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IQUW

IQUW Re Bermuda Limited
Financial Statements
31 December 2022 and 2021

IQUW Re Bermuda Limited

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Company information

Directors

Kevin Kelley (appointed 10/05/2021) - non-executive director
Robert Deutsch (appointed 10/05/2021) - non-executive director
Brent Stone (appointed 10/05/2021) – non -executive director
Peter Bilsby (appointed 10/05/2021) - executive director
Richard Hextall (appointed 10/05/2021) - executive director
Stephen Young (appointed 25/08/2021) - executive director
Helen Thornton (appointed 25/08/2021) – executive director
Daniel Flueckiger (appointed 01/01/2022) – non- executive director
Francois-Xavier Bernard Boisseau (appointed 16/11/2021) – alternate non-executive director to Robert Deutsch
Jason Rotman (appointed 10/05/2021, resigned 01/01/2022)
Bradfield Adderley (appointed 23/12/2020, resigned 10/05/2021)
Tonesan Amissah (appointed 23/12/2020, resigned 10/05/2021)

Company Secretary

Appleby Global Corporate Services (Bermuda) Ltd.
Cannon's Court
22 Victoria Street
Hamilton
Bermuda

Insurance Manager

Artex Insurance Management (Bermuda) Ltd.
Wessex House
45 Reid Street
Hamilton
HM12

Independent Auditor

PricewaterhouseCoopers Ltd.
Washington House. 4th Floor
16 Church Street
Hamilton
Bermuda
HM11

Registered Office

Canon's Court
22 Victoria Street
Hamilton
Bermuda
HM 12



Independent auditor's report

To the Board of Directors and Shareholder of IQUW Re Bermuda Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IQUW Re Bermuda Limited (the Company) as at 31 December 2022 and its financial performance for the year then ended in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Hamilton, Bermuda

27 April 2023

IQUW Re Bermuda Limited

Statement of comprehensive income

For the year ended 31 December 2022 and period ended 31 December 2021

Statement of comprehensive income – technical account for general business

	Year ended 31 December 2022	Period ended December 2021
Note	\$000	\$000
Earned premium, net of reinsurance		
Gross premium written	558,115	343,540
Outward reinsurance premium	-	-
Net premium written	558,115	343,540
Change in the provision for unearned premium:		
Gross amount	(104,481)	(164,521)
Reinsurers' share	-	-
Change in the net provision for unearned premium	(104,481)	(164,521)
Earned premium, net of reinsurance	453,634	179,019
Allocated investment return transferred from the non-technical account	(2,010)	(73)
Total technical income	451,624	178,946
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount	(129,806)	(41,325)
Reinsurers' share	-	-
Net claims paid	(129,806)	(41,325)
Change in the provision for claims:		
Gross amount	(198,814)	(73,042)
Reinsurers' share	-	-
Change in the net provision for claims	(198,814)	(73,042)
Claims incurred, net of reinsurance	(328,620)	(114,367)
Changes in other technical provisions, net of reinsurance		
Net operating expenses	7	(73,600)
Total technical charges	(476,616)	(187,967)
Balance on the technical account for general business	(24,992)	(9,021)

The accompanying notes are an integral part of these financial statements.

IQUW Re Bermuda Limited

Statement of comprehensive income

For the year ended 31 December 2022 and period ended 31 December 2021

Statement of comprehensive income – non-technical account

		Year ended 31 December 2022	Period ended December 2021
	Note	\$000	\$000
Balance on the technical account for general business		(24,992)	(9,021)
Investment income	8	4,904	1,009
Realised loss on investments	8	(444)	(7)
Unrealised loss on investments	8	(21,861)	(2,547)
Investment expenses and charges	8	(215)	(77)
Allocated investment return transferred to the technical account for general business	8	2,010	73
Foreign exchange gain		1,138	3
Other charges	9	(2,724)	(736)
Loss on ordinary activities		(42,184)	(11,303)
Loss for the financial period		(42,184)	(11,303)

All amounts related to continuing operations.

The accompanying notes are an integral part of these financial statements.

IQUW Re Bermuda Limited

Statement of other comprehensive income

For the year ended 31 December 2022 and period ended 31 December 2021

Statement of other comprehensive income – non-technical account

		Year ended 31 December 2022	Period ended December 2021
	Note	\$000	\$000
Loss for the financial period		(42,184)	(11,303)
Other comprehensive income:			
Currency translation gain		-	141
Total comprehensive loss for the period		(42,184)	(11,162)

The accompanying notes are an integral part of these financial statements.

IQUW Re Bermuda Limited

Balance sheet

As at 31 December 2022 and 2021

Balance sheet – assets

		As at 31 December 2022	As at 31 December 2021
	Note	\$000	\$000
Investments			
Other financial investments	11	277,400	239,013
		277,400	239,013
Debtors			
Debtors arising out of reinsurance operations	13	493,686	233,078
Other debtors		2,718	-
		496,404	233,078
Other assets			
Deferred acquisition costs	14	622	7,326
Cash at bank and in hand		54,695	59,439
Prepayments and accrued income			
Other prepayments and accrued income	12	3,059	1,290
		58,376	68,055
Total assets		832,180	540,146

The accompanying notes are an integral part of these financial statements

IQUW Re Bermuda Limited

Statement of changes in equity

For the year ended 31 December 2022 and period ended 31 December 2021

Balance sheet – equity and liabilities

		As at 31 December 2022	As at 31 December 2021
	Note	\$000	\$000
Capital and reserves			
Called up share capital	18	120	120
Retained earnings		(53,346)	(11,162)
Contributed surplus	18	361,380	301,380
Total equity		308,154	290,338
Technical provisions			
Provision for unearned premium	15	254,308	162,056
Claims outstanding	15	262,487	71,816
		516,795	233,872
Creditors			
Creditors arising out of reinsurance operations	5	6,850	15,552
Other creditors	5	134	212
		6,984	15,764
Accruals and deferred income	5	247	172
Total liabilities and equity		832,180	540,146

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 6 to 31 were approved by the Board of Directors on 2 March 2023 and were signed on its behalf by:

 Stephen Young
 [DATE]

IQUW Re Bermuda Limited

Statement of changes in equity

For the year ended 31 December 2022 and period ended 31 December 2021

Statement of changes in equity

	Note	Called up share capital \$000	Contributed surplus \$000	Profit and loss account \$000	Total Shareholders' funds \$000
Balance at 22 December 2020	18	-	-	-	-
Issuance of share capital		120	301,380	-	301,500
Loss and total comprehensive loss for the financial period		-	-	(11,162)	(11,162)
Balance at 31 December 2021		120	301,380	(11,162)	290,338

	Note	Called up share capital \$000	Contributed surplus \$000	Profit and loss account \$000	Total Shareholders' funds \$000
Balance at 1 January 2022	18	120	301,380	(11,162)	290,338
Capital contribution		-	60,000	-	60,000
Loss and total comprehensive loss for the financial year		-	-	(42,184)	(42,184)
Balance at 31 December 2022		120	361,380	(53,346)	308,154

The accompanying notes are an integral part of these financial statements.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

1. General information

IQUW Re (Bermuda) Limited (the “Company”) was incorporated in Bermuda on 22 December 2020 and subsequently licenced in Bermuda as a Class 3B commercial insurer. The Company’s registered office is 22 Victoria Street, Hamilton, Bermuda, HM 12. The Company received capital funding on 27 May 2021. These financial statements cover the year ended 31 December 2022 and period from 22 December 2020 (the date of incorporation) to 31 December 2021.

The Company is a wholly owned subsidiary of IQUW Midco Bermuda Limited (“Midco”), a company incorporated in Bermuda as a private company limited by shares. Midco’s registered office is 22 Victoria Street, Hamilton, Bermuda, HM 12. The Company and its parent form part of a group of companies, of which the ultimate parent is IQUW Bermuda Holdings Limited (the “IQUW Group” or “the Group”).

The Company was authorised by the Bermuda Monetary Authority, effective 4 June 2021, as a Class 3B commercial insurer to carry out the activities described below.

The Company underwrites a whole-account quota share reinsurance agreement (“QSA”) with IQUW Corporate Member Limited, (“Corporate Member”). The principal activity of the Corporate Member is that of a corporate member at Lloyd’s, investing in the underwriting capacity of syndicates in the Lloyd’s market. The Corporate Member participates on Syndicate 218 and, from January 2021, on Syndicate 1856 (together the “Syndicates”), which are managed by IQUW Syndicate Management Limited (the “managing agent” or “IQUW SML”). From January 2022 the Company entered into two catastrophe excess of loss reinsurance contracts with Syndicate 1856.

The principal activity of Syndicate 218 is the transaction of general insurance business focussed on specialist motor insurance business. The principal activity of Syndicate 1856 is the transaction of general insurance and reinsurance business at Lloyd’s and through the Lloyd’s Brussels platform. Syndicate 1856 was remediated and repurposed in 2021 after its acquisition by the IQUW Group as part of the Group’s strategy to expand from its core motor business and enter specialty commercial lines and reinsurance. Syndicate 1856 now underwrites a mixture of reinsurance, property, marine, energy and professional lines business, as well as a range of specialty lines including terrorism and political risks.

The Company entered into a QSA with the Corporate Member, in which the Corporate Member cedes 65% of its result of the 2021 and 2022 years of account to the Company. There is a 5.0% ceding commission on the 2021 year of account and a 10% profit commission on the total result of the 2022 year of account, payable by the Company to the Corporate Member.

The QSA operates on a funds withheld basis. Under this arrangement all transactions are undertaken by the Syndicates, until closure of the year of account, when the declared result is remitted to members. Investment returns arising on the business is allocated to the funds withheld balance.

2. Basis of preparation

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), and Financial Reporting Standard 103, ‘Insurance Contracts’ (‘FRS 103’).

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The financial statements are prepared in US Dollars which is the functional currency of the Company.

Legislation applied in the preparation of these financial statements is the Bermuda Companies Act.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

3. Accounting policies

The principal accounting policies are set out below.

(i) Insurance contract(s)

The Company issues contracts that transfer insurance risk or financial risk or both. Reinsurance contracts are those contracts that transfer significant (re) insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Currently the Company has a whole account quota share contract with the Corporate Member, and two catastrophe excess of loss reinsurance contracts with Syndicate 1856 which are classified as reinsurance contracts.

(ii) Gross premium written

Premium written relates to reinsurance inwards business incepted during the year. Premium is recognised over the period of risk in proportion to the amount of reinsurance protection provided.

Gross premium written comprise premium on contracts incepted during the financial period as well as adjustments made in the period to premium written in prior accounting periods. Premiums are shown gross of the Company's brokerage payable, operating expenses, investment return, ceding commission and exclude taxes and duties levied on them. Estimates are made for premium due but not yet notified. Due to the nature of the QSA entered into by the Company, which is acting as reinsurer, the net premium reported from the cedant are recorded as gross premium for the Company.

(iii) Unearned premium

Unearned premium represents the proportion of premium written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

(iv) Reinsurance premium ceded

Outwards reinsurance premium comprises premium on contracts incepted during the financial year. Outwards reinsurance premium is also disclosed gross of commissions and profit participations recoverable from reinsurers. Written outwards reinsurance premiums are recognised as earned according to the coverage period and in line with the risk profile to which the inwards business being protected relates. No outwards reinsurance contracts were entered into by the Company during the periods presented.

(v) Investment return

Investment return comprises interest, realised and unrealised gains and losses on assets held at fair value through the profit or loss.

Fair value realised gains and losses are calculated as the difference between net sales proceeds and fair value at acquisition.

Fair value unrealised gains and losses are calculated as the difference between the fair value at the balance sheet date and the fair value at acquisition or at the previous remeasurement date, adjusted for previously recognised unrealised gains and losses of those financial assets disposed of in the accounting period.

Investment return is initially recorded in the statement of comprehensive income non-technical account. A transfer is made from the statement of comprehensive income non-technical account to the statement of comprehensive income technical account for general business. Investment return has been transferred based on the return on investments supporting the insurance technical provisions.

(vi) Taxation

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on income including realized capital gains. The Company has received an undertaking from the Ministry of Finance of Bermuda that in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until 31 March 2035.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

3. Accounting policies (continued)

(vii) Foreign currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The US Dollar is the functional currency of the Company. The financial statements are presented in thousands of US Dollars, which is the Company's presentation currency.

Transactions in foreign currency are initially recorded in the functional currency at the average rates of exchange for the period where for practical purposes it is not possible to use the actual rate at the date of transaction.

At each period end, foreign currency monetary items are translated using the closing rate. For this purpose, all assets and liabilities arising from reinsurance contracts (including unearned premium, deferred acquisition costs and claims outstanding) are monetary items. 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognized in other comprehensive income for those items where the gain/loss is required to be recognized within other comprehensive income/loss and in the non-technical account where the gain/loss is required to be recognized within profit or loss.

(viii) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial instruments are recognised in the balance sheet at such time that the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the Company's obligations specified in the contract expire, are discharged or cancelled. Financial assets and financial liabilities can only be offset against each other if the legal rights and intention to settle are evidenced.

Purchases and sales of financial assets are recognised on the trade date, which is the date the Company commits to purchase or sell the assets.

Financial assets

The Company has classified these assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

Financial investments

Financial investment assets are designated at fair value through profit or loss on initial recognition.

The Company has designated financial investments at fair value through profit or loss where it is the Company's strategy to manage those financial investments on a fair value basis. Internal reporting and performance measurement of these assets are on a fair value basis. Note 11 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss.

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

3. Accounting policies (continued)

Investments carried at fair value through profit or loss; are initially recognised at fair value with any associated transaction costs being expensed through the statement of comprehensive income – non-technical account. If the market for an investment is not active, the valuation is based upon the net asset values of underlying holdings, which are independently sourced. The fair value of listed equity and debt securities is determined by reference to their quoted bid price at the reporting date.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

(ix) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Bank overdrafts, when applicable, are shown within borrowings in current liabilities. Bank overdrafts are normally considered financing activities similar to borrowings. However, if they are repayable on demand and form an integral part of the entity's cash management, bank overdrafts are a component of cash and cash equivalents.

(x) **Deferred acquisition costs**

In respect of reinsurance contracts, acquisition costs comprise direct and indirect costs incurred in writing new contracts. Deferred acquisition costs are amortised over the life of the policy in line with the recognition of premium.

All deferred acquisition costs are tested for recoverability at each reporting date. The carrying values are adjusted to recoverable amounts and any resulting impairment losses are charged to profit and loss.

(xi) **Funds withheld**

The underlying premiums and claims are settled by the Syndicates with policy holders as they fall due. The QSA is accounted for on a funds withheld basis. Debtors and creditors arising on reinsurance operations are not settled until the year of account has closed. Claims outstanding together with other non-technical transactions are settled when the year of account closes.

(xii) **Claims provisions and related recoveries**

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with a provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent year, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

(xiii) **Unexpired risks provision**

A provision for unexpired risks is made where claims, related claims handling costs and other related expenses arising after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premium on these contracts, after the deduction of any deferred acquisition costs.

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

3. Accounting policies (continued)

The provision for unexpired risks is calculated by reference to classes of business that are managed together. No account is taken of the relevant investment return arising from investments supporting the unexpired premium and unexpired risk provisions.

(xiv) **Bad debts**

Bad debts are provided for only where specific information is available to suggest a debtor may be unable or unwilling to settle its debt to the Company. The provision is calculated on a case-by-case basis. Bad debt provisions are recognised in the profit and loss account.

(xv) **Reinsurance assets and liabilities**

Amounts due to and from reinsurers are accounted for in a manner consistent with the insured policies and in accordance with the relevant reinsurance contract. Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, because of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Objective factors that are considered when determining whether a reinsurance asset or group of reinsurance assets may be impaired include, but are not limited to the following:

- Negative rating agency announcements of reinsurers;
- Significant reported financial difficulties of reinsurers;
- Actual breaches of credit terms such as persistent late payment or actual default; and
- Adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability.

Impairment losses on reinsurance assets are recognised in the profit and loss account.

(xvi) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(xvii) **Distributions to equity holder**

Dividends and other distributions to the Company's shareholder are recognised in the financial statements in the period in which the dividends and other distributions are approved by the board of directors. These amounts are recognised in the statement of changes in equity.

4. Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, are required judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) **Valuation of general reinsurance contract liabilities**

The estimation of the ultimate liability arising from claims made under reinsurance contracts is the Company's most critical accounting estimate. For general reinsurance contracts estimates are made for the expected ultimate cost of claims as at the balance sheet date and the cost of claims incurred but not yet reported. It can take a significant period of time before the ultimate cost of claims can be established with certainty, and the final outcome may be materially better or worse than that provided.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

4. Judgements and key sources of estimation uncertainty (continued)

The estimation of these claims is based on historical experience projected forward. The Company's estimate of claims and related claims handling costs is mainly achieved through the application of a number of commonly accepted actuarial projection methodologies based on the following:

- paid claims development, where payments to date are extrapolated based upon observed development of earlier years;
- the development of claims based on seasonally adjusted exposure curves;
- incurred claims development, where incurred claims to date for each year are extrapolated based upon observed development of earlier years; and
- expected ultimate loss ratios;
- quarterly underwriter updates on expected premium and associated rating assumptions.

The claims provisions are initially calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts recoverable from any reinsurance arrangements in place, having due regard to collectability. Claims provisions are subject to regular review.

The Company considers that the provisions for claims are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and future events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

5. Management of reinsurance risk

The Company is part of the IQUW Group. The Group has developed a governance framework and set group-wide risk management policies and procedures which cover specific areas such as risk identification, risk management and mitigation, and risk reporting. The overall appetite for accepting and managing varying classes of risk is defined by the Boards responsible for overseeing the risk.

The Company's key risk exposure lies with the risks of IQUW Corporate Member Limited with which it has quota share agreements for the 2021 and 2022 underwriting years. At present, IQUW Corporate Member Limited participates on two Syndicates, Syndicate 218 and Syndicate 1856 ("the Syndicates"). Syndicate 218 is a specialist insurer which only writes motor business. Syndicate 1856 writes specialty commercial lines and reinsurance.

The Company therefore places significant reliance on the Managing Agent of the Syndicates to manage these risks and only risks exclusive to the Company as a stand-alone entity are actively managed by the Company.

The Syndicates' activities expose it to a variety of financial and non-financial risks. The managing agent, IQUW SML, is responsible for managing the Syndicates' exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, managing agents prepare a Lloyd's Capital Return ("LCR") for the Syndicates, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the Syndicates' business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. Syndicate capital is determined through the submission and agreement by Lloyd's of an ultimate Solvency Capital Requirement ("SCR"), which is subject to an uplift determined by the Franchise Board to arrive at the capital required by Lloyd's. Syndicate 218 uses its own internal capital model to measure the Syndicate's SCR, based on a rigorous process of risk identification and quantification, which is reflected in IQUW SML's Own Risk and Solvency Assessment ("ORSA"). The model is based on regulatory requirements and has been approved by Lloyd's, and, typically, the majority of the total assessed value of the risks concerned is attributable to insurance risk. Syndicate 1856's SCR is currently determined by an internal capital model appropriate for the repurposed Syndicate. The model was approved by Lloyd's in Q2 2022 and was used to set capital for 2023 Year of Account.

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

5. Management of reinsurance risk (continued)

The insurance risks faced by the Syndicates and thus the Company include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the Company's and the Syndicates' funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The Syndicates and the Company are also exposed to regulatory and operational risks including the ability to continue to trade. However, supervision by Lloyd's for the Syndicates and the Bermuda Monetary Authority for the Company provides additional controls over the management of risk.

The Company's cash flows are funded mainly through the net proceeds from the QSA and the timing of such net inflows is reasonably predictable.

The principal sources of risk relevant to the Company fall into four broad categories: insurance risk, financial risk, regulatory risk, and operational risk.

5.1 Insurance risk

The predominant risk to which the Syndicates, and therefore the Company is exposed is insurance risk, which is assumed through the underwriting process from the Syndicates. Insurance risk is defined as the risk of fluctuations in the frequency, severity and timing of insured events and claims settlements relative to expectation. Insurance risk can be subcategorised into: (a) underwriting risk including the risk of catastrophe and systemic insurance losses, and the insurance cycle and competition; and (b) reserving risk.

5.1(a) Underwriting risk

Underwriting risk is defined as the risk that insurance premium will not be sufficient to cover future insurance losses and associated expenses. This risk is particularly exacerbated in times of high inflation. Underwriting risk also encompasses people, process and system risks directly related to underwriting.

The Managing Agency Board sets the Syndicates' underwriting strategies and risk appetites, seeking to benefit from identified opportunities considering other relevant anticipated market conditions.

The Managing Agent and therefore the Company aims to manage underwriting risk:

- to achieve acceptable profits and return on equity by ensuring that insurance risks are carefully selected in accordance with the underwriting strategy and risk appetite tolerances, underwritten in accordance with risk strategy and priced to reflect the underlying risk; and
- to mitigate excess insurance risk using reinsurance arrangements.

5.1(b) Reserving risk

Reserving risk is defined as the risk that reserves set in respect of insurance claim losses are ultimately insufficient to fully settle these claims and associated expenses. This risk is also exacerbated in times of high inflation. The procedures for estimating the outstanding costs of settling insured losses at the balance sheet date, including claims incurred but not yet reported, are detailed in note 4(i).

The Company aims to manage reserving risk:

- to minimise reserve volatility through robust reserving and application of actuarial modelling approaches; and
- to monitor reserve adequacy and performance on an ongoing basis

The Company's claims provision estimates are subject to regular and rigorous review by senior management from all areas of the business including independent actuaries.

The final provisions are approved by the Company's Board.

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

5. Management of reinsurance risk (continued)

Sources of uncertainty in the estimation of future claim payments

There are many risks associated with insurance contracts, and this means that there is a considerable amount of uncertainty in estimating the future settlement cost of claims. There is uncertainty in both the amounts and the timing of future claim payment cash flows.

Claims paid are claims transactions settled up to the reporting date including settlement expenses allocated to those transactions.

Unpaid claims reserves are made for known or anticipated liabilities which have not been settled up to the reporting date.

Included within the provision is an allowance for the future costs of settling those claims.

The Company relies on actuarial analysis to estimate the settlement cost of future claims. Via a formal governed process, there is close communication between the actuaries and other key stakeholders, such as the underwriters, claims and finance teams when setting and validating the assumptions. The unpaid claims reserve is estimated based on past experience and current expectations of future cost levels. Allowance is made for the current premium rating and inflationary environment.

The claim reserves are estimated on a best estimate basis, taking into account current market conditions and the nature of risks being underwritten.

Estimates of where claim liabilities will ultimately settle are adjusted at each reporting period to reflect emerging claims experience. Changes in expected claims may result in a reduction or an increase in the ultimate claim costs and a release or an increase in reserves in the period in which the change occurs.

Booked reserves are held with a margin above the best estimate to help mitigate the uncertainty within the reserve estimates. As the best estimate matures and becomes more certain, the management margin is gradually released in line with the reserving policy.

Development of claims provision

Claims development information is disclosed in order to illustrate the sources of uncertainty in the estimation of future claims payments inherent in the Company. The tables below reflect the cumulative incurred claims including claims notified and incurred but not reported ("IBNR") for each successive underwriting year at each balance sheet date. Appropriate reserves are maintained in order to protect against future claims experience and development. The tables below show the development of claims over a 7 year period and provide a measure of the ability to adequately estimate the ultimate level of claims.

While the information in the tables below provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, readers of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The table below illustrates how estimates of ultimate claim cost for each underwriting year have changed at successive year end. The Company has quota share contracts for the 2021 and 2022 underwriting years and two excess of loss contracts for the 2022 underwriting year. As such, there is no development presented on the prior underwriting years. There are no claims on the excess of loss contracts.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

5. Management of reinsurance risk (continued)

Analysis of claims development – net of reinsurance

	2016	2017	2018	2019	2020	2021	2022	Total
Underwriting year	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Initial estimate of gross provision*	-	-	-	-	-	113,141	211,535	324,676
One year later	-	-	-	-	-	222,083	-	222,083
Two years later	-	-	-	-	-	-	-	-
Three years later	-	-	-	-	-	-	-	-
Four years later	-	-	-	-	-	-	-	-
Five years later	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	-	-	-	-	-	222,083	211,535	433,618
Cumulative payments to date	-	-	-	-	-	113,852	57,280	171,131
Liability recognised for 2016 to 2022 underwriting years	-	-	-	-	-	108,232	154,255	262,487
Liability recognised in respect of prior underwriting years	-	-	-	-	-	-	-	-
Claims handling provision	-	-	-	-	-	-	-	-
Gross outstanding claims	-	-	-	-	-	-	-	262,487

Sensitivity analysis

Assumptions about future developments, outcomes or events underpin the setting of the reserves. Sensitivity analysis at the Syndicate level of the key assumptions provides an illustration of the inherent uncertainty in the reserves as shown below.

The expected loss ratio is the ratio of expected claims to premium:

- Ogden discount rate change – A 0.5 percentage point decrease from -0.25% to -0.75% in the Ogden discount rate would result in a \$3.6m increase in the net reserves. A 0.5 percentage point increase from -0.25% to +0.5% in the Ogden discount rate would result in a \$5.2m decrease in the net reserves. Note there is uncertainty over the reporting, timing, and claimant behaviour of large loss settlements prior to the rate review;
- propensity for PPOs – A 5 percentage point decrease/increase in the propensity for claims to settle as a PPO would result in a \$0.6m decrease/increase to the net reserves;
- inflation in future care costs - A 1 percentage point decrease/increase in long term rate of wage inflation underlying PPO claims would result in a \$1.8m decrease/increase to the net reserves;
- inflation in repair costs – A 5 percentage point decrease/increase in property damage severity would result in a \$4.2m decrease/increase to the net reserves;
- current underwriting year loss ratio – A 1 percentage reduction/improvement in the loss ratio for the current underwriting year would result in a +/- \$3.7m decrease/increase to the net reserves; and
- previous two underwriting years' loss ratios – A 1 percentage reduction/improvement in the loss ratios for each of the last two underwriting years would result in a +/- \$7.0m decrease/increase to net reserves.

Syndicate 1856 has material exposure to Hurricane Ian. Hurricane Ian was the largest catastrophe loss in the syndicate in 2022 calendar year. This increases the uncertainty of the Syndicate's total reserves but not beyond the normal range of uncertainty for insurance liabilities at this stage of development. By performing a sensitivity analysis it was determined a 25% deterioration in the current selected gross ultimate loss would lead to a \$1.3m increase to the net loss plus \$6.6m increase to outwards RPs.

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

5. Management of reinsurance risk (continued)

The Syndicate also has material exposure to a series of MidWest storms. If a 25% deterioration on the current selected gross ultimate loss pick was assumed the net impact would be £3.9m on the 2021 year of account. This increases the uncertainty of the Syndicate's total reserves, but not beyond the normal range of uncertainty for insurance liabilities at this stage of development.

The Syndicate has exposure to the current heightened inflationary environment. As part of our reserving process, we have explicitly considered inflation in the reserving process by applying an inflation shock on a calendar year basis to our reserving assumptions. If we assume the inflation shock is 2% worse for each future year the impact of net earned claims would be an increase \$2.9m. Assuming the inflation shock is 2% less the impact of net earned claims would be a reduction of \$2.2m.

The Syndicate, through its reinsurance and insurance portfolios, has exposure relating to Russia-Ukraine for war on land and contingent war coverage for lessors. Various scenarios have been proposed based on splits between Hull and War as well as cancellation clause impacts. The gross exposures are fully in the Syndicates third party reinsurance programme which inures to the benefit of the Company, so future volatility will be borne by third party reinsurers with consequent increases to reinstatement premiums being borne by the Syndicate.

The above sensitivity analysis has been carried out for Syndicate 218 and Syndicate 1856. The impact on IQUW Re would be 65% Corporate Member's share of the amounts noted above.

Climate change risk

Syndicate 1856's underwriting performance is exposed to the physical risk of climate change from a potential increased frequency or severity of physical hazards because of global temperature increases of 1.5 degrees or more. Further, there are elements of the Syndicate 218 and 1856 portfolio's that may be exposed to transition risk from the resulting economic transition following potential regulatory or government intervention, and liability risk from potential increased litigation considering climate change in investment management practices or increases in other liability claims.

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

5. Management of reinsurance risk (continued)

5.2 Financial risk

The Company is exposed to financial risk through its ownership of financial instruments including financial liabilities. The key financial risk for the Company is that the proceeds from its financial assets and investment return thereon are not sufficient to fund its obligations. The most important elements that could result in such an outcome relate to reliability of fair value measures, credit risk, price risk, currency risk, interest rate risk and liquidity risk.

5.2 (a) Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Company are:

- Reinsurers Whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the Syndicates, which in turn would impact the Company through the quota share arrangement.
- Brokers and intermediaries Whereby the counterparties fail to pass on premium or claims collect on behalf of the Syndicates, which in turn would impact the Company through the quota share arrangement.
- Investments Whereby issuer default results in the Company losing all or part of the value of a financial instrument.

The concentrations of credit risk exposures held by insurers could be material because of the specific nature of reinsurance markets and the extent of investments held in financial markets. In both markets, the Managed Syndicates interact with several counterparties that are engaged in similar activities with similar customer profiles, and often in the same geographies and industry sectors. Consequently, as many of these counterparties are themselves exposed to similar economic characteristics, one single localised or macroeconomic change could severely disrupt the ability of several counterparties to meet the Syndicates' contractual terms and conditions, and thus that of the Company.

The core business is to accept significant insurance risk, the appetite for other risks is low. Acceptable levels of credit risk are maintained by the Corporate Member and the Company by placing limits on exposure to singular and group counterparties, and to geographical and industry segments. Such risk limits are subject to regular review.

Brokers and intermediaries

The Syndicates' exposure to brokers and insurance intermediaries which would impact the quota share arrangement is managed via a stringent credit policy. IQUW Group's credit control function monitors the ageing and collectability of debtor balances, with credit evaluations on all relevant counterparties.

Investments

The Company is exposed to counterparty risk with respect to cash and cash equivalents, and investments and other deposits. This exposure is from its quota share agreement with the Corporate Member and underlying participations on Syndicate 218 and Syndicate 1856 but also the Company's own assets.

Counterparty credit risk is managed by concentrating debt and fixed income investments in high-quality instruments. Investments are primarily only in liquid securities and with counterparties that have a credit rating equal to investment grade or better.

Guidelines are imposed on external investment managers in relation to the constituents of the investment portfolios. These guidelines specify the acceptable asset classes, duration, and credit ratings. The performance of the investment managers is regularly reviewed to confirm adherence to these guidelines.

Given the investment portfolio's high credit ratings, significant counterparty failures are not expected to impact the Company's ability to meet obligations.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

5. Management of reinsurance risk (continued)

The following tables summaries the Company's significant credit risk:

2022	AAA \$000	AA \$000	A \$000	BBB \$000	BBB or less \$000	Not rated \$000	Total \$000
Financial investments	74,700	64,836	82,739	29,142	-	25,983	277,400
Premium receivable	-	-	44,912	-	-	-	44,912
Funds withheld	-	-	448,774	-	-	-	448,774
Cash at bank and in hand	-	-	54,695	-	-	-	54,695
Total	74,700	64,836	631,120	29,142	-	25,983	825,781

2021 (represented)*	AAA \$000	AA \$000	A \$000	BBB \$000	BBB or less \$000	Not rated \$000	Total \$000
Financial investments*	83,998	46,661	82,532	25,822	-	-	239,013
Premium receivable**	-	-	92,151	-	-	-	92,151
Funds withheld**	-	-	140,927	-	-	-	140,927
Cash at bank and in hand	-	-	59,439	-	-	-	59,439
Total	83,998	46,661	375,049	25,822	-	-	531,530

* the classifications of financial investment credit quality has been represented to conform with the method of presentation used in 2022. The total is unchanged from prior year.

** represented to conform with current year presentation - see Note 13.

The Company has no reinsurance receivables that are past due at the balance sheet date.

Market risk

Market risk arises where the value of assets and liabilities changes as a result of movements in foreign exchange rates, interest rates, inflation rates and market prices.

Financial investments represent a significant proportion of the Company's assets. Investment Managers are engaged to actively manage the market risk associated with financial investments. Detailed guidelines for the Investment Managers are in place and the Board and its Investment Committee regularly monitor performance and risk metrics.

5.2(b) Foreign exchange risks

Most of Syndicate 218 gross premium written is in UK Pound Sterling which is the functional currency of the Syndicate. Most of Syndicate 1856 gross premium written is in US Dollars which is the functional currency of the Syndicate. Consequently, movements in the UK Pound Sterling against US Dollar exchange rate may have a material impact on the Company's financial performance and position.

The table below gives an indication of the impact on profit and equity of a percentage change movement in the relative strength of the US dollar against the value of UK Pound Sterling. The analysis is based on information as at 31 December 2022.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

5. Management of reinsurance risk (continued)

At 31 December 2022, the company used the closing rate of exchange of £1: \$1.20

Increase/(decrease) on loss	2022 Impact on loss and equity \$000	2021 Impact on loss and equity \$000
10% weakening of the US dollar	(4,218)	(1,116)
20% weakening of the US dollar	(8,437)	(2,232)
10% strengthening of the US dollar	3,835	1,015
20% strengthening of the US dollar	7,031	1,860

5.2(c) Price risk

Shares, other variable yield securities and units in unit trusts that are recognised on the balance sheet at their fair values are susceptible to losses due to adverse changes in price. This is referred to as price risk and forms part of market risk.

These investments are well diversified within high quality, liquid securities. Guidelines are imposed on the investment managers that set out minimum credit ratings, maximum durations, diversification requirements across industry sectors, and concentration limits in any one industrial sector or counterparty.

Listed investments are recognised on the balance sheet at the quoted bid price. If a current price from an active market or from a recent transaction of an identical asset is not available, then a fair valuation technique using observable and unobservable market data is used. This includes using discounted cash flow models and other valuation techniques that are commonly used by investment managers and custodians.

5.2(d) Interest rate risk

The majority of the Company's investments comprise fixed income securities. The fair value of the investment in fixed income securities is inversely correlated to the movement in market interest rates. If market rates fall, the fair value of the Company's fixed interest investments would tend to rise and vice versa.

Fixed income assets are predominantly invested in high quality corporate, government, supranational and residential mortgage-backed securities. The investments typically have relatively short durations and terms to maturity.

The table below shows the sensitivity to the Company's profit (loss) and equity. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Company's financial assets and liabilities:

	2022 Impact on loss and equity \$000	2021 Impact on loss and equity \$000
Interest rate risk		
50 basis points increase in yield curve	(1,387)	(1,517)
50 basis points decrease in yield curve	1,387	1,517

No sensitivity analysis has been presented for equity price risk as the Company currently has no investments exposed to equity price risk.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

5. Management of reinsurance risk (continued)

5.2(e) Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Company is exposed to cash calls on its available cash resources, mostly for the settlement of claims. The Company's approach is to maintain a large proportion of liquid assets that can be converted to cash at short notice without any significant capital loss. These funds are monitored by management on a daily basis. The Directors do not consider that there is a material risk of loss arising from liquidity risk.

The table below analyses the maturity of the Company's impacted liabilities. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows.

2022	No contractual maturity date	Up to 1 year	Between 1 year and 3 years	Between 3 years and 5 years	>5 years	Total
Creditors	-	-	7,231	-	-	7,231
Claims outstanding	-	-	262,487	-	-	262,487
Financial liabilities and outstanding claims	-	-	269,718	-	-	269,718

2021	No contractual maturity date	Up to 1 year	Between 1 year and 3 years	Between 3 years and 5 years	>5 years	Total
Creditors	-	-	15,935	-	-	15,935
Claims outstanding	-	-	71,816	-	-	71,816
Financial liabilities and outstanding claims	-	-	87,751	-	-	87,751

5.2(f) Operational risk

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. The nature of operational risk means that it is dispersed across all functional areas of the Company.

Group risk is considered part of operational risk. The Company is dependent upon a number of functions provided by the Group through outsourcing agreements to support its operation. It is noted that other than the risks relating to the outsourcing arrangements, the Company and Group's interest are aligned and therefore the amount of residual Group risk is considered to be small.

Cyber security risk is also considered part of operational risk. Cyber security breaches, could, if they occurred, cause significant financial losses and/or damage to the reputation of the Company.

6. Capital risk management

As a Class 3B insurer, the Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of The Insurance Act 1978 as amended. Each year the Company is required to file a capital and solvency return within four months of its relevant financial year end with the Bermuda Monetary Authority.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

6. Capital risk management (continued)

The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement ("BSCR") model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premium written by line of business, a schedule of risk management and a schedule of fixed income securities by security type. The BSCR includes a standardized model used to measure the risk associated with an insurer's assets, liabilities and premium, and a formula to take account of catastrophe risk exposure. The Authority requires all Class 3B insurers to maintain their capital at a target level which is 120% of the amount calculated in accordance with the BSCR (the Enhanced Capital Requirement or "ECR"). In addition, the Company is required to maintain a minimum solvency margin. As at 31 December 2022 and 2021, the Company met both requirements.

Statutory capital and surplus as at December 31, 2022 and 2021 was \$308 million and \$291 million, respectively. At December 31, 2022 the Company's minimum capital requirement was \$84 million (2021- \$51.8 million), and the enhanced capital requirement was \$241 million (2021- \$173 million).

7. Net operating expenses

	2022	2021
	\$000	\$000
Administrative expenses	78,854	20,984
Lloyd's expenses	55,449	40,018
Other expenses	8,367	4,371
Ceding Commission	5,326	8,227
Net operating expenses	147,996	73,600

8. Investment return

	2022	2021
	\$000	\$000
Investment income		
Income from financial assets at fair value through profit and loss	6,914	1,082
	6,914	1,082
Investment expenses and charges		
Other investment management expenses	(215)	(77)
Net realised loss on investments	(444)	(7)
Net unrealised gains (loss) on investments	(21,861)	(2,547)
	(15,606)	(1,549)
Analysed as:		
Allocated investment return transferred to the general business technical account	2,010	73
Net investment return included in the non-technical account	(17,616)	(1,621)
Investment return	(15,606)	(1,549)

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

9. Other charges

	2022	2021
	\$000	\$000
Licensing fees	315	237
Other charges	2,409	358
Currency translation differences	-	141
Other charges	2,724	736

10. Restricted assets

The Company is required to provide Funds at Lloyd's ("FAL") in respect of its Quota Share Agreement with the Corporate Member.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulation Authority (PRA) requirements and resources criteria.

FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

As at 31 December 2022, restricted cash and cash equivalents held in FAL amounted to \$37.3 million (2021- \$26.6 million) and restricted investments held in FAL amounted to \$256.9 million (2021- \$239.0 million).

11. Other financial investments

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the period-end date. The quoted market price used for financial assets held is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. Management uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Valuation techniques used for non-standardised financial instruments include the use of comparable recent arm's length transactions, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data, including the Company's own assumptions in determining the fair value of investments.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

11. Other financial investments (continued)

The Company classifies the level of its financial instruments using fair value. Management believes that credit risk is minimal given the highly rated nature of investments.

The following table presents the Company's financial assets measured at fair value at 31 December 2022 and 2021, there are no financial liabilities measured at fair value for the periods presented:

2022	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
	\$000	\$000	\$000	\$000
Cash and cash equivalents	54,695	-	-	54,695
Collateralised loan obligations	-	30,656	-	30,656
Corporate debt	-	190,531	-	190,531
Covered bonds	-	3,504	-	3,504
Asset back securities	-	1,614	-	1,614
Mortgage back securities	-	25,112	-	25,112
Senior secured credit fund	-	-	25,983	25,983
Total investments and cash and cash equivalents	54,695	251,417	25,983	332,095

2021	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
	\$000	\$000	\$000	\$000
Cash and cash equivalents	59,439	-	-	59,439
Collateralised loan obligations	-	24,475	2,000	26,475
Corporate debt	-	168,667	-	168,667
Covered bonds	-	3,920	-	3,920
Asset back securities	-	1,656	-	1,656
Mortgage back securities	-	25,810	-	25,810
Treasury bills	-	12,485	-	12,485
Total investments and cash and cash equivalents	59,439	237,013	2,000	298,452

12. Other prepayments and accrued income

	2022	2021
	\$000	\$000
Prepaid administrative expenses	12	9
Accrued interest income	3,047	1,281
Other prepayments and accrued income	3,059	1,290

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

13. Debtors arising out of reinsurance operations

	2022	2021 represented
	\$000	\$000
Premium receivable*	44,912	92,151
Funds withheld	448,774	140,927
Debtors arising out of reinsurance operations	493,686	233,078

*Premiums receivable represents the Company's share of the net receivables of the Corporate Member and will ultimately be settled commensurate with Funds withheld.

The Company endorsed the 2021 QSA to clarify that the contract should be on a funds withheld basis. As such, the above comparative note disclosure has been represented accordingly.

14. Deferred acquisition costs

	2022	2021
Gross	\$000	\$000
At 1 January	7,325	-
Acquisition costs deferred during the year	-	15,553
Adjustment to prior year acquisition cost	(1,378)	-
Amortisation charged to profit and loss	(5,325)	(8,228)
Ending balance	622	7,325

15. Reinsurance contract provisions

Technical provisions consist of:

	2022	2021
Gross	\$000	\$000
Provision for unearned premium	254,308	162,056
Claims outstanding	262,487	71,816
Ending balance	516,795	233,872

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

15. Reinsurance contract provisions (continued)

The reconciliation of the opening and closing unearned premium provision is as follows:

	2022	2021
Gross	\$000	\$000
Opening balance	162,056	-
Premium written	558,115	343,540
Premium earned	(453,634)	(179,019)
Impact of foreign exchange	(12,229)	(2,465)
Ending balance	254,308	162,056

The reconciliation of the opening and closing claims provision is as follows:

	2022	2021
Gross	\$000	\$000
Opening balance	71,816	-
Claims incurred related to current year	213,473	114,367
Claims incurred related to prior year	115,147	-
Claims paid related to current year	(57,280)	(41,316)
Claims paid related to prior year	(72,527)	-
Impact of foreign exchange	(8,143)	(1,235)
Ending balance	262,487	71,816

16. Related party transactions

The Company forms part of IQUW Group, including its immediate parent, Midco, and ultimate controlling entity, IQUW Holdings Bermuda Limited, and may enter into intercompany transactions within the Group. The Company receives services from members employed within the Group

The IQUW Corporate Member forms part of the wider Group and therefore financial information reported within these financial statements in relation to the QSAs and excess of loss contracts are related party transactions.

17. Controlling parties

The Company has issued 120,000 fully paid \$1 shares to IQUW Midco Bermuda Limited, which is ultimately owned by IQUW Holdings Bermuda Limited. The shares have attached to them full voting, dividend and capital distribution (including winding up) rights. The shares do not confer any rights of redemption.

18. Share capital

The Company has issued 120,000 fully paid \$1 shares to IQUW Midco Bermuda Limited. The shares have attached to them full voting, dividend and capital distribution (including winding up) rights. The shares do not confer any rights of redemption.

The remaining capital consists of \$361,380,000 contributed surplus, \$60,000,000 of which was contributed during 2022.

The reserve within equity consists entirely of retained earnings.

IQUW Re Bermuda Limited

Notes to the financial statements continued

For the year ended 31 December 2022 and period ended 31 December 2021

19. Post balance sheet events

Change of Directors

Brent Stone, a non-executive director on the Board of Directors, resigned effective 23 March 2023. Michael Cummings will replace Brent Stone with his appointment expected to be approved at the next Board meeting in May 2023.

The Company has completed its post balance sheet events evaluation for the period subsequent to the balance sheet date of 31 December 2022 through 27 April 2023 the date the financial statements were available to be issued.

20. Disclosure exemptions

The Company has taken advantage of the disclosure exemptions provided by paragraph 1.12 of FRS 102. Accordingly,

- these financial statements do not include the following:
- A statement of cash flows
- A reconciliation of the number of shares outstanding at the beginning and end of the year
- Specific information relating to share-based payment included within equivalent disclosures for the Group
- Disclosure of key management personnel compensation
- Disclosure of related party transactions with entities that are part of the Group

The Company has been consolidated into the Group financial statements of IQUW Holdings Bermuda Limited. The IQUW Holdings Bermuda Limited consolidated financial statements and accompanying notes provide further detail in respect of these areas, copies of whose accounts can be obtained from Canons Court 22 Victoria Street, Hamilton, Bermuda.