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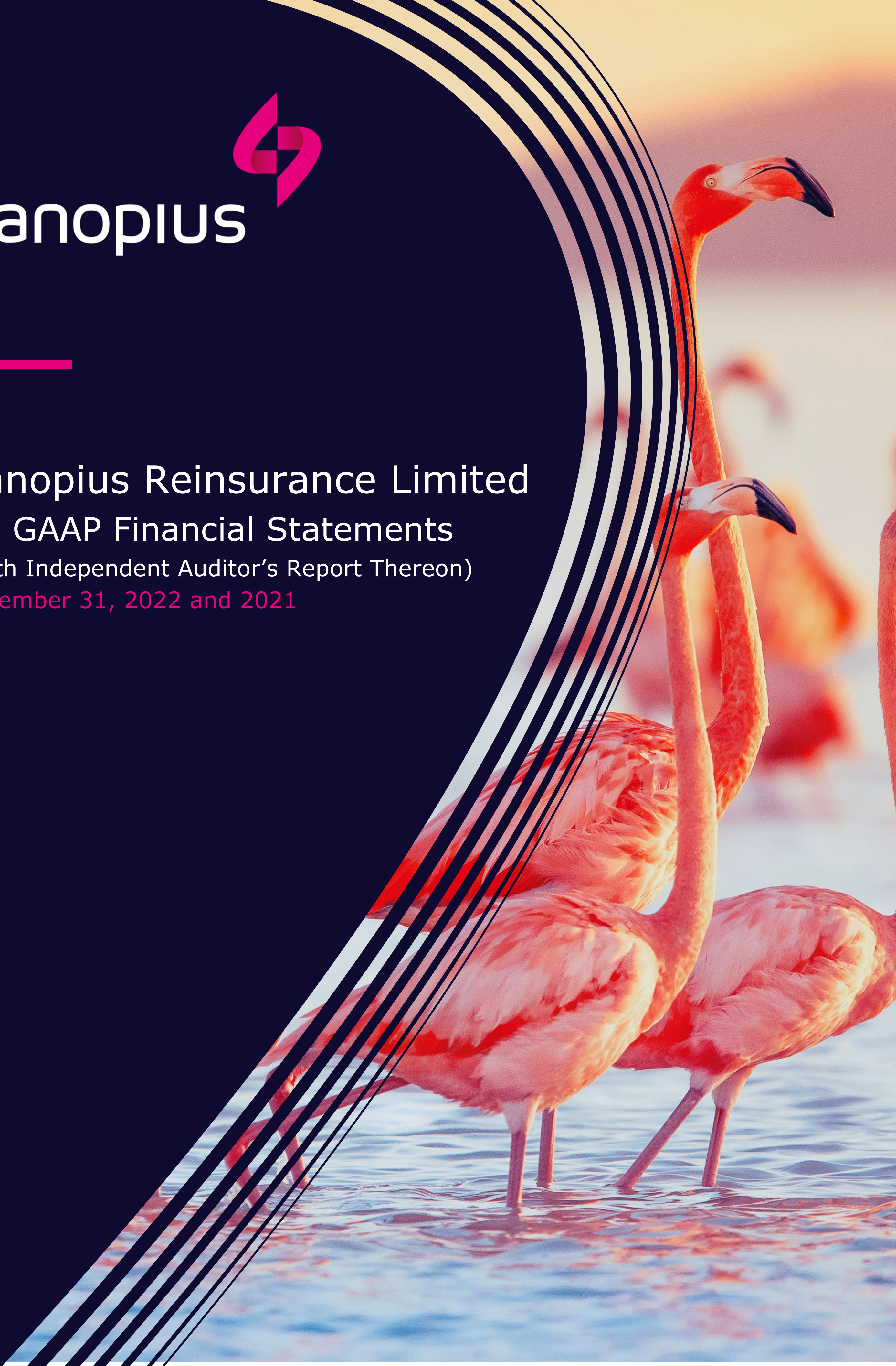
Canopius Reinsurance Limited

US GAAP Financial Statements

(With Independent Auditor's Report Thereon)

December 31, 2022 and 2021



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Report of Independent Auditors

The Board of Directors
Canopius Reinsurance Limited

Opinion

We have audited the financial statements of Canopius Reinsurance Limited (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in shareholder's 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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.

Responsibilities of Management for the Financial Statements

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

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

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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.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred claims and claims adjustment expenses, net of reinsurance and the cumulative paid claims and allocated loss adjustment expenses, net of reinsurance for the years ending 2021 and prior and the average annual percentage payout of incurred claims by age, net of reinsurance disclosed on pages 27 through 29 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young Ltd.

Hamilton, Bermuda
April 28, 2023

Canopus Reinsurance Limited
Balance Sheets
As at December 31, 2022 and 2021
(Expressed in thousands of United States dollars, except share data)

	Note	2022	2021
Assets			
Investments:			
Fixed income securities, at fair value		343,781	330,555
(Cost: 2022 - $359,138; 2021 - $330,981)			
Equities, at fair value		9,628	16,017
(Cost: 2022 - $13,322; 2021 - $17,362)			
Other investments, at fair value		143,329	61,029
(Cost: 2022 - $134,898; 2021 - $54,088)			
Total investments	3,4,12	496,738	407,601
Cash and cash equivalents	12	9,719	2,555
Restricted cash	12	7,583	83,247
Loss reserves recoverable	6	139	292
Accrued investment income		2,484	1,243
Receivable for securities sold		8,817	11,979
Reinsurance balances receivable	8, 11	876,832	791,639
Amounts receivable from related parties	8	2,101	3,254
Other assets	5	833	-
Total Assets		**1,405,246**	**1,301,810**

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

Canopus Reinsurance Limited
Balance Sheets
As at December 31, 2022 and 2021
(Expressed in thousands of United States dollars, except share data)

Liabilities			
Loss and loss adjustment expense reserves	6	625,687	617,088
Unearned premium reserve		295,296	204,011
Reinsurance balances payable		453	1,031
Payable for securities purchased		8,746	11,744
Amounts payable to related parties	8	1,048	1,892
Other liabilities	4, 5	1,615	218
Total Liabilities		**932,845**	**835,984**
Shareholder's Equity			
Common shares ($1.00 par value, authorized, issued and outstanding 2022 and 2021:100,000,000)	9	100,000	100,000
Contributed surplus	9	387,339	387,339
Retained earnings (deficit)		(14,938)	(21,513)
Total Shareholder's Equity		472,401	465,826
Total Liabilities and Shareholder's Equity		**1,405,246**	**1,301,810**

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

Signed on behalf of the Board

Director

Director

Canopus Reinsurance Limited
Statements of Income
For the years ended December 31, 2022 and 2021
(Expressed in thousands of United States dollars)

Revenues			
Gross premiums written		485,085	320,980
Reinsurance premiums ceded	7	(924)	(1,268)
Net premiums written		484,161	319,712
Change in unearned premiums		(91,201)	32,862
Net premiums earned	7	392,960	352,574
Net investment income	3	7,299	5,524
Net realized and unrealized (losses) gains from investments	3	(17,701)	(889)
Net realized and unrealized gains (losses) on derivatives	5	(1,197)	89
Net foreign exchange gains (losses)		(52)	(138)
Other (expenses) income	2	(42,279)	(21,756)
Total Revenues		**339,030**	**335,404**
Expenses			
Losses and loss adjustment expense	6,7	323,770	288,024
Acquisition costs		5,082	4,775
General and administrative expenses		3,603	5,887
Total Expenses		**332,455**	**298,686**
Net Income (Loss)		**6,575**	**36,718**

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

Canopus Reinsurance Limited
Statements of Changes in Shareholder's Equity
For the years ended December 31, 2022 and 2021
(Expressed in thousands of United States dollars)

	Note	2022	2021
Common Shares	9	100,000	100,000
Contributed Surplus	9	387,339	387,339
Retained Earnings (Deficit)			
Balance, beginning of year		(21,513)	(58,231)
Net income (loss)		6,575	36,718
Balance, end of year		(14,938)	(21,513)
Total Shareholder's Equity		**472,401**	**465,826**

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

Canopus Reinsurance Limited
Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in thousands of United States dollars)

	2022	2021
Cash flows used in operating activities:		
Net income (loss)	6,575	36,718
Adjustment to reconcile net income / (loss) to net cash flows provided by / (used in) operating activities:		
Net realized and change in unrealized losses (gains) from investments	17,714	947
Changes in operational assets and liabilities:		
Loss reserves recoverable	153	(292)
Ceded unearned premiums	-	92
Reinsurance balances receivable	(85,193)	259,061
Amounts receivable from related parties	1,153	(89)
Other assets	(833)	405
Loss and loss adjustment expense reserves	8,599	(296,977)
Unearned premium reserve	91,285	(36,639)
Reinsurance balances payable	(578)	891
Amounts payable to related parties	291	(494)
Other liabilities	1,397	(1,355)
Net cash used in operating activities	**40,563**	**(37,732)**
Cash flows used in investing activities:		
Accrued investment income	(1,241)	(12)
Purchases of fixed maturity securities	(224,813)	(539,729)
Purchases of other investments	(80,935)	(275)
Proceeds from sales of fixed maturity securities	195,231	523,353
Proceeds from sales of equities	3,829	1,638
Net cash used in investing activities	**(107,929)**	**(15,025)**
Cash flows (used in) provided by financing activities:		
Loans to intergroup companies	(1,134)	(3,569)
Net cash (used in) provided by financing activities	**(1,134)**	**(3,569)**
Net decrease in cash and cash equivalents	(68,500)	(56,326)
Cash and cash equivalents, beginning of year	85,802	142,128
Cash and cash equivalents, end of year	**17,302**	**85,802**

1. Organization and Nature of the Business

Canopius Reinsurance Limited (the “Company”), originally Omega Specialty Insurance Company Limited, was incorporated under the laws of Bermuda on January 26, 2006. The Company redomiciled to Switzerland on November 23, 2015, and redomiciled back to Bermuda on June 28, 2019. The Company is registered as a Class 4 insurer under The Insurance Act 1978 (Bermuda).

The Company is directly owned by Canopius Group Limited (“CGL”), incorporated and domiciled in Jersey.

The bulk of the Company’s business is underwritten through a quota share agreement whereby it assumes 40% (2021: 35%) of the risks underwritten by Canopius Corporate Capital Limited (“CCCL”), a wholly owned subsidiary of CGL. This has been ongoing since the 2018 Year of Account. CCCL underwrites as a Corporate Member of Lloyd’s of London on Syndicate 4444 (“Syndicate 4444” or “S4444”) and Syndicate 1861 (“Syndicate 1861” or “S1861”).

Syndicate 1861 did not underwrite the 2022 or 2021 year of account following the pooling of its capacity with Syndicate 4444 which underwrote all risks from the 2021 year of account onwards. For the 2022 Year of Account, CCCL has a 95.38% participation in S4444 (2021 Year of Account: 93.99%). The Syndicate underwrites a mixture of reinsurance and insurance of property, marine and energy, a range of specialty lines including accident and health, trade credit, political risk, and specialist consumer products.

In addition to this, the Company underwrote a portfolio of third-party casualty re/insurance business as well as an intra-group transaction with Syndicate 1861. In 2021, the Company also wrote an intra-group transaction with Canopius US Insurance Inc. (“CUSI”). Both Syndicate 1861 and CUSI are affiliated companies within the Canopius Group.

2. Significant Accounting Policies

(a) Basis of presentation

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company’s principal estimates include (1) reserve for losses and loss adjustment expenses, (2) reinsurance recoverables, (3) fair value determination of the investment portfolio and (4) recoverability of deferred acquisition costs. While the amounts included in the financial statements reflect management’s best estimates and assumptions, these amounts ultimately could vary.

(a) Reclassifications

Prior year Investment Income, Net Realized Gains and Losses, Net Unrealized Gains and Losses and General and Administrative Expenses have been adjusted to remove investment income and expenses assumed from the CCCL quota share which is appropriately reflected in Other (Expenses) Income. These corrections are immaterial to the financial statements taken as a whole.

	Balance before adjustment	Adjustment	After Adjustment
Net Investment Income	10,109	4,585	5,524
Net foreign exchange gains (losses)	5,529	(5,667)	(138)
Other (expenses) income	(13)	21,743	(21,756)
General and administrative expenses	(37,882)	31,995	(5,887)

(b) Accounting for Reinsurance Operations

Premiums Earned

Premiums are recorded as written on the inception date of a policy. Premiums are primarily recognized as revenues over the coverage period. Premiums earned are recorded in the Statements of Income. Premiums written that are not yet recognized as earned premium are recorded on the Balance Sheets as unearned premiums, gross of any ceded unearned premium. Written and earned premium and the related costs include estimates for premiums that have not been finally determined. These relate primarily to contractual provisions for the payment of adjustment or additional premiums, premium payable under proportional treaties and delegated underwriting authorities, and reinstatement premiums.

Adjustments and additional premiums are charged based upon the relationship to experience during the policy term. The proportion of adjustable premiums included in premium estimates varies between business lines.

Premiums under proportional treaty contracts and delegated underwriting authorities are generally not reported to the Company until after reinsurance coverage is in force. As a result, an estimate of these premiums is recorded. The Company estimates these premiums based on projections with ultimate premium taking into account reported premiums and expected development patterns.

Reinstatement premiums on excess of loss reinsurance contacts are provided based on experience under such contracts. Reinstatement premiums are premiums charged for the restoration of the reinsurance limit in excess of loss contracts to its full amount after payment by the reinsurer of losses as a result of an occurrence. Reinstatement premiums are recognized as revenue in full at the date of loss that triggers the payment of reinstatement premiums. Reinstatement premiums provide future insurance cover for the remainder of the initial policy term. An allowance for uncollectible premiums is established for possible non-payment of premiums, as necessary.

Outwards reinsurance premiums, which are paid when the Company purchases reinsurance or retrocessional coverage, are accounted for using the same accounting methodology as the Company uses for inwards premiums. Premiums payable under reinsurance contracts that operate on a "losses occurring during" basis are accounted for in full over the period of coverage. Adjustment premiums and reinstatement premiums in relation to outward reinsurance are accrued when it is determined that the ultimate losses will trigger a payment and recognized within premiums payable.

Loss and Loss Adjustment Expenses

Losses represent the amount paid or expected to be paid to claimants in respect of events that have occurred on or before the balance sheet date. The costs of investigating, resolving and processing these claims are known as loss adjustment expenses ("LAE"). The Statements of Income record these losses net of reinsurance, meaning that gross losses and loss adjustment expenses incurred are reduced by amounts recovered to expected to be recovered under reinsurance contracts.

Reinsurance

Written premiums, earned premiums, incurred claims, LAE and the amortization of deferred acquisition costs all reflect the net effect of assumed and ceded reinsurance transactions. Assumed reinsurance refers to the Company's acceptance of certain insurance risks that other insurance companies have underwritten. Ceded reinsurance arises from contracts under which other insurance companies agree to share certain risks with the Company.

Reinsurance accounting is followed when there is significant timing risk, significant underwriting risk, and a reasonable possibility of significant loss. Reinsurance and retrocession do not isolate the ceding company from its obligations to policyholders. If a reinsurer or retrocessionaire fails to meet its obligations, the ceding company's obligations remain. The Company regularly evaluates the financial condition of its reinsurers' and retrocessionaires' solvency. Where it is considered required, appropriate provision is made from balances deemed irrecoverable from reinsurers.

Reserves

Insurance reserves are established for the total unpaid costs of claims and LAE in respect of events that have occurred by the balance sheet date, including the Company's estimates of total cost of claims incurred but not yet reported ("IBNR"). Claim reserves are reduced for estimated amounts of salvage and subrogation recoveries. Estimated amounts recoverable from reinsurers on unpaid losses and LAE are reflected as assets.

For reported claims, reserves are established on a case-by-case basis within the parameters of coverage provided in the insurance policy or reinsurance agreement. For IBNR claims, reserves are estimated using a number of established actuarial methods to establish a range of estimates from which a management best estimate is selected. Both case and IBNR reserve estimates consider variables such as past loss experience, changes in legislative conditions, changes in judicial interpretation of legal liability, policy coverages, and inflation.

As many of the coverages underwritten involve claims that may not be ultimately settled for many years after they are incurred, subjective judgements as to the ultimate exposure to losses are an integral and necessary component of the loss reserving process. The Company regularly reviews its reserves, using a variety of statistical and actuarial techniques to analyze current claims costs, frequency and severity data, and prevailing economic, social and legal factors. Reserves established in prior periods are adjusted as claim experience develops and new information becomes available. Adjustments to previously estimated reserves are reflected in the financial results of the period in which the adjustments are made.

The process of estimating required reserves involves considerable uncertainty. The level of uncertainty can be influenced by factors such as the existence of coverage with long duration payment patterns and changes in claims handling practices, as well as the factors noted above. Ultimate actual claims payments and LAE could turn out to be significantly different than the Company's estimates.

Deferred Policy Acquisition Costs

The costs directly relating to writing an insurance policy are referred to as policy acquisition expenses and include brokerage, commissions, premium taxes, and profit commissions. Acquisitions costs are shown net of commission on reinsurance ceded. All other acquisition related costs, including market research, training, administration and unsuccessful acquisition or renewal efforts are expensed as incurred.

Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated loss and loss adjustment expenses based on historical and current experience and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs. Acquisition expenses also include profit commission. Profit commissions are recognized when earned.

Reinsurance to Close ("RITC")

A significant portion of the Company's business comes from underwriting a quota share with CCCL (as detailed in Note 1). A syndicates' underwriting Year of Account is normally closed after the end of its third year by means of reinsurance into the following underwriting Year of Account, which reinsures all liabilities for the closing year in return for a premium determined by the Syndicate's managing agent.

To the extent the Company changes its quota share participation from one underwriting Year of Account to the next, it is a net receiver or payer of premiums to reinsure the earlier Year of Account into the latter. This RITC premium and the related net claim reserves are recognized as a balance sheet transaction with any related unearned premium recorded in the Statements of Income.

Loss Portfolio Transfer ("LPT")

Ceded LPT contracts for which insured loss events occurred prior to the inception of the contract are evaluated to determine whether they meet the definition for reinsurance accounting. If they meet the definition, premiums written are fully earned and corresponding loss and LAE are recognized at the inception of the contract. Otherwise, the contracts are accounted for as a balance sheet transaction.

(c) Accounting for Investments, Cash and Cash Equivalents

Cash and Cash Equivalents

Cash and cash equivalents are carried at fair value. Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments due to mature within three months from the date of purchase and which are subject to insignificant risk of change in fair value.

Fixed Income Securities

The fixed income securities portfolio comprises securities issued by governments and government agencies, corporate bonds, mortgage and other asset-backed securities. Investments in fixed income securities are classified as held for trading and are reported at estimated fair value on the Balance Sheets. Fair values are based on quoted market prices and other data provided by third-party pricing services.

Equities

Equities consist of stock of public companies traded on stock exchanges and are classified as held for trading and carried at fair value. Fair values are based upon quoted market prices.

Other investments

Other investments consist of holdings in collective investment schemes and are classified as held for trading and valued using net asset values as provided by their investment managers which has been used as a practical expedient of fair value.

Investment transactions are recorded on the trade date with balances pending settlement reflected on the Balance Sheets under receivables for investments sold or payables for investments purchased.

Gains and Losses

Realized gains or losses on the sale of investments are determined on the first-in first-out basis. Unrealized gains and losses represent the difference between fair value and cost or amortized cost as at the reporting date are included in realized and unrealized gains and losses from investments in the Statements of Income.

Investment Income

Investment income primarily consists of interest and dividends. Interest income is recognized on an accrual basis and dividend income is recognized on the ex-dividend date. Investment management and custody fees are charged against net investment income reported in the Statements of Income.

(d) Accounting for Derivative Financial Instruments

The Company enters into derivative instruments such as forward foreign exchange contracts and options in order to manage certain market and credit risks. The Company records derivative instruments at fair value on the Balance Sheets as either other assets or other liabilities, depending on their rights and obligations. Gains and losses on derivatives are reported on the Statements of Income as they occur. In cases where derivative instruments are executed with the same counterparty under a master netting arrangement, the offsetting change in fair value amounts are presented on a net basis.

(e) Accounting for Foreign Currency Translation

The Company's functional and reporting currency is United States Dollars ("USD"). USD reflects the currency in which the Company primarily generates and expends cash and therefore represents the primary economic environment in which the Company operates.

Transactions in foreign currencies are translated to USD at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currencies are re-measured at the exchange rates in effect at the balance sheet date. Exchange gains or losses are included in net income.

(f) Accounting Pronouncements

In March 2020, the FASB issued guidance which provides optional expedients and exceptions for applying U.S. GAAP to modification of contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. Along with the optional expedients, the amendments include a general principle that permits an entity to consider contract modifications due to reference reform to be an event that does not require contract re-measurement at the modification date or reassessment of a previous accounting determination. This guidance may be elected over time through December 31, 2022 as reference rate reform activities occur. The Company is currently evaluating the impact of adopting this guidance on its Financial Statements and disclosures. The new standard does not have a material impact on the Financial Statements.

3. Investments

The Company's Board of Directors establishes investment guidelines and supervises the Company's investment activity. The investment guidelines specify minimum criteria on the overall credit quality and liquidity characteristics of the portfolio. Management and the Investment Working Group review the Company's investment performance, its compliance with investment objectives and guidelines, and assess credit and market risk concentrations and exposers to issuers.

Income Statements

Investment Income

The following table summarizes investment income for the years ended December 31, 2022 and 2021:

	2022	2021
Fixed income securities	6,807	4,907
Equities	676	1,000
Cash and cash equivalents	240	3
Total gross investment income	7,723	5,909
Investment expenses	(424)	(386)
Net investment income	7,299	5,524

The following table summarizes the net realized and unrealized investment gains and losses recorded in the Statements of Income for the years ended December 31, 2022 and 2021:

Type of Security	2022	2021
Fixed income securities:		
Realized gains	130	2,240
Realized (losses)	(3,227)	(680)
Net change in unrealized (losses) gains	(13,433)	(5,512)
Equities:		
Realized gains (losses)	69	(333)
Net change in unrealized gains (losses)	(2,629)	2,555
Other investments:		
Net change in unrealized gains	1,376	783
Cash and cash equivalents:		
Realized gains	157	144
Net change in unrealized (losses)gains	(144)	(86)
Total net realized and unrealized gains (losses) from investments	(17,701)	(889)

Fixed Income Securities, Equities and Other Investments – Held for Trading

The following tables present the cost or amortized cost, gross unrealized gains and losses, and estimated fair market value of held for trading investments in fixed income securities, equities and other investments:

2021	**Cost / Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Fixed income securities:				
U.S. government and government agency securities	149,090	585	(999)	148,676
Corporate and other securities	45,839	498	(278)	46,059
Mortgage-backed securities	8,876	62	(1,338)	7,600
Asset-backed securities	127,176	1,151	(107)	128,220
Total fixed income securities	330,981	2,296	(2,722)	330,555
Equities	17,362	2,382	(3,727)	16,017
Other investments	54,088	6,958	(17)	61,029
Total investments	402,431	11,636	(6,466)	407,601

2022	**Cost / Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Fixed income securities:				
U.S. government and government agency securities	153,082	80	(7,147)	146,015
Corporate and other securities	60,096	81	(2,924)	57,253
Mortgage-backed securities	9,640	11	(1,898)	7,753
Asset-backed securities	136,320	574	(4,134)	132,760
Total fixed income securities	359,138	746	(16,103)	343,781
Equities	13,322	492	(4,186)	9,628
Other investments	134,898	9,651	(1,220)	143,329
Total investments	507,358	10,889	(21,509)	496,738

The Company classifies all the above financial instruments as held for trading.

4. Fair value measurement

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach, which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's investment portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified based on the lowest level of input that is significant to the fair value measurement. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 — Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets or liabilities at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. The unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance on the overall reasonableness and consistent application of valuation methodologies and inputs and compliance with accounting standards through the execution of various processes and controls designed to ensure that the Company's assets and liabilities are appropriately valued. For fair values received from third parties or internally estimated, the Company's processes are designed to determine that the valuation methodologies and inputs are appropriate and consistently applied, the assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third-party valuation sources for selected securities.

The Company used the following methods and assumptions In estimating the fair value of its financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed maturity securities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. government and government agency securities

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on active markets and unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Non-U.S. government securities

Non-U.S. government securities include bonds issued or guaranteed by Non-U.S. governments. The fair value of Non-U.S. government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of Non-U.S. government securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Mortgage-backed securities ("MBS")

The Company's portfolio of residential and commercial mortgage-backed securities is originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of mortgage-backed securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-backed securities ("ABS")

Asset-backed securities include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral originated by a variety of financial institutions. The fair value of asset-backed securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Corporate and other securities

Corporate and other securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Equity securities

Equity securities include common stocks. Common stocks with fair values based on quoted market prices in active markets are classified within Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified within Level 2.

Foreign exchange contracts

The foreign exchange contracts that the Company uses to mitigate currency risk are characterized as over the counter as they do not trade on a major exchange. These instruments are valued based upon observable for exchange rates and are classified as Level 2.

Other investments

The Company's other investments include investments in collective investment schemes that invest in a wide variety of investments and derivatives. The fair value of these investments is estimated using the net asset value ("NAV") as provided by investment managers.

The following tables present the level within the fair value hierarchy at which the Company's financial assets and liabilities are measured on a recurring basis as at December 31, 2022 and December 31, 2021:

2022	**Level 1**	**Level 2**	**Not Classified**	**Total** (3)
Fixed income securities:				
U.S. government and government agency securities	140,583	5,432	-	146,015
Corporate and other securities	-	57,253	-	57,253
Mortgage-backed securities	-	7,753	-	7,753
Asset-backed securities	-	132,760	-	132,760
Total fixed income securities	140,583	203,198	-	343,781
Equities	9,628	-	-	9,628
Other investments (1)	-	-	143,329	143,329
Total investments, trading, at fair value	150,211	203,198	143,329	496,738
Other financial assets and liabilities, at fair value				
Derivatives at fair value – foreign exchange contracts (2)	-	605	-	605
Total	150,211	203,803	143,329	497,343

2021	**Level 1**	**Level 2**	**Not Classified**	**Total** [3]
Fixed income securities:				
U.S. government and government agency securities	141,820	6,856	-	148,676
Corporate and other securities	-	46,059	-	46,059
Mortgage-backed securities	-	7,600	-	7,600
Asset-backed securities	-	128,220	-	128,220
Total fixed income securities	141,820	188,735	-	330,555
Equities	16,017	-	-	16,017
Other investments [1]	-	-	61,029	61,029
Total investments, trading, at fair value	157,837	188,735	61,029	407,601
Other financial assets and liabilities, at fair value				
Derivatives at fair value – foreign exchange contracts [2]	-	(41)	-	(41)
Total	157,837	188,694	61,029	407,560

(1) Other investments represents investments in collective investment schemes and are measured at fair value using the net asset value per share practical expedient. As a result, this has not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair value hierarchy to amounts presented on the Balance Sheets.

(2) Recorded in other assets if positive and other liabilities if negative.

(3) The Company does not hold any level 3 investments.

Transfers of assets into or out of a particular level are recorded at their fair values as of the end of each reporting period consistent with the date of the determination of fair value. There were no transfers made between Levels for the years ended December 31, 2022 or December 31, 2021.

5. Derivative Financial Instruments

Foreign Exchange Contracts

The Company uses foreign exchange contracts to manage foreign currency risk associated with claims and operating expenses, as well as foreign exchange risk associated with net assets or liabilities in currencies other than the U.S. dollar. A foreign exchange contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign exchange contracts will not eliminate fluctuation in the value of the Company’s assets and liabilities denominated in foreign currencies but rather allow it to establish a rate of exchange for a future point in time.

The following table summarizes information on the location and amounts of derivative fair values on the Balance Sheets as at December 31, 2022 and 2021:

		2022		2021	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Notional Amount**	**Fair value**	**Notional Amount**	**Fair Value**
Foreign Exchange Contracts	Other (Liabilities) / Assets	8,081	605	13,489	(41)

The following table summarizes the total unrealized and realized gains (losses) recorded in the Statements of Income for the years ended at December 31, 2022 and 2021:

		Amount of Gain / (Loss) recognized in Income	
Derivatives Not Designated as Hedging Instruments	**Location of Gain/(Loss) Recognized in Income**	**2022**	**2021**
Foreign Exchange Contracts	Net realized and unrealized gains (losses) on derivatives	(1,197)	89

6. Reserve for losses and loss adjustment expenses

Reserves for losses and Loss Adjustment Expenses (LAE) are based in part upon the estimation of case reserves reported from brokers, insureds and ceding companies. The Company also uses statistical and actuarial methods to estimate ultimate expected losses and LAE. The period from the occurrence of a loss, the reporting of a loss to the Company and the settlement of the Company's liability may be several months or years. During this period, additional facts and trends may be revealed. As these factors become apparent, case reserves will be adjusted, sometimes requiring an increase or decrease in the overall reserves of the Company, and at other times requiring a reallocation of incurred but not reported reserves to specific case reserves. These estimates are reviewed regularly, and such adjustments, if any, are recorded in earnings in the period in which they become known. While management believes it has made a reasonable estimate of ultimate losses, there can be no assurances that ultimate losses and loss expenses will not exceed the total reserves.

The following table represents the activity in the reserve for losses and LAE for the years ended December 31, 2022 and 2021:

	2022	2021
Gross reserves for losses and LAE, beginning of year	617,088	914,065
Reinsurance recoverable balances, beginning of year	(292)	-
Net reserves for losses and LAE, beginning of year	616,796	914,065
Increase (decrease) in net loss and LAE incurred in respect of losses:		
Current year	323,475	298,860
Prior years	295	(10,836)
Total net incurred losses and LAE	323,770	288,024
Less net loss and LAE paid in respect of losses occurring in:		
Current year	(82,868)	(149,663)
Prior years	(148,832)	(202,555)
Total net losses paid	(231,700)	(352,218)
Adjustments:		
Effect of net foreign currency gain/(loss) on loss and LAE	(18,443)	(3,905)
Acquisition (reduction) of loss reserves relating to RITC	(64,875)	65,754
Sale of loss reserves relating to LPT		(294,924)
Net reserves for losses and LAE, end of year	625,548	616,796
Reinsurance recoverable balances, end of year	139	292
Gross reserves for losses and LAE, end of year	625,687	617,088

The acquisition or reduction of loss reserves relating to RITC relates to the reserves the Company assumes as a result of a change in cession percentages of its quota share with CCCL. During 2022, the Company reduced its reserves because of the decreased quota share cession percentage when the 2019 Year of Account reserves reinsured into the 2020 Year of Account upon closure as at December 31, 2022. During 2021, the Company acquired the 2018 & Prior Years of Account reserves at a higher quota share cession percentage when the reserves reinsured into the 2019 Year of Account upon closure as at December 31, 2021. The Company receives or pays a RITC premium equal to the change in loss reserves plus change in unearned premiums as a result of the RITC. Cession percentages were 40% for 2022, 35% for 2021 and 2020 and 60% for 2019.

Sale of loss reserves relating to LPT relates to the reserves the Company ceded as part of its quota share with CCCL. In December 2021, Canopius Managing Agency (“CMA”) entered into a LPT with RiverStone Managing Agency Limited (“RiverStone”) covering most classes of business no longer written by Syndicate 4444 (2020 & prior years) and Syndicate 1861 (2020 year of account only). Under the terms of the agreement the Syndicates purchased reinsurance from RiverStone’s managed syndicate (Lloyd’s Syndicate 3500) to provide loss portfolio reinsurance on the agreed policies. The results for 2021 include the premium ceded to RiverStone for the unearned proportion of the claims reinsured ($47,757), with the earned proportion of the claims reinsured ($294,924) accounted for as a balance sheet transaction, reducing the gross reserves for losses, with a corresponding reduction in the Reinsurance balances receivable.

For the twelve months ended December 31, 2022, there was net unfavourable prior year loss development of $295 (excluding the impact of the RITC transaction). For the twelve months ended December 31, 2021, there was net favorable prior year loss development of $10,836 (excluding the impact of the RITC and LPT transaction). Prior years development was attributable to various lines of business.

6.1 Claims Development and Frequency

The information provided herein about incurred and paid accident year claims development, net of reinsurance, for the years ended prior to December 31, 2022, and the annual percentage payouts of incurred claims by age, net of reinsurance, is presented as supplementary information. For incurred and paid accident year claims denominated in foreign currency, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables herein.

The Company commenced underwriting the CCCL quota share in 2018 and assumed 60% of the 2018 Year of Account. This continued in 2019 for the 2019 Year of Account. In 2020, the quota share percentage reduced to 35%; however due to the RITC process, at December 31, 2020, the Company assumed all of CCCL's 2017& prior reserves into the 2018 Year of Account at the 60% 2018 quota share percentage, totaling $520,750.

The tables include the acquisition of loss reserves relating to the RITC in both the 2020 and 2021 and reduction of loss reserves relating to RITC in the 2022 calendar year. In 2020, the Company assumed $520,750 of loss reserves when CCCL's share of the 2017 & prior years of accounts RITCd into the 2018 year of account at the Company's 60% quota share percentage. In 2021, the Company assumed $65,754 of loss reserves when CCCL's share of the 2018 & prior years of accounts RITCd into the 2019 year of account at the Company's 60% quota share percentage.
In 2022, the Company reduced its loss reserves by $64,875 when CCCL's share of the 2019 & prior years of accounts RITCd into the Company's quota share percentage of 35%.

The tables also include the reinsurance of historical loss reserves relating to LPT in the 2021 calendar year, which reduced historical reserves. This LPT reduced reserves in 2021 by $294,924. The LPT impacts the triangle in the 2021 year.

All of the business contained within the Company's Reinsurance segment represents treaty business that is assumed from other insurance and reinsurance companies, for which the Company does not have access to the underlying claim counts.

Further, this business includes both quota share and excess of loss treaty reinsurance, through which only a portion of each reported claim results in losses to the Company. As such, the Company has excluded claim count information for the loss development tables.

Management has determined that the appropriate level of disaggregation for the incurred and paid claims development information best falls into three categories: Property Reinsurance, Casualty Reinsurance, and Specialty Reinsurance.

The following tables show an analysis of incurred claims and allocated loss adjustment expenses, net of reinsurance and cumulative paid claims and allocated claims adjustment expenses, for the years ending December 31, 2016 (first financial year of operations) to December 31, 2022.

Property Reinsurance

Incurred Claims, IBNR and LAE, Net of Reinsurance

Accident Year	For the year ended December 31, ---supplemental and unaudited---							December 31, 2022
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**IBNR**
2013					13,617	11,459	10,352	(498)
2014					16,366	13,035	11,736	550
2015					29,703	20,999	21,252	1,130
2016	16,039	20,503	24,405	22,351	67,449	67,069	69,614	5,656
2017		74,686	115,358	109,844	193,501	185,767	185,068	6,557
2018			154,948	190,864	184,693	164,693	132,463	(131)
2019				211,925	221,441	203,957	190,331	7,094
2020					242,524	234,704	228,587	7,628
2021						175,626	165,491	31,341
2022							241,756	122,052
Total							1,256,650	

Cumulative Paid Claims and Allocated Adjustment Expenses, Net of Reinsurance

Accident Year	For the year ended December 31, ---supplemental and unaudited---						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
2013					2,944	5,315	5,773
2014					2,823	3,518	4,561
2015					3,404	7,543	10,085
2016	1,168	7,596	15,812	17,464	35,026	43,743	50,201
2017		5,546	46,647	71,380	116,785	139,082	148,724
2018			28,541	66,886	84,562	93,531	111,939
2019				106,108	112,084	145,359	159,926
2020					137,077	169,981	198,954
2021						91,136	99,358
2022							76,893
Total							866,414
Outstanding liabilities for 2013 and subsequent years, net of reinsurance							390,236
All outstanding liabilities before 2013							31,231
Liabilities for claims and claim adjustment expenses, net of reinsurance							421,467

Average annual percentage payout of incurred claims (supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
32%	19%	21%	7%	5%	9%	7%

Casualty Reinsurance

Incurred Claims, IBNR and LAE, Net of Reinsurance

Accident Year	For the year ended December 31, --------supplemental and unaudited--------							December 31, 2022
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**IBNR**
2013					8,652	4,297	5,336	87
2014					24,347	12,572	13,382	285
2015					45,905	21,018	25,611	853
2016	418	318	212	64	53,751	23,328	25,451	1,582
2017		4,274	1,213	386	40,199	22,784	26,695	1,942
2018			28,104	27,608	30,804	18,961	22,624	3,824
2019				60,648	60,490	54,030	47,024	5,519
2020					80,283	78,490	79,986	28,192
2021						81,402	74,239	22,535
2022							64,496	55,537
Total							384,844	

Cumulative Paid Claims and Allocated Adjustment Expenses, Net of Reinsurance

Accident Year	For the year ended December 31, --------supplemental and unaudited--------						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
2013					2,101	4,189	5,974
2014					9,704	11,706	13,724
2015					9,669	18,137	24,325
2016					11,972	20,597	24,282
2017			19	28	8,716	16,240	21,502
2018			4,367	4,452	10,404	18,032	22,218
2019				19,401	19,319	26,909	31,256
2020					23,716	24,307	40,110
2021						29,596	43,170
2022							4,151
Total							230,712
Outstanding liabilities for 2013 and subsequent years, net of reinsurance							154,132
All outstanding liabilities before 2013							(1,762)
Liabilities for claims and claim adjustment expenses, net of reinsurance							152,370

Average annual percentage payout of incurred claims (supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
19%	1%	10%	25%	32%	38%	7%

Specialty Reinsurance

Incurred Claims, IBNR and LAE, Net of Reinsurance

Accident Year	For the year ended December 31,							December 31, 2022
	supplemental and unaudited							
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**IBNR**
2013					724	802	393	(51)
2014					458	421	209	(23)
2015					7,831	8,636	4,059	(156)
2016		400	441	405	5,937	9,802	5,520	268
2017		1,781	695	8	19,479	28,908	14,491	(159)
2018			6,397	12,351	17,943	16,233	10.953	744
2019				56,280	53,833	57,769	37,284	59
2020					86,485	87,928	47,361	7,450
2021						53,758	31,268	7,241
2022							17,223	5,927
Total							168,761	

Cumulative Paid Claims and Allocated Adjustment Expenses, Net of Reinsurance

Accident Year	For the year ended December 31,						
	supplemental and unaudited						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
2013					129	139	145
2014					94	133	115
2015					2,669	4,600	4,398
2016			8	62	1,450	2,411	2,414
2017			6	6	5,582	10,770	10,826
2018			2,537	3,695	5,397	6,435	6,436
2019				23,795	21,795	24,279	30,305
2020					34,588	38,098	37,065
2021						24,405	23,409
2022							1,824
Total							116,937

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	51,824
All outstanding liabilities before 2013	(113)
Liabilities for claims and claim adjustment expenses, net of reinsurance	51,711

Average annual percentage payout of incurred claims (supplemental and unaudited)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
33%	(1%)	20%	(9%)	12%	19%	19%

6.2 Reconciliation of Incurred and Paid Claims Development to total Provision for Losses and Loss Adjustment Expenses (LAE)

	Year ended December 31, 2022
Net outstanding liabilities	
Property Reinsurance	421,467
Casualty Reinsurance	152,370
Specialty Reinsurance	51,711
Loss reserves recoverable	139
Provision for losses and LAE at the end of year	625,687

7. Reinsurance

In certain cases, the risks written by the Company are wholly or partially reinsured with third-party reinsurers. Reinsurance ceded varies based upon a number of factors, including market conditions. The primary benefit of ceding risks to third-party reinsurers is to reduce catastrophe risk and exposure on individual risks. Reinsurance ceded contracts do not discharge the Company from its liabilities to the original policyholder in respect of the risk being reinsured. In line with its risk management objectives, the Company evaluates the financial condition of its third-party reinsurers and monitors concentration of credit risk.

Effects of Reinsurance on Premiums Written and Earned

	2022	2021
Net premiums written		
Assumed	482,378	318,685
Direct	2,707	2,295
Ceded	(924)	(1,268)
Net premiums written	484,161	319,712
Net premiums earned		
Assumed	391,216	351,574
Direct	2,668	2,361
Ceded	(924)	(1,360)
Net premiums earned	392,960	352,575
Loss and Loss adjustment expenses		
Gross losses and loss adjustment expenses incurred	323,616	288,316
Losses and loss adjustment expense recoveries	154	(292)
Net loss and loss adjustment expenses	323,770	288,024

8. Related party transactions

The Company has service agreements with Canopius Services Limited (“CSL”) and Canopius Underwriting Bermuda Limited (“CUBL”). Both entities are wholly-owned subsidiaries of CGL.

The service agreement with CSL, which is recharged through Canopius Holdings UK Limited ("CHUKL"), covers investment management, accounting services, claims analysis, legal, human resources, information technology, actuarial, capital modelling and other general corporate services. The service agreement with CUBL covers Bermuda staffing and office expenses, as well as services involving underwriting, modelling, operations, claims authorizations, expense authorizations and accounting services.

The Company writes a 40% (2021: 35%) whole account quota share with CCCL in respect to its participation on S4444 for the 2022 underwriting year. In 2021 the Company also wrote a catastrophe excess of loss contract with S4444 and S1861 as well as catastrophe excess of loss contract with CUSI, subsidiaries of CGL.

On January 1, 2022, the Company entered into a contract with Samsung Fire & Marine Insurance (SFMI), a minority shareholder in the parent company CGL for a 90% share of the SFMI's participation of an underlying contract and pays overriding commission of 1% of premium ceded.

On December 31, 2022, the company entered into a one-year contract reinsuring recoveries due on the contingency event cancellation losses in respect of Covid-19 with S1861.

CGL has an agreement with an investment manager to facilitate the management of a hedging portfolio which utilizes a range of derivative based hedging strategies and permitted assets to provide CGL with the desired exposures to allow it to manage its investment risks. CGL in turn has a facility in place with the Company outlining how GCL will utilize this arrangement for the Company. The Company provides collateral to CGL under this agreement and receives the benefits/losses of the allocated derivatives.

On January 29, 2018, the Company entered into a loan agreement with S4444 where S4444 loaned the Company $5 million to provide collateral for a LOC with an interest rate of 0.55% per annum. During the year, $1.1 million was repaid as the related LOC was reduced. The remainder of the loan will be repaid within 10 business days of the LOC being cancelled.

Balances with related parties have been recorded on the Balance Sheet as at December 31, 2022 as follows:

	Amounts receivable from related parties	Amounts payable to related parties	Reinsurance balances receivable	Unearned premium reserve	Other Assets	Loss and loss adjustment expense reserves
Total	2,101	1,048	875,647	295,256	794	612,376

Balances with related parties have been recorded on the Balance Sheet as at December 31, 2021 as follows:

	Amounts receivable from related parties	Amounts payable to related parties	Reinsurance balances receivable	Unearned premium reserve	Other Assets	Loss and loss adjustment expense reserves
Total	3,254	1,892	789,821	204,011	-	590,299

Transactions with related parties have been recorded in the Statement of Income during the year to December 31, 2022 as follows:

	Net Premiums Earned	Net Losses	Commission	General and Administrative Expenses	Other Income (Expenses)
Total	391,216	323,161	4,332	100	(42,277)

Transactions with related parties have been recorded in the Statement of Income during the year to December 31, 2021 as follows:

	Net Premiums Earned	Net Losses	Commission	General and Administrative Expenses	Other Income (Expenses)
Total	355,727	293,142	4,570	1,948	(21,744)

9. Share Capital and Contributed Surplus

Share capital consists of 100,000,000 authorized, issued and fully paid commons shares with a par value of $1.00 each.

Contributed surplus consists of $387,339 (2021: $387,339) capital contributions from the parent company.

10. Taxation

Under current Bermuda law, the Company is not subject to any income or capital gains taxes. In the event that such taxes are imposed, the Company would be exempted from any such taxes until March 2035 pursuant to the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, as amended.

11. Concentration of Credit Risk

The creditworthiness of a counterparty is evaluated by the Company, taking into account credit ratings assigned by recognized rating agencies. The credit approval process involves an assessment of factors, including, among others, the counterparty, country and industry credit exposure limits. The areas where significant concentrations of credit risk may exist includes investments and cash and cash equivalent balances. The majority of the Company's premium is underwritten through intra-group reinsurance contracts, as disclosed in Note 8.

The Company's investment portfolio is managed in accordance with guidelines designed to ensure specific investment strategies are met. These guidelines include standards of diversification that limit the allowable holdings of any single issue.

The Company's cash and cash equivalents are on deposit with various financial institutions. Credit risk arises from the failure of the counterparty to perform according to the terms of a contract. The Company's deposits are with established banks to minimize this risk and they are located in the United Kingdom, Ireland, and France.

12. Restricted Assets

	2022	2021
Funds at Lloyd's		
Investments	390,967	379,797
Cash and cash equivalents	3,298	76,396
	394,265	456,193
Pledged Accounts		
Investments	4,375	5,151
Cash and cash equivalents	201	8
	4,576	5,159
Letter of Credit		
Cash and cash equivalents	4,084	6,843
Total restricted investments, cash and cash equivalents	402,925	468,195
Total investments, cash and cash equivalents	514,040	493,403
Percentage of investments, cash and cash equivalents	78.54%	94.9%

Funds at Lloyd's ("FAL")

In consideration for the Company entering into a limited liability quota share reinsurance agreement with CCCL, the Company has provided for 40% of CCCL's FAL requirement. The Company provides assets under a security and trust deed charged to Lloyd's of London ("Lloyd's"), to meet its share of liabilities that may occur from CCCL's interest in Syndicate 4444 and Syndicate 1861.

At December 31, 2022, the Company's limit, as established under the quota share agreement, was $400,000 (2021: $425,000). At December 31, 2022, the fair market value of the Company's FAL contribution was $394,265 (2021: $456,193).

Pledged Accounts

To support its run-off French mutual business, the Company has established pledged accounts to cover expected claims under these policies. As at December 31, 2022, the market value in these pledged accounts is $4,576 (2021: $5,159).

Letter of Credit

The Company has established a letter of credit with Barclays Bank PLC. Under this letter of credit, the Company can post collateral of $10,000 (2021: $10,000). As at December 31, 2022, the value in the letter of credit account is $4,084 (2021: $6,843).

Facility Agreement

Under a facility agreement dated July 22, 2019, CGL had granted ING Bank N.V, London Branch a charge over the entire issued share capital of the Company as security for its obligations under that agreement.

13. Statutory Financial Data

Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Insurance Act"), the Company is required to prepare statutory financial statements and to file with the BMA a statutory financial return. As a Class 4 insurer, the Company must maintain capital at the greater of a minimum solvency margin ("MSM") and its Enhanced Capital Requirement ("ECR"), which is established by reference to the Bermuda Solvency Capital Requirement ("BSCR") model. The BSCR model is a risk-based capital model that provides a method for determining an insurer's capital requirements (statutory capital and surplus) by taking into account the risk characteristics of different aspects of the insurer's business. The Insurance Act also requires the Company to maintain certain measures of solvency and liquidity. The MSM that must be maintained by a Class 4 insurer with respect to its general business is the greater of (i) $100,000, or (ii) 50% of net premiums written (iii) 15% of net reserve for losses and loss adjustment expenses or (iv) 25% of ECR.

As at December 31, 2022 and 2021, the Company was required to maintain a minimum statutory capital and surplus of $324,908 and $335,929, respectively. As at December 31, 2022 and 2021, the Company had statutory capital and surplus of $576,761 and $507,143, respectively and a statutory net income of $6,575 and $36,718 respectively for the years then ended.

14. Subsequent Events

There were no transactions or events beyond those addressed in these notes to the Financial Statements that were outside of events occurring in the ordinary course of business, between December 31, 2022 and April 28, 2023, the date the financial statements were available to be issued, that materially affected the Financial Statements.

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