bottom up and process led risk identification, quantification and management and control.
- Risk Management Information and Reporting, including Commercial Insurer Solvency Self-Assessment ("CISSA") Production - ensuring timely and accurate information is reviewed in line with the governance structure.
- Risk-Based Decision Making - the results of the CISSA and the insights gained in the CISSA process are considered for a range of business decisions.
- Skills, Resources and Risk Culture; Organizational Learning; Change Management Governance - all enable a mature risk culture throughout the Company.

5.1.5 Risk management and solvency self-assessment systems implementation

The CISSA process includes all the material risks, processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face and to determine capital necessary to ensure that the Company's overall solvency needs are met at all times.

The Regulatory Capital Requirement is derived using the Bermuda Solvency Capital Requirement ("BSCR") standard formula. The results are presented to the Board to provide richer insights on risk exposures, and to inform and drive risk and capital-based decision making.

The processes for the CISSA and production of the CISSA Report are tailored to fit into the Company's organizational structures in a proportionate manner with techniques to assess the overall solvency needs and taking into consideration the nature, scale and complexity of the risks inherent to the business.

The risk management cycle is set for key aspects of the risk management process that are deemed to be part of the CISSA process and that will support the production of the Company's CISSA Report. The CISSA process includes procedures that enable the Company to monitor its compliance with its risk appetites, risk limits, and regulatory capital requirements whilst considering potential future changes in the risk profile and considering stressed situations.

5.1.6 Relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

The Company's RMF is designed to be comprehensive and to provide a sound basis for the set of risk appetites, and the capacity to identify, manage and report on key risks facing the Company on a timely basis. From this, we can see that the Company's risk profile can be managed in line with its Board approved limit and risk appetite framework.

The Company uses the BSCR to calculate the required CISSA capital to support its business plans based on risks facing the business. AXA XL also maintains its own internal model which is used to determine its contribution to the AXA Group consolidated solvency position and to assist the Company with its portfolio shaping decisions and return metrics.

5.1.7 Internal financial control ("IFC")

The Internal Control function is committed to promoting a robust Internal Control Framework, including Internal Financial Control, for the Audit Committee of key legal entities within the AXA XL Division, executive management, and external stakeholders to rely on for financial and regulatory reporting purposes.

The IFC's core strategic objectives include:

- Conducting an effective and efficient assessment of the design and operating effectiveness of internal controls over financial reporting;
- Identifying areas in which the inherent risk of financial misstatement is high so that management can address these risks before they manifest themselves in an actual misstatement;
- Providing executive management, the Company's Board and AXA Group reasonable assurance over AXA XL's financial reporting processes; and
- Adding value by helping management promote a robust control environment.

The Internal Control team performs a regular assessment of the control framework which includes risk identification, risk assessment and planning, documenting business processes, evaluation and validation of key risks, testing of controls and identification and management of issues. For the Internal Financial Control Framework, this cycle is annual and well established.

The team is also responsible for monitoring remediation plans until closure and for making regular reporting on controls results to AXA Group, the Reinsurance Audit Risk and Compliance Committee ("Re ARCC"), the Audit Committee of key legal entities, executive management and external auditors and regulators.

5.1.8 Compliance function

The Compliance function is responsible for advising the Company's management and Board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with the Insurance Act 1978 and other local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to the Company's operations. The function provides expertise, advice and support to various departments of the Company to assess situations and compliance matters, analyze compliance risk and contribute to design solutions to mitigate those risks to which the Company is exposed.

The Compliance function has a direct reporting line to the Global Chief Compliance Officer and to regional and global business Chief Executive Officers. The compliance function manages a wide range of compliance related matters including (i) regular reporting on significant compliance and regulatory matters to senior management and to regulators, (ii) financial crime matters (which include anti-corruption, anti-bribery, anti-money laundering programs as well as international sanctions/embargo compliance), (iii) data privacy, (iv) Employee Compliance & Ethics Guide and, (v) the monitoring of compliance and regulatory risks.

The Compliance function undertakes an annual Compliance Risk Assessment to identify the most significant compliance risks to which the business is exposed. Based on this assessment, an Annual Compliance Plan is developed at the end of each year for the following year.

The compliance activities within the Company are articulated around a number of AXA Group Standards and Policies which set the minimum requirements expected to be covered by the Company. The AXA XL Code of Conduct (the "Code") contains standards and policies on significant risks affecting the compliance activities as well as the high-level control and monitoring principles to which the Company must adhere. Both the standards and policies contained in the Code (e.g. compliance governance, anti-money laundering, sanctions, anti-bribery, etc.) are mandatory. In addition, the Compliance function has adapted the AXA XL Division requirements and developed local policies to align with the relevant laws and regulations in the jurisdiction in which the Company operates and conducts business. These local policies are reviewed on a regular basis with recommendations being made for adoption to the Board or the Executive Committee.

On a regular basis, the Compliance function reports directly to the Audit Committee on significant compliance matters. These include major regulatory changes that have compliance implications, results of the Compliance Risk Assessment, the Annual Compliance Plan, and any other significant issues that require escalation.

5.1.9 Internal audit function

AXA XL Internal Audit exists to help the Board and Executive Management protect the assets, reputation and sustainability of the organization by providing an independent and objective assurance activity designed to add value and improve the organization's operations. It helps the organization meet its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of governance and risk and control management.

The AXA XL internal audit function has an audit charter to document its mission, independence, scope, accountabilities, responsibilities, authorities and standards. The charter is approved by the relevant Audit Committee each year.

The head of the AXA XL internal audit function has a direct and unfettered reporting line directly to his/her respective Audit Committee Chairman.

AXA XL Internal Audit functionally reports through to the Global Head of Audit who reports to the Group Audit Committee Chairman.

AXA XL Internal Audit annually sets up an internal audit plan of work, based on an assessment of both the inherent risk and the adequacy of controls. Its performance is formally monitored and reported to the Audit Committee.

Over the audit cycle, all applicable audit universe components for each entity are expected to be audited. Any exceptions identified are notified to the Audit Committee for ratification.

A report is issued at the conclusion of each audit assignment to the relevant senior management. The results of the audits and resolution status of internal audit issues are presented to the Audit Committee and Executive Management on a regular basis.

5.2 MARKET RISK

Market risk represents the potential for loss due to adverse changes in the fair value of financial and other instruments. The Company is principally exposed to the following market risks:

Component	Definition
Interest rate and spread risk	Financial loss or volatility of profits due to the combined sensitivity of the economic value of the investment portfolio and reinsurance liability cash flows and to changes in the level or volatility of benchmark interest rates and credit spreads.
Market risk concentrations	Financial loss or volatility of profits due to the increased sensitivity of the market value of the investment portfolio to other risks specifically due to concentrations of investments such as in specific geographical region, industry or company.
Foreign exchange risk	Financial loss due to volatility in the value of the Company's assets and liabilities following changes in currency exchange rates.
Equity price risk	Financial loss or volatility of profits due to the sensitivity of the value of the investment portfolio to changes in the level or in the volatility of market prices of equities.

For further details of the Company's investment portfolio which is subject to the risks above, see Note 7.

The Company identifies and manages market risk through the following processes:

Process	Definition
Business planning	As part of the annual planning process, a review is undertaken of the nature of assets required to support the business plan and the expected liabilities.
Investment risk appetite	The Company Risk Appetite Framework sets maximum risk tolerances and is reviewed annually.
Risk reporting and processes	The risk reporting process assists in identifying if there are any changes to market risks already identified in the previous assessment.

The Strategic Asset Allocation ("SAA") process establishes a target allocation for the investment portfolio that is constructed to maximize enterprise value, subject to various considerations and constraints. It is subject to the risk tolerances recommended by Risk Management and is approved at least every 3 years by the Board (planned to be updated annually starting in 2024).

- **Authorities Framework / Risk Appetite Framework**

In conjunction with the SAA, the Company has a Risk Appetite Framework modeled off the AXA Group and AXA XL Divisional framework which limits exposure to various asset classes (with tighter limits for higher risk asset types), as well as duration and FX mismatches. The Company also benefits from AXA XL Division centralized investment risk monitoring through the Investment Authorities and Guidelines, which further monitors exposures by average credit quality, corporate industry sector, region (for municipal securities, emerging markets), BBB exposure, and leverage. These controls are implemented through regular compliance monitoring and reporting.

The Risk Appetite Framework and associated market risk limits address the key market risk factors and are commensurate with the volume and complexity of activity undertaken by the Company. The framework is designed to capture investment risks and to consistently and objectively measure, assess, manage and report such risks on an ongoing basis.

- **Service Level Agreement**

A service level agreement is in place between XL Group Investments Ltd. and the Company. This includes guidance on type of investments and the weighted average credit ratings of the portfolio that can be made on behalf of the Company. Adherence to policies and limits are monitored on a regular basis and reported to the Board.

5.2.1 Foreign exchange risk

Foreign currency exposures represent all net assets and liabilities held in currencies other than US dollars that generate foreign exchange volatility. The Company's foreign currency exposure is dominated by the Euro, British Pound and Canadian Dollar. The majority of our exposure relates to subsidiaries of the Company which are denominated in the currencies below with our foreign currency exposure reported as translation reserves in the consolidated statement of changes in equity.

The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. Asset liability management analysis is run regularly to adjust surplus and shortfall currencies, ensuring that the entity exposures are broadly matched.

The table below outlines the Company's year-end adjusted net asset exposure.

<i>(Foreign currency in USD thousands)</i>	December 31, 2023		December 31, 2022, restated	
Euro	893,874		945,900	
British Pound	214,780		122,000	
Canadian Dollar	210,694		55,300	

5.2.2 Stress testing and sensitivity analysis on the investment portfolio

An embedded Stress Testing framework is used to understand possible impacts of major risks, including market risks. The following stress and scenario tests are used to identify risk exposures:

- Interest rate and credit spread sensitivity testing: by re-valuing current portfolio holdings assuming various changes in the levels of interest rates and credit spreads;
- FX stress tests on assets and liabilities;
- Ad hoc scenario stress testing as deemed appropriate by Risk Management;
- Predefined stress tests in accordance with the BMA framework.

The Company performs sensitivity analyses to estimate its exposure to movements in interest rates and equity markets. These analyses quantify the potential impact on the Company of positive and adverse changes in financial markets.

The sensitivities of shareholder's equity to changes in major economic assumptions were calculated as follows for year-end 2023:

- upward/downward shift of 50 basis points in reference interest rates simulates an instantaneous shock to the initial conditions;
- upward/downward shift of 50 basis points in credit spreads in similar fashion to interest rates;
- 25% higher/lower value of equity markets simulates a shock to the initial conditions for equities only. Listed equities and private equity values including the impact of equity hedges are shocked (i.e., changes to current market values of all these equities excluding hedge funds).

<i>Investment Portfolio Sensitivities</i> <i>(US Dollars in thousands)</i>	December 31, 2023		December 31, 2022, restated	
	Amount	As a Percentage	Amount	As a Percentage
Shareholder's Equity	3,717,219	100.0 %	2,528,646	100.0 %
Interest rates +50bps	(75,894)	(2.0)%	(33,873)	(1.3)%
Interest rates -50bps	78,102	2.1 %	34,439	1.4 %
Credit spreads +50%	(66,545)	(1.8)%	(49,453)	(2.0)%
Credit spreads -50%	68,697	1.8 %	51,042	2.0 %
Equity Markets +25%	12,589	0.3 %	15,802	0.6 %
Equity Markets -25%	(12,589)	(0.3)%	(15,802)	(0.6)%

Note: All sensitivities are presented net of tax.

5.3 CREDIT RISK

Credit risk is defined as the risk of loss resulting from migration and default. The Company is exposed to five sources of credit risk: (i) underwriting businesses with products with embedded credit risk exposures, (ii) Investments, (iii) Treasury, (iv) Unsecured Reinsurance Recoverables and (v) Broker Premium Receivables. Credit risk arising from country specific exposures is captured as part of the country risk framework.

Each source of credit risk is further defined as follows:

Component	Description
Reinsurance counterparty risk	Risk of losses due to the default of a reinsurer or a deterioration of its credit worthiness.
Investment counterparty risk	Counterparty default risk is the risk of possible losses due to the unexpected default, or deterioration in the credit standing of investment counterparties.
Premium counterparty risk	Premium counterparty default risk is the risk of possible losses due to unexpected default, or deterioration in the credit standing of the premium debtors in relation to reinsurance contracts written.
Underwriting counterparty risk	Exposure to obligor credit risk default or deterioration of obligor that the Company is exposed to through certain credit sensitive underwriting activities which include, Trade Credit, Commercial and Construction Surety, and Professional Lines.
Treasury risk	Exposure to the risk of default or to the risk of credit deterioration of counterparty banks used by the company in its day-to-day Treasury operations (deposits, cash balance and foreign exchange transactions).

5.3.1 Credit risk framework

The Company benefits from the Credit Risk Framework of the AXA XL Division, which is managed with four sets of limits:

1. The Systemic Credit Clash Scenario is an enterprise view of portfolio risk to a systemic credit event that incorporates all relevant risk sources that could be impacted by a credit risk event.
2. The Systemic Financial Institutions Realistic Disaster scenario (FI RDS) is an underwriting view of portfolio risk to a defined global financial crisis.
 These scenarios (Systemic Credit Clash and FI RDS) reflect an "instantaneous" view of the ultimate risk. The scenarios conservatively assume that the entirety of the losses, which are expected to be multiyear in nature, all occur on day one. The risk sources are diverse in terms of how they are expected to manifest themselves, thus creating a form of "time diversification". The scenarios are expressed in Probable Maximum Loss (PML) terms with methodologies aligned to tail events.
3. Obligor idiosyncratic concentration risk is managed with alerts and limits set as a function of obligor credit quality. Alerts and limits are in USD net notional terms representing the amount at risk and assuming no recovery. Exposures are from the functional sources (Reinsurance Recoverables, Treasury, and Investments) and from the reinsurance underwriting businesses with embedded credit risk activities. Credit quality ratings are derived from AXA Group. When an obligor is not in the AXA Group universe, AXA XL applies its own credit rating methodology.
4. Country risk limits are set to manage obligor concentration aggregated at their country of risk level with limits by country expressed in PML terms and with methodologies aligned to tail events.

Guidelines are used to manage concentration to brokers and issuers of incoming letters of credit and surety bonds.

In addition, obligor exposures are also required to align to the AXA Group Global Issuer Framework which can constrain AXA XL obligor deployment even if AXA XL credit risk framework capacity exists. Constraints from Group come in various forms:

- Names on Ban list due to default risk, reputational risk, or high level of deployment;
- Names on Watch list where available capacity has already been allocated to other AXA entities;
- Names with specific risk allocations to the credit sensitive businesses and to Treasury.

Credit risk arising from credit sensitive underwriting activities is managed via the underwriting limit framework. Credit risk in the investment portfolio is managed through various frameworks applied at AXA XL and Company including Authorities & Guidelines, and Fixed Income Concentration. These address the credit quality of obligors and counterparties, diversification, and exposure versus limits by rating, term, and seniority.

5.3.2 Investment portfolio

Credit risk is also managed through the credit research performed by external investment management service providers, AXA Group Risk Management, and the in-house portfolio management team.

At December 31, 2023 and 2022, the breakdown of the investment portfolio by credit rating category was as follows:

Investment Portfolio by Credit Rating Category	Percentage of Total	
	December 31, 2023	December 31, 2022, restated
AA & above	50.9 %	53.2 %
A	29.5 %	26.7 %
BBB	19.0 %	19.7 %
BB and below / other	0.6 %	0.4 %
TOTAL	100%	100%

5.3.3 Reinsurance recoverables

The Company manages its credit risk in its external reinsurance relationships by transacting with reinsurers that it considers financially sound, and if necessary, collateral in the form of funds withheld, trust accounts and/or irrevocable letters of credit may be held.

The following table sets forth the ratings profile of the reinsurers that support the unpaid loss and loss expense recoverable and reinsurance balances receivable, net of collateral, at December 31, 2023 and 2022:

Reinsurer Financial Strength Rating	Percentage of Total	
	December 31, 2023	December 31, 2022, restated
AA & above	87.9 %	87.5 %
A	9.7 %	10.6 %
BBB	1.3 %	0.9 %
BB and below	0.9 %	0.5 %
Captives	0.2 %	0.5 %
TOTAL	100 %	100 %

5.3.4 Stress testing

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including credit risks. AXA XL stress tests the impact of downgrades against the obligor credit and country risk appetites. The Company initiates corrective actions by restricting any further capacity deployment in case of a high probability of downgrade that would breach the company credit or country risk limits.

5.4 INSURANCE RISK

Insurance risk is defined using the following categories:

Component	Definition
Underwriting risk	Underwriting risk derives from reinsurance policies written for the current period and from unearned exposure from prior periods. The risk is that the corresponding premium will be insufficient to cover future claims and other costs or more generally that the underwriting profitability from this tranche of business will be less than expected; underwriting risk includes man-made catastrophe events and natural catastrophe events.
Reserve risk	Reserve risk relates to policy liabilities (corresponding to business written in prior periods where the exposure has already been earned at the opening financial position date) being insufficient to cover the cost of claims and associated expenses until the time horizon for the solvency assessment. Additional risks are that the timing or amount of actual claims pay outs do not align with the timing or amounts of the estimated claims pay outs and that there are changes in the valuation of the market value margin (risk margin) during the time horizon for solvency assessment.

Underwriting and loss experience is reviewed regularly for, among other things, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions. Underwriting risk is also identified through:

Process	Description
Business planning	Analysis is undertaken of the underwriting portfolio, exposures, loss experience and changes to the external environment (including market cycle, economic environment) to identify any changes to the insurance risk profile for the forthcoming period of the budget/business plan.
Underwriting processes (including guidelines and escalation authorities)	Each individual contract written is assessed, through the underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of insurance risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria.
Reserving and claims process	On an ongoing basis, claims trends are monitored and analyzed for any indications of change to the underlying insurance risk.
Risk assessment and process	Through the risk assessment processes, the Company quantifies existing risks and identifies new risks.
Development of Realistic Disaster Scenarios (RDS) and other scenarios	Used to monitor exposure to the defined scenarios and monitor compliance with underwriting risk tolerances and limits.
Independent underwriting reviews	Conducted on a risk-based approach by the Underwriting Governance team.

5.4.1 Mitigation strategies

5.4.1.1 Reinsurance purchase

The Company participates in the AXA XL managed outwards third party reinsurance risk transfer program to support the Company's underwriting strategy within risk appetite and to ensure efficient use of capital. AXA XL collaborate with the AXA SA on the outwards reinsurance strategy placements, especially for placements where there is an AXA Group Risk Appetite in place. Business ceded varies by location and line of business based on a number of factors, including market conditions. The goals of the outwards reinsurance risk transfer program include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. The overall goal of the program is to reduce volatility and enhance overall capital efficiency.

In addition the Company considers reinsurance arrangements with affiliates within the AXA XL Division. The two most significant arrangements involve Syndicate 2003 and XL Bermuda Ltd and amounts related to these contracts are detailed in Note 18.

The Company's reinsurance strategy is considered as part of the annual business planning process. The impact of that strategy is monitored quarterly by management.

5.4.1.2 Actuarial function

To mitigate the risk of large changes of reserves from one period to the next which are due to internal (not external) factors such as human errors, the reserving process performed by the Actuarial function is highly structured, strictly defined and controlled, and includes several layers of oversight.

5.4.1.3 Reserve 2nd Opinion

To have an independent opinion on the level of technical reserves, and on the risks and uncertainties related to the reserve valuation process, AXA XL conducts two reserve assessments, performed by independent reporting lines: The 1st Opinion assessment is performed by Actuarial Financial Reporting (reporting to the CFO), and the 2nd Opinion assessment is performed by Risk Management (reporting to the CRO). The two assessments are developed separately and presented to the Management Review Committee of Reserves which determines the level of booked reserves based on the two views.

5.4.1.4 Rating adequacy

Underwriters are supported by dedicated teams of claims personnel and pricing actuaries. Technical prices are determined using a blend of both experience and exposure rating methodologies including industry recognized catastrophe models where available. A technical price is assessed and compared to the actual price for all business written and reflects the mean losses expected to arise from a contract with appropriate loads for expenses and the cost of capital. Underwriting guidelines and policy forms differ by product offering as well as by legal jurisdiction. Pricing tools are specialized and generally operate by line of business. Pricing is overseen by the Chief Pricing Actuary who reports to the CEO, Reinsurance and is a member of the Reinsurance Leadership Team

5.4.1.5 Underwriting authorities and guidelines

All underwriters are assigned individual underwriting authorities with the objective of preserving the capital base and controlling earnings volatility. Authorities within the business units are delegated through the underwriting management structure, and the annual review of underwriting limits is part of the business planning process. Authorities are also set in line with individual underwriter experience level, agreed risk appetites and risk tolerances for material individual events, RDS' that cross multiple lines of business, and from risks related to some or all the above that may occur concurrently.

The Company underwrites and prices most risks individually following a review of the exposure and in accordance with its underwriting guidelines. The Company seeks to serve our clients while controlling our exposure both on a portfolio basis and on individual reinsurance contracts through terms and conditions, policy limits and sub-limits, attachment points and ceded reinsurance (outwards) arrangements on certain types of risks.

5.5 LIQUIDITY RISK

Liquidity risk is defined as the inability to meet cash and collateral posting obligations when they come due. Liquidity risk arises from three principal areas: operating, financing, and investing cash flows. The RMF addresses how the Company manages liquidity both under a normal and a stressed environment.

5.5.1 Mitigation strategy

One of the principal objectives of liquidity risk management is to ensure that there is readily available access to funds with which to settle large or multiple unforeseen claims. It is generally expected that positive cash flow from operations (underwriting activities and investment income) will be sufficient to cover cash outflows under most future loss scenarios.

Cash requirements include all possible claims on cash from policyholders, and operations. Some of these cash outflows are scheduled while others are known with much less certainty. The goal is to ensure sufficient liquidity in the asset portfolio, together with secured external cash sources, to provide for timely payment of potential cash demands under both normal business conditions and under extreme conditions resulting from unforeseen events over multiple time horizons. AXA XL Treasury has responsibility to identify and monitor concentration risk of cash at banks, along with funding requirements.

Liquidity risk is managed through:

- Asset-liability management (ALM) - Treasury conducts detailed ALM analysis to match the currency mix of its liabilities with appropriate assets. Investments manages the Duration Gap of assets and liabilities within a pre-defined range.
- Special funding clauses - The major source of liquidity risk within underwriting contracts is the provision of rating triggers, which are common practice. These triggers typically necessitate the cancellation of the policy and the return of the cedant's unearned premium in the event of being downgraded below a certain rating level, which has the potential to be a material liquidity event when aggregated. There are controls in place to ensure that there is appropriate authorization for the inclusion of a downgrade clause in a contract.

The AXA XL Treasury and Risk Management departments serve as the focal point for liquidity monitoring, drawing on the expertise of other internal functions, as well as managing cash held at bank accounts covering day-to-day cash requirements, typically referred to as operating cash. Operating cash balances, together with cash managed within the investment portfolio, comprise the primary sources of liquidity for the Company. The Company has several credit facilities in place which are detailed in Note 19.1.

The state of the Company's liquidity is routinely reported to the Board and monitored as part of the RAF.

5.5.2 Stress testing

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including liquidity risks. A stressed liquidity analysis report is prepared on a quarterly basis by Treasury and Risk Management, which includes the Company's own view of the stressed sources and uses of liquidity over multiple time horizons (ranging from 1 week to 12 months). Entities must maintain positive excess liquidity post simultaneous stresses from operating cash flows, capital market events, and natural catastrophes over each time horizon.

5.6 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal controls and/or processes, from people and systems, or from external events. This includes legal risk and excludes risks arising from strategic decisions. In line with business objectives, the Company does not take on operational risk with a view to achieving enhanced return. Rather, it accepts operational risk as a consequence of writing (re)insurance business and having operations to support the writing of that business. The Company identifies, measures and manages operational risk through its annual risk assessment process, OPERA (internal loss incident and risk event) reporting, Internal Control testing and governance processes.

5.6.1 Mitigation Strategies

The Company's risk register takes into account the controls in place that mitigate specific risks. The nature of the controls and the strength of control exercised are based upon the:

- Potential severity of the risk.
- Frequency of the risk occurring.
- Cost of implementing controls relative to the significance of the risk; and
- Appetite and tolerance for the risk.

An annual risk assessment is performed for all risks on the risk register. The assessment involves capturing the risk owner's view of the potential severity should an incident occur relating to the risk, and the likelihood of such incident occurring. Together this establishes the profile of each risk, allowing identification of top risks, thereby facilitating appropriate risk-based monitoring.

The controls are subject to review and testing by the Internal Control and Internal Financial Control teams as noted in Note 5.1.2 and Note 5.1.7 and Internal Audit as described in Note 5.1.9.

It is also recognized that while the Company may buy insurance with the aim of reducing the monetary impact of certain operational risk events (e.g. physical damage), non-monetary impacts may remain (including impact on the Company's reputation). This is considered in the risk assessment process and risk register.

The risks are monitored and managed through the risk framework and the operational loss and risk event reporting process.

5.6.2 Stress and scenario testing

To support the identification and quantification of operational risks within the business, AXA XL has a stress and scenario testing framework. The stress testing includes multiple operational risk scenarios developed from the top risks assessed during the annual risk assessment, which are then evaluated over multiple return periods for each scenario. While the stress testing is performed at the AXA XL Division level, it is also relevant to the Company for certain risks, such as transversal risks that are centrally managed.

5.7 OTHER RISKS

5.7.1 Strategic

A strategic risk is the risk that a negative impact (current or prospective) on earnings or capital, material at the Company level, arises from a lack of responsiveness to industry changes or adverse business decisions regarding:

- Significant changes in footprint, including through mergers and acquisitions.
- Product offering and client segmentation.
- Distribution model (channel mix including alliances/partnerships, multi-access and digital distribution).

Strategic risk management is based on the following guiding principles:

- Provide a comprehensive perspective on Company forecasted evolution
- Maintain a deep understanding of the competitive landscape and a comprehensive perspective of long-term trends to define a strategy; and
- Ensure the strategic rationale of the portfolio evolution within the Company and Division.

5.7.2 Reputational

Reputation risk is the risk that an event will negatively influence the stakeholders' perceptions of the company. AXA XL maintains a Reputational Risk Framework which encompasses a set of planned actions and established policies to reduce the probability and/or the expected costs if the latent reputational problems become actual.

5.7.3 Emerging

Emerging risks are risks which may develop in the future, or which already exist and are continuously evolving. They are marked by a high degree of uncertainty, and some of them may even never emerge. Emerging risks may be difficult to quantify and can have potentially serious consequences if they are not anticipated in a timely manner. To assess the impact of emerging risks at AXA XL, the Emerging Risks Committee and the Emerging Risks Task Force are tasked with identifying, analyzing, prioritizing, quantifying, monitoring, and reporting on emerging risks that could have an impact on existing and future product offerings and business operations. The Emerging Risks Committee and Task Force work together to undertake both strategic and risk management processes, assisting in identifying potential opportunities in the market and providing thought leadership around emerging risk issues to optimize underwriting and strategic decisions.

5.7.4 Regulatory

The Company operates in multiple jurisdictions across multiple legal entities, which increases the potential exposure to regulatory risk. Local Compliance presence ensures a full understanding of local regulatory issues, supported by wider training and communication to ensure local requirements are understood by all AXA XL underwriters. A robust Compliance Framework is implemented across all entities and regions.

5.7.5 Sustainability (including Climate)

ESG Risk refers to the potential impacts on the Company's long-term viability from an environmental, social, or (corporate) governance (ESG) event. The Company is exposed to climate change risk, as further described below, but also to social issues such as ensuring a decent workplace for all and to potential inadequate (corporate) governance which could have a reputational impact and other effects. The Company's Sustainability strategy includes incorporating ESG considerations into our products, services and own operations, as well as defining our vision and position as a "corporate citizen". The identification and tagging of ESG risks and controls are included within AXA XL's Operational Risk Framework. Divisional KRIs, including those related to ESG risks, were developed during 2022 and 2023 and have aligned to the AXA XL 2023-2026 Sustainability Strategy. In line with regulatory expectations, further focus is being placed on specific climate metrics and longer-term targets. Reputational risk is considered across all operational risks as an impact criteria, as part of the annual operational risk assessment process, with regular reporting to AXA Group on any potential upcoming risks and an annual reporting summary including lessons learned.

Climate risk, and consequently climate change risk, is a key area of consideration to the Company. All AXA lines of business, including those in AXA XL, now share the priority to “Sustain our Climate leadership position”. AXA’s strategy is not only to adapt, but also to take advantage of its expertise to provide solutions.

The company is exposed to all forms of climate and climate change risk, namely:

- **Physical risks:** These are the first-order risks which arise from weather-related events, such as floods and storms. They comprise impacts directly resulting from such events, such as damage to property, and those that may arise indirectly through subsequent events, such as disruption of global supply chains or resource scarcity. The Company has exposure to natural catastrophes which therefore might be impacted and is supported by an AXA XL Division Science & Natural Perils team who consider the impact of climate change on the natural catastrophe models. Our ceded reinsurance protections act to mitigate the risks from natural perils, including those related to climate. However, the hazard changes from the impact of climate change on natural perils are likely to present themselves gradually over a long time period and therefore we view this risk as chronic rather than acute;
- **Transition risks:** These are financial risks which could arise from the transition to a lower-carbon economy, incorporating changes in policy, technology and consumer preference. This can include both loss-causing impacts and the future stability of some of our product portfolios. This risk impacts the Company in, for example, the energy sector where we are seeing the impact of COP (the United Nations Climate Change Conference) and a move towards insuring renewable energy initiatives as well as monitoring areas such as the motor, aviation, construction and other areas where business could be impacted; and
- **Liability and litigation risks:** These are risks that arise from parties who have suffered loss or damage from climate change, and then seek to recover losses from others who they believe may have been responsible or whose actions they want to influence. Where such claims are successful, those parties against whom the claims are made may seek to pass on some or all the cost to insurance firms under third-party liability contracts such as professional indemnity (PI) or directors’ and officers’ (D&O) insurance. Where liability is not ruled or settled, the Company could still be exposed to the costs of duty to defend, should clients seek to recover costs here. The Company has exposure across a range of industries which could be targeted in climate change litigation.

Climate change risks have potential impacts on our underwriting, investments, and company operations and therefore this risk has dedicated groups to ensure that the transversal nature is duly considered, appropriately managed and mitigated. Given the long time horizon over which these risks may emerge and the considerable uncertainty in future projections, AXA XL has been developing a series of stress tests to better understand the long term implications for this risk.

Climate change risk is managed through the Risk Management Framework (“RMF”). Through this process risks are identified. In the case of risks pertaining to climate change, physical, transition and litigation risks have been long standing items in our emerging risks identification process. As these risks have developed, they are assessed and monitored for each risk type. For example, the potential physical risk impacts on our natural catastrophe risk are considered within our underwriting risk framework. This ensures that each element of climate risk is managed by those with most expertise, that relevant stakeholders are kept informed and that these risks can be cross compared to others with similar characteristics. In addition, AXA XL has established a Climate Change Risk & Stress Testing Working Group to ensure that information is relayed across risk types and a transversal approach is also taken to the risk. Controls in relation to these risks are documented in the applicable risk policies where relevant.

For underwriting risk, stress testing has been developed to consider the impact of physical risk to our natural catastrophe exposures. In addition, work is in progress to consider a number of litigation risk scenarios and the impact on underwriting risk. Within market risk, there is a stress test in place to consider a disorderly transition, based on an EIOPA scenario.

5.8 MATERIAL RISK CONCENTRATIONS

Material concentrations can occur within and across risk categories. Our RAF is intended to address both. The RAF and expected exposures are reviewed annually and tested through our stress testing framework.

The RAF has two key components, high level risk appetite statements and a set of risk exposure limits linked to specific risk types. The Risk Appetite Framework is reviewed and approved annually by the Reinsurance Audit, Risk and Compliance Committee and the Board, with the latest review in October 2023, reflecting the risk profile of the Company and the 2024 business plan.

There are two components to the high-level risk appetite statements:

- **Solvency** - This considers the buffer that would be held in excess of regulatory capital. The factors considered in setting the solvency target included the ability of the Company to withstand the largest of a 1 in 20 years financial event or insurance event without the need to call on AXA XL Division for support.

- Liquidity - This considers ability to pay claims resulting from a stress event.

The risk exposure limits cover market, credit, reserve and underwriting risks.

- **Market risk** - indicators exist for exposures per asset class, duration gap and foreign exchange mismatch.
- **Credit risk** - the Company benefits from indicators that exist at the AXA XL Division level for sovereign exposure, fixed income concentration, and global issuer exposure.
- **Reserve risk** - deterioration in gross held reserves (o/s plus IBNR) are to be no more than 5% over any rolling 12-month calendar period.
- **Underwriting risk:**
 - Underwriting limits are spread across Credit & Surety (where the limit is based on Probable Maximum Loss ("PML")), Marine, Aviation, Casualty and Property lines. The limits are based on exposures to a single original insured the company cover through cedants and equal the sum of the corresponding exposed limits net of reinsurance.
 - Natural catastrophe limits are set for Probable Maximum Losses ("PMLs") net of reinsurance at worldwide 1-in-10 Aggregate Exceedance Probability ("AEP"), worldwide 1-in-20 AEP, and the largest peril-region 1-in-200 Occurrence Exceedance Probability ("OEP").
 - The Cyber per event appetite monitors cyber affirmative exposure per guarantee (first party and third party).

Alert levels are set by AXA XL Re generally at 80% of the risk appetite level and are monitored on a regular basis. Reporting against the risk appetites is undertaken through the Risk Dashboard that is produced for the Reinsurance AXA XL Risk and Compliance Committee (Re ARCC) on a quarterly basis. The frequency of update of the exposure positions is as follows:

- Over-arching risk appetite statements (solvency and liquidity) - quarterly
- Risk appetite exposures:
 - Market risk - quarterly
 - Credit risk - quarterly for the AXA XL Division
 - Reserve risk - quarterly
 - Underwriting per risk - semi-annually
 - Natural catastrophe exposures - quarterly
 - Cyber per event - semi-annually

Loss exposure estimates for all event risks are derived from a combination of commercially available and internally developed models together with the judgement of management, as overseen by the Board. Actual incurred losses may vary materially from our estimates. Factors that can cause a deviation between estimated and actual incurred losses may include:

- Inaccurate assumptions of event frequency and severity;
- Inaccurate or incomplete data;
- Changing climate conditions that may add to the unpredictability of frequency and severity of natural catastrophes in certain parts of the world and create additional uncertainty as to future trends and exposures;
- Future possible increases in property values and the effects of inflation that may increase the severity of catastrophic events to levels above the modelled levels;
- Natural catastrophe models that incorporate and are critically dependent on meteorological, seismological and other earth science assumptions and related statistical relationships that may not be representative of prevailing conditions and risks, and may therefore misstate how particular events actually materialize, causing a material deviation between forecasted and actual damages associated with such events; and
- A change in the legislative, regulatory and judicial climate.

For the above and other reasons, the incidence, timing and severity of catastrophes and other event types are inherently unpredictable, and it is difficult to estimate the amount of loss any given occurrence will generate. Consequently, there is material uncertainty around our ability to measure exposures associated with individual events and combinations of events. This uncertainty can cause actual exposures and losses to deviate from those amounts estimated, which in turn can create a material adverse effect on our financial condition and results of operations and may result in substantial liquidation of investments, possibly at a loss, and outflows of cash as losses are paid.

Note 6 Goodwill and Other Intangible Assets

6.1 GOODWILL AND OTHER INTANGIBLE ASSETS

<i>(US Dollars in thousands)</i>	2023	2022
BEGINNING OF YEAR, TOTAL	43,319	45,061
Additions ^(a)	4,467	—
Disposals	—	—
Amortization	(1,901)	(1,745)
Foreign currency translation	40	3
END OF YEAR, TOTAL	45,925	43,319

(a) Additions are related to the acquisition of XLRA. Refer to Note 4.1.2 for more detail.

6.1.1 Goodwill

The recoverability of goodwill is assessed using the value in use approach, as described in Note 2.6.1. The fair value is then compared to the carrying amount to assess the goodwill recoverability. The results of the cash flow projections exceeded the carrying amounts of the CGU.

6.1.2 Other Intangible Assets

The Company tests definite-lived intangible assets whenever events or circumstances indicate that carrying values may not be recoverable. For further details regarding the Company's impairment process, see Note 2.6.2. During 2023 and 2022, no impairments were recorded.

Note 7 Investments

It should be noted that the amounts disclosed in the present Note as impacting the Company's consolidated comprehensive income do not consider the induced effects relating to insurance liabilities, notably those arising from contracts with direct participating features (refer to Note 11 and Note 16) and, therefore, do not represent net ultimate gains or losses recognized in the consolidated statement of comprehensive income.

7.1 BREAKDOWN OF INVESTMENTS

The tables below present the fair value and the carrying value of the Company's investments, broken down by (i) class of investments, (ii) classification category according to IFRS 9 - Financial Instruments (namely, investments measured at amortized cost, at fair value through other comprehensive income ("FV OCI") or at fair value through profit or loss ("FV P&L")):

<i>(US Dollars in thousands)</i>	December 31, 2023		
	Fair value	Carrying value	% (value balance sheet)
Investment in real estate properties at amortized cost (A)	230,181	182,212	2.7 %
Debt instruments at FV OCI	6,131,497	6,131,497	89.4 %
Debt instruments at FV P&L - Mandatory	58,670	58,670	0.9 %
Debt Instruments (B)	6,190,168	6,190,168	90.2 %
Equity instruments at FV OCI without recycling to P&L	41,192	41,192	0.6 %
Equity Instruments (C)	41,192	41,192	0.6 %
Non consolidated investment funds at FV P&L (D)	446,333	446,333	6.5 %
Total Financial investment (E=B+C+D)	6,677,692	6,677,692	97.3 %
INVESTMENTS (F=A+E)	6,907,874	6,859,904	100.0 %

<i>(US Dollars in thousands)</i>	December 31, 2022, restated		
	Fair value	Carrying value	% (value balance sheet)
Investment in real estate properties at amortized cost (A)	108,708	90,302	2.0 %
Debt instruments at FV OCI	3,896,343	3,896,343	84.6 %
Debt instruments at FV P&L - Mandatory	70,651	70,651	1.5 %
Debt Instruments (B)	3,966,994	3,966,994	86.1 %
Equity instruments at FV OCI without recycling to P&L	40,075	40,075	0.9 %
Equity Instruments (C)	40,075	40,075	0.9 %
Non consolidated investment funds at FV P&L (D)	507,436	507,436	11.0 %
Total Financial investment (E=B+C+D)	4,514,504	4,514,504	98.0 %
INVESTMENTS (F=A+E)	4,623,212	4,604,806	100.0 %

7.2 INVESTMENT IN REAL ESTATE PROPERTIES

Investment in real estate properties includes buildings owned directly and through consolidated real estate entities.

Real estate properties held by AXA XL Re are measured at amortized cost. The table below presents the carrying value (disclosing separately cumulated amortization and impairment).

<i>(US Dollars in thousands)</i>	December 31, 2023					December 31, 2022, restated				
	Gross value	Amortization	Impairment	Carrying Value	Fair value	Gross value	Amortization	Impairment	Carrying Value	Fair value
Total investments in real estate properties	203,942	(21,729)	—	182,212	230,181	100,164	(9,862)	—	90,302	108,708

The following table provides a reconciliation from the opening balances to the closing balances for the cumulated amounts of impairment and amortization on investment in real estate properties:

<i>(US Dollars in thousands)</i>	Impairment		Amortization	
	December 31, 2023	December 31, 2022, restated	December 31, 2023	December 31, 2022, restated
Balance as of January 1	—	—	(9,862)	(7,840)
Increase	—	—	(5,043)	(2,459)
Write back following sale or reimbursement	—	—	—	—
Write back following recovery in value	—	—	—	—
Others ^(a)	—	—	(6,825)	438
Balance as of December 31	—	—	(21,729)	(9,862)

(a) Includes impacts of changes in scope of consolidation and movements in exchange rates.

7.3 UNREALIZED GAINS AND LOSSES ON FINANCIAL INVESTMENTS

The tables below disclose unrealized capital gains and losses not reflected in the consolidated statement of profit or loss (“P&L”), that are related to financial investments measured at amortized cost or at fair value through OCI (“FV OCI”). These unrealized capital gains and losses are broken down by class of financial instruments and IFRS 9 classification category:

<i>(US Dollars in thousands)</i>	December 31, 2023					December 31, 2022, restated				
	Amortized cost	Fair value	Carrying value	Unrealized gains	Unrealized losses	Amortized cost	Fair value	Carrying value	Unrealized gains	Unrealized losses
Debt instruments at FV OCI	6,513,606	6,131,497	6,131,497	73,818	(455,927)	4,278,387	3,896,343	3,896,343	6,385	(388,430)
Equity instruments at FV OCI without recycling to P&L	49,955	41,192	41,192	1,685	(10,448)	49,955	40,075	40,075	594	(10,474)

7.4 DEBT INSTRUMENTS

7.4.1 Debt instruments by type of issuer

The table below presents the composition of the Company's debt instruments portfolio by type of issuer:

<i>(US Dollars in thousands)</i>	December 31, 2023		December 31, 2022, restated	
	Fair value	Carrying value	Fair value	Carrying value
Corporate debt instruments ^(a)	3,191,599	3,191,599	1,918,179	1,918,179
Government and government-like debt instruments	1,881,658	1,881,658	1,180,420	1,180,420
Other debt instruments issued by government related issuers	1,116,911	1,116,911	868,394	868,394
TOTAL DEBT INSTRUMENTS	6,190,168	6,190,168	3,966,994	3,966,994

(a) Includes debt instruments issued by companies in which a State holds interests.

7.4.2 Debt instruments by contractual maturity and exposure to interest rate risk

The table below sets out the carrying value of debt instruments and loans held by the Company broken down by their contractual maturity. Effective maturities may differ from those presented, mainly because some debt instruments and loans include early redemption clauses, with or without penalty, or duration extension features. Furthermore, the effect of derivative instruments (refer to Note 14.3) may modify the maturity profile of assets presented below.

Debt instruments whose fair value is exposed to interest rate risk, i.e. fixed-rate instruments, are disclosed separately. Most of debt instruments held by the Company fall within this category.

<i>(US Dollars in thousands)</i>	December 31, 2023				December 31, 2022, restated			
	12 months or less	More than 1 year up to 5 years	More than 5 years	Total Carrying value	12 months or less	More than 1 year up to 5 years	More than 5 years	Total Carrying value
Debt instruments	300,241	2,241,852	3,648,075	6,190,168	545,876	1,468,820	1,952,298	3,966,994
Total Financial investments exposed to interest rate risk	300,241	2,241,852	3,648,075	6,190,168	545,876	1,468,820	1,952,298	3,966,994
<i>of which financial investments whose fair value is exposed to interest rate risk</i>	294,459	1,907,138	3,155,679	5,357,276	532,767	1,358,614	1,661,732	3,553,114

7.5 EQUITY INSTRUMENTS

7.5.1 Equity instruments by issuer industry and exposure to price risk

The table below sets out the portfolio of equity instruments held by the Company at the closing date and exposed to equity prices fluctuations, broken down by issuer's industry, presenting those designated at fair value through OCI ("FV OCI") without recycling to P&L applying the IFRS 9 classification option. The carrying value of those investments is equal to their fair value.

The table also discloses the amount of dividends recognized in profit or loss over the period on FV OCI equity instruments still in the portfolio at the closing date:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
	Financial	Financial
Equity instruments at FV OCI without recycling to P&L	41,192	40,075
Total carrying value of equity instruments	41,192	40,075
<i>Dividends recognized in the period on equity instruments at FV OCI without recycling to P&L held as of the reporting date</i>	1,755	—

7.5.2 Equity instruments designated at fair value through OCI derecognized during the period

The following tables display, for equity instruments designated at fair value through OCI ("FV OCI") without recycling to profit or loss and derecognized during the period, their fair value at the date of derecognition, dividends received in the period and recognized in profit or loss, as well as the cumulative amounts of capital gains or losses at the date of derecognition (not recycled to profit or loss but transferred to retained earnings on derecognition), all broken down by issuer's industry.

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
	Financial	Financial
Fair value at the date of derecognition	—	—
Dividend related to instruments derecognized during the period	—	—
Cumulative gains or losses at the date of derecognition	—	(115)

7.6 TRANSFERS OF FINANCIAL ASSETS NOT QUALIFYING FOR DERECOGNITION

The Company participates in repurchase agreements and securities lending transactions under which financial assets are sold to a counterparty, subject to a simultaneous agreement to repurchase these financial assets at both a certain later date and agreed price. As substantially all the risks and rewards of the financial assets remain with the Company over the entire lifetime of the transaction, they are not derecognized.

Additionally, the Company is party to total return swaps where financial assets are sold to a counterparty with an agreement in which the Group retains substantially all the risks and rewards of the financial instruments. Therefore, these financial assets are not derecognized.

Proceeds from the sales are reported separately in the line item Payables of the consolidated statement of financial position, and interest expense is accrued over the duration of the agreements.

The following table presents the carrying value of transferred financial assets not qualifying for derecognition, broken down by their IFRS 9 classification category, and of corresponding liabilities:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Carrying value of assets	165,825	—
Carrying value of associated liabilities^(a)	156,589	—

(a) Amounts do not include securities received as collateral to securities lending transactions if such collateral is not recognized under the terms of the agreement because the risks and rewards have not been transferred to the Company.

7.7 NON-CONSOLIDATED INVESTMENT FUNDS

The table below sets out the portfolio of non-consolidated investment funds held by the Company broken down by type of underlying financial assets. These investments are measured at fair value through profit or loss:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
	Fair value	Fair value
Non-consolidated investment funds mainly holding equity instruments	50,219	19,358
Non-consolidated investment funds mainly holding debt instruments	181,121	286,109
Other non-consolidated investment funds	214,993	201,969
TOTAL	446,333	507,436

7.8 FINANCIAL INSTRUMENTS SUBJECT TO IMPAIRMENT

7.8.1 Breakdown of financial investments subject to impairment

The tables below set out the Company's portfolio of financial investments subject to impairment, namely debt instruments measured at amortized cost or at fair value through OCI ("FV OCI"), broken down by class of financial investments, IFRS 9 classification category and IFRS 9 impairment stage (refer to Note 2.7.2.2), namely:

- Stage 1: financial investments for which credit risk has not increased significantly since initial recognition, and the loss allowance is measured at an amount equal to 12 months expected credit losses;
- Stage 2: not credit-impaired financial investments for which credit risk has increased significantly since initial recognition, and the loss allowance is measured at an amount equal to lifetime expected credit losses;
- Stage 3: financial investments which were not purchased or originated credit impaired but became credit impaired since their initial recognition, and for which the loss allowance is measured at an amount equal to lifetime expected credit losses.

	December 31, 2023				
	Cost before impairment and revaluation to fair value	Impairment	Cost after impairment but before revaluation to fair value	Revaluation to fair value	Carrying value
<i>(US Dollars in thousands)</i>					
Stage 1					
Debt instruments at FV OCI	6,501,677	(1,263)	6,500,414	(377,714)	6,122,700
Debt instruments	6,501,677	(1,263)	6,500,414	(377,714)	6,122,700
Total Stage 1	6,501,677	(1,263)	6,500,414	(377,714)	6,122,700
Stage 2					
Debt instruments at FV OCI	675	(2)	673	(26)	648
Debt instruments	675	(2)	673	(26)	648
Total Stage 2	675	(2)	673	(26)	648
Stage 3					
Debt instruments at FV OCI	20,260	(7,741)	12,519	(4,369)	8,150
Debt instruments	20,260	(7,741)	12,519	(4,369)	8,150
Total Stage 3	20,260	(7,741)	12,519	(4,369)	8,150
Debt instruments at FV OCI	6,522,612	(9,006)	6,513,606	(382,109)	6,131,497
Total debt instruments	6,522,612	(9,006)	6,513,606	(382,109)	6,131,497
Total financial investments subject to impairment	6,522,612	(9,006)	6,513,606	(382,109)	6,131,497

	December 31, 2022, restated				
	Cost before impairment and revaluation to fair value	Impairment	Cost after impairment but before revaluation to fair value	Revaluation to fair value	Carrying value
<i>(US Dollars in thousands)</i>					
Stage 1					
Debt instruments at FV OCI	4,277,125	(752)	4,276,373	(381,865)	3,894,508
Debt instruments	4,277,125	(752)	4,276,373	(381,865)	3,894,508
Total Stage 1	4,277,125	(752)	4,276,373	(381,865)	3,894,508
Stage 2					
Debt instruments at FV OCI	1,898	(31)	1,867	(165)	1,702
Debt instruments	1,898	(31)	1,867	(165)	1,702
Total Stage 2	1,898	(31)	1,867	(165)	1,702
Stage 3					
Debt instruments at FV OCI	152	(5)	147	(14)	132
Debt instruments	152	(5)	147	(14)	132
Total Stage 3	152	(5)	147	(14)	132
Debt instruments at FV OCI	4,279,175	(788)	4,278,387	(382,044)	3,896,343
Total debt instruments	4,279,175	(788)	4,278,387	(382,044)	3,896,343
Total financial investments subject to impairment	4,279,175	(788)	4,278,387	(382,044)	3,896,343

7.8.2 Change in impairment on financial investments

7.8.2.1 Change in impairment of financial investments measured at fair value through OCI

The following tables provide a reconciliation from the opening balances to the closing balances for the carrying amount of debt instruments measured at fair value through OCI ("FV OCI") and for the cumulated amount of Expected Credit Losses ("ECL") allowance on those debt instruments, broken down by IFRS 9 impairment stage:

	December 31, 2023							
	Stage 1: 12 month Expected Credit Losses		Stage 2: Lifetime Expected Credit Losses		Stage 3: Lifetime Expected Credit Losses		Total	
	Gross Carrying Amount ^(a)	ECL allowance	Gross Carrying Amount ^(a)	ECL allowance	Gross Carrying Amount ^(a)	ECL allowance	Gross Carrying Amount ^(a)	ECL allowance
<i>(US Dollars in thousands)</i>								
Balance at January 1	4,277,125	752	1,898	31	152	5	4,279,175	788
Transfers to Stage 1	—	—	—	—	—	—	—	—
Transfers to Stage 2	—	—	—	—	—	—	—	—
Transfers to Stage 3	—	—	—	—	—	—	—	—
Acquisitions and originations	2,157,581	248					2,157,581	248
Derecognitions	(1,818,767)	(209)	(1,391)	(22)	(123)	—	(1,820,281)	(232)
Other changes ^(b)	1,885,738	472	168	(7)	20,231	7,736	1,906,138	8,202
Balance as of December 31	6,501,677	1,263	675	2	20,260	7,741	6,522,612	9,006

(a) Includes related accumulated amortization, premiums/discount and accrued interests, when applicable.

(b) Mainly includes impacts of changes in scope of consolidation and movements in exchange rates.

	December 31, 2022, restated							
	Stage 1: 12 month Expected Credit Losses		Stage 2: Lifetime Expected Credit Losses		Stage 3: Lifetime Expected Credit Losses		Total	
	Gross Carrying Amount ^(a)	ECL allowance	Gross Carrying Amount ^(a)	ECL allowance	Gross Carrying Amount ^(a)	ECL allowance	Gross Carrying Amount ^(a)	ECL allowance
<i>(US Dollars in thousands)</i>								
Balance at January 1	6,017,961	1,320	2,439	93	183	8	6,020,583	1,421
Transfers to Stage 1	—	—	—	—	—	—	—	—
Transfers to Stage 2	(1,183)	16	1,183	(16)	—	—	—	—
Transfers to Stage 3	—	—	—	—	—	—	—	—
Acquisitions and originations	2,141,312	178					2,141,312	178
Derecognitions	(3,987,881)	(852)	(1,729)	(76)	(33)	(1)	(3,989,642)	(929)
Other changes ^(b)	106,916	89	5	31	1	(2)	106,923	118
Balance as of December 31	4,277,125	752	1,898	31	152	5	4,279,175	788

(a) Includes related accumulated amortization, premiums/discount and accrued interests, when applicable.

(b) Mainly includes impacts of changes in scope of consolidation and movements in exchange rates.

7.9 FAIR VALUE OF INVESTMENTS

7.9.1 Fair value of financial investments measured at fair value

The table below presents the breakdown of the fair value of financial investments measured at fair value through either profit or loss ("FV P&L") or OCI ("FV OCI") by fair value hierarchy level as set in IFRS 13 - Fair Value Measurement (refer to Note 2.5). The carrying value of those financial investments is equal to their fair value:

(US Dollars in thousands)	December 31, 2023				December 31, 2022, restated			
	Financial assets quoted in an active market	Financial assets not quoted in an active market or no active market		Total	Financial assets quoted in an active market	Financial assets not quoted in an active market or no active market		Total
	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	
Debt instruments	—	6,131,497	—	6,131,497	—	3,896,343	—	3,896,343
Equity instruments	—	—	41,192	41,192	—	—	40,075	40,075
Financial assets at FV OCI	—	6,131,497	41,192	6,172,689	—	3,896,343	40,075	3,936,418
Debt instruments	—	58,670	—	58,670	—	70,651	—	70,651
Non-consolidated investment funds	—	284,707	161,626	446,333	—	375,617	131,818	507,436
Financial assets at FV P&L	—	343,377	161,626	505,003	—	446,268	131,818	578,086
TOTAL	—	6,474,874	202,818	6,677,692	—	4,342,611	171,894	4,514,504

(a) Level 1: fair value determined directly by reference to an active market.

(b) Level 2: fair value mainly based on observable market data.

(c) Level 3: fair value mainly not based on observable market data.

The Company applies the IFRS 13 fair value hierarchy as described in Note 2.5 to categorize financial assets it holds, based on the characteristics of the market in which financial assets are traded and on the nature of inputs used to determine their fair value.

LEVEL 1 FAIR VALUES

Financial assets are categorized in level 1 of the IFRS 13 fair value hierarchy when their fair value is determined directly by reference to an active market (see Note 2.5.1).

As of December 31, 2023, the net transfer between level 1 and level 2 was nil.

LEVEL 2 AND LEVEL 3 FAIR VALUES

The common characteristic of assets categorized in levels 2 and 3 of the IFRS 13 fair value hierarchy is that they are not quoted in an active market (see Note 2.5.2). Their fair value may be either provided by external parties or measured using valuation techniques. The classification of those assets between levels 2 and 3 depends on the proportion of inputs used to determine their fair value: if those inputs are mainly supported by market transactions and other observable market data, the assets are classified in level 2, otherwise, they are classified in level 3.

Financial assets categorized in levels 2 and 3 represent a variety of circumstances. A financial instrument is regarded as not quoted in an active market if there is little observation of transaction prices as an inherent characteristic of the instrument, when there is a significant decline in the volume and level of trading activity, in case of significant illiquidity or if observable prices cannot be considered as representing fair value because of dislocated market conditions. Characteristics of inactive markets can therefore be very different in nature, inherent to the instrument or be indicative of a change in the conditions prevailing in certain markets.

The identification of level 3 assets among assets not quoted in an active market involves a significant level of judgment. The following are considered as observable inputs: inputs provided by external pricing services, information obtained from specialized data providers, rating agencies, external surveys. The extent to which such data are external to the Company and not assessed by internal valuation teams is one of the main criteria applied in assessing whether data are observable or not. Should those data be significantly adjusted or would they be outdated because of the lack of newly available factors, such inputs would be deemed unobservable. Another area of judgment is the assessment of the significance of an input against the fair value measurement in its

entirety. As a result, a different cut between observable and unobservable data and variances in the weighting of the significance of each input against the fair value measurement in its entirety could produce a different categorization.

Assets such as certain unquoted debt instruments, some instruments issued on private markets such as private equity instruments or private loans, have always been considered as not quoted in active markets as an inherent characteristic of these investments and included as assets not quoted in active markets or for which there is no active market in all periods presented. Valuations are based either on external pricing providers or internal models using techniques commonly used by market participants. Valuation teams make the maximum use of current transaction prices (if any) and observable data, but some of the underlying sectors to which the investments relate may be so particular that significant adjustments are performed or unobservable data are used. Private equity funds of funds are measured on the basis of the latest net asset values of funds provided to the Company.

TRANSFERS IN AND OUT OF THE LEVEL 3 CATEGORY AND OTHER MOVEMENTS

From January 1, 2023 to December 31, 2023, the amount of level 3 assets increased by \$30.9 million to \$202.8 million, representing 3.0% of the total assets at fair value compared to \$171.9 million representing 3.8% of total assets at fair value in 2022.

Main movements related to level 3 assets to be noted were the following:

- \$43.1 million of new investments mainly in alternative assets;
- \$9.8 million of change in fair value related to investments accounted for at fair value; of which \$8.7 million for investments at fair value through profit or loss and \$1.1 million for investments at fair value through OCI;
- \$4.2 million of net asset transfers in and out of level 3 and foreign exchange fluctuation impact; and
- \$(26.2) million of asset sales, redemptions and settlements mainly of non-consolidated investment funds accounted as fair value through profit or loss.

A majority of assets classified in level 3 correspond to private investments, in particular private credit and private equity assets.

7.9.2 Fair value of investments measured at amortized cost

The table below presents the breakdown of the fair value of financial investments and investments in real estate property measured at amortized cost by IFRS 13 fair value hierarchy level.

	December 31, 2023				December 31, 2022, restated			
	Financial assets quoted in an active market	Financial assets not quoted in an active market or no active market		Total	Financial assets quoted in an active market	Financial assets not quoted in an active market or no active market		Total
	Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)		Level 1 ^(a)	Level 2 ^(b)	Level 3 ^(c)	
<i>(US Dollars in thousands)</i>								
Investment in real estate properties	—	—	230,181	230,181	—	—	108,708	108,708
Total investments at amortized cost	—	—	230,181	230,181	—	—	108,708	108,708

(a) Level 1: fair value determined directly by reference to an active market.

(b) Level 2: fair value mainly based on observable market data.

(c) Level 3: fair value mainly not based on observable market data.

The Company applies the IFRS 13 fair value hierarchy as described in Note 2.5, based on the characteristics of the market in which assets are traded and on the nature of inputs used to determine their fair value.

The fair values of debt instruments and loans measured at cost are determined with consideration of market inputs to the extent possible. For level 2 debt instruments and loans, the fair value is mainly derived using valuation techniques based upon observable market interest rate curves. For level 3 instruments, the fair value of debt instruments and loans measured at cost is determined by valuation techniques using limited observable market data.

The fair values of investments in real estate properties generally cannot be determined via reference to quotes of an active market from an exchange market or service provider, and no real estate property is therefore categorized in level 1 of the IFRS 13 fair value hierarchy.

Note 8 Investments Accounted for using the Equity Method

As of December 31, 2021, the Company had an investment of \$22.1 million, representing a 26.9% strategic ownership interest in AXA XL Seguros accounted for using the equity method. This investment was sold during 2022 for \$13.1 million.

Non-consolidated investment funds under significant influence are accounted for as assets at fair value with changes in fair value recognized through profit or loss (see Note 2.7.2.1).

Note 9 Receivables

<i>(US Dollars in thousands)</i>	December 31, 2023				December 31, 2022, restated			
	Gross value	Impairment	Carrying Value	Fair value	Gross value	Impairment	Carrying Value	Fair value
Current tax receivables	25,506	—	25,506	25,506	17,290	—	17,290	17,290
Employee benefits & related	85	—	85	85	57	—	57	57
Other deposits	2,149	—	2,149	2,149	1,230	—	1,230	1,230
Others	36,257	—	36,257	36,257	67,499	—	67,499	67,499
Other receivables	38,491	—	38,491	38,491	68,786	—	68,786	68,786
TOTAL	63,997	—	63,997	63,997	86,076	—	86,076	86,076

Note 10 Shareholder's Equity and Minority Interests

10.1 IMPACT OF TRANSACTIONS WITH SHAREHOLDER

The Consolidated Statement of Changes in Equity is presented as a primary financial statement.

Note 10.1.1 Change in shareholder's equity Company share in 2023

SHARE CAPITAL AND CAPITAL IN EXCESS OF NOMINAL VALUE

The authorized share capital of AXA XL Re is 10.0 billion shares, par value \$0.01 each, and the total issued and outstanding shares as at December 31, 2023 was 10.0 billion representing \$100.0 million of share capital.

During 2023, the following transactions had an impact on the Company's share capital and capital in excess of nominal value:

- a capital distribution of \$100.0 million to XLB, via its immediate parent, AXA XL Reinsurance (Holdings) Ltd.

DIVIDENDS PAID

The Company paid a dividend of \$150.0 million to XLB via AXA XL Reinsurance Holdings Limited during 2023.

Note 10.1.2 Change in shareholder's equity Company share in 2022

SHARE CAPITAL AND CAPITAL IN EXCESS OF NOMINAL VALUE

The authorized share capital of AXA XL Re is 10.0 billion shares, par value \$0.01 each, and the total issued and outstanding shares as at December 31, 2022 was 10.0 billion representing \$100.0 million of share capital.

During 2022, the following transactions had an impact on the Company's share capital and capital in excess of nominal value:

- a capital distribution of \$100.0 million to XLB, via its immediate parent, AXA XL Reinsurance (Holdings) Ltd.

DIVIDENDS PAID

The Company did not pay any common share dividends to XLB via AXA XL Reinsurance Holdings Limited during 2022.

10.2 COMPREHENSIVE INCOME FOR THE PERIOD

The Consolidated Statement of Comprehensive Income, presented as a primary financial statement, includes the net income for the period and the other comprehensive income, the latter reflecting the changes relating to other reserves recognized through other comprehensive income ("OCI") in accordance with IFRS 9 and IFRS 17, and translation reserves.

Note 10.2.1 Other comprehensive income for 2023

OTHER RESERVES RECOGNIZED THROUGH OCI IN ACCORDANCE WITH IFRS 9 AND IFRS 17

The table below gives detailed information on changes in other reserves recognized through OCI during the year 2023:

<i>(US Dollars in thousands)</i>	Fair value reserves relating to financial instruments ^(a)	Fair value reserves relating to cash flow hedge derivatives	Reserves relating to the cost of hedging	Reserves relating to finance income or expenses from insurance and reinsurance contracts	Total
Balance at 1 January 2023 ^(b)	(376,799)	—	—	312,682	(64,117)
Change in OCI without recycling in Profit or Loss	1,207	—	—	—	1,207
Change in OCI with recycling in Profit or Loss	220,681	2,010	—	(122,622)	100,069
Others (including effect of changes in scope of consolidation)	(160,366)	—	—	65,099	(95,267)
Other comprehensive income	61,522	2,010	—	(57,523)	6,010
Balance at 31 December 2023 ^(b)	(315,277)	2,010	—	255,159	(58,108)

(a) including the fair value hedge of equity instruments

(b) Reported on Company share basis.

In accordance with IFRS 17, AXA XL Re applies the option to disaggregate insurance and reinsurance financial income or expenses between the statement of profit or loss and the OCI to limit the volatility in profit or loss considering that many of supporting financial assets are measured at fair value through OCI under IFRS 9.

When equity instruments without recycling in Profit or Loss are sold, their related net unrealized gains and losses previously recognized in OCI without recycling in Profit or Loss are transferred to retained earnings. In 2023, the realized capital gains or losses on these equity instruments amounted to \$90.4 thousand, net of tax.

Note 10.2.2 Other comprehensive income for 2022

OTHER RESERVES RECOGNIZED THROUGH OCI IN ACCORDANCE WITH IFRS 9 AND IFRS 17

The table below gives detailed information on change in other reserves recognized through OCI during the year 2022:

<i>(US Dollars in thousands)</i>	Fair value reserves relating to financial instruments ^(a)	Fair value reserves relating to cash flow hedge derivatives	Reserves relating to the cost of hedging	Reserves relating to finance income or expenses from insurance and reinsurance contracts	Total
Balance at 1 January 2022, restated ^(b)	74,111	—	—	(169,913)	(95,802)
Change in OCI without recycling in Profit or Loss	(5,841)	—	—	—	(5,841)
Change in OCI with recycling in Profit or Loss	(445,070)	—	—	482,595	37,525
Others (including effect of changes in scope of consolidation)	—	—	—	—	—
Other comprehensive income	(450,911)	—	—	482,595	31,684
Balance at 31 December 2022, restated ^(b)	(376,799)	—	—	312,682	(64,117)

(a) including the fair value hedge of equity instruments

(b) Reported on Company share basis.

When equity instruments without recycling in Profit or Loss are sold, their related net unrealized gains and losses previously recognized in OCI without recycling in Profit or Loss are transferred to retained earnings. In 2022, the realized capital gains or losses on these equity instruments was \$(90.4) thousand, net of tax.

10.3 CHANGE IN MINORITY INTERESTS

As of December 31, 2023, the Company owned subsidiaries in which other AXA Group companies owned a minority interest. These subsidiaries are operating in the P&C insurance and reinsurance sector and are a constituent part of AXA XL Re.

10.3.1 Change in minority interests for 2023

The \$7.4 million increase in minority interests was driven by the acquisition of XLRA during the year, described in Note 4.1.2, which includes ownership of 51% of XL Reinsurance (China) Company Limited. The remaining 49% is owned by an affiliated company.

10.3.2 Change in minority interests for 2022

As of December 31, 2021, the Company owned subsidiaries in which other AXA Group companies owned a minority interest. These subsidiaries are operating in the P&C insurance and reinsurance sector and are a constituent part of AXA XL Re. During the year ending December 31, 2022, the Company acquired the remaining interest in these subsidiaries, making them wholly-owned subsidiaries. See 4.1.3 for details.

Note 11 Insurance and Reinsurance Contracts

11.1 INSURANCE AND REINSURANCE CONTRACTS

This note highlights the effects of contracts within the scope of IFRS 17 on the consolidated statement of financial position and the consolidated statement of profit or loss. Information relating to other investment contracts within the scope of IFRS 9 Financial Instruments is disclosed in paragraph 11.2.

As described in Note 2.12, IFRS 17 – Insurance Contracts applies to insurance and reinsurance contracts issued, investment contracts with discretionary participation features, and reinsurance contracts held. Note 2.12 also describes accounting principles applying to these contracts and defines the terms used in the following paragraphs of Note 11 as follows:

- DPF: Discretionary participation features
- LRC: Liability for remaining coverage
- LIC: Liability for incurred claims
- ARC: Asset for remaining coverage
- AIC: Asset for incurred claims
- CSM: Contractual Service Margin
- OCI: Other comprehensive income
- MRA: Modified retrospective approach
- FVA: Fair value approach
- PVFCF: Present value of future cash flows
- RA: Risk adjustment for non-financial risk
- BBA: Building block approach
- VFA: Variable fee approach
- PAA: Premium allocation approach

11.1.1 Reconciliation with the consolidated statement of financial position

The tables below enable to reconcile the consolidated statement of financial position and the consolidated statement of profit or loss with information disclosed in the next paragraphs.

These reconciliations consist in excluding the amounts of both insurance and reinsurance receivables and payables, as well as the assets for insurance acquisition cash flows, included in the consolidated statement of financial position on one hand, and the related amounts affecting the consolidated statement of profit or loss on the other hand.

11.1.1.1 Reconciliation with the consolidated statement of financial position

The reconciliation of amounts presented in the consolidated statement of financial position with the "carrying amount of insurance contracts and investment contracts with DPF", as disclosed below in section 11.2, is formalised as follows:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Amounts reported in the consolidated statement of financial position		
Liabilities arising from insurance contracts and investment contracts with discretionary participation features	5,988,623	4,825,140
Assets arising from insurance contracts and investment contracts with discretionary participation features	—	—
Net position	5,988,623	4,825,140
Receivables arising from direct insurance and inward reinsurance operations	3,419,237	3,670,083
Payables arising from direct insurance and inward reinsurance operations	(401,131)	(704,412)
Assets relating to insurance acquisition cash flows	—	—
Carrying amount of insurance contracts and investment contracts with discretionary participation features, as disclosed hereinafter	9,006,729	7,790,809
<i>Of which Life & Savings contracts</i>	<i>70,874</i>	<i>74,048</i>
<i>Of which Property & Casualty contracts</i>	<i>8,935,855</i>	<i>7,716,761</i>

The reconciliation of amounts presented in the consolidated statement of financial position with the carrying amount of reinsurance contracts held as disclosed below in section 11.3, is formalised as follows:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Amounts reported in the consolidated statement of financial position		
Assets arising from reinsurance contracts held	2,183,990	2,054,588
Liabilities arising from reinsurance contracts held	—	—
Net position	2,183,990	2,054,588
Receivables arising from outward reinsurance operations	(413,829)	(392,603)
Payables arising from outward reinsurance operations	1,080,966	1,043,550
Carrying amount of reinsurance contracts held, as disclosed hereinafter	2,851,128	2,705,536
<i>Of which Life & Savings contracts</i>	<i>62,078</i>	<i>63,901</i>
<i>Of which Property & Casualty contracts</i>	<i>2,789,050</i>	<i>2,641,635</i>

11.1.1.2 Reconciliation with the consolidated statement of profit or loss

The reconciliation of amounts presented in the consolidated statement of profit or loss to both the “Insurance service expenses” and the “Net finance income or expenses from insurance contracts recognised in profit or loss”, as disclosed below in section 11.2, is formalised as follows:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Insurance service expenses reported in the consolidated statement of profit or loss	(1,641,528)	(2,563,300)
Increase in impairment relating to receivables arising from direct insurance and inward reinsurance operations	—	—
Write back of impairment relating to receivables arising from direct insurance and inward reinsurance operations	—	—
Increase in impairment of assets relating to insurance acquisition cash flows	—	—
Write back of impairment of assets relating to insurance acquisition cash flows	—	—
Insurance service expenses, as disclosed hereinafter	(1,641,528)	(2,563,300)
<i>of which Life & Savings contracts</i>	<i>(14,468)</i>	<i>(13,808)</i>
<i>of which Property & Casualty contracts</i>	<i>(1,627,060)</i>	<i>(2,549,492)</i>

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Net finance income or expenses from insurance contracts reported in the consolidated statement of profit or loss	(194,336)	(4,510)
Interest income on receivables arising from direct insurance and inward reinsurance operations	—	—
Interest expenses on payables arising from direct insurance and inward reinsurance operations	—	—
Foreign exchange unrealized gains or losses relating to receivables and payables arising from direct insurance and inward reinsurance operations	48,980	(97,473)
Net finance income or expenses from insurance contracts recognized in profit or loss, as disclosed in notes to the consolidated financial statements	(145,356)	(101,983)
<i>of which Life & Savings contracts</i>	<i>(491)</i>	<i>(129)</i>
<i>of which Property & Casualty contracts</i>	<i>(144,865)</i>	<i>(101,854)</i>

The reconciliation of amounts presented in the consolidated statement of profit or loss to both the “Net (expenses)/recoveries from reinsurance contracts held” and the “Net finance income or expenses from reinsurance contracts recognised in profit or loss”, as disclosed below in section 11.3, is formalised as follows:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Net (expenses)/recoveries from reinsurance contracts held reported in the consolidated statement of profit or loss	(341,632)	128,780
Increase in impairment relating to receivables arising from outward reinsurance operations	—	—
Write back of impairment relating to receivables arising from outward reinsurance operations	—	—
Net (expenses)/recoveries from reinsurance contracts held, as disclosed hereinafter	(341,632)	128,780
<i>of which Life & Savings contracts</i>	<i>(1,494)</i>	<i>(2,718)</i>
<i>of which Property & Casualty contracts</i>	<i>(340,138)</i>	<i>131,499</i>

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Net finance income or expenses from reinsurance contracts held reported in the consolidated statement of profit or loss	19,745	13,785
Interest income on receivables arising from outward reinsurance operations	—	—
Interest expense on payables arising from outward reinsurance operations	—	—
Foreign exchange unrealized gains or losses relating to receivables and payables arising from direct insurance and inward reinsurance operations	3,270	2,406
Net finance income or expenses from reinsurance contracts, as disclosed hereinafter	23,015	16,191
<i>of which Life & Savings contracts</i>	<i>413</i>	<i>87</i>
<i>of which Property & Casualty contracts</i>	<i>22,602</i>	<i>16,104</i>

11.1.2 Carrying amount of insurance contracts and investment contracts with DPF, gross and net of reinsurance contracts held

The carrying amount of insurance contracts and investment contracts with DPF, gross and net of reinsurance contracts held, is allocated by line of business as follows

<i>(US Dollars in thousands)</i>	December 31, 2023			December 31, 2022		
	Life & Savings	Property & Casualty	Total	Life & Savings	Property & Casualty	Total
Assets and liabilities for remaining coverage	56,872	1,340,445	1,397,317	61,717	972,514	1,034,231
Assets and liabilities for incurred claims	14,002	7,595,410	7,609,412	12,331	6,744,246	6,756,577
Carrying amount of insurance contracts and investment contracts with DPF	70,874	8,935,855	9,006,729	74,048	7,716,760	7,790,808
Assets and liabilities for remaining coverage	53,529	456,741	510,270	57,506	409,111	466,617
Assets and liabilities for incurred claims	8,549	2,332,309	2,340,858	6,395	2,232,524	2,238,919
Carrying amounts of reinsurance contracts held	62,078	2,789,050	2,851,128	63,901	2,641,635	2,705,536
Carrying amount of insurance contracts and investment contracts with DPF, net of reinsurance contracts held	8,796	6,146,805	6,155,601	10,147	5,075,125	5,085,272

11.2 MOVEMENTS IN BALANCES OF INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF

11.2.1 *Changes in the carrying amount of insurance contracts and investment contracts with DPF, split between remaining coverage and incurred claims components*

The following tables provide an analysis of movements in the carrying amount of insurance contracts and investment contracts with DPF, split between the Liability for Remaining Coverage (“LRC”) and the Liability for Incurred Claims (“LIC”).

The analysis of movements highlights how this carrying amount is affected by (i) the amounts recognised in the statement of profit or loss and other comprehensive income (OCI), (ii) the cash flows, (iii) the effect of movements in exchange rates, (iv) and the effect of changes in scope of consolidation and other changes.

The amounts recognised in the statement of profit or loss reconcile to insurance revenue as well as to insurance service expenses and net finance income or expenses as disclosed above (see section Note 11.1.1.2). In respect of insurance revenue, the tables below show their breakdown between those coming from contracts measured under the Modified Retrospective Approach (MRA) and the Fair Value Approach (FVA) at transition on one hand, and other contracts on the other hand, the latter combining both new contracts and contracts measured under the full retrospective approach at transition as well contracts not applying the annual cohort requirement at transition (see Note 2 Other information related to transition).

The following changes occurred during the year ended December 31, 2023:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Analysis of changes occurred in the course of 2023, split between LRC and LIC										
	Liability for Remaining Coverage (LRC)			Liability for Incurred Claims (LIC)				of which			
	Excluding loss component	Loss component	Total LRC	LIC related to non PAA contracts	Estimates of the PVFCF	RA	Total	Total LIC	Total	Life	P&C
<i>(US Dollars in thousands)</i>											
Opening assets	—	—	—	—	—	—	—	—	—	—	—
Opening liabilities	1,030,753	3,478	1,034,231	12,331	6,547,427	196,819	6,744,246	6,756,577	7,790,808	74,048	7,716,760
Net opening balance (A)	1,030,753	3,478	1,034,231	12,331	6,547,427	196,819	6,744,246	6,756,577	7,790,808	74,048	7,716,760
Insurance revenue coming from contracts under the MRA	—	—	—	—	—	—	—	—	—	—	—
Insurance revenue coming from contracts under the FVA	(16,507)	—	(16,507)	—	—	—	—	—	(16,507)	(16,507)	—
Insurance revenue coming from other contracts	(2,368,156)	—	(2,368,156)	—	—	—	—	—	(2,368,156)	—	(2,368,156)
Insurance revenue (B)	(2,384,663)	—	(2,384,663)	—	—	—	—	—	(2,384,663)	(16,507)	(2,368,156)
Incurred claims and other insurance service expenses	—	—	—	14,856	1,713,153	(3,501)	1,709,652	1,724,508	1,724,508	14,856	1,709,652
Amortisation of insurance acquisition cash flows	73,446	—	73,446	—	—	—	—	—	73,446	—	73,446
Losses and reversal of losses on onerous contracts	—	(4,180)	(4,180)	—	—	—	—	—	(4,180)	(388)	(3,792)
Adjustments to liabilities for incurred claims	—	—	—	—	(88,580)	(63,666)	(152,246)	(152,246)	(152,246)	—	(152,246)
Insurance service expenses (C)	73,446	(4,180)	69,266	14,856	1,624,573	(67,167)	1,557,406	1,572,262	1,641,528	14,468	1,627,060
Investment components (D)	—	—	—	—	—	—	—	—	—	—	—
Insurance service result (E=B+C+D)	(2,311,217)	(4,180)	(2,315,397)	14,856	1,624,573	(67,167)	1,557,406	1,572,262	(743,135)	(2,039)	(741,096)
Net finance income or expenses recognized in profit or loss	491	—	491	—	144,865	—	144,865	144,865	145,356	491	144,865
Net finance income or expenses recognized in OCI	210	—	210	—	111,651	—	111,651	111,651	111,861	210	111,651
Net finance income or expenses from insurance contracts (F)	701	—	701	—	256,516	—	256,516	256,516	257,217	701	256,516
Total changes in the statement of profit or loss and in OCI (G = E+F)	(2,310,516)	(4,180)	(2,314,696)	14,856	1,881,089	(67,167)	1,813,922	1,828,778	(485,918)	(1,338)	(484,580)
Premiums received	2,416,116	—	2,416,116	—	—	—	—	—	2,416,116	11,925	2,404,191
Claims and other insurance service expenses paid	—	—	—	(13,703)	(2,363,986)	—	(2,363,986)	(2,377,689)	(2,377,689)	(13,703)	(2,363,986)
Insurance acquisition cash flows paid	(89,295)	—	(89,295)	—	—	—	—	—	(89,295)	(2,034)	(87,261)
Total cash flows (H)	2,326,821	—	2,326,821	(13,703)	(2,363,986)	—	(2,363,986)	(2,377,689)	(50,868)	(3,812)	(47,056)
Effect of movements in exchange rates (I)	25,778	47	25,825	518	152,467	6,525	158,992	159,510	185,335	1,976	183,359
Change in scope of consolidation, and other changes (J)	324,271	865	325,136	—	1,193,426	48,810	1,242,236	1,242,236	1,567,372	—	1,567,372
Closing assets	—	—	—	—	—	—	—	—	—	—	—
Closing liabilities	1,397,107	210	1,397,317	14,002	7,410,423	184,987	7,595,410	7,609,412	9,006,729	70,874	8,935,855
Net closing balance (K=A+G+H+I+J)	1,397,107	210	1,397,317	14,002	7,410,423	184,987	7,595,410	7,609,412	9,006,729	70,874	8,935,855
of which Life	56,872	—	56,872	14,002	—	—	—	14,002	70,874	—	—
of which Property & Casualty	1,340,235	210	1,340,445	—	7,410,423	184,987	7,595,410	7,595,410	8,935,855	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The following changes occurred during the year ended December 31, 2022:

	Analysis of changes occurred in the course of 2022 restated, split between LRC and LIC										
	Liability for Remaining Coverage (LRC)			Liability for Incurred Claims (LIC)				of which			
	Excluding loss component	Loss component	Total LRC	LIC related to non PAA contracts	Estimates of the PVFCF	RA	Total	Total LIC	Total	Life	P&C
<i>(US Dollars in thousands)</i>											
Opening assets	—	—	—	—	—	—	—	—	—	—	—
Opening liabilities	1,773,780	8,684	1,782,464	13,524	8,372,771	205,929	8,578,700	8,592,224	10,374,688	102,933	10,271,755
Net opening balance (A)	1,773,780	8,684	1,782,464	13,524	8,372,771	205,929	8,578,700	8,592,224	10,374,688	102,933	10,271,755
Insurance revenue coming from contracts under the MRA	—	—	—	—	—	—	—	—	—	—	—
Insurance revenue coming from contracts under the FVA	(16,603)	—	(16,603)	—	—	—	—	—	(16,603)	(16,603)	—
Insurance revenue coming from other contracts	(2,407,865)	—	(2,407,865)	—	—	—	—	—	(2,407,865)	—	(2,407,865)
Insurance revenue (B)	(2,424,468)	—	(2,424,468)	—	—	—	—	—	(2,424,468)	(16,603)	(2,407,865)
Incurring claims and other insurance service expenses	—	(33)	(33)	13,445	2,360,165	39,494	2,399,659	2,413,104	2,413,071	13,412	2,399,659
Amortisation of insurance acquisition cash flows	119,636	—	119,636	—	—	—	—	—	119,636	20	119,616
Losses and reversal of losses on onerous contracts	—	(5,181)	(5,181)	—	—	—	—	—	(5,181)	376	(5,557)
Adjustments to liabilities for incurred claims	—	—	—	—	81,332	(45,558)	35,774	35,774	35,774	—	35,774
Insurance service expenses (C)	119,636	(5,214)	114,422	13,445	2,441,497	(6,064)	2,435,433	2,448,878	2,563,300	13,808	2,549,492
Investment components (D)	—	—	—	—	—	—	—	—	—	—	—
Insurance service result (E=B+C+D)	(2,304,832)	(5,214)	(2,310,046)	13,445	2,441,497	(6,064)	2,435,433	2,448,878	138,832	(2,795)	141,627
Net finance income or expenses recognized in profit or loss	129	—	129	—	101,854	—	101,854	101,854	101,983	129	101,854
Net finance income or expenses recognized in OCI	(16,726)	—	(16,726)	—	(708,180)	—	(708,180)	(708,180)	(724,906)	(16,726)	(708,180)
Net finance income or expenses from insurance contracts (F)	(16,597)	—	(16,597)	—	(606,326)	—	(606,326)	(606,326)	(622,923)	(16,597)	(606,326)
Total changes in the statement of profit or loss and in OCI (G = E+F)	(2,321,429)	(5,214)	(2,326,643)	13,445	1,835,171	(6,064)	1,829,107	1,842,552	(484,091)	(19,392)	(464,699)
Premiums received	1,480,551	—	1,480,551	—	—	—	—	—	1,480,551	10,548	1,470,003
Claims and other insurance service expenses paid	—	—	—	(13,712)	(3,968,798)	—	(3,968,798)	(3,982,510)	(3,982,510)	(13,712)	(3,968,798)
Insurance acquisition cash flows paid	135,456	—	135,456	—	—	—	—	—	135,456	(2,371)	137,827
Total cash flows (H)	1,616,007	—	1,616,007	(13,712)	(3,968,798)	—	(3,968,798)	(3,982,510)	(2,366,503)	(5,535)	(2,360,968)
Effect of movements in exchange rates (I)	(47,569)	8	(47,561)	(926)	(248,731)	(12,739)	(261,470)	(262,396)	(309,957)	(3,958)	(305,999)
Change in scope of consolidation, and other changes (J)	9,964	—	9,964	—	557,014	9,693	566,707	566,707	576,671	—	576,671
Closing assets	—	—	—	—	—	—	—	—	—	—	—
Closing liabilities	1,030,753	3,478	1,034,231	12,331	6,547,427	196,819	6,744,246	6,756,577	7,790,808	74,048	7,716,760
Net closing balance (K=A+G+H+I+J)	1,030,753	3,478	1,034,231	12,331	6,547,427	196,819	6,744,246	6,756,577	7,790,808	74,048	7,716,760
of which Life	61,342	375	61,717	12,331	—	—	—	12,331	74,048	—	—
of which Property & Casualty	969,411	3,103	972,514	—	6,547,427	196,819	6,744,246	6,744,246	7,716,760	—	—

11.2.2 Changes in the carrying amount of insurance contracts and investment contracts with DPF, broken down by measurement component

The following tables provide an analysis of movements in the carrying amount of insurance contracts and investment contracts with DPF broken down by measurement component, namely (i) the estimate of the Present Value of Future Cash Flows (“PVFCF”), (ii) the risk adjustment for non-financial risk (“RA”), and (iii) the Contractual Service Margin (“CSM”). It should be noted that the carrying amount of insurance contracts measured under the Premium Allocation Approach (“PAA”) is also reported to match with the opening and closing balances of financial statements.

In this respect, the total amount of risk adjustment for non-financial risk gross of reinsurance (including contracts measured under the PAA) was \$187.0 million at end December 2023 and \$199.0 million at end December 2022. The percentile was stable at 65th comprised within the 62.5th -67.5th percentile range considered by the Company as the adequate level of prudence on underlying insurance liabilities.

The following changes occurred during the year ended December 31, 2023:

	Analysis of changes occurred in the course of 2023, broken down by measurement component (only for non PAA contracts)										
	Contractual Service Margin (CSM)						of which				
	Estimates of the PVFCF	RA	Contracts measured at transition under the MRA	Contracts measured at transition under the FVA	Other contracts	Total CSM	Carrying amount of non PAA contracts	Life	Property & Casualty	Carrying amount of PAA contracts	Total
<i>(US Dollars in thousands)</i>											
Opening assets	—	—	—	—	—	—	—	—	—	—	—
Opening liabilities	63,344	2,219	—	8,485	—	8,485	74,048	74,048	—	7,716,760	7,790,808
Net opening balance (A)	63,344	2,219	—	8,485	—	8,485	74,048	74,048	—	7,716,760	7,790,808
CSM recognized in profit or loss for services provided	—	—	—	(1,203)	—	(1,203)	(1,203)	(1,203)	—	—	(1,203)
Release of RA	—	(141)	—	—	—	—	(141)	(141)	—	—	(141)
Experience adjustments	(307)	—	—	—	—	—	(307)	(307)	—	—	(307)
Changes that relate to current services (B)	(307)	(141)	—	(1,203)	—	(1,203)	(1,651)	(1,651)	—	—	(1,651)
Contracts initially recognized in the period	—	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	277	(149)	—	(128)	—	(128)	—	—	—	—	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	(385)	(3)	—	—	—	—	(388)	(388)	—	—	(388)
Changes that relate to future services (C)	(108)	(152)	—	(128)	—	(128)	(388)	(388)	—	—	(388)
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—	—
Changes that relate to past services (D)	—	—	—	—	—	—	—	—	—	—	—
Insurance service result (E=B+C+D)	(415)	(293)	—	(1,331)	—	(1,331)	(2,039)	(2,039)	—	(741,096)	(743,135)
Net finance income or expenses from insurance contracts recognized in profit or loss	357	—	—	134	—	134	491	491	—	144,865	145,356
Net finance income or expenses recognized in OCI	210	—	—	—	—	—	210	210	—	111,651	111,861
Net finance income or expenses from insurance contracts (F)	567	—	—	134	—	134	701	701	—	256,516	257,217
Total changes in the statement of profit or loss and in OCI (G=E+F)	152	(293)	—	(1,197)	—	(1,197)	(1,338)	(1,338)	—	(484,580)	(485,918)
Premiums received	11,925	—	—	—	—	—	11,925	11,925	—	2,404,191	2,416,116
Claims and other insurance service expenses paid	(13,703)	—	—	—	—	—	(13,703)	(13,703)	—	(2,363,986)	(2,377,689)
Insurance acquisition cash flows	(2,034)	—	—	—	—	—	(2,034)	(2,034)	—	(87,261)	(89,295)
Total cash flows (H)	(3,812)	—	—	—	—	—	(3,812)	(3,812)	—	(47,056)	(50,868)
Effect of movements in exchange rates (I)	1,600	67	—	309	—	309	1,976	1,976	—	183,359	185,335
Change in scope of consolidation, and other changes (J)	—	—	—	—	—	—	—	—	—	1,567,372	1,567,372
Closing assets	—	—	—	—	—	—	—	—	—	—	—
Closing liabilities	61,284	1,993	—	7,597	—	7,597	70,874	70,874	—	8,935,855	9,006,729
Net closing balance (K=A+G+H+I+J)	61,284	1,993	—	7,597	—	7,597	70,874	70,874	—	8,935,855	9,006,729
<i>of which Life</i>	<i>61,284</i>	<i>1,993</i>	<i>—</i>	<i>7,597</i>	<i>—</i>	<i>7,597</i>	<i>70,874</i>	<i>70,874</i>	<i>—</i>	<i>—</i>	<i>70,874</i>
<i>of which Property & Casualty</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>8,935,855</i>	<i>8,935,855</i>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The following changes occurred during the year ended December 31, 2022:

	Analysis of changes occurred in the course of 2022 restated, broken down by measurement component (only for non PAA contracts)										
	Contractual Service Margin (CSM)						of which		Carrying amount of contracts measured under PAA	Total	
	Estimates of the PVFCF	RA	Contracts measured at transition under the MRA	Contracts measured at transition under the FVA	Other contracts	Contractual Service Margin (CSM)	Life	Property & Casualty			
<i>(US Dollars in thousands)</i>											
Opening assets	—	—	—	—	—	—	—	—	—	—	—
Opening liabilities	86,430	3,178	—	13,325	—	13,325	102,933	102,933	—	10,271,755	10,374,688
Net opening balance (A)	86,430	3,178	—	13,325	—	13,325	102,933	102,933	—	10,271,755	10,374,688
CSM recognized in profit or loss for services provided	—	—	—	(1,501)	—	(1,501)	(1,501)	(1,501)	—	—	(1,501)
Release of RA	—	(248)	—	—	—	—	(248)	(248)	—	—	(248)
Experience adjustments	(1,386)	—	—	—	—	—	(1,386)	(1,386)	—	—	(1,386)
Changes that relate to current services (B)	(1,386)	(248)	—	(1,501)	—	(1,501)	(3,135)	(3,135)	—	—	(3,135)
Contracts initially recognized in the period	—	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	2,958	(520)	—	(2,473)	—	(2,473)	(35)	(35)	—	—	(35)
Changes in estimates that result in losses and reversal of losses on onerous contracts	375	—	—	—	—	—	375	375	—	—	375
Changes that relate to future services (C)	3,333	(520)	—	(2,473)	—	(2,473)	340	340	—	—	340
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—	—
Changes that relate to past services (D)	—	—	—	—	—	—	—	—	—	—	—
Insurance service result (E=B+C+D)	1,947	(768)	—	(3,974)	—	(3,974)	(2,795)	(2,795)	—	141,627	138,832
Net finance income or expenses from insurance contracts recognized in profit or loss	58	—	—	71	—	71	129	129	—	101,854	101,983
Net finance income or expenses recognized in OCI	(16,726)	—	—	—	—	—	(16,726)	(16,726)	—	(708,180)	(724,906)
Net finance income or expenses from insurance contracts (F)	(16,668)	—	—	71	—	71	(16,597)	(16,597)	—	(606,326)	(622,923)
Total changes in the statement of profit or loss and in OCI (G=E+F)	(14,721)	(768)	—	(3,903)	—	(3,903)	(19,392)	(19,392)	—	(464,699)	(484,091)
Premiums received	10,548	—	—	—	—	—	10,548	10,548	—	1,470,003	1,480,551
Claims and other insurance service expenses paid	(13,712)	—	—	—	—	—	(13,712)	(13,712)	—	(3,968,798)	(3,982,510)
Insurance acquisition cash flows	(2,371)	—	—	—	—	—	(2,371)	(2,371)	—	137,827	135,456
Total cash flows (H)	(5,535)	—	—	—	—	—	(5,535)	(5,535)	—	(2,360,968)	(2,366,503)
Effect of movements in exchange rates (I)	(2,830)	(191)	—	(937)	—	(937)	(3,958)	(3,958)	—	(305,999)	(309,957)
Change in scope of consolidation, and other changes (J)	—	—	—	—	—	—	—	—	—	576,671	576,671
Closing assets	—	—	—	—	—	—	—	—	—	—	—
Closing liabilities	63,344	2,219	—	8,485	—	8,485	74,048	74,048	—	7,716,760	7,790,808
Net closing balance (K=A+G+H+I+J)	63,344	2,219	—	8,485	—	8,485	74,048	74,048	—	7,716,760	7,790,808
<i>Of which Life</i>	63,344	2,219	—	8,485	—	8,485	74,048	74,048	—	—	74,048
<i>Of which Property & Casualty</i>	—	—	—	—	—	—	—	—	—	7,716,760	7,716,760

11.3 MOVEMENTS IN BALANCES OF REINSURANCE CONTRACTS HELD

11.3.1 Changes in the carrying amount of reinsurance contracts held, split between remaining coverage and incurred claims components

The two following tables provide an analysis of movements in the carrying amount of reinsurance contracts held split between the component for remaining coverage and the component for incurred claims.

The analysis of movements highlights how this carrying amount is affected by (i) the amounts recognised in the statement of profit or loss and other comprehensive income (OCI), (ii) the cash flows, (iii) the effect of movements in exchange rates, (iv) and the effect of changes in scope of consolidation and other changes.

The amounts recognised in the statement of profit or loss reconcile to net (expenses)/recoveries from reinsurance contracts held and net finance income or expenses as disclosed above (see paragraph 11.1.1.2).

The following changes occurred during the year ended December 31, 2023:

	Analysis of changes occurred in the course of 2023, split between ARC and AIC										
	Assets for Remaining Coverage (ARC)			Asset for Incurred claims (AIC)				of which			
	Excluding loss recovery component	Loss recovery component	Total ARC	AIC related to PAA contracts			Total AIC				
				AIC related to non PAA contracts	Estimates of the PVFC	RA		Total			
<i>(US Dollars in thousands)</i>											
Opening assets	465,909	708	466,617	6,395	2,177,062	55,462	2,232,524	2,238,919	2,705,536	63,901	2,641,635
Opening liabilities	—	—	—	—	—	—	—	—	—	—	—
Net opening balance (A)	465,909	708	466,617	6,395	2,177,062	55,462	2,232,524	2,238,919	2,705,536	63,901	2,641,635
Expenses from reinsurance contracts	(827,510)	—	(827,510)	—	—	—	—	—	(827,510)	(15,841)	(811,670)
Changes in estimates that relate to losses and reversal of losses on underlying onerous contracts	—	(676)	(676)	—	—	—	—	—	(676)	(425)	(251)
Amount recovered from the reinsurers	—	1	1	14,771	488,333	(16,170)	472,163	486,934	486,935	14,772	472,163
Net (expenses)/recoveries from reinsurance contracts held (B)	(827,510)	(675)	(828,185)	14,771	488,333	(16,170)	472,163	486,934	(341,251)	(1,494)	(339,757)
Investment component (C)	—	—	—	—	—	—	—	—	—	—	—
Net finance income or expenses from reinsurance contracts recognized in profit or loss	413	—	413	—	22,602	—	22,602	22,602	23,015	413	22,602
Net finance income or expenses recognized in OCI	770	—	770	—	57,772	(17)	57,755	57,755	58,525	770	57,755
Net finance income or expenses from reinsurance contracts held (D)	1,183	—	1,183	—	80,374	(17)	80,357	80,357	81,540	1,183	80,357
Effect of changes in non-performance risk of reinsurers (E)	—	—	—	—	(381)	—	(381)	(381)	(381)	—	(381)
Total changes in the statement of profit or loss and in OCI (F=B+C+D+E)	(826,328)	(675)	(827,003)	14,771	568,326	(16,187)	552,139	566,910	(260,093)	(311)	(259,782)
Premiums paid (net of commissions related to premiums)	824,834	—	824,834	—	—	—	—	—	824,834	9,653	815,181
Amount received (net of commissions related to claims)	—	—	—	(12,805)	(612,943)	—	(612,943)	(625,748)	(625,748)	(12,805)	(612,943)
Total cash flows (G)	824,834	—	824,834	(12,805)	(612,943)	—	(612,943)	(625,748)	199,086	(3,151)	202,238
Effect of movements in exchange rates (H)	10,627	(106)	10,521	187	28,981	646	29,626	29,813	40,334	1,640	38,694
Change in scope of consolidation, and other changes (I)	35,249	52	35,300	—	128,558	2,406	130,964	130,964	166,264	—	166,264
Closing assets	510,291	(21)	510,270	8,549	2,289,983	42,326	2,332,309	2,340,858	2,851,128	62,078	2,789,050
Closing liabilities	—	—	—	—	—	—	—	—	—	—	—
Net closing balance (J=A+F+G+H+I)	510,291	(21)	510,270	8,549	2,289,983	42,326	2,332,309	2,340,858	2,851,128	62,078	2,789,050
of which Life	53,529	—	53,529	8,549	—	—	—	8,549	62,078	—	—
of which Property & Casualty	456,762	(21)	456,741	—	2,289,983	42,326	2,332,309	2,332,309	2,789,050	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The following changes occurred during the year ended December 31, 2022:

Analysis of changes occurred in the course of 2022 restated, split between ARC and AIC

	Assets for Remaining Coverage (ARC)			Incurred claims component				of which			
	Excluding loss recovery component	Loss recovery component	Total ARC	Contracts measured under Premium Allocation Approach				Total AIC	Total	Life	Property & Casualty
				AIC related to non PAA contracts	Estimates of the PVFCF	RA	Total				
<i>(US Dollars in thousands)</i>											
Opening assets	396,655	1,347	398,002	6,907	1,912,374	47,301	1,959,675	1,966,582	2,364,584	90,935	2,273,648
Opening liabilities	—	—	—	—	—	—	—	—	—	—	—
Net opening balance (A)	396,655	1,347	398,002	6,907	1,912,374	47,301	1,959,675	1,966,582	2,364,584	90,935	2,273,648
Expenses from reinsurance contracts	(794,417)	—	(794,417)	—	—	—	—	—	(794,417)	(15,903)	(778,514)
Changes in estimates that relate to losses and reversal of losses on underlying onerous contracts	—	(667)	(667)	—	—	—	—	—	(667)	376	(1,043)
Amount recovered from the reinsurers	—	—	—	12,808	902,947	8,869	911,816	924,624	924,624	12,808	911,816
Net (expenses)/recoveries from reinsurance contracts held (B)	(794,417)	(667)	(795,084)	12,808	902,947	8,869	911,816	924,624	129,540	(2,719)	132,259
Investment component (C)	—	—	—	—	—	—	—	—	—	—	—
Net finance income or expenses from reinsurance contracts recognized in profit or loss	87	—	87	—	16,104	—	16,104	16,104	16,191	87	16,104
Net finance income or expenses recognized in OCI	(15,974)	—	(15,974)	—	(151,078)	—	(151,078)	(151,078)	(167,052)	(15,974)	(151,078)
Net finance income or expenses from reinsurance contracts held (D)	(15,887)	—	(15,887)	—	(134,974)	—	(134,974)	(134,974)	(150,861)	(15,887)	(134,974)
Effect of changes in non-performance risk of reinsurers (E)	—	—	—	—	(760)	—	(760)	(760)	(760)	—	(760)
Total changes in the statement of profit or loss and in OCI (F=B+C+D+E)	(810,304)	(667)	(810,971)	12,808	767,213	8,869	776,082	788,890	(22,081)	(18,606)	(3,475)
Premiums paid (net of commissions related to premiums)	904,553	—	904,553	—	—	—	—	—	904,553	7,925	896,628
Amount received (net of commissions related to claims)	—	—	—	(12,818)	(518,797)	—	(518,797)	(531,615)	(531,615)	(12,818)	(518,797)
Total cash flows (G)	904,553	—	904,553	(12,818)	(518,797)	—	(518,797)	(531,615)	372,938	(4,893)	377,831
Effect of movements in exchange rates (H)	(58,534)	28	(58,506)	(502)	(95,082)	(2,240)	(97,322)	(97,824)	(156,330)	(3,536)	(152,794)
Change in scope of consolidation, and other changes (I)	33,539	—	33,539	—	111,354	1,533	112,886	112,886	146,425	—	146,425
Closing assets	465,909	708	466,617	6,395	2,177,062	55,462	2,232,524	2,238,919	2,705,536	63,901	2,641,635
Closing liabilities	—	—	—	—	—	—	—	—	—	—	—
Net closing balance (J=A+F+G+H+I)	465,909	708	466,617	6,395	2,177,062	55,462	2,232,524	2,238,919	2,705,536	63,901	2,641,635
of which Life	57,095	411	57,506	6,395	—	—	—	6,395	63,901	—	—
of which Property & Casualty	408,814	297	409,111	—	2,177,062	55,462	2,232,524	2,232,524	2,641,635	—	—

11.3.2 Changes in the carrying amount of reinsurance contracts held, broken down by measurement component

The two following tables provide an analysis of movements in the carrying amount of reinsurance contracts broken down by measurement component, namely (i) the estimate of the Present Value of Future Cash Flows (“PVFCF”), (ii) the risk adjustment for non-financial risk (“RA”), and (iii) the Contractual Service Margin (“CSM”).

As such, this second reconciliation is presented only for reinsurance contracts not measured under the PAA. However, the carrying amount of reinsurance contracts measured under the PAA is also reported to match with the opening and closing balances of financial statements.

The following changes occurred during the year ended December 31, 2023:

	Analysis of changes occurred in the course of 2023, broken down by measurement component (only for non PAA contracts)										
	Contractual Service Margin (CSM)					of which					
	Estimates of the PVFCF	RA	Contracts measured at transition under the MRA	Contracts measured at transition under the FVA	Other contracts	CSM	Carrying amount of non PAA contracts	Life	Property & Casualty	Carrying amount of PAA contracts	Total
<i>(US Dollars in thousands)</i>											
Opening assets	53,862	2,049	—	7,989	—	7,989	63,901	63,901	—	2,641,635	2,705,536
Opening liabilities	—	—	—	—	—	—	—	—	—	—	—
Net opening balance (A)	53,862	2,049	—	7,989	—	7,989	63,901	63,901	—	2,641,635	2,705,536
CSM recognized for services received	—	—	—	(1,154)	—	(1,154)	(1,154)	(1,154)	—	—	(1,154)
Release of RA	—	(130)	—	—	—	—	(130)	(130)	—	—	(130)
Experience adjustments	215	—	—	—	—	—	215	215	—	—	215
Changes that relate to current services (B)	215	(130)	—	(1,154)	—	(1,154)	(1,069)	(1,069)	—	—	(1,069)
Contracts initially recognized in the period	—	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	172	(123)	—	(49)	—	(49)	—	—	—	—	—
Changes in estimates that relate to losses and reversal from losses on underlying onerous contracts	(425)	—	—	—	—	—	(425)	(425)	—	—	(425)
Other changes in estimates that relate to future services	—	—	—	—	—	—	—	—	—	—	—
Changes that relate to future services (C)	(253)	(123)	—	(49)	—	(49)	(425)	(425)	—	—	(425)
Adjustments to incurred claims	—	—	—	—	—	—	—	—	—	—	—
Changes that relate to past services (D)	—	—	—	—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts (E=B+C+D)	(38)	(253)	—	(1,203)	—	(1,203)	(1,494)	(1,494)	—	(339,757)	(341,251)
Net finance income or expenses recognized in profit or loss	287	0	0	125	0	125	413	413	—	22,602	23,015
Net finance income or expenses recognized in OCI	770	0	0	0	0	—	770	770	—	57,755	58,525
Net finance income or expenses from reinsurance contracts held (F)	1,057	—	—	125	—	125	1,183	1,183	—	80,357	81,540
Effect of changes in non-performance risk of reinsurers (G)	—	—	—	—	—	—	—	—	—	(381)	(381)
Total changes in the statement of profit or loss and in OCI (H=E+F+G)	1,019	(253)	—	(1,078)	—	(1,078)	(311)	(311)	—	(259,782)	(260,093)
Premiums paid (net of commissions related to premiums)	9653	0	0	0	0	—	9,653	9,653	—	815,181	824,834
Amount received (net of commissions related to claims)	(12,805)	—	—	—	—	—	(12,805)	(12,805)	—	(612,943)	(625,748)
Total cash flows (I)	(3,151)	—	—	—	—	—	(3,151)	(3,151)	—	202,238	199,086
Effect of movements in exchange rates (J)	1,263	68	—	309	—	309	1,640	1,640	—	38,694	40,334
Change in scope of consolidation, and other changes (K)	—	—	—	—	—	—	—	—	—	166,264	166,264
Closing assets	52,993	1,865	—	7,220	—	7,220	62,078	62,078	—	2,789,050	2,851,128
Closing liabilities	—	—	—	—	—	—	—	—	—	—	—
Net closing balance (L=A+H+I+J+K)	52,993	1,865	—	7,220	—	7,220	62,078	62,078	—	2,789,050	2,851,128
<i>of which Life</i>	52,993	1,865	—	7,220	—	7,220	62,078	62,078	—	—	62,078
<i>of which Property & Casualty</i>	—	—	—	—	—	—	—	—	—	2,789,050	2,789,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The following changes occurred during the year ended December 31, 2022:

	Analysis of changes occurred in the course of 2022 restated, broken down by measurement component (only for non PAA contracts)						of which			Total	
	Estimates of the PVFCF	RA	Contracts measured at transition under the MRA	Contracts measured at transition under the FVA	Other contracts	CSM	Carrying amount of non PAA contracts	Life	Property & Casualty		Carrying amount of PAA contracts
<i>(US Dollars in thousands)</i>											
Opening assets	75,177	2,941	—	12,818	—	12,818	90,935	90,935	—	2,273,648	2,364,584
Opening liabilities	—	—	—	—	—	—	—	—	—	—	—
Net opening balance (A)	75,177	2,941	—	12,818	—	12,818	90,935	90,935	—	2,273,648	2,364,584
CSM recognized for services received	—	—	—	(1,436)	—	(1,436)	(1,436)	(1,436)	—	—	(1,436)
Release of RA	—	(230)	—	—	—	—	(230)	(230)	—	—	(230)
Experience adjustments	(1,393)	—	—	—	—	—	(1,393)	(1,393)	—	—	(1,393)
Changes that relate to current services (B)	(1,393)	(230)	—	(1,436)	—	(1,436)	(3,059)	(3,059)	—	—	(3,059)
Contracts initially recognized in the period	—	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	2,958	(471)	—	(2,522)	—	(2,522)	(35)	(35)	—	—	(35)
Changes in estimates that relate to losses and reversal from losses on underlying onerous contracts	376	—	—	—	—	—	376	376	—	—	376
Other changes in estimates that relate to future services	—	—	—	—	—	—	—	—	—	—	—
Changes that relate to future services (C)	3,334	(471)	—	(2,522)	—	(2,522)	341	341	—	—	341
Adjustments to incurred claims	—	—	—	—	—	—	—	—	—	—	—
Changes that relate to past services (D)	—	—	—	—	—	—	—	—	—	—	—
Net (expenses)/recoveries from reinsurance contracts (E=B+C+D)	1,941	(701)	—	(3,959)	—	(3,959)	(2,718)	(2,718)	—	132,259	129,541
Net finance income or expenses recognized in profit or loss	20	—	—	67	—	67	87	87	—	16,104	16,191
Net finance income or expenses recognized in OCI	(15,974)	—	—	—	—	—	(15,974)	(15,974)	—	(151,078)	(167,052)
Net finance income or expenses from reinsurance contracts held (F)	(15,954)	—	—	67	—	67	(15,887)	(15,887)	—	(134,974)	(150,861)
Effect of changes in non-performance risk of reinsurers (G)	—	—	—	—	—	—	—	—	—	(760)	(760)
Total changes in the statement of profit or loss and in OCI (H=E+F+G)	(14,013)	(701)	—	(3,892)	—	(3,892)	(18,605)	(18,605)	—	(3,475)	(22,081)
Premiums paid (net of commissions related to premiums)	7,925	—	—	—	—	—	7,925	7,925	—	896,628	904,553
Amount received (net of commissions related to claims)	(12,818)	—	—	—	—	—	(12,818)	(12,818)	—	(518,797)	(531,615)
Total cash flows (I)	(4,893)	—	—	—	—	—	(4,893)	(4,893)	—	377,831	372,938
Effect of movements in exchange rates (J)	(2,408)	(191)	—	(937)	—	(937)	(3,536)	(3,536)	—	(152,794)	(156,330)
Change in scope of consolidation, and other changes (K)	—	—	—	—	—	—	—	—	—	146,425	146,425
Closing assets	53,862	2,049	—	7,989	—	7,989	63,901	63,901	—	2,641,635	2,705,536
Closing liabilities	—	—	—	—	—	—	—	—	—	—	—
Net closing balance (L=A+H+I+J+K)	53,862	2,049	—	7,989	—	7,989	63,901	63,901	—	2,641,635	2,705,536
<i>of which Life</i>	53,862	2,049	—	7,989	—	7,989	63,901	63,901	—	—	63,901
<i>of which Property & Casualty</i>	—	—	—	—	—	—	—	—	—	2,641,635	2,641,635

11.4 INSURANCE REVENUE AND CSM

11.4.1 Insurance revenue

The analysis of insurance revenue arising from PAA and non PAA contracts, is as follows:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Amounts relating to changes in liabilities for remaining coverage		
CSM recognized in profit or loss for services provided	1,203	1,501
Release of risk adjustment for non-financial risk for risk expired	141	248
Release of expected incurred claims and other insurance service expenses	14,269	15,304
Experience adjustments	894	(519)
Other	—	69
Insurance revenue arising from non PAA contracts	16,507	16,603
Insurance revenue arising from PAA contracts	2,368,156	2,407,865
Total insurance revenue	2,384,663	2,424,467

11.4.2 Contractual Service Margin ("CSM")

As of December 31, 2023, the total amount of CSM net of reinsurance contracts reported in the consolidated statement of financial position was \$0.4 million (\$0.5 million as of December 31, 2022)

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Liabilities arising from insurance contracts and investment contracts with DPF	7,597	8,485
Liabilities arising from reinsurance contracts held	—	—
Amount of CSM included in liabilities	7,597	8,485
Assets arising from insurance contracts and investment contracts with DPF	—	—
Assets arising from reinsurance contracts held	7,220	7,989
Amount of CSM included in assets	7,220	7,989
Total CSM	377	496
<i>of which CSM arising from insurance contracts and investment contracts with DPF</i>	<i>7,597</i>	<i>8,485</i>
<i>of which CSM arising from reinsurance contracts held</i>	<i>(7,220)</i>	<i>(7,989)</i>

11.5 DISCOUNT RATES

As explained in Note 2.12.5.3, the estimates of future cash flows are discounted based on yield curves determined in a “risk-neutral” environment. The yield curves used as of December 31, 2023, and December 31, 2022, for the main currencies are disclosed below.

Spot discount rates used at end of December												
Maturity	EUR		USD		GBP		JPY		CHF		HKD	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
1	3.7%	3.5%	5.4%	5.8%	5.2%	4.9%	(0.1)%	(0.1)%	1.1%	1.5%	4.5%	5.0%
2	3.0%	3.6%	4.7%	5.3%	4.5%	5.0%	—%	—%	1.1%	1.6%	3.9%	4.7%
3	2.8%	3.5%	4.4%	4.9%	4.2%	4.8%	—%	—%	1.1%	1.7%	3.7%	4.4%
5	2.7%	3.5%	4.2%	4.6%	3.9%	4.5%	0.2%	0.2%	1.1%	1.9%	3.5%	4.2%
7	2.7%	3.4%	4.1%	4.5%	3.8%	4.3%	0.3%	0.4%	1.1%	2.0%	3.5%	4.1%
10	2.8%	3.4%	4.1%	4.4%	3.8%	4.2%	0.6%	0.5%	1.2%	2.1%	3.5%	4.0%
15	2.8%	3.4%	4.2%	4.4%	3.9%	4.1%	1.1%	1.0%	1.2%	2.2%	3.6%	4.0%
20	2.8%	3.1%	4.1%	4.3%	3.9%	4.0%	1.4%	1.3%	1.3%	2.2%	3.6%	4.0%
25	2.7%	2.9%	4.0%	4.1%	3.9%	3.9%	1.6%	1.5%	1.5%	2.3%	3.6%	3.9%
30	2.7%	2.9%	3.9%	3.9%	3.9%	3.8%	1.7%	1.6%	1.6%	2.3%	3.6%	3.8%

As explained in Note 2.12.5.3, discount rates are based on swaps for most currencies and government bonds for others, adjusted by adding a liquidity premium net of credit risk adjustment. For the main currencies, these adjustments are disclosed in the table below:

Liquidity Premium, net of credit risk adjustment, used at end of December (in bps)											
EUR		USD		GBP		JPY		CHF		HKD	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
25	22	65	55	49	46	-6	-6	0	0	10	8

11.6 P&C CLAIMS DEVELOPMENT TABLE

The following table shows the development for the gross ultimate cost of claims and the cumulative gross claim payments by accident year from 2017 to 2023. All contracts concerned are insurance contracts as defined by IFRS. Until 2022 the claims development is disclosed according to IFRS4 and from 2023 onwards according to IFRS17. Consequently, the 2023 diagonal should not be compared with 2022 diagonal.

The first line labelled “Estimate of net undiscounted ultimate claim costs, including claims expenses” includes outstanding reserves on reported losses, estimated reserves for IBNR claims, allocated loss adjustment expenses and net payments. For example, the amount of \$1,055.1 million appearing in accident year 2021 column represents the undiscounted net ultimate costs for that accident year which is developed in the subsequent years, being \$1,868.7 million in 2023.

The line labelled “Cumulative net payments to date” shows, for a given Accident Year Y (column), the cumulative amount of payments related to years of occurrence after to and including Y, made since December 31 of year Y-1.

The line labelled “Estimate of net liabilities from year 2021 to 2023” represents the difference between the net undiscounted ultimate cost of claims and the cumulative net payments to date, disclosing the claims reserved by accident year from 2021 to 2023.

The reconciliation with the total Liability for incurred claims (see note 11.1.2) includes components that are not developed such as:

- “Estimate of gross liabilities not developed” corresponding to the estimate of gross liabilities of incurred claims prior to 2020 and of claims incurred before the acquisition date of acquired entities (\$4,435.8 million).
- Discounting impact (\$(1,076.7)).
- Risk adjustment for non-financial risk (\$145.4).

The claims development takes into consideration the changes in scope that occurred throughout the development period.

- For acquisitions, the claims are only developed after the acquisition date, disclosing the non-developed piece, if any, in the line item “Estimate of net liabilities not developed”.

The claim development table is net of intercompany transactions.

11.6.1 Net claims development table by underwriting year

<i>(US Dollars in thousands)</i>	2021	2022	2023	Total
Estimate of net undiscounted ultimate claim costs, including claims expenses				
At end of underwriting year	1,055,149	676,450	491,228	
One year later	1,844,317	1,137,771		
Two years later	1,868,721			
Three years later				
Four years later				
Five years later				
Six years later				
Cumulative net payments to date	(1,381,735)	(317,559)	(39,854)	
Estimate of net liabilities from 2021 to 2023	486,986	820,212	451,374	1,758,572
Estimate of net liabilities not developed				4,435,846
Effect of discounting				(1,076,674)
RA				145,357
TOTAL LIC NET OF REINSURANCE				5,263,101

Note 12 Payables

12.1 BREAKDOWN OF PAYABLES

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Payable - current tax position	31,045	23,235
Debts relating to investments under total return swap agreement	—	—
Other debt instrument issued and bank overdraft	—	—
Collateral debts relating to investments under lending agreements or equivalent	156,589	—
Other payables	106,591	96,636

12.2 EXPOSURE TO INTEREST RATE RISK AND CONTRACTUAL MATURITIES

The table below sets out the contractual maturities of other debt instruments and collateral debts relating to investments under lending agreements or equivalent, which are exposed to interest rate risk. Effective maturities may differ from those presented, mainly because some instruments include clauses allowing early redemption, with or without penalty.

<i>(US Dollars in thousands)</i>	December 31, 2023				December 31, 2022, restated			
	Carrying value of other debt instrument by contractual maturity				Carrying value of other debt instrument by contractual maturity			
	12 months or less	More than 1 year up to 5 years	More than 5 years	Total carrying value	12 months or less	More than 1 year up to 5 years	More than 5 years	Total carrying value
Collateral debts relating to investments under a lending agreement or equivalent	156,589	—	—	156,589	—	—	—	—

Note 13 Tax

13.1 TAX EXPENSE

13.1.1 Breakdown of tax expense between current and deferred tax

The income tax charge/(benefit) was split as follows:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Current income tax	36,497	30,549
Deferred income tax	55,140	(75,182)
TOTAL INCOME TAX CHARGE/(BENEFIT)	91,637	(44,633)

13.1.2 Tax proof

The notional tax charge/(benefit) is calculated using the pre-tax accounting income (loss) in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. A reconciliation of the difference between the notional tax charge (benefit) and the effective tax charge (benefit) for the years ended December 31, 2023 and 2022 is provided below.

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Income/(loss) from operating activities, gross of tax expenses (excluding result from investments consolidated using equity method)	489,178	(374,803)
Notional tax rate	6.4 %	13.9 %
Notional tax charge/(benefit)	31,312	(52,217)
Impact of change in tax rates	1,442	32
Impact of differences in tax rate and impact of taxes not linked to pre-tax income	24,664	(33,723)
Impact of differences in tax rates and tax bases	26,106	(33,691)
Impact of permanent differences	34,675	651
Adjustments on tax relating to prior years - Current Tax	—	—
Adjustments on tax relating to prior years - Deferred Tax	(5,724)	(6,320)
UTP gross amount (Unrecognized Tax Position)	12,858	13,843
Derecognition/(recognition) of DTA on temporary differences	(7,590)	33,101
Impact of adjustments, decrease in value and other items	(457)	40,624
EFFECTIVE TAX CHARGE/(BENEFIT)	91,637	(44,633)
EFFECTIVE TAX RATE (%)	18.7 %	11.9 %

Effective tax rate stood at 18.7% in 2023 versus 11.9% in 2022. The 2023 effective tax rate is primarily driven by the following items:

- Notional tax rate of 6.4% primarily due to a significant proportion of profits in Bermuda and the UK, with less material profits in other countries, partially offset by losses in Luxembourg.
- Impact of differences in tax rates and impact of taxes not linked to pre-tax income (\$24.7 million) primarily relates to the inclusion of foreign branch income for Irish tax purposes for the XL Re Europe SE legal entity.
- Impact of permanent differences (\$34.7 million) is primarily related to a disallowance of interest expenses in Luxembourg which offsets the notional tax charge benefit reflected above.
- The Uncertain Tax Position (\$12.9 million) primarily relates to the recognition of Permanent Establishment tax risk due to underwriting activity in Colombia.

13.2 DEFERRED TAX

In the table below, the net deferred tax position corresponds to the difference between Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) carried on the Company's consolidated statement of financial position. Note that the breakdown of DTA/DTL disclosed in these tables corresponds to the deferred tax before the netting that occurs for financial position presentation purposes as required by IAS 12. Net deferred tax balances are broken down as follows:

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Deferred acquisition costs	—	1,560
Other intangible assets (including Goodwill)	(2,411)	(2,713)
Real estate	18	8
Financial assets	51,637	(4,669)
Technical reserves	(97,342)	(77,401)
Pensions and other employee benefits	2,341	884
Tax losses carried forward	104,645	130,772
Other	(7,645)	(4,884)
TOTAL DEFERRED TAX BY NATURE	51,243	43,557
<i>of which deferred tax through Profit and Loss</i>	38,818	88,184
<i>of which Deferred tax through OCI with P&L recycling</i>	12,425	(44,627)

As of December 31, 2023, the \$51.2 million net DTA related primarily to entities located in the United States (\$34.1 million), France (\$15.7 million), and Ireland (\$25.9 million), offset by net DTLs on entities located in the United Kingdom (\$(21.3) million) and Brazil (\$(11.9) million).

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Deferred tax assets	89,601	82,678
Deferred tax liabilities	38,358	39,121
Net deferred tax position	51,243	43,557

The \$7.7 million increase in the net deferred tax asset position from \$43.6 million in 2022 to \$51.2 million in 2023 relates primarily to increased DTAs on technical reserves and financial assets, offset by the increase in the DTL on technical reserves and the decrease in the DTA on tax losses carried forward.

13.2.1 Recognized and unrecognized deferred tax assets (DTA) by expiration date

The tables below provide the total recognized and unrecognized deferred tax assets, as well as the corresponding tax loss carryforward with the expiration date (i.e. the latest possible date available for use).

	2023									
	DTA maturity date 1 year	DTA maturity date 2 years	DTA maturity date 3 years	DTA maturity date 4 years	DTA maturity date 5 years	DTA maturity date 6 years	DTA maturity date between 7 and 11 years	DTA maturity date > 11 years	No maturity date	Total
<i>(US Dollars in thousands)</i>										
Recognized DTA										
Recognized DTA - Tax loss carryforwards	—	—	—	—	—	—	27,203	—	77,442	104,645
Recognized DTA - Other items not related to tax losses	—	—	—	—	—	—	—	—	54,015	54,015
Total recognized DTA	—	—	—	—	—	—	27,203	—	131,457	158,660
Corresponding carry forward losses	—	—	—	—	—	—	138,086	—	398,008	536,094
Unrecognized DTA										
Unrecognized DTA - Tax loss carryforwards	—	—	—	—	268	16,270	18,441	—	20,129	55,108
Unrecognized DTA - Other items not related to tax losses	—	—	—	—	—	—	—	—	57,064	57,064
Total unrecognized DTA	—	—	—	—	268	16,270	18,441	—	77,193	112,172
Corresponding carry forward losses	—	—	—	—	1,072	82,588	77,027	—	81,640	242,327

	2022									
	DTA maturity date 1 year	DTA maturity date 2 years	DTA maturity date 3 years	DTA maturity date 4 years	DTA maturity date 5 years	DTA maturity date 6 years	DTA maturity date between 7 and 11 years	DTA maturity date > 11 years	No maturity date	Total
<i>(US Dollars in thousands)</i>										
Recognized DTA										
Recognized DTA - Tax loss carryforwards	—	—	—	—	4,690	—	—	—	126,082	130,772
Recognized DTA - Other items not related to tax losses	—	—	—	—	—	—	—	—	23,773	23,773
Total recognized DTA	—	—	—	—	4,690	—	—	—	149,855	154,545
Corresponding carry forward losses	—	—	—	—	23,805	—	—	—	675,718	699,523
Unrecognized DTA										
Unrecognized DTA - Tax loss carryforwards	5,586	—	—	26,313	8,732	—	29,541	12,704	4,623	87,499
Unrecognized DTA - Other items not related to tax losses	—	—	—	—	—	—	—	—	41,210	41,210
Total unrecognized DTA	5,586	—	—	26,313	8,732	—	29,541	12,704	45,833	128,709
Corresponding carry forward losses	28,354	—	—	133,569	44,325	—	125,501	60,497	18,375	410,621

13.3 UNCERTAIN TAX POSITIONS

Uncertain tax treatments are determined separately at the entity level. For those positions considered as not probable to be accepted by the tax authorities without adjustment, the assessment of the uncertainty is determined based on the most likely outcome.

For the years ended December 31, 2023 and 2022, the Company had unrecognized tax benefits of \$21.0 million and \$16.2 million, respectively. The 2023 net increase primarily relates to the recognition of Permanent Establishment risk related to Colombia partially offset by releases of prior year positions in Italy and France.

The Company does not currently anticipate any significant change in the unrecognized tax benefits in 2024.

Note 14 Derivative Instruments

All derivative instruments are carried at fair value; in the Company's consolidated statement of financial position, they are presented in the line item Derivative assets when their fair value at the reporting date is positive, and in the line item Derivative liabilities when their fair value is negative.

In the following paragraphs of the present note, notional amounts of derivative instruments are displayed, by convention, in absolute value, and exclude any potential netting out.

14.1 DERIVATIVE INSTRUMENTS: MATURITIES, NOTIONAL AND FAIR VALUES

The following table shows notional amounts (including the split of those amounts by maturity) and carrying values of derivative instruments held by the Company, broken down by risk category. It includes all derivative instruments, regardless of whether they relate to a qualifying hedging relationship under IFRS 9 - Financial Instruments.

(US Dollars in thousands)	Notional amounts by maturity on December 31, 2023			Notional amount		Carrying value – Asset		Carrying value - Liability		Net carrying value	
	< 1 year	1 to 5 years	> 5 years	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Interest rates derivatives	—	98,000	—	98,000	—	2,010	—	—	—	2,010	—
TOTAL	—	98,000	—	98,000	—	2,010	—	0	—	2,010	—

14.2 DERIVATIVE INSTRUMENTS BY IAS 39 TYPE OF HEDGE

As stated in Note 2.8, the Company designates certain derivatives as hedging instruments in qualifying hedging relationships under IFRS 9 which are either (i) hedges of the exposure to variability in cash flows attributable to a recognized asset or liability or a highly probable expected future transaction (cash flow hedges), or (ii) hedges of the exposure to changes in fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedges), or (iii) hedges of net investments in a foreign operation (net investment hedges). The accounting for those hedging relationships is explained in Note 2.8.

The following tables display notional amounts and carrying values of derivative instruments held by the Company, broken down by risk category and by IFRS 9 hedging relationship, showing separately (i) derivative instruments qualifying for IFRS 9 hedge accounting, by type of hedging relationship, and (ii) derivative instruments used in macro hedges under IAS 39 and other derivative instruments not qualifying for hedging accounting under IFRS 9 but generally used as economic hedges:

(US Dollars in thousands)	December 31, 2023				
	Derivative instruments used in IFRS 9 qualifying hedging relationship			Total	
	Notional amount	Carrying value		Notional amount	Fair value
Assets		Liabilities			
Interest rates derivatives	98,000	2,010	—	98,000	2,010

(US Dollars in thousands)	December 31, 2022				
	Derivative instruments used in IFRS 9 qualifying hedging relationship			Total	
	Notional amount	Carrying value		Notional amount	Fair value
Assets		Liabilities			
Interest rates derivatives	—	—	—	—	—

Note: This table includes all derivatives (assets and liabilities) as described in Note 2.8, i.e. hedge, macro-hedge and other asset or liability positions.

As of December 31, 2023, the notional amount of all derivative instruments totaled \$98.0 million (2022: \$nil). Their net fair value amounted to \$2.0 million as of December 31, 2023 (\$nil at the end of 2022), comprised of the fair value of derivatives on invested assets.

The Company enters into derivative instruments for both risk management and investment purposes. The Company is exposed to potential loss from various market risks, and manages its market risks based on the Authorities Framework (see Note 5.2). The Authorities Framework is intended to align the risk profile of the Company's investment portfolio to be consistent with the Company's risk tolerance, and other guidelines established by the AXA XL Re Board of Directors.

The Company, either directly or through third party investment managers, may use derivative instruments within its investment portfolio, including interest rate swaps and options on interest rate swaps, total return swaps, credit derivatives (including single name and index credit default swaps and options on credit default swaps), equity options, forward contracts and futures (including foreign exchange, bond and stock index, interest rate and commodity futures), primarily as a means of reducing investment risk by economically hedging exposures to interest rate, credit spread, equity price changes and foreign currency risk or, in limited instances, for efficient portfolio management. When using exchange traded or cleared over-the-counter derivatives, the Company is exposed to the credit risk of the applicable clearing house and of the Company's futures commission merchant. When using uncleared over-the-counter derivatives, the Company is exposed to credit risk in the event of non-performance by the counterparties to such derivative contracts. To manage this risk, the Company requires appropriate legal documentation with counterparties that has been reviewed and negotiated by legal counsel on behalf of the Company and complies with the Company's documentation standards, investment guidelines and policies.

The notional amount of derivatives which is used to express the volume of instruments outstanding and to provide a basis for comparison with other financial instruments most certainly overstates the level of activity and does not directly measure risk as it greatly exceeds the possible credit and market loss that could arise from such transactions. It does not represent the amounts that are effectively exchanged by the parties, and thus is not a measure of the Company's exposure to derivative instruments. For example, the Company is exposed to credit risk in respect of its counterparties to the derivative instruments, but is not exposed to credit risk on the entire notional amounts. The Company may also use derivatives as an alternative to gain exposure to certain asset classes through "synthetic positions", for example, holding cash and equity futures instead of physical equities. Another example is the combination of government bonds and credit default swaps as a synthetic position and an alternative to the direct purchase of a corporate bond. These schemes do not add any specific risks compared with other investment assets.

In 2023, the use of derivatives within the Company increased overall by \$98.0 million in terms of notional amount, driven by interest rate derivatives.

As of December 31, 2023, the notional amount of derivative instruments qualifying for an IFRS 9 hedging relationship (cash flow) of the Company was \$98.0 million versus \$nil at the end of December 31, 2022. The net fair value recorded was \$2.0 million as of December 31, 2023 versus \$nil at the end of December 31, 2022. The Company mainly uses interest rate swaps.

The Company utilizes risk management and overlay strategies that incorporate the use of derivative financial instruments, primarily to manage its fixed income portfolio duration and net economic exposure to interest rate risks. The Company may also use interest rate swaps to convert certain liabilities from a fixed rate to a variable rate of interest or use them to convert a variable rate of interest from one basis to another.

14.3 EFFECT OF HEDGING ON FINANCIAL INSTRUMENTS

The impact of derivative instruments is presented in the consolidated statement of financial position within their related underlying financial assets and liabilities. The table below sets out the impact of derivative instruments on the related underlying assets and liabilities.

<i>(US Dollars in thousands)</i>	December 31, 2023		December 31, 2022	
	Carrying value of investments	Effect of derivative instruments	Carrying value of investments	Effect of derivative instruments
Investment in real estate properties	182,212	—	—	—
Debt instruments	6,190,168	2,010	—	—
Equity securities	41,192	—	—	—
Non-consolidated investment funds	446,333	—	—	—
TOTAL INVESTMENTS	6,859,905	2,010	—	—

14.4 BREAKDOWN OF DERIVATIVE INSTRUMENTS BY VALUATION METHOD

Principles applied by the Company in order to proceed with the classification of financial instruments into the fair value hierarchy categories under IFRS 13 – Fair Value Measurement are described in Note 2.5. Same principles apply as far as derivatives instruments are concerned.

The following table presents the breakdown of the fair value of derivative instruments by IFRS 13 fair value hierarchy level and by type of assets and liabilities to which those derivative instruments relate. The carrying value of derivative instruments is equal to their fair value:

<i>(US Dollars in thousands)</i>	December 31, 2023				December 31, 2022			
	Instruments quoted in an active market Level 1 ^(a)	Instruments not quoted in an active market – No active market Level 2 ^(b) Level 3 ^(c)		Total	Instruments quoted in an active market Level 1 ^(a)	Instruments not quoted in an active market – No active market Level 2 ^(b) Level 3 ^(c)		Total
Derivative instruments relating to debt instruments	2,010	—	—	2,010	—	—	—	—
Fair value of derivative instruments relating to assets (A)	2,010	—	—	2,010	—	—	—	—
Fair value of derivative instruments relating to liabilities (B)	—	—	—	—	—	—	—	—
Total fair value of derivative instruments (C= A+B)	2,010	—	—	2,010	—	—	—	—

(a) Level 1: fair value determined directly by reference to an active market.

(b) Level 2: fair value mainly based on observable market data.

(c) Level 3: fair value mainly not based on observable market data.

The Company mitigates counterparty credit risk of derivative instruments by contractually requiring collateral for most derivative contracts. As of December 31, 2023, the adjustment to the fair value of derivatives for non-performance risk was not material.

14.5 DERIVATIVE INSTRUMENTS USED IN HEDGE ACCOUNTING RELATIONSHIPS

14.5.1 Derivative instruments used in cash flow hedging relationships

<i>(US Dollars in thousands)</i>	December 31, 2023					
	Hedging Instrument					
	Notional amount	Carrying amount	Change in FV	Change in FV recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from hedge reserve to P&L
Interest rate risk						
Derivatives - Assets (FV positive)	98,000	2,010	2,010	2,010	—	—
Derivatives - Liabilities (FV negative)	—	—	—	—	—	—

<i>(US Dollars in thousands)</i>	December 31, 2022					
	Hedging Instrument					
	Notional amount	Carrying amount	Change in FV	Change in fair value recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from hedge reserve to P&L
Interest rate risk						
Derivatives - Assets (FV positive)	—	—	—	—	—	—
Derivatives - Liabilities (FV negative)	—	—	—	—	—	—

14.5.2 Derivative instruments used in cash flow hedging relationships by underlying hedged items

<i>(US Dollars in thousands)</i>	December 31, 2023		
	Hedged Item	Hedging Instrument	
	Change in fair value	Cash flow hedge reserve (continuing hedges)	Balance remaining in cash flow hedge where hedge accounting has been stopped
Interest Rate Risk	(2,010)	2,010	—

<i>(US in thousands)</i>	December 31, 2022		
	Hedged Item	Hedging instrument	
	Change in fair value	Cash flow hedge reserve (continuing hedges)	Balance remaining in cash flow hedge where hedge accounting has been stopped
Interest Rate Risk	—	—	—

14.5.3 Reconciliation of equity and analysis of other comprehensive income resulting from hedge accounting

	December 31, 2023					
	Cash flow hedging reserve			Translation hedging reserve		
	Ongoing cash flow hedging	Reclassification where hedge accounting has been stopped	Immediate reclassification when amount is no longer expected to be recovered	Ongoing cash flow hedging	Reclassification where hedge accounting has been stopped	Immediate reclassification when amount is no longer expected to be recovered
<i>(US Dollars in thousands)</i>						
Balances as of January 1	—	—	—	—	—	—
Effective portion of change in fair value						
Interest rate risk	2,010	—	—	—	—	—
Strategies stopped during the year						
Interest rate risk	—	—	—	—	—	—
Net amount reclassified to profit or loss						
Interest rate risk	—	—	—	—	—	—
Balances as of December 31	2,010	—	—	—	—	—

	December 31, 2022					
	Cash flow hedging reserve			Translation hedging reserve		
	Ongoing cash flow hedging	Reclassification where hedge accounting has been stopped	Immediate reclassification when amount is no longer expected to be recovered	Ongoing cash flow hedging	Reclassification where hedge accounting has been stopped	Immediate reclassification when amount is no longer expected to be recovered
<i>(US Dollars in thousands)</i>						
Balances as of January 1	—	—	—	—	—	—
Effective portion of change in fair value						
Interest rate risk	—	—	—	—	—	—
Strategies stopped during the year						
Interest rate risk	—	—	—	—	—	—
Net amount reclassified to profit or loss						
Interest rate risk	—	—	—	—	—	—
Balances as of December 31	—	—	—	—	—	—

Note 15 Gross Insurance & Non-Insurance Revenues

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, Restated
Property	22,361	66,923
Specialty & Professional	11,594	4,796
Casualty	4,602	59,274
P&C Insurance	38,557	130,993
Casualty	805,725	467,247
Property Other	595,178	412,166
Property Catastrophe	405,372	507,881
Global Specialty	259,951	217,709
Other ^(a)	263,373	671,868
P&C Reinsurance	2,329,599	2,276,871
Total P&C Operations	2,368,156	2,407,865
Life Operations	16,507	16,603
Non-Insurance Revenue ^(b)	5,326	5,004
Total Revenue	2,389,989	2,429,471

(a) Other within the reinsurance segment includes crop, credit and surety, and other lines. Included within the balance is insurance contract revenue of \$4.7 million for 2023 and \$384.2 million for 2022 from a large external Quota Share contract with a single cedant written in 2021. This contract was not renewed for 2022 and 2023.

(b) Non-insurance revenue relates to fee income.

The Company, through its operating subsidiaries, is a leading provider of Property & Casualty reinsurance coverages to insurance companies on a worldwide basis. It provides casualty, property risk, property catastrophe, specialty, and other reinsurance lines being written on both a proportional and non-proportional treaty basis, as well as a facultative basis. The Company and its various subsidiaries operate mainly in Bermuda and Europe, with the addition of North America during 2023 through the acquisition of XLRA (see Note 4.1.2). The majority of the Company's business originates via a large number of international, national and regional brokers.

Note 16 Net financial result excluding financing expenses

The financial result excluding financing debt expenses reflects the return on invested assets generated by all activities less the net finance income or expenses stemming from insurance and reinsurance contracts. The table below highlights how this financial result impacts both the profit or loss and the other comprehensive income (OCI) before tax.

The investment return through profit or loss reported below reconciles with the amount disclosed in the consolidated statement of profit or loss. On the other hand, the reconciliation of net finance income or expenses from insurance and reinsurance contracts disclosed below with the amounts disclosed in the consolidated statement of profit or loss is explained in Note 11.1.2.

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022 restated
Net investment income	219,494	140,244
Net realized gains and losses relating to investments at cost and at fair value through shareholders' equity	(38,530)	(218,794)
Net realized gains and losses and change in fair value of other investments at fair value through profit or loss	83,036	(194,848)
Change in investment impairments	2,145	(83)
Investment return through profit or loss	266,145	(273,480)
Time value of money including interest accretion on contractual service margin	(145,356)	(101,983)
Effect of changes in discount rates and other financial assumptions(a)	—	—
Changes in fair value of underlying items of insurance contracts with direct participating contracts features	—	—
Foreign exchange gains or losses	(48,980)	97,473
Other Impacts	—	—
Net finance income or expenses from insurance contracts through profit or loss	(194,336)	(4,510)
Time value of money including interest accretion on contractual service margin	23,015	16,191
Effect of changes in interest rates and other financial assumptions	—	—
Foreign exchange gains or losses	(3,270)	(2,406)
Other impacts	—	—
Net finance income or expenses from reinsurance contracts held through profit or loss	19,745	13,785
Total net finance income or expenses from insurance and reinsurance contracts held through profit or loss	(174,591)	9,275
Financial result recognized in profit or loss	91,554	(264,205)
Realised capital gains or losses on equity instruments measured at fair value through other comprehensive income, without recycling in profit or loss	115	(115)
Changes in fair value of financial investments through OCI ^(a)	29,613	(479,335)
Investment return through OCI	29,728	(479,450)
Net finance income or expenses from insurance contracts issued through OCI	(111,861)	724,906
Net finance income or expenses from reinsurance contracts held through OCI	58,525	(167,052)
Total net finance income or expenses from insurance and reinsurance contracts held through shareholders' equity	(53,336)	557,855
Financial result recognized in OCI	(23,608)	78,405
Impact of financial result on the statement of comprehensive income (before tax)	67,946	(185,800)

(a) Including both the change in fair value with recycling in profit or loss and the change in fair value without recycling in profit or loss.

Net investment income is presented net of impairment charges on directly-owned investment properties, and net of amortization of debt instruments premiums/discounts. All investment management fees are also included in the aggregate figure.

Net realized gains and losses relating to investments at cost and at fair value through shareholder's equity include write back of impairment following investment sales.

Net realized gains and losses and change in fair value of investments designated as at fair value through profit or loss consist mainly of:

- changes in the fair value of investments designated as at fair value through profit or loss held by funds of the "Satellite Investment Portfolios" as defined in Note 2.7.2.1;
- changes in fair value of underlying hedged items in fair value hedges (as designated by IAS 39) or "natural hedges" (i.e. underlying assets designated as at fair value through profit or loss part of an economic hedge not eligible for hedge accounting as defined by IAS 39).

The changes in investment impairments for available for sale assets include impairment charges on investments, and release of impairments only following revaluation of the recoverable amount. Write back of impairments following investment sales are included in the net realized capital gains or losses on investments in aggregate.

Note 17 Expenses by Nature

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022, restated
Claims and benefits	(1,410,368)	(2,322,447)
Losses on onerous insurance contracts	4,180	5,214
Commission paid	(40,278)	279,285
Staff expenses	(70,966)	(31,351)
Outsourcing and professional services	(3,773)	(4,134)
IT expenses	(1,061)	(648)
Charges related to owner occupied properties	(2,792)	(1,596)
Other expenses	(139,608)	(224,425)
Breakdown of expenses by type (1)	(1,664,666)	(2,300,103)
Amount of insurance acquisition cash flows	2,033	2,351
Change in assets for insurance acquisition cash flows and impairment	—	—
Amortisation of insurance acquisition cash flows	13,815	(369,339)
Total impact of insurance acquisition cash flows (2)	15,848	(366,988)
Total (A) = (1) + (2)	(1,648,818)	(2,667,092)
Represented by		
Insurance service expenses	(1,641,528)	(2,563,300)
Expenses from other activities	(299)	—
Other income and expenses	(6,990)	(103,792)
Total (B)	(1,648,817)	(2,667,092)
Net (expenses)/recoveries from reinsurance contracts held (C)	(341,632)	128,780
Total expenses (B) + (C)	(1,990,449)	(2,538,312)

Note 18 Related-Party Transactions

In 2023 and 2022, the Company was party to the following transactions with related parties which may be deemed to have been material to the Company or the related party in question or unusual in their nature or conditions.

18.1 ASSUMED REINSURANCE CONTRACTS

In the normal course of business, the Company enters into assumed and outwards reinsurance contracts with certain of its AXA XL Affiliates. During the years ended December 31, 2023 and 2022, these contracts resulted in reported insurance revenue, insurance service expenses, net (expenses)/recoveries from reinsurance contracts held and net finance income or expenses from contracts with these affiliates, or their subsidiaries, which are included within the Consolidated Statements of Income, as summarized below.

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022
Insurance revenue	47,762	169,317
Insurance service expenses	(55,724)	(128,092)
Net (expenses)/recoveries from reinsurance contracts held	(56,688)	109,188
Net finance income/(expenses) from insurance and reinsurance contracts held	(14,704)	(22,237)

Included within the above values are amounts from three significant related party contracts with AXA XL Affiliates.

Seaview Re Ltd, a subsidiary of Catlin Reinsurance Switzerland, assumed a 30% Whole Account Quota Share from XL Reinsurance America Inc, which inceptioned in 2019 and was renewed in 2020 and 2021. This contract was not renewed in 2022. In April 2022, as part of a US restructuring initiative, Seaview Re Ltd entered into a commutation and release agreement with XL Re America, as XL Pool leader on behalf of itself and its Pool members. The impact of this transaction resulted in the settlement and commutation of all Insurance business obligations and liabilities assumed by Seaview Re Ltd, effective January 1, 2022. In addition, Seaview Re Ltd agreed to commute, and XL Re America to recapture all the remaining coverage component associated with the Insurance business and Reinsurance business, effective January 1, 2022. Seaview Re Ltd made a commutation payment of \$2,091.2 million to XL Re America as a part of the agreement. The commutation resulted in a reduction in loss reserves of \$1,622.6 million and an elimination of all remaining coverage component balances. The difference between the commutation payment and the carrying value of the net liabilities commuted has resulted in a commutation gain of \$22.9 million which was recognized in 2022. During the year ended December 31, 2023, Seaview Re Ltd agreed to commute, and XL Re America to recapture all remaining reserves related to the Quota Share, and Seaview Re Ltd was dissolved.

During 2021, AXA XL Re assumed a 100% quota share contract from Syndicate 2003, an affiliate operating from the UK. This particular contract includes both prospective and retrospective elements. In accordance with our accounting policy since the retrospective premiums received by AXA XL Re were in excess of the estimated undiscounted ultimate losses payable, a deferred gain liability was recorded for the excess, such that we have not recorded any gain or loss at the inception of the contract. This deferred gain liability recorded as at December 31, 2023 and 2022, respectively, is \$12.5 million and \$14.0 million and will be amortized over the estimated claim payment period of the related contract with the periodic amortization reflected in earnings as a component of net losses incurred. During the years ended December 31, 2023 and 2022, respectively, amortization of \$1.5 million and \$3.5 million was recognized.

The prospective element included above represents, for the years ended December 31, 2023 and 2022, respectively, insurance revenue of \$25.5 million and \$119.5 million, insurance service expenses of \$37.0 million and \$51.6 million, net (expenses)/recoveries from reinsurance contracts held of \$1.7 million and \$(3.1) million, and net finance income/(expenses) from insurance and reinsurance contracts held of \$(26.0) million and \$(33.7) million.

XL Re Europe participates in a Quota Share arrangement between itself and XL Bermuda Ltd, an AXA XL Affiliate by which XL Re Europe cedes 55% of its assumed reinsurance book to XL Bermuda Ltd. Respective amounts from this retrocession included above for the years ended December 31, 2023 and 2022 are net expenses/(recoveries) from reinsurance contracts held of \$(66.1) million and \$83.3 million, and net finance income/(expenses) from insurance and reinsurance contracts held of \$11.3 million and \$11.4 million. This contract was not renewed for 2024. Refer to Note 21.

As at December 31, 2023, and 2022 the following amounts with AXA XL Affiliates were recorded on the consolidated statement of financial position.

<i>(US Dollars in thousands)</i>	December 31, 2023	December 31, 2022
Assets arising from reinsurance contracts held	1,747,195	1,705,870
Liabilities arising from insurance contracts, investment contracts, and reinsurance contracts held	44,579	782,308
Intercompany receivables/payables	18,954	31,218

Included within the above values are amounts from four significant related party contracts with AXA XL Affiliates.

XL Re Europe amounts included above from this retrocession as at December 31, 2023 and 2022, respectively are assets arising from reinsurance contracts held of \$1.5 billion and \$1.4 billion.

Seaview Re Ltd amounts included above from this retrocession as at December 31, 2022 are liabilities arising from insurance contracts, and reinsurance contracts held of \$0.2 billion.

Syndicate 2003 amounts included above from this retrocession as at December 31, 2023 and 2022, respectively are liabilities arising from insurance contracts, and reinsurance contracts held of \$14.1 million and \$25.5 million.

Historically through December 31, 2021, XLRA maintained quota share reinsurance agreements with XLB (the "XLB QS's"). The XLB QS's covered both Reinsurance business and Insurance business. During 2022, AXA XL Re assumed all liabilities associated with the Reinsurance Business ceded to the XLB QS's, with XLRA remaining as the cedant of the Reinsurance Business under these contracts. Amounts related to the XLRA novation included above as at December 31, 2022, are liabilities arising from insurance contracts, and reinsurance contracts held of \$492.8 million. As XLRA was acquired during 2023, balances related to this contract eliminate on consolidation for the year ended December 31, 2023.

In addition to the above, operational intercompany amounts payable between the Company and other AXA XL Affiliates existed as at December 31, 2023 and 2022, these amounts were \$19.0 million and \$31.2 million respectively.

18.2 AXA

On September 12, 2018, AXA XL was acquired by, and became a wholly-owned subsidiary of AXA. In the normal course of business, the Company enters into property & casualty assumed and ceded contracts which include various subsidiaries and affiliates of AXA as other parties. Included within liabilities arising from assumed reinsurance contracts in the consolidated statement of financial position are amounts from AXA Group entities of \$(46.0) million and \$(49.6) million as of December 31, 2023, and 2022, respectively.

Note 19 Contingent Assets and Liabilities and Unrecognized Contractual Commitments

19.1 BREAKDOWN OF COMMITMENTS RECEIVED

(US Dollars in thousands)	December 31, 2023	December 31, 2022
Credit facilities received ^(a)	426,266	380,792
Other commitments	—	75,000
TOTAL	426,266	455,792

Note: This table excludes collateral received from reinsurers in the form of funds, trust accounts and/or irrevocable letters of credit representing collateral on reported receivables and other assets (see "Reinsurance Trusts and other matters" below).

(a) Total commitments used were \$426.3 million as of December 31, 2023 (\$380.8 million as of December 31, 2022).

The Company has several credit facilities provided on both a committed syndicated and uncommitted bilateral bases from commercial banks as well as facilities entered into with its ultimate parent. The Company may utilize the full capacity of these credit facilities to issue letters of credit in support of non-admitted reinsurance operations in the US. Alternatively, under certain of the credit facilities, the Company instead may elect to utilize a stated portion of such facilities' capacity for revolving loans to support other operating or financing needs, which would reduce the amount available for the letters of credit.

Reinsurance Trusts and other matters

The Company's reinsurance assets result from reinsurance arrangements in the course of its operations. A credit exposure exists with respect to reinsurance assets as they may be uncollectible. The Company manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound, and if necessary, the Company may hold collateral in the form of funds, trust accounts and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods on an individual reinsurer basis. At December 31, 2023, the value of assets held in trust accounts was \$587.0 million (\$457.6 million in 2022) and the value of letters of credit was \$9.3 million (\$11.7 million in 2022).

19.2 BREAKDOWN OF COMMITMENTS GIVEN

(US Dollars in thousands)	December 31, 2023					December 31, 2022
	Expiring date					Total
	12 months or less	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years	Total	
Letters of credit	983,966	7,581	—	—	991,547	907,851
Pledged securities and collateralized commitments	—	5,327	77,806	82,692	165,825	—
Other commitments ^(a)	11,408	14,839	26,552	117,298	170,096	38,251
TOTAL	995,373	27,748	104,358	199,989	1,327,468	946,102

(a) The Company has committed to invest in certain real estate, private equity and private credit limited partnerships, limited liability companies or similar structures. At December 31, 2023, the Company had unfunded commitments with these entities totaling \$170.1 million over a weighted average period of 6.9 years. At December 31, 2022, the Company had unfunded commitments with these entities totaling \$38.3 million over a weighted average period of 3.9 years.

In addition to letters of credit, the Company has established reinsurance trusts in the US that provide cedants with statutory relief required under state insurance regulation in the US. It is anticipated that the commercial facilities may be renewed on expiry, but such renewals are subject to the availability of credit from banks utilized by the Company and may be renewed with materially different terms and conditions. In the event that such credit support is insufficient, the Company could be required to provide alternative security to cedants. This could take the form of additional reinsurance trusts supported by the Company's investment portfolio or funds withheld using the Company's cash resources. The value of letters of credit required is driven by, among other things, loss development of existing reserves, the payment pattern of such reserves, the expansion of business written by the Company and the loss experience of such business.

19.3 OTHER AGREEMENTS

19.3.1 Tax matters

With the exceptions of XL Reinsurance America Inc. ("XLRA") and Catlin Re Switzerland Ltd ("CRCH"), neither the Company nor its non-US subsidiaries have paid US corporate income taxes on the basis that they are not engaged in a trade or business or otherwise subject to taxation in the United States. XLRA is a US insurance company which is taxed under Section 831 of the US Internal Revenue Code. CRCH, is a non-US entity which was determined to have engaged in a trade or business in the United States through a permanent establishment through 2022. As such, CRCH was subject to US income taxes for that period and filled the applicable tax returns.

As it relates to all other entities, however, because definitive identification of activities that constitute being engaged in a trade or business in the United States is not provided by the Internal Revenue Code ("IRS Code"), regulations or court decisions, there can be no assurance that the Internal Revenue Service will not contend that the Company or its non-US subsidiaries are engaged in a trade or business or otherwise subject to taxation in the United States. If the Company or its non-US subsidiaries were considered to be engaged in a trade or business in the United States (and, if the Company or such subsidiaries were to qualify for the benefits under the income tax treaty between the United States and Bermuda and other countries in which the Company operates, such businesses would be considered to be attributable to a "permanent establishment" in the United States), the Company or such subsidiaries could be subject to US tax at regular tax rates on their respective taxable income that is effectively connected with their US trade or business plus an additional "branch profits" tax (at a rate as high as 30%) on such income remaining after the regular tax, in which case there could be a significant adverse effect on the Company's results of operations and financial position.

Note 20 Litigation

The Company and its subsidiaries are subject to litigation and arbitration in the normal course of business. These lawsuits and arbitrations principally involve claims on contracts of reinsurance and are typical for the Company and for the property and casualty reinsurance industry in general. Such claims proceedings are considered in connection with the Company's loss and loss expense reserves. Reserves in varying amounts may or may not be established in respect of particular claims proceedings based on many factors, including the legal merits thereof.

In addition to litigation and arbitration relating to reinsurance claims, the Company and its subsidiaries may, from time to time, be subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance contracts. This category of business litigation may involve, among other things, allegations of underwriting errors or misconduct, employment claims, regulatory activity, or disputes arising from business ventures. The status of these legal actions is actively monitored by management. In addition, the Company and certain of its subsidiaries may, from time to time, also be involved in tax assessment negotiations and/or active litigation with tax authorities over contested assessments or other matters in a number of jurisdictions. These actions or assessments may arise in a variety of circumstances including matters in connection with restructuring and financing transactions, as well as in the ordinary course of business.

Legal actions are subject to inherent uncertainties, and future events could change management's assessment of the probability or estimated amount of potential losses from pending or threatened legal actions.

With respect to all significant litigation and arbitration matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable, and the amount of the loss can be reasonably estimated, we establish a reserve and record an estimated loss for the expected outcome of the litigation or arbitration. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation and arbitration are subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, the matter is in its early stages, or when the litigation or arbitration is highly complex or broad in scope.

Based on available information, it is the opinion of management that the ultimate resolution of pending or threatened legal actions other than claims proceedings, both individually and in the aggregate, will not result in losses having a material adverse effect on the Company's financial position or liquidity at December 31, 2023.

No material provisions have been established for non-claims-related litigation, nor have any such contingent liabilities been identified that require disclosure.

Note 21 Subsequent Events

As of January 1, 2024, XL Re Europe entered into a Quota Share arrangement with AXA XL Re, its parent Company, by which XL Re Europe will cede 60% of its assumed reinsurance book to AXA XL Re. This contract has replaced the previous Quota Share arrangement between XL Re Europe and XLB disclosed in Note 18. This will increase the net retention for AXA XL Re Consolidated from 2024 onwards.

The Company declared and issued a \$300.0 million dividend to XLB via its immediate parent, AXA XL Reinsurance (Holdings) Ltd, on March 11, 2024.

Effective April 1, 2024, the 51% interest in XL Reinsurance (China) Company Limited was sold to AXA China Region Insurance Company, an affiliated company.

There were no other material events after the reporting period to be reported.