FIDELIS INSURANCE BERMUDA LIMITED

Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Fidelis Insurance Bermuda Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income and comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required supplementary information

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

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 28, 2023

FIDELIS INSURANCE BERMUDA LIMITED
Consolidated Balance Sheets
At December 31, 2022 and December 31, 2021
(Expressed in millions of U.S. dollars)

	2022	2021
Assets		
Fixed maturity securities, available-for-sale (amortized cost: $1,484.4, 2021: $1,734.5) (net of allowances for credit losses of $0.8)	$ 1,408.7	1,725.5
Fixed maturity securities, trading at fair value (amortized cost: $nil, 2021 $14.6)	—	14.7
Short-term investments, available-for-sale (amortized cost: $212.6, 2021: $8.9) (net of allowances for credit losses of $nil)	$ 212.7	$ 8.8
Other investments, at fair value (amortized cost: $126.3, 2021: $226.5)	117.1	253.1
Total investments	**$ 1,738.5**	**$ 2,002.1**
Cash and cash equivalents	726.6	205.4
Restricted cash and cash equivalents	121.1	127.6
Derivative assets, at fair value	6.3	0.9
Accrued investment income	7.3	8.0
Investments pending settlement	1.6	0.4
Premiums and other receivables (net of allowances for credit losses of $1.4)	1,008.1	1,007.4
Deferred reinsurance premiums	406.5	377.3
Reinsurance balances recoverable on paid losses (net of allowances for credit losses of $nil)	94.8	200.3
Reinsurance balances recoverable on reserve for losses and loss adjustment expenses (net of allowances for credit losses of $1.0)	725.3	649.1
Deferred policy acquisition costs	418.2	321.2
Amounts due from affiliates	127.9	62.2
Operating right of use assets	7.2	7.6
Other assets	16.9	10.4
Total assets	**$ 5,406.3**	**$ 4,979.9**
Liabilities, and shareholders' equity		
Liabilities		
Derivative liabilities, at fair value	—	0.6
Reserves for losses and loss adjustment expenses	1,628.6	1,205.7
Unearned premiums	1,620.7	1,358.4
Operating lease liabilities	7.3	7.7
Reinsurance balances payable	539.8	569.8
Amounts due to affiliates	106.3	51.7
Other liabilities	11.9	15.4
Total liabilities	**$ 3,914.6**	**$ 3,209.3**
Commitments and contingencies		
Shareholders' equity		
Common shares, $1 par value, 1,000,000 authorized, issued and fully paid	1.0	1.0
Additional paid-in capital	1,494.2	1,494.2
Accumulated other comprehensive loss	(74.3)	(9.5)
Retained earnings	70.8	284.9
Total shareholders' equity attributable to common shareholder	**$ 1,491.7**	**$ 1,770.6**
Total liabilities and shareholders' equity	**$ 5,406.3**	**$ 4,979.9**

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE BERMUDA LIMITED
Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2022 and December 31, 2021
(Expressed in millions of U.S. dollars)

	2022	2021
Revenues		
Gross premiums written	$ 1,851.9	$ 1,911.8
Reinsurance premiums ceded	(568.4)	(756.0)
Net premiums written	1,283.5	1,155.8
Change in net unearned premiums	(233.2)	(327.3)
Net premiums earned	1,050.3	828.5
Net investment return	2.9	30.7
Other income	10.8	9.5
Total revenues	**$ 1,064.0**	**$ 868.7**
Expenses		
Loss and loss adjustment expenses	654.2	554.8
Policy acquisition expenses	368.1	241.9
General and administration expenses	32.0	22.4
Foreign exchange losses	3.1	0.3
Financing costs	3.2	3.6
Total expenses	**$ 1,060.6**	**$ 823.0**
Income before income taxes	**$ 3.4**	**$ 45.7**
Income tax expense	(0.6)	(0.6)
Net income	**$ 2.8**	**$ 45.1**
Other comprehensive loss		
Unrealized losses on AFS financial assets	(66.7)	(26.4)
Income tax benefit relating to unrealized loss on AFS financial assets	0.5	0.2
Total other comprehensive loss	**$ (66.2)**	**$ (26.2)**
Comprehensive (loss)/income attributable to common shareholder	**$ (63.4)**	**$ 18.9**

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE BERMUDA LIMITED
Consolidated Statements of Changes in Shareholder's Equity
For the years ended December 31, 2022 and December 31, 2021
(Expressed in millions of U.S. dollars)

	2022	2021
Common shares		
Balance - beginning and end of year	**$ 1.0**	**$ 1.0**
Additional paid-in capital		
Balance - beginning of year	$ 1,494.2	$ 1,569.2
Distribution to parent	—	(75.0)
Balance - end of year	**$ 1,494.2**	**$ 1,494.2**
Accumulated other comprehensive (loss)/income, net of tax		
Unrealized (losses)/gains on available-for-sale securities, net of tax		
Balance – beginning of year	$ (9.5)	$ 16.7
Cumulative effect of adoption of Accounting Standard Updates	1.4	—
Unrealized losses arising during the year	(66.2)	(26.2)
Balance - end of year	**$ (74.3)**	**$ (9.5)**
Retained earnings		
Balance – beginning of year	$ 284.9	$ 239.9
Cumulative effect of adoption of Accounting Standard Updates	(1.9)	(0.1)
Net income available to common shareholder	2.8	45.1
Common dividend	(215.0)	—
Balance - end of year	**$ 70.8**	**$ 284.9**
Total shareholders' equity attributable to common shareholder	**$ 1,491.7**	**$ 1,770.6**

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE BERMUDA LIMITED
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and December 31, 2021
(Expressed in millions of U.S. dollars)

	2022	2021
Operating activities		
Net income	$ 2.8	$ 45.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	0.7	0.7
Net unrealized loss/(gain) on investments and derivatives	20.8	(20.6)
Net realized (gain)/loss on investments and derivatives	(5.8)	14.6
Net changes in assets and liabilities:		
Accrued investment income	0.7	(1.6)
Premiums and other receivables	(28.4)	(315.3)
Deferred reinsurance premiums	(29.2)	(145.4)
Reinsurance balances recoverable on paid losses	98.2	(8.3)
Reinsurance balances recoverable on reserve for losses and loss adjustment expenses	(89.4)	(325.5)
Deferred policy acquisition costs	(97.0)	(100.5)
Amounts due from affiliates	(65.7)	(43.2)
Reserves for losses and loss adjustment expenses	450.8	531.7
Unearned premiums	262.3	472.7
Reinsurance balances payable	(9.7)	177.5
Amounts due to affiliates	54.6	33.3
Other	(7.6)	(2.0)
Net cash provided by operating activities	**$ 558.1**	**$ 313.2**
Investing activities		
Proceeds from the sale of investments, trading	15.8	48.9
Purchase of available-for-sale securities	(1,347.6)	(1,404.5)
Proceeds from sale of available-for-sale securities	1,384.0	731.1
Purchase of other investments	(100.0)	(125.2)
Proceeds from sale of other investments	223.9	1.3
Change in investments pending settlement - assets	(1.2)	—
Change in investments pending settlement - liabilities	—	(1.3)
Purchase of fixed assets	(0.4)	(0.4)
Net cash provided by/(used in) investing activities	**$ 174.5**	**$ (750.1)**
Financing activities		
Distribution paid to parent	(215.0)	(75.0)
Net cash used in financing activities	**$ (215.0)**	**$ (75.0)**
Effect of exchange rate changes on foreign currency cash	**$ (2.9)**	**$ (3.1)**
Net increase/(decrease) in cash, restricted cash, and cash equivalents	$ 514.7	$ (515.0)
Cash, restricted cash, and cash equivalents, beginning of year	333.0	848.0
Cash, restricted cash, and cash equivalents, end of year	**$ 847.7**	**$ 333.0**
Cash and cash equivalents comprise the following:		
Cash and cash equivalents at bank	726.6	205.4
Restricted cash and cash equivalents	121.1	127.6
Cash, restricted cash, and cash equivalents	**$ 847.7**	**$ 333.0**
Supplemental disclosure of cash flow information:		
Net cash paid during the period for income taxes	—	—
Cash paid during the period for interest	—	—

See accompanying notes to the consolidated financial statements

1. Nature of Operations

Fidelis Insurance Bermuda Limited (the "Company", or "FIBL") was incorporated as an exempted company under the laws of Bermuda on February 26, 2015 and writes insurance and reinsurance on a global basis. The Company is registered as a Class 4 insurer under the Insurance Act of 1978 and related regulations of Bermuda (the "Insurance Act") and commenced (re)insurance operations in June 2015. The Company is a wholly owned subsidiary of Fidelis Insurance Holdings Limited ("Fidelis", or "FIHL") which was incorporated under the laws of Bermuda on August 22, 2014.

During 2018, the Company established the following wholly owned subsidiaries: Fidelis Insurance Ireland DAC ("FIID") and Fidelis European Holdings Limited ("FEHL").

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

- FEHL was incorporated under the laws of England and Wales on January 11, 2018 to act as a holding company within the Group.

The Company and its subsidiaries are collectively referred to as the "Group" in these financial statements.

In May 2018, the Group sponsored Socium Re Limited ("Socium"), a Bermuda domiciled special purpose insurance company formed to provide additional collateralised capacity to support the Group's business. The Group accounts for its interest in Socium at fair value based on net asset value and includes it within other assets in the Consolidated Balance Sheets.

2. Significant Accounting Policies

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

Certain 2021 amounts have been reclassified in the consolidated financial statements to conform with the 2022 presentation.

Reporting currency
The financial information is reported in United States dollars ("U.S. dollars" or "$"), expressed in millions, except for per share data.

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

The most significant estimates reflected in the financial statements include, but are not limited to, gross and net reserves for losses and loss adjustment expenses and estimates of written and earned premiums.

Cash and cash equivalents
Cash and cash equivalents consist of cash held in banks, money market funds and other short-term, highly liquid investments with original maturity dates of 90 days or less.

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

Investments
Our accounting policy classifies all fixed maturity securities acquired prior to January 1, 2018 as trading, whilst fixed maturity securities acquired from January 1, 2018 are classified as available for-sale which reflects the Group's intention to hold the vast majority of these assets to maturity. At December 31, 2022, all securities classified as trading have matured.

Our fixed-income securities portfolio comprises securities issued by governments and government agencies, corporate bonds, and asset-backed securities. Investments in fixed-income securities are reported at estimated fair value in our audited consolidated financial statements.

Our other investments ('Risk Assets') consist of a residual investment in a hedge fund, investments in structured notes as described above (refer to Note 3 for further details) and the Wellington Opportunistic Fixed-Income UCITS Fund. These are carried at fair value and realized and unrealized gains or losses included in net investment gains and losses on the Consolidated Statement of Income. For the valuation methodologies refer to Note 4.

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

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

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

Derivative assets and liabilities
All derivatives are recognized in the Consolidated Balance Sheets at fair value on a gross basis and not offset against any collateral pledged or received. Unrealized gains and losses resulting from changes in fair value are included in net investment gains and losses or net foreign exchange gains and losses in the Consolidated Statements of Income. The Group's derivative financial instrument assets are included in derivative assets and derivative financial instrument liabilities are included in derivative liabilities in the Consolidated Balance Sheets. None of the Group's derivatives are designated as accounting hedges for financial reporting purposes. Pursuant to the International Swaps and Derivatives Association ("ISDA") master agreements and other derivative agreements, the Group and its counterparties typically have the ability to settle on a net basis. In addition, in the event a party to one of the ISDA master agreements or other derivative agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to set off against payments owed to the defaulting party or collateral held by the defaulting party.

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

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

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

Investments pending settlement

Investments pending settlement include receivables and payables from unsettled trades with brokers. Receivables and payables from unsettled trades are carried at fair value based on quoted prices in active markets for identical assets or derived based on inputs that are observable.

Premiums and policy acquisition expense

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

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

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

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

Reinsurance and retrocession

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

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

Losses and loss adjustment expenses

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

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

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

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

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

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

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

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

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

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

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

The Group monitors the credit risk associated with premiums receivable, taking into consideration the fact that in certain instances credit risk may be reduced by the Group's right to offset loss obligations against premiums receivable. Amounts deemed uncollectible based on historical experience, current conditions and reasonable and supportable forecasts are charged to net profit in the period they are determined. Changes in the estimate of (re)insurance premiums written will also result in an adjustment to premiums receivable in the period they are determined.

(Expressed in millions of U.S. dollars)

The following table provides the allowance for expected credit losses of the Group's premium receivables due from third parties on unpaid premiums that are due greater than 180+ days.

$ millions Year ended December 31, 2022	Premium receivable due greater than 180+ days	Allowance for Expected Credit Losses
Balance at the beginning of year	—	—
Change during the year	5.6	1.4
Balance at the end of year	5.6	1.4

Reinsurance balances recoverable

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

An allowance is established for credit losses expected to be incurred over the life of the reinsurance recoverable, which is recorded net of this allowance. The allowance is charged to net income in the period the recoverable is recorded and revised in subsequent periods to reflect changes in the Group's estimate of expected credit losses. Further details are set out at Note 11, Reinsurance and Retrocessional Reinsurance.

Leases

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

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

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

Income taxes

Income taxes have been provided for those operations that are subject to income taxes based on tax laws and rates enacted in those jurisdictions. Current and deferred taxes are charged or credited to income tax expense. Deferred tax assets and liabilities result from temporary differences between the amounts recorded in the consolidated financial statements and the tax basis of the Group's assets and liabilities. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the Consolidated Statement of Income in the period that includes the enactment date.

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

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

Foreign exchange

The Group has entities with U.S. Dollar, U.K. Sterling and Euro functional currencies. The functional and reporting currency is U.S. Dollar. Transactions in foreign currencies are translated in U.S. dollars at the exchange rate in effect on the transaction date.

Monetary assets and liabilities in foreign currencies are re-measured at the exchange rates in effect at the reporting date. Foreign exchange gains and losses are included in the Consolidated Statement of Income and Comprehensive Income. Non-monetary assets and liabilities are remeasured to the functional currency at historic exchange rates.

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

Recent accounting pronouncements

Accounting Standards recently adopted
Effective January 1, 2022, the Company adopted ASU 2016-13 "Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments" using the modified retrospective approach. The adoption of ASC 326 resulted in a cumulative adjustment to opening retained earnings and accumulated other comprehensive income of $2.7 million and $2.2 million, respectively.

This new standard replaced the incurred loss model used to measure impairment losses for financial assets measured at amortized cost with a current expected credit loss ("CECL") model and also made changes to the impairment model for available-for-sale investments. Under the CECL model, allowances are established for expected credit losses to be recognized over the life of financial assets. Application of the CECL model impacted certain of the Group's financial assets, including investments, reinsurance recoverables and receivables. The CECL model did not impact the Group's investment portfolio, which is measured at fair value. However, ASC 326 replaced the OTTI model with an impairment allowance model, subject to reversal, for available-for-sale investments.

As a result of adopting ASC 326, the Group established allowances for credit losses related to its available-for-sale investments of $0.8 million. See Note 3, Investments for further information.

In addition, the Group established allowances for credit losses related to unpaid reinsurance recoverables of $1.0 million in 2022. See Note 11, Reinsurance and Retrocessional Reinsurance for further information. The adoption of ASU 326-13 did not impact any existing allowances for provisions for premium receivable balances.

Effective January 1, 2022, the Company adopted ASU 2016-02, Leases (Topic 842) and several other ASUs that were issued as amendments to ASU No. 2016-02, which require lessees to record most leases in their balance sheets as a lease liability with a corresponding right-of-use asset, but continue to recognize the related rent expense within net income. As a result of adopting ASU No. 2016-02, the Company recorded a right-of-use lease asset and a lease liability of $7.2 million and $7.3 million, respectively as of December 31, 2022. The standard was adopted retrospectively with a right-of-use lease asset and a lease liability of $7.6 million and $7.7 million, respectively recorded as of December 31, 2021 and a resulting cumulative adjustment to opening retained earnings of $0.1 million.

In March 2020 ASU 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting," was issued. This ASU provides optional expedients and exceptions for applying GAAP to investments, derivatives, or 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 standard was effective immediately and may be elected over time through December 31, 2024 as reference rate reform activities occur. The new guidance did not have a material effect on the Group's consolidated financial statements.

Accounting Standards not yet adopted
In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which becomes effective for the Group during the first quarter of 2023. ASU No. 2021-08 requires contract assets and liabilities accounted for under FASB ASC 606, Revenue from Contracts with Customers, to be recorded at the acquisition date as if the acquirer entered into those contracts itself on the contract inception dates, rather than at fair value. At adoption, ASU No. 2021-08 will not impact the Group's financial position, results of operations or cash flows, but prospectively, this ASU may impact amounts recorded by the Group for assets acquired and liabilities assumed under certain acquisitions.

(Expressed in millions of U.S. dollars)

3. Investments

As at December 31, 2022, the Group's investments are managed by external investment managers through individual investment management agreements. The Group monitors activity and performance of the external managers on a monthly basis.

a. Fixed income securities

The following table summarises the fair value of fixed maturity investments managed by external investment managers:

	At December 31, 2022			
	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale				
US. Treasuries	$ 540.9	$ —	$ (23.8)	$ 517.1
Agencies	1.5	—	(0.2)	1.3
Non-U.S. government	50.3	—	(2.3)	48.0
Corporate bonds	608.4	—	(34.1)	574.3
Residential mortgage-backed	18.7	—	(2.6)	16.1
Commercial mortgage-backed	55.1	—	(3.6)	51.5
Other asset backed securities	209.5	0.1	(9.2)	200.4
Total fixed maturity securities, available-for-sale	**$ 1,484.4**	**$ 0.1**	**$ (75.8)**	**$ 1,408.7**
Total fixed maturity securities	**$ 1,484.4**	**$ 0.1**	**$ (75.8)**	**$ 1,408.7**

	At December 31, 2021			
	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
Trading				
Corporate bonds	$ 2.8	$ —	$ —	$ 2.8
Residential mortgage-backed	3.5	0.1	—	3.6
Other asset backed securities	8.3	—	—	8.3
Total fixed maturity securities, trading	**$ 14.6**	**$ 0.1**	**$ —**	**$ 14.7**
Available-for-sale				
US. Treasuries	$ 624.2	$ 1.8	$ (4.1)	$ 621.9
Agencies	10.7	—	—	10.7
Non-U.S. government	57.3	0.3	(0.4)	57.2
Corporate bonds	744.9	2.4	(7.3)	740.0
Residential mortgage-backed	26.1	0.2	(0.4)	25.9
Commercial mortgage-backed	57.3	0.1	(0.8)	56.6
Other asset backed securities	214.1	0.1	(1.0)	213.2
Total fixed maturity securities, available-for-sale	**$ 1,734.6**	**$ 4.9**	**$ (14.0)**	**$ 1,725.5**
Total fixed maturity securities	**$ 1,749.2**	**$ 5.0**	**$ (14.0)**	**$ 1,740.2**

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

(Expressed in millions of U.S. dollars)

The composition of the fair values of fixed income securities by credit rating is as follows:

	2022		2021	
Trading	**Fair Value**	**%**	**Fair Value**	**%**
AAA	$ —	—%	$ 13.1	89%
AA	—	—%	1.6	11%
Total fixed maturity securities, trading	**$ —**	**— %**	**$ 14.7**	**100 %**

	2022		2021	
Available-for-sale	**Fair Value**	**%**	**Fair Value**	**%**
AAA	$ 730.6	52%	$ 889.9	52%
AA	106.3	8%	133.4	8%
A	404.4	29%	491.3	28%
BBB	167.4	11%	210.9	12%
Total fixed maturity securities, available-for-sale	**$ 1,408.7**	100%	**$ 1,725.5**	**100%**

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

	2022		2021	
Trading	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ —	$ —	$ 9.4	$ 9.4
Due after ten years	—	—	5.2	5.3
Total fixed maturity securities, trading	**$ —**	**$ —**	**$ 14.6**	**$ 14.7**

	2022		2021	
Available-for-sale	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 419.5	$ 411.0	$ 150.0	$ 150.4
Due after one year through five years	866.2	810.6	1,368.2	1,360.1
Due after five years through ten years	93.7	89.7	102.5	102.3
Due after ten years	105.0	97.4	113.9	112.7
Total fixed maturity securities, available-for-sale	**$ 1,484.4**	**$ 1,408.7**	**$ 1,734.6**	**$ 1,725.5**

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

b. Short-term investments

The following investments were included in short-term investments managed by external investment managers and are classified as available-for-sale:

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

(Expressed in millions of U.S. dollars)

	At December 31, 2021			
Available-for-sale	**Amortized Cost**	**Unrealized gains**	**Unrealized losses**	**Fair value**
Corporate bonds	$ 8.9	$ —	$ (0.1)	$ 8.8
Total short-term investments	**$ 8.9**	**$ —**	**$ (0.1)**	**$ 8.8**

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

	2022		2021	
Available-for-sale	**Fair Value**	**%**	**Fair Value**	**%**
AAA	$ 212.7	100%	$ 8.8	100%
Total short-term fixed maturity securities, available-for-sale	**$ 212.7**	**100%**	**$ 8.8**	**100%**

c. Allowances for Expected Credit Losses - Available-for-sale

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

	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**	**Loss allowance**
Year ended December 31, 2022					
Balance at beginning of year	$ 1,743.5	$ 4.9	$ (14.1)	$ 1,734.3	$ —
Change in year	(46.5)	(4.7)	(61.7)	(112.9)	0.8
Balance at end of year	**$ 1,697.0**	**$ 0.2**	**$ (75.8)**	**$ 1,621.4**	**$ 0.8**

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

If the decline in fair value of an available-for-sale security below its amortized cost is considered to be the result of a credit loss, the Group compares the estimated present value of the cash flows expected to be collected to the amortized cost of the security. The extent to which the estimated present value of the cash flows expected to be collected is less than the amortized cost of the security represents the expected credit loss, which is recorded as an allowance and recognized in net income. The allowance is limited to the difference between the fair value and the amortized cost of the security.

(Expressed in millions of U.S. dollars)

d. Available-for-sale - net loss position

All available-for-sale investments in an unrealized loss position as at December 31, 2022 have been assessed for credit losses as outlined above in Note 3 c - Allowances for Expected Credit Losses - Available-for-sale.

The following table summarises, by type of investment, the aggregate fair value and gross unrealised loss by length of time the investment has been in an unrealized loss position for the Group's available-for-sale portfolio as at December 31, 2021:

	At December 31, 2021			
	Fair value	Gross Unrealized Losses	Gross Unrealized Losses	Number of securities
	0-12 months		> 12 months	
US. Treasuries	$ 493.4	$ (4.1)	$ —	$ 43
Non-US Government	31.4	(0.4)	—	19
Corporate bonds	633.0	(7.2)	(0.1)	414
Asset-backed securities	216.2	(1.8)	—	92
Agency asset-backed securities	17.6	(0.4)	—	15
Total fixed maturity securities, trading	**$ 1,391.6**	**$ (13.9)**	**$ (0.1)**	**$ 583**

A security is potentially impaired when its fair value is below its cost or amortised cost. The Group analyses its available for sale fixed income portfolios on an individual security basis for potential OTTI each quarter based on criteria including issuer-specific circumstances, changes in credit ratings to below investment grade and general macro-economic conditions. The total OTTI expense for the twelve months ended December 31, 2021 was $nil.

e. Other investments, at fair value

As at December 31, 2022, other investments consisted of a residual balance invested in a credit hedge fund managed by York Capital Management ("York"), equity and commodity linked structured notes, and an opportunistic fixed income UCITS fund managed by Wellington Investment Management ("Wellington").

	2022		2021	
Other investments	**Fair Value**	**%**	**Fair Value**	**%**
York Funds	$ 0.9	1%	$ 0.9	—%
Equity and Commodity structured notes	72.8	62%	85.2	34%
Equity Index structured notes	—	—%	118.0	47%
Wellington Funds	43.4	37%	49.0	19%
Total other investments at fair value	**$ 117.1**	**100%**	**$ 253.1**	**100%**

At the end of 2019 York suspended redemptions in its credit hedge fund while the underlying assets of the fund are liquidated and proceeds distributed to investors. The fair value of the residual investment in York at December 31, 2022 was $0.9 million (cost: $1.3 million) compared to a prior year fair value of $0.9 million (cost: $1.3 million) at December 31, 2021. The Group has recorded its investment in the York Fund at reported net asset value. There are currently no outstanding commitments to the York Fund. During 2022, the Group received $0.2 million (2021: $1.3 million) of distributions from York.

In 2020 the Group invested $100.0 million in two tranches of a two-year, S&P500 index linked structured note ("S&P500 note"). During 2022 both tranches of the S&P500 note redeemed at the maximum potential redemption value of $118.0 million. The fair value of the S&P500 note at December 31, 2021 was $118.0 million.

In 2021 the Group invested $75.2 million into a blended equity market linked structured note and four commodity linked structured notes ("equity and commodity notes"). All five structured notes were initially invested for a two-year term. At December 31, 2021 the equity and commodity notes had a fair market value of $85.2 million.

(Expressed in millions of U.S. dollars)

In 2022 the Group increased the total funds invested in the equity and commodity notes to $100.0 million and the notes were restructured. The blended equity market linked note (performance is based on the weighted performance of the S&P500, Eurostoxx600, Topix and Infrastructure equities) was restructured to include a 'hard' buffer (negative protection) of 10.0% while the potential upside return was capped at 10.5%.

The four commodity linked structured notes (linked to the spot price of industrial metals) were combined into one note and the note was also restructured to include a 'hard' buffer (negative protection) of 10.0% while the potential upside return was capped at 22.0%. The remaining term for both notes after restructure was one year as the ultimate redemption date was kept consistent with the redemption date of the original equity and commodity notes. In October 2022, the Group exited the commodity linked note for proceeds of $20.8 million (cost $25.0 million). At December 31, 2022 the fair value of the equity market linked structured note was $72.8 million (cost $75.0 million). The equity market linked note will redeem in February 2023. The Group has recorded these investment at fair value using the income valuation approach.

In 2021 the Group invested $50.0 million in Wellington. The fair value of the investment at December 31, 2022 was $43.4 million compared to the prior year fair value of $49.0 million at December 31, 2021. The Group has recorded this investment at fair value based on reported net asset value.

f. Net investment return

The components of net investment return are as follows:

	2022	2021
Net interest and dividend income	$ 32.0	$ 17.3
Investment expenses	(2.3)	(2.2)
Net investment Income	29.7	15.1
Net realised gains on fixed income securities, trading	—	0.1
Net realized (losses)/gains on fixed maturity securities, available for sale	(2.0)	1.9
Net realized (losses)/gains on other investments	27.7	(1.5)
Net realized (losses)/gains on derivatives	(13.5)	1.0
Change in net unrealized losses on fixed income securities, trading	(0.4)	(0.7)
Change in net unrealized (losses)/gains on other investments	(39.8)	15.6
Change in net unrealized (losses)/gains on derivatives	0.6	(0.8)
Provision for expected credit losses	0.6	—
Net investment (losses)/gains	(26.8)	15.6
Net investment return	**$ 2.9**	**$ 30.7**

4. Fair Value Measurements

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

Fair value hierarchy

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

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets. The fair value is determined by multiplying the quoted price by the quantity held by the Group.

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices (e.g. interest rates, yield curves, prepayment spreads, default rate, etc.) for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or can be corroborated by observable market data.

- Level 3: Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement. Significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

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

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

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

Fixed maturity securities
The Group's fixed maturity income securities portfolio is managed by external investment managers with oversight from the Group's Chief Investment Officer, the Group's Chief Financial Officer, and the Group's Board of Directors. Fair values for all securities in the fixed income investments portfolio are independently provided by the investment administrator, investment custodians, and investment managers, each of which utilize internationally recognized independent pricing services. Refinitiv Limited ("Refinitiv") is the main pricing service utilized to estimate the fair value measurements for the Group's fixed income securities for asset backed fixed income securities, and corporate and government bonds.

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

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

• U.S. Treasuries are bonds issued by the U.S. government. The significant inputs used to determine the fair value of these securities are based on quoted prices in active markets for identical assets and are therefore classified within Level 1.

▪ Agency securities consists of securities issued by U.S. and non-U.S. government sponsored agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, government development banks and other agencies which are not mortgage pass-through. The fair values of these securities are classified as Level 2.

▪ Non-U.S. government securities consist of bonds issued by non-U.S. governments and supranationals. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

▪ Corporate bonds consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. When available, significant inputs are used to determine the fair value of these securities and are based on quoted prices in active markets for similar assets. When not available, the fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. The fair values of these securities are classified as Level 2.

• Residential mortgage-backed securities includes agency mortgage-backed securities and agency collateralised mortgage obligations. These are individually evaluated using option adjusted spreads 'OAS' and nominal spreads. The OAS valuations use a third-party prepayment model and OAS. Spreads are based upon tranche type and average life volatility. These spreads are gathered from dealer quotes, trade prices, and the new issue market. The fair values of these securities are classified as Level 2.

• Commercial mortgage-backed securities consist of investment grade bonds backed by pools of loans with underlying collateral. Securities held in this sector are primarily priced by pricing services. Inputs to the valuation process include broker-dealer quotes and other available trade information, prepayment speeds, current price data, the swap curve as well as cash settlement. The fair values of these securities are classified as Level 2.

- Other asset-backed securities consist of investment grade bonds backed by pools of loans with underlying collateral. The underlying collateral for asset-backed securities consists mainly of student loans, automobile loans and credit card receivables. These securities are primarily priced by index providers and pricing vendors. Inputs to the valuation process include broker-dealer quotes and other available trade information, prepayment speeds, tranche type, interest rate data and credit spreads. The Company classifies these securities within Level 2.

Short-term investments

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

Derivative financial instruments

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

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

Other investments

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

The Group measures the fair value of its structured notes investments using a market valuation approach which is based entirely on observable inputs. The structured notes are comprised of a package of 'embedded derivatives' (call and put options) which will determine the note's redemption value at maturity, and a zero-coupon bond (the 'host contract') which will mature at par. The Group has elected to account for the entire contract at fair value which is based upon a quoted price from J.P.Morgan Securities Ltd. This price is deemed to be an accurate indication of the fair market value of the structured notes for the following factors.

- J.P.Morgan Securities Ltd's pricing methodology is used to make markets in similar products on an active basis
- All inputs are observable
- J.P.Morgan's pricing is provided daily to Bloomberg to provide a an active price which is observable on a daily basis.

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

(Expressed in millions of U.S. dollars)

The following table presents the financial instruments measured at fair value on a recurring basis as at December 31, 2022 and 2021:

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

* excludes investments in the York Funds

There were no transfers into or out of Level 1, Level 2 and Level 3 during 2022.

	At December 31, 2021			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 123.9	$ —	$ —	$ 123.9
Investment pending settlement	0.4	—	—	0.4
Fixed income securities				
U.S. Treasuries	621.9	—	—	621.9
Agencies	—	10.7	—	10.7
Non-U.S.government	—	57.2	—	57.2
Corporate bonds	—	742.8	—	742.8
Residential mortgage-backed	—	29.5	—	29.5
Commercial mortgage-backed	—	56.6	—	56.6
Other asset backed securities	—	221.5	—	221.5
Total fixed income securities	**$ 621.9**	**$ 1,118.3**	**$ —**	**$ 1,740.2**
Short-term investments				
Corporate bonds	—	8.8	—	8.8
Total short-term investments	**$ —**	**$ 8.8**	**$ —**	**$ 8.8**
Other investments*	49.1	203.1	—	252.2
Derivative assets	—	0.9	—	0.9
Total Assets	**$ 795.3**	**$ 1,331.1**	**$ —**	**$ 2,126.4**
Liabilities				
Derivative liabilities	(0.6)	—	—	(0.6)
Total Liabilities	**$ (0.6)**	**$ —**	**$ —**	**$ (0.6)**

* excludes investments in the York Funds

(Expressed in millions of U.S. dollars)

There were no transfers into or out of Level 1, Level 2 and Level 3 during 2021.

5. Investments Pending Settlement

The Group has receivables and payables from financials instruments sold and purchased from prime brokers and external managers which arise in the ordinary course of business. The Group is exposed to risk of loss from the inability of brokers to pay for purchases or to deliver the financial instruments pending transfer, in which case the Group would have to sell or purchase the financial instruments at prevailing market prices. Credit risk is reduced to the extent that an exchange or clearing organization acts as a counterparty to the transaction and replaces the prime broker. At December 31, 2022, the Group recognised a receivable of $1.6 million (2021: $0.4 million).

6. Cash and Cash Equivalents

	2022	2021
Cash at bank	$ 194.1	$ 150.7
Cash held with brokers/custodians	242.1	58.4
Cash held in money market funds	411.5	123.9
Total cash and cash equivalents	**$ 847.7**	**$ 333.0**

7. Restricted Cash and Cash Equivalents

The Group is required to maintain certain levels of cash in segregated accounts with prime brokers and derivative counterparties. The amount of restricted cash held by derivative counterparties is cash collateral to support the current value of any amounts that may be due to the counterparty based on the value of the underlying financial instrument.

The Group also has cash in trust funds which support the insurance business written on certain lines of business with reinsurers and insurers.

The following table presents the restricted cash and cash equivalents as at December 31, 2022 and 2021:

	2022	2021
Restricted cash	$ 0.1	$ 1.7
Letters of Credit collateral	1.4	26.7
Cash in trust funds	119.6	99.2
Total restricted cash and cash equivalents	**$ 121.1**	**$ 127.6**

8. Pledged Investments

The Group has investments in segregated portfolios primarily to provide collateral for Letters of Credit, which support its (re)insurance business.

At December 31, 2022, $nil (2021: $11.4 million) of trading fixed maturity securities and $926.1 million (2021: $776.3 million) of available-for-sale fixed income securities were on deposit with a custodian in respect of the Group's letter of credit facilities and trust accounts

9. Derivative Financial Instruments

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

(Expressed in millions of U.S. dollars)

The following tables identify the listing currency, fair value and notional amounts of derivative instruments included in the Consolidated Balance Sheets, categorised by primary underlying risk. Balances are presented on a gross basis:

	At December 31, 2022		
	Listing currency (1)	Notional amount of underlying instruments (2)	Fair Value of net assets on derivatives
Derivative assets by primary underlying risk			
Interest rate contracts			
Futures	USD	$ —	$ —
Foreign exchange contracts			
Forwards (3)	AUD/CAD/EUR/GBP/JPY	$ (44.0)	$ 6.3
Total derivatives assets		**$ (44.0)**	**$ 6.3**

(1) AUD = Australian Dollar, CAD = Canadian Dollar, EUR = Euro, GBP = British Pound, JPY = Japanese Yen and USD = US Dollar
(2) The absolute notional exposure represents the Group's derivative activity as of December 31, 2022, which is representative of the volume of derivatives held during the period.
(3) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

	At December 31, 2021		
	Listing currency (1)	Notional amount of underlying instruments (2)	Fair Value of net assets on derivatives
Derivative assets by primary underlying risk			
Interest rate contracts			
Futures	USD	$ 1.3	$ —
Foreign exchange contracts			
Forwards (3)	AUD/CAD/EUR/GBP/JPY	$ (3.5)	$ 0.9
Total derivatives assets		**$ (2.2)**	**$ 0.9**

(1) AUD = Australian Dollar, CAD = Canadian Dollar, EUR = Euro, GBP = British Pound, JPY = Japanese Yen and USD = US Dollar
(2) The absolute notional exposure represents the Group's derivative activity as of December 31, 2021, which is representative of the volume of derivatives held during the period.
(3) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

	At December 31, 2021		
	Listing currency (1)	Notional amount of underlying instruments (2)	Fair Value of net assets on liabilities
Derivative liabilities by primary underlying risk			
Interest rate contracts			
Futures	USD	$ 150.5	$ (0.6)
Foreign exchange contracts			
Forwards (3)	AUD/CAD/EUR/GBP/JPY	$ —	$ —
Total derivatives liabilities		**$ 150.5**	**$ (0.6)**

(1) AUD = Australian Dollar, CAD = Canadian Dollar, EUR = Euro, GBP = British Pound, JPY = Japanese Yen and USD = US Dollar
(2) The absolute notional exposure represents the Group's derivative activity as of December 31, 2021, which is representative of the volume of derivatives held during the period.
(3) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(Expressed in millions of U.S. dollars)

The following table presents derivative instruments by major risk type, the Group's net realized gains/(losses) and change in net unrealized gains/(losses) relating to derivative trading activities for the years ended December 31, 2022 and 2021. Net realized gains/(losses) and net unrealized gains/(losses) related to derivatives are included in net investment return and net foreign exchange gains and losses in the Consolidated Statements of Income.

	2022		2021	
Derivatives	**Net realized gains/(losses)**	**Change in net unrealized gains/(losses)**	**Net realized gains/(losses)**	**Change in net unrealized gains/(losses)**
Interest rate contracts				
Futures [1]	$ (13.5)	$ 0.6	$ 1.0	$ (0.8)
Total interest rate contracts	(13.5)	0.6	1.0	(0.8)
Foreign exchange contracts				
Forwards [2]	$ 3.5	$ 5.4	$ (2.9)	$ 6.3
Total foreign exchange contracts	3.5	5.4	(2.9)	6.3
Total	**$ (10.0)**	**$ 6.0**	**$ (1.9)**	**$ 5.5**

1. Contracts used to manage interest rate risks in investments operations.
2. Contracts used to manage foreign currency risks in underwriting and non-investment operations.

The Group does not offset its derivative instruments and presents all amounts in the Consolidated Balance Sheets on a gross basis. The Group has pledged cash collateral to counterparties to support the current value of amounts due to the counterparties based on the value of the underlying security.

10. Reserves for Losses and Loss Adjustment Expenses

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

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

The reserves for IBNR losses and loss adjustment expenses are established by management based on actuarially determined estimates of ultimate losses and loss adjustment expenses. Inherent in the estimate of ultimate losses and loss adjustment expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss adjustment expenses may differ materially from the amounts recorded in the consolidated financial statements.

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

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

The Group estimates reserves for unallocated claims adjustment expenses ("ULAE") based on a percentage of loss reserves as determined by management. However, this may be overridden in exceptional circumstances where this approach is not deemed appropriate. There were no material changes made to the Group's methodology for calculating reserves for unallocated claims adjustment expenses for the year ended December 31, 2022.

(Expressed in millions of U.S. dollars)

The following table presents a reconciliation of unpaid losses and loss expenses for the years ended December 31, 2022 and 2021:

	2022	2021
Gross unpaid losses and loss adjustment expenses, beginning of year	$ 1,205.7	$ 693.9
Reinsurance balances recoverable on reserve for losses and loss adjustment expenses	(649.1)	(332.3)
Net unpaid losses and loss adjustment expenses, beginning of year	**556.6**	**361.6**
Net losses and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	663.2	550.6
Prior years	(9.0)	4.2
Total incurred	**654.2**	**554.8**
Net losses and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(60.6)	(167.5)
Prior years	(222.3)	(180.1)
Total Paid	**(282.9)**	**(347.6)**
Foreign exchange	(24.6)	(12.2)
Net unpaid losses and loss adjustment expenses, end of year	903.3	556.6
Reinsurance balances recoverable on reserve for losses and loss adjustment expenses	725.3	649.1
Gross unpaid losses and loss adjustment expenses, end of year	**$ 1,628.6**	**$ 1,205.7**

As a result of the changes in estimates of insured events in prior years, the 2022 reserves for losses and loss adjustment expenses net of reinsurance recoveries decreased by $9.0 million (2021: $4.2 million increase).

Reserve releases in 2022 have resulted from better than expected loss experience in the Bespoke and Specialty segments. Reserves for the Reinsurance segment were strengthened in 2022 due to deterioration on Hurricane Laura and the 2021 European Floods.

Reserve strengthening in 2021 has resulted from deterioration on Hurricane Laura and the Mid-West Derecho in the Reinsurance pillar, offset by better than expected loss experience in the Bespoke and Specialty pillars.

a. Incurred and paid loss development tables by accident year

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

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

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

The reporting of cumulative claims frequency has been measured by counting the number of unique, individual claims where a claims reference has been established. For certain policies, claims are managed by MGAs and these have been included based upon information provided by the MGA and allocated to the year of loss based upon the best available information.

(Expressed in millions of U.S. dollars)

Incurred losses and loss adjustment expenses – net of reinsurance

Bespoke

	For the years ended December 31, 2022								As of December 31, 2022	
Accident year	2015 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2022	Total of IBNR plus expected development on reported losses[1]	Cumulative number of reported losses
2015	0.4	0.4	0.2	0.1	—	0.1	0.1	—	—	20
2016		6.2	4.0	2.7	3.8	5.0	1.2	1.0	0.1	41
2017			11.5	8.4	6.5	6.8	5.6	4.8	0.7	85
2018				19.9	13.3	9.9	11.2	10.5	2.6	431
2019					22.6	16.3	22.7	15.4	4.6	2,189
2020						52.8	34.3	38.4	(42.8)	2,023
2021							62.2	44.9	29.9	481
2022								104.2	96.0	2
Total								**219.2**	**91.1**	

Cumulative paid losses and loss adjustments expenses, net of reinsurance

	For the years ended December 31, 2022							
Accident year	2015 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2022
2015	—	—	—	—	—	—	—	—
2016		—	0.6	1.3	1.4	0.9	1.0	1.1
2017			1.8	1.8	2.6	3.3	3.9	4.0
2018				0.1	1.2	1.4	6.7	8.1
2019					1.0	2.7	7.1	10.1
2020						6.3	86.4	81.5
2021							11.1	15.0
2022								4.7
								124.5
Reserve FX								13.3
ULAE								1.2
Liabilities for losses and loss adjustment expenses, net of reinsurance								**109.2**

(1) The total of IBNR plus expected development on reported losses for the 2020 accident year in the Bespoke segment includes amounts for salvage totalling $51.1m for which the Group has paid gross losses to the insured and expects to recover amounts paid via the sale of the repossessed property.

Specialty

	For the years ended December 31, 2022								As of December 31, 2022	
Accident year	2015 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2022	Total of IBNR plus expected development on reported losses	Cumulative number of reported losses
2015	2.2	1.0	0.2	—	—	—	—	—	—	1
2016		8.5	3.4	2.7	2.5	1.8	1.8	1.6	—	33
2017			7.2	5.2	1.8	1.8	0.7	1.5	—	43
2018				6.8	9.1	6.7	8.1	7.0	(0.9)	74
2019					17.8	14.1	17.0	23.6	(1.3)	424
2020						45.5	34.6	31.0	4.6	1,943
2021							130.1	122.8	7.6	3,562
2022								384.8	246.4	4,151
Total								**572.3**	**256.4**	

(Expressed in millions of U.S. dollars)

Cumulative paid losses and loss adjustments expenses, net of reinsurance

	For the years ended December 31, 2022							
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	
2015	—	—	—	—	—	—	—	—
2016		—	—	1.5	1.5	1.6	1.5	1.4
2017			—	0.2	0.3	1.2	1.5	1.2
2018				—	1.8	5.4	5.0	5.2
2019					2.6	12.5	7.9	13.6
2020						3.4	16.6	18.8
2021							16.2	55.6
2022								36.0
								131.8
Reserve FX								(15.8)
ULAE								3.7
Liabilities for losses and loss adjustment expenses, net of reinsurance								428.4

Reinsurance

	For the years ended December 31, 2022								As of December 31, 2022	
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total of IBNR plus expected development on reported losses**	**Cumulative number of reported losses**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**			
2015	9.0	7.5	7.2	4.3	4.2	4.2	4.2	2.8	(0.2)	2
2016		71.8	58.6	50.5	48.2	45.2	41.2	38.5	16.8	110
2017			90.4	59.1	56.4	60.1	64.8	55.2	13.5	506
2018				93.8	101.1	98.5	97.8	89.4	4.1	557
2019					70.8	63.8	62.6	53.1	4.2	360
2020						175.5	204.4	223.6	35.3	685
2021							353.6	384.1	7.9	706
2022								170.9	129.6	249
Total								**1,017.6**	**211.2**	

Cumulative paid losses and loss adjustments expenses, net of reinsurance

	For the years ended December 31, 2022							
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	
2015	$ —	$ 0.5	$ 2.7	$ 2.8	$ 2.8	$ 2.7	$ 2.7	$ 2.9
2016		2.3	9.4	18.4	19.7	19.1	19.6	21.2
2017			27.8	45.2	47.5	50.1	50.8	36.4
2018				24.7	37.1	63.5	68.5	76.5
2019					3.0	47.6	48.5	43.3
2020						46.7	120.8	162.6
2021							140.2	279.8
2022								$ 19.9
								$ 642.6
Reserve FX								(18.3)
ULAE								9.0
Liabilities for losses and loss adjustment expenses, net of reinsurance								$ 365.7

(Expressed in millions of U.S. dollars)

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

The table below reconciles the loss development information to the Group's reserves for losses and loss expenses as at December 31, 2022 and 2021:

	2022	2021
Reserves for losses and loss adjustment expenses, net of reinsurance		
Bespoke	$ 108.0	$ 29.0
Specialty	424.7	142.0
Reinsurance	356.7	375.0
Total reserves for losses and loss adjustment expenses, net of reinsurance	889.4	546.0
Reinsurance recoverable on unpaid losses		
Bespoke	35.4	9.1
Specialty	130.6	55.3
Reinsurance	559.3	584.7
Total reserves for losses and loss adjustment expenses, net of reinsurance	725.3	649.1
Unallocated loss adjustment expenses	13.9	10.6
Total gross liability for unpaid losses and loss adjustment expenses	**$ 1,628.6**	**$ 1,205.7**

c. Historical loss duration

The following table presents the Group's historical average annual percentage payout of losses and loss adjustment expenses incurred, net of reinsurance by age as of December 31, 2022.

The Group was incorporated on February 26, 2015 and commenced underwriting in 2015. As a result, the Group has limited historical data and is unable to present a full cycle of loss payments beyond year four as movements beyond this time horizon are not meaningful and may be misleading to the users of the financial statements.

December 31, 2022 (Unaudited)				
Years	**1**	**2**	**3**	**4**
Bespoke	11%	28%	2%	29%
Specialty	10%	17%	4%	18%
Reinsurance	26%	28%	18%	2%

11. Reinsurance and Retrocessional Reinsurance

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

(Expressed in millions of U.S. dollars)

The following tables summarize the effect of reinsurance and retrocessional reinsurance on premiums written and earned and on losses and loss adjustment expenses for the years ended December 31, 2022 and 2021:

	2022		
	Premiums	**Premiums earned**	**Losses and loss adjustment expenses**
Direct	$ 683.4	$ 476.0	$ 364.1
Assumed	1,168.5	1,113.5	626.3
Ceded	(568.4)	(539.2)	(336.2)
Net	**$ 1,283.5**	**$ 1,050.3**	**$ 654.2**

	2021		
	Premiums	**Premiums earned**	**Losses and loss adjustment expenses**
Direct	$ 556.0	$ 248.1	$ 70.5
Assumed	1,355.8	1,191.0	1,089.6
Ceded	(756.0)	(610.6)	(605.3)
Net	**$ 1,155.8**	**$ 828.5**	**$ 554.8**

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

The Group evaluates the financial condition of its reinsurers on a regular basis and monitors concentrations of credit risk with reinsurers. At December 31, 2022, the reinsurance balance recoverable on reserves for losses and loss adjustment expenses was $725.3 million (2021: $649.1 million) and the reinsurance balance recoverable on paid losses was $94.8 million (2021: $200.3 million). All reinsurance premiums ceded and reinsurance recoverables are either fully collateralized or placed with reinsurers that are rated A- or greater by A.M. Best or S&P, other than four reinsurers which are rated B++. Where an insurer does not have a credit rating, the Group has received collateral, including letters of credit and trust accounts. Collateral related to these reinsurance agreements is available, without restriction, when the Group pays losses covered by the reinsurance agreements.

At December 31, 2022 the three largest balances by reinsurer accounted for 22.7%, 6.4% and 5.6% (2021: 14.4%, 7.2% and 6.4%) of the total balance recoverable from reinsurers on paid and unpaid losses.

Although the Group has not experienced any credit losses to date, an inability of its reinsurers or retrocessionaires to meet their obligations to it over the relevant exposure periods for any reason could have a material adverse effect on its financial condition and results of operations.

The following table provides a roll forward of the allowance for expected credit losses of the Group's reinsurance recoverables due from third parties on unpaid claims:

	Year ended 31 December 2022	
	Gross reinsurance recoverable on unpaid claims	**Allowance for Expected Credit Losses**
Balance at the beginning of period	$ 649.1	$ —
Change during the year	76.2	0.5
Balance at the end of period	**$ 725.3**	**$ 0.5**

(Expressed in millions of U.S. dollars)

12. Variable Interest Entities

During May 2018, Socium Re Limited ("Socium"), a Bermuda domiciled special purpose insurer, was formed to provide additional collateralized capacity to support the Group's business through retrocession agreements. Socium is regulated as a segregated cell structure by the BMA with its capital substantially provided by third party capital providers. The Group is not the primary beneficiary of the segregated account of Socium and therefore records its investment within other assets on the Group's Consolidated Balance Sheets. At December 31, 2022 the carrying value of the Group's investment in Socium was $0.7 million, compared to the carrying value of $0.8 million at December 31, 2021, which is the maximum loss exposure to the Group.

13. Commitments and Contingencies

a. Lease commitments

The Group's leases commitments consist of an operating leases for its offices in Bermuda. During 2022, the Group extended its lease in Bermuda.

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

The Group's operating lease has remaining lease terms of up to 11 years, some of which include options to extend the lease term. The Group considers these options when determining the lease term and measuring its lease liability and right-of-use asset. In addition, the Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Short-term operating leases with an initial term of twelve months or less were excluded from the Group's Consolidated Balance Sheet and represent an inconsequential amount of operating lease expense. These were entered into for the use of various office fixtures such as photocopiers and other IT equipment.

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

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

	At December 31,	
	2022	**2021**
Operating leases right-of-use assets	$ 7.2	$ 7.6
Operating lease liabilities	7.3	7.7
Operating lease weighted-average remaining lease term	10.7	11.7
Operating lease weight-average discount rate	**8.1%**	**8.1%**

The following table presents the Group's operating lease expenses and cash flows:

	Years Ended December 31,	
	2022	**2021**
Operating lease costs	$ 1.0	$ 0.7
Operating cash outflows from operating leases	$ 1.0	$ 1.0

The following table presents the Group's future minimum annual lease commitments under various non-cancellable operating leases for the Group's facilities:

Years Ended December 31,	
2023	$ 1.0
2024	1.0
2025	1.0
2026	1.0
2027	1.0
Later years	5.7
Less present value discount	(3.4)
Total	**$ 7.3**

b. Letter of credit facilities

As at December 31, 2022, the Group had the following letter of credit facilities:

- A Standby Letter of Credit Facility Agreement with Lloyds Bank plc ("Lloyds"), under which Lloyds committed to make available to the Group a letter of credit facility in the amount of $175.0 million was renewed on September 21, 2021 for a 24 month term. The renewal was amended to reduce the unsecured tranche to $25.0 million and retain the secured tranche of $150.0 million. An additional secured accordion of $25.0 million was triggered prior to December 31, 2021. Letters of credit can be issued under the letter of credit facility with Lloyds for the purposes of 1) the provision of funds at Lloyds and 2) supporting insurance and reinsurance obligations.. As of December 31, 2022, there were letters of credit outstanding under this facility totalling $78.0 million (2021: $134.7 million), secured by collateral in the amount of $67.7 million (2021: $126.4 million).

- A Master Agreement for the Issuance of Payment Instruments with Citibank NA London Branch ("Citibank"), under which Citibank committed to make available a letter of credit facility in the amount of $250.0 million. was amended on December 13, 2022, effective December 31, 2022. The letter of credit facility was reduced to $100.0 million, with the provision that the Group can request, from time to time, additional increments in $50.0 million, not to exceed $150.0 million. The facility is available until December 31, 2024. An additional uncommitted facility was also agreed on October 6, 2021, for $200.0 million. As of December 31, 2022, there were letters of credit outstanding under this facility totalling $100.1 million (2021: $208.9 million), with $7.1 million of non-renewed letters of credit expiring December 31, 2022, secured by collateral in the amount of $100.4 million (2021: $236.4 million).

- On September 17, 2021, the Letter of Credit Facility with Barclays Bank plc ("Barclays") was renewed until September 15, 2023. The secured facility was amended to $60.0 million as was the unsecured tranche amended to $60.0 million. The borrowers of the facility continue to be Fidelis Insurance Bermuda Limited and Fidelis Underwriting Limited, with the guarantor continuing to be Fidelis Insurance Holdings Limited. A secured accordion of $100.0 million was triggered prior to December 31, 2021. As at December 31, 2022 there were letters of credit outstanding under this facility totalling $79.3 million (2021: $21.1 million), secured by collateral in the amount of $45.7 million (2021: $nil).

- On September 17, 2021 the letter of credit facility with Bank of Montreal ("BMO") was renewed as a $120.0 million facility, with a $60.0 million secured tranche and a $60.0 million unsecured tranche ending September 17, 2023. Fidelis Insurance Bermuda Limited is the borrower and Fidelis Insurance Holdings Limited is the guarantor. A secured accordion of $80.0 million was triggered prior to December 31, 2021. As at December 31, 2022 there were letters of credit outstanding under this facility totalling $77.4 million (2021: $45.0 million), secured by collateral in the amount of $10.8 million (2022: $16.0 million).

c. Legal proceedings

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

d. Concentration of credit risk

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

(Expressed in millions of U.S. dollars)

During the years ended December 31, 2022 and December 31, 2021, gross premiums written generated from or placed by the below companies individually accounted for more than 10% of the Group's consolidated gross premiums written, as follows:

	2022	2021
Aon plc	26%	25%
Marsh & McLennan Companies, Inc	22%	21%
Others	52%	54%

The Group has policies and standards in place to manage and monitor the credit risk of intermediaries with a focus on day-to-day monitoring of the largest positions. Note 11 describes the credit risk related to the Group's reinsurance recoverables.

14. Related Party Transactions

For the year ended December 31, 2022, the Group ceded reinsurance premiums of $0.1 million (2021: $0.2 million), of which $0.1 million was earned in the year (2021: $0.7 million) and ceded losses of minus $2.7 million (2021: minus $0.4 million) to Socium. At December 31, 2022, the amount of reinsurance recoverable on unpaid and paid losses from Socium was $4.6 million (2021: $10.5 million) and the amount of ceded reinsurance payable included in insurance and reinsurance balances payable to Socium was $2.0 million (2021: $0.6 million) in the Consolidated Balance Sheets.

The Company has a quota share intragroup reinsurance arrangement with FUL, under which FUL cedes 50% of net premiums retained after third party cessions to the Company. For the year ended December 31, 2022, FUL ceded reinsurance premiums of $599.5 million (2021: $413.8 million), of which $452.9 million was earned in the year (2021: $310.8 million) and ceded losses of $191.5 million (2021: $152.4 million) to the Company. At December 31, 2022, the Consolidated Balance Sheets includes $147.1 million (2021: $197.0 million) of premiums and other receivables, $205.7 million (2021: $151.8 million) of deferred policy acquisition costs, $221.5 million (2021: $134.2 million) of reserves for losses and loss expenses and $547.7 million (2021: $401.1 million) of unearned premiums.

During the year, the Group received income for various marketing and administrative services provided to companies under common control. Fees received for these services were $10.5 million (2021: $9.5 million). The amount due from affiliates at December 31, 2022 is $127.9 million (2021: $62.2 million).

During the year, the Group incurred expenses for various marketing and administrative services received from companies under common control. Fees incurred for these services were $24.1 million (2021: $19.3 million). The amount due to affiliates at December 31, 2022 is $106.3 million (2021: $51.7 million).

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

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

During 2019, the Company made interest free loans to management of $4.5 million and is recorded within other assets in the Consolidated Balance Sheets. The current balance outstanding is $4.5 million (2021: $4.5 million).

15. Statutory Requirements and Dividend Restrictions

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

(Expressed in millions of U.S. dollars)

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

	December 31, 2022	
	Bermuda (1)	Republic of Ireland(2)
Minimum statutory capital and surplus	$ 625.0	$ 85.0
Statutory capital and surplus	1,500.0	135.0

	December 31, 2021	
	Bermuda (1)	Republic of Ireland(2)
Minimum statutory capital and surplus	$ 660.0	$ 65.0
Statutory capital and surplus	1,770.0	120.0

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

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

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

Under the Insurance Act, FIBL is prohibited from declaring or paying a dividend if it is in breach of its minimum solvency margin, ECR or minimum liquidity ratio or if the declaration or payment of such dividend would cause such a breach. In addition, FIBL is prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files with the BMA an affidavit stating that it will continue to meet the relevant solvency and liquidity margins. Without the approval of the BMA, FIBL is prohibited from reducing by 15% or more its total statutory capital as set out in its previous year's financial statements and any application for such approval must include an affidavit stating that it will continue to meet the required solvency and liquidity margins. In addition, under the Companies Act 1981, the Company would be prohibited from making a distribution out of contributed surplus if there are reasonable grounds for believing that (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due or (b) the realisable value of the Company's assets would thereby be less that its liabilities.

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

(Expressed in millions of U.S. dollars)

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

16. Income Taxes

Bermuda

Under current Bermuda law, the Group's Bermudian subsidiary, FIBL, is not required to pay any taxes in Bermuda on its income or capital gains. The subsidiary has received undertakings from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, they will be exempt from taxation in Bermuda until March 2035 under the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, as amended. The impact of this is included within income/losses not subject to income taxes in 'Impact of differences in tax rates' as set out in the reconciliation of the difference between the charge for income taxes and the expected tax expense below.

Ireland

FIID is tax resident in the Republic of Ireland (ROI) and is subject to Irish corporation tax on trading profits at a rate of 12.5%. 2018 to 2021 are open tax years in the ROI.

The Group income tax (charge)/ benefit for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
Deferred tax expense	$ (0.6)	$ (0.6)
Income tax expense	**$ (0.6)**	**$ (0.6)**

The effective tax rate for the Group is 17.6% (2021: 1.0%).

The components of the Group's net non-current deferred tax asset as at December 31, 2022 and 2021 are as follows:

	2022	2021
Operating losses	$ —	$ 0.4
Available-for-sale investments	0.6	—
Deferred tax asset	**$ 0.6**	**$ 0.4**

FIID is the taxpayer within the group and as such a reconciliation is shown below based on the Irish tax rate of 12.5%.

	2022	2021
Profit on ordinary activities before tax	$ 3.4	$ 45.7
Tax expense at 12.5% (2021: 12.5%)	**$ (0.4)**	**$ (5.7)**
Effects of:		
(Loss)/Income not subject to income taxes	$ (0.2)	$ 5.1
Tax expense for the year	**$ (0.6)**	**$ (0.6)**

The Group did not pay or accrue any interest or penalties during the years ended December 31, 2022 and December 31, 2021.

At December 31, 2022, the Group did not have any material unrecognized tax benefits. The Group does not anticipate any changes in unrecognized tax benefits during 2023 that would have a material impact on the Group's income tax expense.

During 2021, the OECD published a framework for the introduction of a global minimum tax rate of 15%, applicable to large multinational groups. In July 2022, HM Treasury released draft legislation to implement these rules for accounting periods starting on or after December 31, 2023. The Group is reviewing and monitoring these draft rules, which have not been enacted, to understand any potential impacts.

17. Ukraine Conflict

On February 24, 2022, the Russian Federation invaded Ukraine resulting in armed conflict in Ukraine and the Black Sea ("Ukraine Conflict"). Subsequently a number of countries, including the United States of America, the United Kingdom, and those in the European Union, placed significant sanctions on Russian institutions and persons which resulted in a devaluation of the Ruble and a fall in the value of Russian fixed income and equity assets, and the prompt withdrawal of companies from Russia without securing their assets. Fidelis has minimal direct exposure to Russian equities and minimal exposure to fixed income assets impacted by sanctions. It had now been over a year since the commencement of the Ukraine Conflict. Fidelis has potential exposure to losses associated with the conflict in Ukraine and the Black Sea through certain lines in the Bespoke and Specialty segments. Fidelis, in common with the rest of the London Aviation Insurance Market, is the subject of various litigation proceedings brought by Aircraft Lessors in the United States of America, the United Kingdom, and those in the European Union. Notwithstanding this, Fidelis continues to believe the impact of the Ukraine Conflict will not adversely affect the Group's ability to operate as a going concern.

18. Subsequent Events

Subsequent events have been evaluated up to and including April 28, 2023, the issuance of these consolidated financial statements.

During January 2023, a distribution of $60.0m was approved by the Board and paid to Fidelis Insurance Holdings Limited.

On January 3, 2023, FIHL completed a transaction pursuant to which (i) Pine Walk and its investments in the MGAs, together with Fidelis Marketing Limited, were distributed to shareholders to form a new managing general underwriting business ("Fidelis MGU") and (ii) Fidelis MGU was acquired by a consortium of investors (together known as "the "Separation Transactions"). Following the consummation of the Separation Agreement, Fidelis MGU acquired approximately 9.9% of the common shares in FIHL.

Fidelis MGU will manage underwriting, origination, outwards reinsurance, actuarial and claims services with review and oversight from Group. FIBL and FIID have entered a delegated underwriting authority agreement with a relevant entity within the Fidelis MGU group, in each case with effect from January 1, 2023. The agreements have a rolling 10-year term and provide for the payment of the following fees to Fidelis MGU:

a. A ceding commission of 11.5% of net premiums written of open market business.
b. A ceding commission of 3% of net premiums written of business sourced via third-party managing general underwriters.
c. A profit commission of 20% of the operating profit generated on the sourced business, subject to a hurdle rate of return of 5% of underwriting return on equity.
d. A portfolio management fee of 3% of net premiums written of the business sourced by Fidelis MGU.