Ascot Group Limited

Consolidated Audited Financial Statements

December 31, 2023 and 2022

Deloitte.

Deloitte Ltd.
Corner House
20 Parliament Street
P.O. Box HM 1556
Hamilton HM FX
Bermuda

Tel: + 1 (441) 292 1500
Fax: + 1 (441) 292 0961
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
of Ascot Group Limited

Opinion

We have audited the accompanying consolidated financial statements of Ascot Group Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of their operations, changes in their shareholders' equity and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 a period of one year after the date that the consolidated financial statements were 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 skepticism 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

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

Deloitte Ltd.

March 21, 2024

ASCOT GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
	(in thousands U.S dollars)	
ASSETS		
Fixed maturities, at fair value (amortized cost: 2023 - $4,865,542; 2022 - $3,706,160)	$ 4,722,142	$ 3,417,345
Other investments, at fair value	260,479	144,127
Short term investments, at cost and fair value	115,053	292,162
Total investments	**5,097,674**	**3,853,634**
Cash and cash equivalents	552,781	457,858
Accrued investment income	37,156	20,673
Premiums receivable	1,209,199	1,118,698
Deferred tax assets	118,877	37,996
Prepaid reinsurance premiums	427,471	389,945
Reinsurance recoverable on paid losses	88,566	83,899
Reinsurance recoverable on unpaid losses	1,337,575	1,160,147
Deferred acquisition costs	344,641	319,950
Goodwill	69,551	69,551
Intangible assets	158,245	165,295
Other assets	128,414	119,648
TOTAL ASSETS	**9,570,150**	**7,797,294**
LIABILITIES		
Reserve for loss and loss adjustment expenses	4,665,686	3,613,475
Unearned premiums	1,988,629	1,785,417
Insurance and reinsurance balances payable	300,804	308,579
Deferred tax liabilities	98,653	66,510
Debt	396,240	395,700
Other liabilities	251,216	208,544
TOTAL LIABILITIES	**7,701,228**	**6,378,225**
SHAREHOLDERS' EQUITY		
Common shares	276	276
Additional paid-in capital	1,978,713	1,982,674
Treasury shares	(250,000)	(250,000)
Accumulated other comprehensive income	2,389	1,521
Retained earnings (deficit)	137,544	(315,402)
TOTAL SHAREHOLDERS' EQUITY	**1,868,922**	**1,419,069**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 9,570,150**	**$ 7,797,294**

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
	(in thousands U.S. dollars)	
REVENUES		
Gross premiums written	$ 3,843,943	$ 3,576,914
Reinsurance premiums ceded	(964,935)	(977,439)
Net premiums written	2,879,008	2,599,475
Earned premiums	3,640,883	3,240,719
Earned premiums ceded	(927,561)	(935,715)
Net premiums earned	2,713,322	2,305,004
Net investment income	177,022	66,404
Net realized and unrealized gains (losses) on investments	121,552	(280,712)
Other income	23,523	22,007
TOTAL REVENUES	**3,035,419**	**2,112,703**
LOSSES AND EXPENSES		
Net incurred losses and loss adjustment expenses	1,551,913	1,555,761
Acquisition costs	646,826	534,399
General and administrative expenses	382,446	284,227
Financing costs	21,294	21,980
Amortization of intangible assets	7,050	7,136
Net foreign exchange (gains) losses	(4,317)	15,208
TOTAL LOSSES AND EXPENSES	**2,605,212**	**2,418,711**
INCOME (LOSS) BEFORE TAXES	**430,207**	**(306,008)**
Income tax benefit	22,739	3,462
NET INCOME (LOSS)	**$ 452,946**	**$ (302,546)**
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	868	(2,899)
Total other comprehensive income (loss), net of tax	868	(2,899)
COMPREHENSIVE INCOME (LOSS)	**$ 453,814**	**$ (305,445)**

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
	(in thousands U.S. dollars)	
COMMON SHARES		
Balance at beginning of year	$ 276	$ 276
Common shares repurchased	—	—
Balance at end of year	276	276
ADDITIONAL PAID IN CAPITAL		
Balance at beginning of year	1,982,674	1,970,636
Common shares issued	24	25
Common shares repurchased	(17,132)	(3,956)
Share based compensation	13,147	15,969
Balance at end of year	1,978,713	1,982,674
TREASURY SHARES		
Balance at beginning and end of year	(250,000)	(250,000)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of year	1,521	4,420
Foreign currency translation adjustment	868	(2,899)
Balance at end of year	2,389	1,521
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	(315,402)	(12,856)
Net income (loss)	452,946	(302,546)
Balance at end of year	137,544	(315,402)
TOTAL SHAREHOLDERS' EQUITY	$ 1,868,922	$ 1,419,069

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASHFLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
	(in thousands U.S. dollars)	
CASHFLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 452,946	$ (302,546)
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on fixed maturities and short term investments	(121,552)	280,712
Change in fair value of other investments	(12,092)	3,712
Amortization of fixed maturities and short term investments	(4,462)	9,885
Amortization of intangible assets	7,050	7,136
Depreciation of fixed assets	5,732	4,473
Share-based compensation expense	13,147	15,969
Changes in:		
Accrued investment income	(16,483)	(8,572)
Premiums receivable	(90,501)	(203,409)
Reinsurance recoverables	(182,095)	(448,366)
Deferred acquisition costs	(24,691)	(72,033)
Prepaid reinsurance premiums	(37,526)	(41,628)
Reserve for loss and loss adjustment expenses	1,052,211	1,394,179
Unearned premiums	203,212	336,100
Insurance and reinsurance balances payable	(7,775)	57,297
Other items, net	(36,376)	(9,901)
Net cash provided by operating activities	1,200,745	1,023,008
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed maturities	(2,065,034)	(1,218,634)
Proceeds from sale of fixed maturities	580,368	111,730
Proceeds from maturities and redemptions of fixed maturities	314,412	288,553
Purchases of short term investments	(83,654)	(332,040)
Proceeds from sale and maturities of short term investments	265,807	137,422
Purchases of other investments	(104,260)	(20,961)
Net cash used in investing activities	(1,092,361)	(1,033,930)
CASHFLOW FROM FINANCING ACTIVITIES		
Net issuance and repurchase of common shares	(17,108)	(3,931)
Net cash used in financing activities	(17,108)	(3,931)
Effect of exchange rate changes on foreign currency cash and cash equivalents	3,647	(6,056)
Increase (decrease) in cash and cash equivalents	94,923	(20,909)
Cash and cash equivalents - beginning of year	457,858	478,767
Cash and cash equivalents - end of year	$ 552,781	$ 457,858
Supplemental disclosures of cash flow information:		
Income taxes paid	12,125	1,771
Interest paid	17,000	17,000

See accompanying notes to the consolidated financial statements.

1. History and principal operations

Ascot Group Limited ("AGL" or "the Company") was incorporated in Bermuda on September 8, 2016. AGL acts primarily as the ultimate holding company of Ascot Bermuda Limited ("Ascot Bermuda"), Ascot Underwriting Group Limited ("AUGL") and Ascot Insurance Holdings Limited ("AIHL").

Ascot Bermuda was incorporated in Bermuda on September 8, 2016 and operates as a Class 3B insurance and reinsurance company regulated by the Bermuda Monetary Authority providing both third party insurance and reinsurance and also quota share reinsurance to Ascot Corporate Name Limited ("ACNL").

AUGL operates as a holding company for a number of entities including ACNL which is a UK based company providing underwriting capacity as the corporate member for Syndicate 1414 ("the Syndicate").

AIHL operates as a holding company for Ethos Specialty Insurance Services LLC ("Ethos"), a managing general underwriter ("MGU") as well as for Ascot Insurance Company ("AIC") and Ascot Specialty Insurance Company ("ASIC"). AIC and ASIC write admitted and non-admitted business in the United States. AIC and ASIC commenced underwriting operations on January 1, 2019. In 2021, AIC acquired AmFed National Insurance Company ("AmFed"), a Mississippi workers' compensation insurance company, and Ascot Surety & Casualty Company ("ASC"), a U.S. Treasury-listed insurance carrier.

Canada Pension Plan Investment Board (“CPP Investments”) is the principal shareholder of AGL.

2. Significant accounting policies

Basis of Presentation and Consolidation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and include the results of operations and the financial position of AGL and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation. To facilitate period-to-period comparisons, certain reclassifications have been made to prior year consolidated financial statement amounts to conform to the current year presentation. There was no effect on net income from this change in presentation.

Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the consolidated financial statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company’s principal estimates include, but are not limited to:

- reserve for losses and loss adjustment expenses;
- reinsurance recoverables on unpaid losses, including the provision for uncollectible amounts;
- gross and net premiums written and earned;
- fair value measurements for financial assets;
- consideration of impairment of goodwill and indefinite life intangible assets; and
- recoverability of deferred tax assets.

Significant accounting policies are as follows:

Investments and investment income

Fixed maturity securities

The Company's investments in fixed maturity securities are classified as trading and are carried at fair value, with unrealized gains and losses recorded in net realized and unrealized gains (losses) on investments included in the consolidated statements of income and comprehensive income.

Fair values of the Company's fixed maturity securities are based on quoted market prices or, when such prices are not available, by reference to broker quotes and/or internal pricing valuation techniques. Investment transactions are recorded on a trade date basis with balances pending settlement recorded as receivable for securities sold or payable for securities purchased.

For mortgage-backed and other asset-backed debt securities, fair value includes estimates regarding prepayment assumptions, which are based on current market conditions. Amortized cost in relation to these securities is calculated using a constant effective yield based on anticipated prepayments and estimated economic lives of the securities. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date. Changes in estimated yield are recorded on a retrospective basis, which results in future cash flows being used to determine current book value.

Realized gains and losses on sales of fixed maturity securities are determined based on the specific identification method.

Other investments

The Company's other investments principally include investments in senior secured credit funds, hedge funds and private debt and equity funds. The Company's other investments are recorded at fair value with changes in fair value and any interest, dividend income and income distributions included in net investment income. The fair value of the Company's investments in senior secured credit funds, hedge funds and private debt and equity funds are generally measured using net asset valuations as a practical expedient. The net asset valuations are established by the managers of such investments in accordance with the governing documents of such investments. For certain of the Company's other investments, the Company records the net asset value using a lag methodology of one to three months when timely information is not available.

Short term investments

Short term investments primarily comprise highly-liquid debt securities with maturities greater than three months but less than one year from the date of purchase. These investments are carried at amortized cost, which approximates fair value due to the short term, liquid nature of these securities.

Equity method investments

Investments in which the Company has the ability to exert significant influence over the operating and financial policies of the investee are accounted for under the equity method of accounting. Equity method investments are recorded in other assets in the balance sheet. Under this method, the Company records its proportionate share of income or loss from such investments in its results for the period. These amounts are recorded in general and administrative expenses in the consolidated statements of income and comprehensive income.

Net investment income

Net investment income includes interest income on fixed maturity securities, short term investments and cash and cash equivalents, recorded when earned and the amortization of premiums and discounts on investments. The amortization of premium and accretion of discount is computed using the effective interest rate method. Net investment income also includes the change in fair value and any interest, dividend income and income distributions from the Company's other investments. Net investment income is recorded net of investment expenses.

Cash and Cash Equivalents

Cash equivalents include money-market funds and fixed interest deposits with a maturity of less than three months when purchased. Cash and cash equivalents are recorded at amortized cost, which approximates fair value due to the short term, liquid nature of these securities.

Premiums

Direct insurance and assumed facultative reinsurance premiums are recognized as earned on a pro rata basis over the applicable policy or contract periods. For assumed treaty reinsurance written on a losses occurring basis, premiums written are earned on a pro rata basis over the risk period. For assumed treaty reinsurance written on a risks attaching basis, premiums written are earned on a pro rata basis over the periods of the underlying policies. Premiums may include estimates based on information received from brokers, ceding insurers and insureds, and any subsequent differences from such estimates are recorded in the period in which they are determined. In each case, the portions of the premiums written applicable to the unexpired terms are recorded as unearned premiums.

The accounting for reinsurance ceded depends on the method of reinsurance. If the policy is on a losses occurring basis, reinsurance premiums ceded and associated commissions are expensed on a pro rata basis over the period reinsurance coverage is provided. If the policy is on a risk attaching basis, reinsurance premiums ceded and associated commissions are expensed in line with gross premiums earned to which the risk attaching policy relates. Prepaid reinsurance premiums represent the portion of premiums ceded on the unexpired terms of the policies purchased. Reinsurance commissions that will be earned in the future are deferred and recorded as deferred acquisition costs on the balance sheets.

Reinstatement premiums are recognized and earned at the time a loss event occurs, where the coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms.

Underwriting premium receivable balances are reported net of an allowance for expected credit losses. The allowance, based on ongoing review and monitoring of amounts outstanding, historical loss data, including write-offs and other relevant factors, is recorded in net income in the period it is deemed necessary and revised in subsequent periods to reflect changes in the Company’s estimate of expected credit losses.

Acquisition costs

Acquisition expenses are costs that vary with, and are directly related to, the production of new and renewal business, and consist principally of commissions and brokerage expenses. Acquisition expenses are shown net of commissions on reinsurance ceded. Acquisition costs associated with the successful acquisition of new or renewal policies are deferred and amortized over the periods in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated loss and loss adjustment expenses based on historical and current experience and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

Acquisition expenses also include profit commissions associated with insurance and reinsurance contracts written by the Company. Profit commissions are recognized when earned.

Losses and loss adjustment expenses

Reserve for losses and loss expenses represents an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for insured and reinsured events that have occurred at or before the balance sheet date. The balance reflects both claims that have been reported ("case reserves") and claims that have been incurred but not yet reported ("IBNR"). These amounts are reduced for estimated amounts of salvage and subrogation recoveries. Loss reserves are not discounted. The effects of inflation, which can be significant, are implicitly considered in the reserving process and are part of the recorded reserve balance.

The Company reviews its reserve for losses and loss expenses on a quarterly basis. Case reserves are primarily established based on amounts reported from insureds and/or their brokers. Management estimates IBNR after reviewing detailed actuarial analyses and applying informed judgment regarding qualitative factors that may not be fully captured in the actuarial estimates. A variety of actuarial methods are utilized in this process, including the Expected Loss Ratio, Loss Development Method and Bornhuetter-Ferguson methods. The estimate is highly dependent on management’s judgment as to which method(s) are most appropriate for a particular accident year and class of business. Historical claims data is often supplemented with industry benchmarks when applying these methodologies.

Any adjustments to previous reserve for losses and loss expenses estimates are recognized in the period they are determined. While the Company believes that its reserves for losses and loss expenses are adequate, this estimate requires significant judgment and new information, events or circumstances may result in ultimate losses that are materially greater or less than provided for in the consolidated balance sheets.

Reinsurance
In the normal course of business, the Company purchases reinsurance protection to limit its ultimate losses and to reduce its loss aggregation risk.

Reinsurance recoverable related to case reserves is estimated on a case-by-case basis by applying the terms of any applicable reinsurance coverage to individual case reserve estimates. The estimate of reinsurance recoverable related to IBNR reserves is generally developed as part of the loss reserving process.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability with the reinsured. The Company evaluates the financial condition of its reinsurers and retrocessionaires, and monitors concentration of credit risk to minimize its exposure to significant losses from individual reinsurers. To further reduce credit exposure on reinsurance recoverables, the Company has received collateral, including letters of credit and trust accounts, from certain reinsurers. An allowance is established for expected credit losses to be recognized over the life of the reinsurance recoverable. The allowance considers the current financial strength of the individual reinsurer and the amount of collateral held. Reinsurance recoverable is presented net of a provision for uncollectible amounts, reflecting the amount the Company believes will ultimately not be recovered due to reinsurer insolvency, contractual disputes and/or some other reason.

Foreign exchange
The Company’s reporting currency is the U.S. dollar. In translating the financial statements of its subsidiaries where the functional currency is other than the U.S. dollar, assets and liabilities are converted into U.S. dollars using the rates of exchange in effect at the balance sheet dates and revenues and expenses are converted using the weighted average foreign exchange rates for the period. The effect of translation adjustments is reported as a separate component of accumulated other comprehensive income in shareholders’ equity.

In recording foreign currency transactions, revenue and expense items are converted to the relevant functional currency at the exchange rate prevailing at the transaction date. Monetary assets and liabilities originating in currencies other than the functional currency are remeasured to the functional currency at the rates of exchange in effect at the balance sheet date. The resulting foreign currency gains or losses are recognized in the consolidated statements of income and comprehensive income.

Share based compensation
The Company has granted restricted stock awards, restricted stock units, performance share units and performance stock options to certain employees. The compensation expense for these awards is recognized in the financial statements over the period for which the employee is required to provide services in exchange for the award. For awards subject to graded vesting, the awards are separated into vesting tranches, which are amortized over their respective vesting periods. The Company has elected to recognize forfeitures as they occur rather than estimating service-based forfeitures over the requisite service period.

Treasury shares
Common shares repurchased by the Company and not subsequently cancelled are classified as treasury shares and are recorded at cost. This results in a reduction of shareholders' equity in the consolidated

balance sheets. The Company uses the average cost method to determine the cost of shares reissued from treasury.

Goodwill and other intangible assets

The Company recognized goodwill and other intangible assets in connection with certain acquisitions. Goodwill represents the excess of the purchase price paid over the fair value of the net assets acquired in these acquisitions and is not amortized. The Company classifies its intangible assets into two categories: (1) intangible assets with finite lives subject to amortization over the estimated useful live of the intangible asset and (2) intangible assets with indefinite lives not subject to amortization. Intangible assets, other than goodwill, generally consist of distribution channels, syndicate capacity, value of business acquired ("VOBA") and insurance licenses.

The Company assesses goodwill and indefinite life intangible assets on an annual basis. Such events or circumstances may include an economic downturn in a geographic market or a change in the assessment of future operations.

The Company has the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill and other intangible asset impairment test. Under this option, the Company would not be required to calculate the fair value of a reporting unit unless the Company determines, based on its qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying amount. If goodwill or other intangible assets are impaired, they are written down to their estimated fair value with a corresponding expense reflected in the consolidated statements of income and comprehensive income.

Income taxes

Current and deferred income taxes are charged or credited to net income based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the consolidated balance sheets and those used in the various jurisdictional tax returns. When the assessment indicates that it is more likely than not that a portion of a deferred tax asset will not be realized in the foreseeable future, a valuation allowance against deferred tax assets is recorded. The Company recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained upon audit by the relevant taxing authorities.

Other income

The Company earns commissions paid by insurance carriers for the binding of insurance coverage. Commissions are earned at a point in time upon the effective date of bound insurance coverage, as no performance obligation exists after coverage is bound. If there are other services within the contract, the Company estimates the stand-alone selling price for each separate performance obligation, and the corresponding apportioned revenue is recognized over a period of time as the performance obligations are fulfilled. The Company earns other fee revenue from providing services other than securing insurance coverage. Fee revenues from these agreements are recognized depending on when the services within the contract are satisfied and when control of the related services has been transferred to the customer. Profit-sharing commissions represent a form of variable consideration associated with the placement of coverage, for which the Company earns commissions. Profit-sharing commissions are estimated such that a significant reversal of revenue is not probable.

The commission income and other fee revenue are recognized in other income in the consolidated statements of income and comprehensive income.

Recently adopted accounting standards

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 modifies the recognition of credit losses by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is applicable to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 became effective for non-public companies for annual periods beginning after December 15, 2022. Accordingly, the Company adopted ASU 2016-13 effective January 1, 2023. The Company's invested assets are measured at fair value through net income, and therefore those invested assets were not impacted by the adoption of ASU 2016-13. The Company has other financial assets, such as premiums receivable and reinsurance recoverable, that were not materially impacted by the adoption of ASU 2016-13. The adoption of ASU 2016-13 did not have a material impact on the Company’s consolidated statements of income and comprehensive income and balance sheet, and as a result, there was no cumulative effect adjustment to opening retained earnings as of January 1, 2023.

(Expressed in thousands of U.S. dollars, except share data)

Issued accounting standards not yet adopted

Improvements to Income Tax Disclosures

In December 2023, The FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 enhances income tax disclosure by, amongst other things, requiring companies to provide qualitative disclosure of the nature and effect of significant reconciling items by specific categories and individual jurisdictions and additional disclosure about income taxes paid. ASU 2023-09 will be effective for non-public companies for annual periods beginning after December 15, 2025. The Company is currently evaluating the impact of this guidance.

3. Investments

The amortized cost, gross unrealized gains and losses and fair value of fixed maturity securities as of December 31, 2023 are as follows:

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
U.S. government and government agency securities	$ 213,275	$ 2,801	$ (3,266)	$ 212,810
Non-U.S. government and government agency securities	273,221	2,625	(4,816)	271,030
Municipal securities	257,573	980	(16,910)	241,643
Corporate securities	2,454,247	22,948	(84,209)	2,392,986
Asset-backed securities	504,674	255	(14,711)	490,218
Mortgage-backed securities	99,462	890	(3,070)	97,282
Residential mortgage-backed securities	1,063,090	10,426	(57,343)	1,016,173
Total fixed maturity securities	4,865,542	40,925	(184,325)	4,722,142
Short term investments	115,053	—	—	115,053
	$4,980,595	$ 40,925	$ (184,325)	$ 4,837,195

(Expressed in thousands of U.S. dollars, except share data)

The amortized cost, gross unrealized gains and losses and fair value of fixed maturity securities as of December 31, 2022 are as follows:

	Amortized cost	Unrealized gains	Unrealized losses	Fair value
U.S. government and government agency securities	$ 112,331	$ 75	$ (5,712)	$ 106,694
Non-U.S. government and government agency securities	246,922	279	(10,348)	236,853
Municipal securities	301,836	—	(29,187)	272,649
Corporate securities	1,903,883	773	(148,985)	1,755,671
Asset-backed securities	500,495	33	(27,657)	472,871
Mortgage-backed securities	69,225	—	(3,889)	65,336
Residential mortgage-backed securities	571,468	1,070	(65,267)	507,271
Total fixed maturity securities	3,706,160	2,230	(291,045)	3,417,345
Short term investments	292,162	—	—	292,162
	$3,998,322	$ 2,230	$ (291,045)	$ 3,709,507

The contractual maturities of fixed maturities are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2023	
	Amortized cost	Fair value
Due in one year or less	$ 355,956	$ 349,409
Due after one year through five years	2,005,051	1,959,823
Due after five years through ten years	701,927	677,351
Due after ten years	135,382	131,886
Asset-backed securities	504,674	490,218
Mortgage-backed securities	99,462	97,282
Residential mortgage-backed securities	1,063,090	1,016,173
Total fixed maturity securities	$ 4,865,542	$ 4,722,142

(Expressed in thousands of U.S. dollars, except share data)

Realized and unrealized investment gains (losses)

The following represents an analysis of net realized and unrealized gains (losses) on investments for the years ended:

	December 31, 2023		
	Realized gains	**Realized losses**	**Net realized gains (losses)**
Fixed maturity securities	$ 438	$ (24,894)	$ (24,456)
Short term investments	251	—	251
	689	(24,894)	(24,205)
Net unrealized gains			145,757
			$ 121,552

	December 31, 2022		
	Realized gains	**Realized losses**	**Net realized gains (losses)**
Fixed maturity securities	$ 472	$ (3,342)	$ (2,870)
Short term investments	50	(1,884)	(1,834)
	522	(5,226)	(4,704)
Net unrealized losses			(276,008)
			$ (280,712)

Net Investment Income

Net investment income for the years ended December 31, 2023 and 2022 was derived from the following sources:

	2023	**2022**
Fixed maturity securities	$ 133,882	$ 63,793
Other investments	13,292	(3,712)
Short term investments	4,835	2,984
Cash and cash equivalents	29,388	6,849
Total gross investment income	181,397	69,914
Investment expenses	(4,375)	(3,510)
Net investment income	$ 177,022	$ 66,404

Restricted cash and investments

The Company operates in the Lloyd's market through its corporate member, ACNL, which represents its participation in Syndicate 1414. Lloyd's sets capital requirements, or Funds at Lloyd's ("FAL") for corporate members annually through the application of a capital model which is based on the regulatory capital rules pursuant to Solvency II, as further adjusted by Lloyd's. The Company holds cash and investments to satisfy a portion of the FAL requirements. In addition, the Company holds cash and investments to satisfy other Lloyd's requirements including Premium Trust Deeds, Funds in Syndicates and overseas deposits.

The Company also holds cash and investments which are on deposit with U.S. insurance regulators to meet certain statutory requirements and also collateral to support bank credit facilities and certain insurance and reinsurance transactions. In addition, through its Ethos MGU business, the Company acts as a fiduciary for various insureds and in this role holds cash received from premiums and other amounts collected.

(Expressed in thousands of U.S. dollars, except share data)

The restricted cash and investments held on the Company's consolidated balance sheet as of December 31, 2023 and 2022 were as follows:

	December 31, 2023			
	Cash and cash equivalents	Short term investments	Fixed maturities	Other investments
Deposited at Lloyd's for FAL	$ 774	$ —	$ 403,700	$ 121,063
Other Lloyd's and overseas regulatory requirements	21,491	97,685	785,492	—
Deposits for U.S insurance regulators	1,097	—	28,793	—
Collateral pledged for letters of credit	4,491	—	287,226	—
Collateral pledged for insurance and reinsurance transactions	61,281	—	484,203	—
Fiduciary cash	31,268	—	—	—
	$ 120,402	$ 97,685	$ 1,989,414	$ 121,063

	December 31, 2022			
	Cash and cash equivalents	Short term investments	Fixed maturities	Other investments
Deposited at Lloyd's for FAL	$ 844	$ —	$ 375,614	$ 70,815
Other Lloyd's and overseas regulatory requirements	21,666	69,292	702,457	—
Deposits for U.S insurance regulators	1,531	—	26,428	—
Collateral pledged for letters of credit	2,105	—	255,766	—
Collateral pledged for insurance and reinsurance transactions	8,724	—	419,844	—
Fiduciary cash	34,336	—	—	—
	$ 69,206	$ 69,292	$ 1,780,109	$ 70,815

4. Fair value measurement

Fair value hierarchy

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants. U.S. GAAP prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement. The hierarchy is broken down into three levels as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Company's own judgments about assumptions that market participants might use.

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

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This may lead the Company to change the selection of its valuation technique (from market to cash flow approach) or may cause it to use multiple valuation techniques to estimate the fair value of a financial instrument. This circumstance could cause an instrument to be reclassified between levels within the fair value hierarchy.

Valuation techniques

The valuation techniques, including significant inputs and assumptions generally used to determine the fair values of the Company's financial instruments as well as the classification of the fair values of its financial instruments in the fair value hierarchy are described in detail below.

Fixed maturities

At each valuation date, the market approach valuation technique is used to estimate the fair value of the Company's fixed maturities portfolio, when possible. This market approach includes, but is not limited to, prices obtained from third party pricing services for identical or comparable securities and the use of "pricing matrix models" using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. Pricing from third party pricing services is sourced from multiple vendors, when available, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. When prices are unavailable from pricing services, non-binding quotes are obtained from broker-dealers who are active in the corresponding markets. The valuation techniques including significant inputs generally used to determine the fair values of the Company's fixed maturities by asset class as well as the classifications of the fair values of these securities in the fair value hierarchy are described in detail below.

<u>U.S. government and government agency securities</u>

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association ("FNMA"), and the Federal Home Loan Mortgage Corp ("FHLMC"). As the fair values of U.S. Treasury securities are based on unadjusted market prices in active markets, the fair values of these securities are generally classified as Level 1. The fair values of U.S. government agency securities are determined using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads are observable market inputs, the fair values of U.S. government agency securities are classified as Level 2.

<u>Non-U.S. government and government agency securities</u>

Non-U.S. government securities include bonds issued by non-U.S. governments and their agencies along with supranational organizations (collectively also known as sovereign debt securities). The fair values of these securities are based on prices obtained from international indices or valuation models that include inputs such as interest rate yield curves, cross-currency basis index spreads and country credit spreads for structures similar to the sovereign bond held in terms of issuer, maturity and seniority. As the significant inputs used to price these securities are observable market inputs, the fair values of non-U.S. government securities are generally classified as Level 2.

Municipal securities

Municipals comprise revenue and general obligation bonds issued by U.S. domiciled state and municipal entities. The fair values of these securities are determined using spreads obtained from the new issue market, trade prices and broker-dealers quotes. As the significant inputs used to price these securities are observable market inputs, the fair values of municipals are generally classified as Level 2.

Corporate securities

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are generally determined using the spread above the risk-free yield curve. These spreads are generally obtained from the new issue market, secondary trading and broker-dealer quotes. As the yields for the risk-free yield curve and the spreads are observable market inputs, the fair values of corporate debt securities are generally classified as Level 2. Where pricing is unavailable from pricing services, non-binding quotes are obtained from broker-dealers to estimate fair value. In this event, the fair value of these securities are classified as Level 3.

Asset-backed securities ("ABS")

ABS include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, student loans, credit card receivables, and collateralized loan obligation debt originated by a variety of financial institutions. The fair values of these securities are determined using a model which uses prepayment speeds and spreads sourced primarily from the new issue market. As the significant inputs used to price these securities are observable market inputs, the fair values of ABS are generally classified as Level 2. Where pricing is unavailable from pricing services, non-binding quotes are obtained from broker-dealers to estimate fair value. In this event, the fair values of these securities are classified as Level 3.

Mortgage-backed and residential mortgage-backed securities

This category includes residential and commercial mortgages originated by both U.S. government agencies (such as the FNMA) and non-U.S. government agencies. The fair values of mortgage-backed securities originated by U.S. government agencies and non-U.S. government agencies are based on a pricing model that incorporates prepayment speeds and spreads to determine appropriate average life of mortgage-backed securities. The spreads are sourced from broker-dealers, trade prices and the new issue market. As the significant inputs used to price the mortgage-backed securities are observable market inputs, the fair values of these securities are generally classified as Level 2.

Short term investments

Short term investments primarily comprise highly liquid securities with maturities greater than three months but less than one year from the date of purchase. These securities are generally classified as Level 2 as these securities are not typically actively traded due to their approaching maturity, and, as such, their amortized cost approximates fair value. Certain short term investments are issued by the U.S. Treasury and are classified as Level 1 as they are based on unadjusted market prices in active markets.

Other investments

The Company’s other investments include investments in the equity tranche of a collateralised bond obligation which are recorded at fair value based on broker bid indications. As the prices are unobservable market inputs, the fair value is classified as Level 3.

(Expressed in thousands of U.S. dollars, except share data)

The tables below present the financial instruments measured at fair value on a recurring basis at December 31, 2023 and 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair value based on NAV practical expedient	Total
2023					
U.S. government and government agency securities	$ 196,395	$ 16,415	$ —	$ —	$ 212,810
Non-U.S. government and government agency securities	—	271,030	—	—	271,030
Municipal securities	—	241,643	—	—	241,643
Corporate securities	—	2,379,902	13,084	—	2,392,986
Asset-backed securities	—	490,218	—	—	490,218
Mortgage-backed securities	—	97,282	—	—	97,282
Residential mortgage-backed securities	—	1,016,173	—	—	1,016,173
Total fixed maturity securities	196,395	4,512,663	13,084	—	4,722,142
Short term investments	2,592	112,461	—	—	115,053
Other investments	—	—	3,885	256,594	260,479
	$ 198,987	$ 4,625,124	$ 16,969	$ 256,594	$ 5,097,674

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair value based on NAV practical expedient	Total
2022					
U.S. government and government agency securities	$ 88,656	$ 18,038	$ —	$ —	$ 106,694
Non-U.S. government and government agency securities	—	236,853	—	—	236,853
Municipal securities	—	272,649	—	—	272,649
Corporate securities	—	1,743,804	11,867	—	1,755,671
Asset-backed securities	—	472,871	—	—	472,871
Mortgage-backed securities	—	65,336	—	—	65,336
Residential mortgage-backed securities	—	507,271	—	—	507,271
Total fixed maturity securities	88,656	3,316,822	11,867	—	3,417,345
Short term investments	174,866	117,296	—	—	292,162
Other investments	—	—	4,193	139,934	144,127
	$ 263,522	$ 3,434,118	$ 16,060	$ 139,934	$ 3,853,634

(Expressed in thousands of U.S. dollars, except share data)

Below is a reconciliation of the beginning and ending balances, for the periods shown of assets measured at fair value on a recurring basis using Level 3 inputs.

	2023	2022
Balance beginning at January 1	$ 16,060	$ 20,204
Purchases	—	—
Sales	—	(1,125)
Unrealized gains (losses)		
- Included in Net investment income	(308)	(452)
- Included in Net realized and unrealized gains (losses) on investments	497	(1,059)
Foreign exchange gain (losses)	720	(1,508)
Ending balance at December 31	$ 16,969	$ 16,060

Measuring fair value using Net Asset Valuations

The table below shows the Company's portfolio of other investments measured using Net Asset Valuations ("NAV") as advised by the external fund manager as a practical expedient:

December 31, 2023	Fair value	Unfunded Commitments	Redemption Frequency
Senior secured credit funds	$ 121,063	$ —	See below
Hedge funds	97,878	—	See below
Private equity funds	7,491	22,169	See below
Private debt funds	30,162	15,172	See below
Real estate/infrastructure	—	40,000	
	$ 256,594	$ 77,341	

December 31, 2022	Fair value	Unfunded Commitments	Redemption Frequency
Senior secured credit funds	$ 112,003	$ —	See below
Hedge funds	13,665	—	See below
Private equity funds	2,544	12,332	See below
Private debt funds	11,722	8,197	See below
	$ 139,934	$ 20,529	

<u>Senior secured credit funds</u>

At December 31, 2023, the Company had $121,063 (2022; $112,003) principally invested in senior secured credit funds. The Company can redeem its investments in senior secured credit funds on a monthly basis.

<u>Hedge funds</u>

At December 31, 2023, the Company had $97,878 (2022; $13,665) of investments in hedge funds that are primarily focused on U.S. public and private equity opportunities which are generally redeemable at the option of the shareholder with a notice period typically of one to three months.

(Expressed in thousands of U.S. dollars, except share data)

Private equity funds

At December 31, 2023, the Company had $7,491 (2022; $2,544) of investments in private equity funds including alternative asset limited partnerships (or similar corporate structures) that invest in private equity asset classes across the U.S. The Company has no right to redeem its investment in these funds and it is estimated that the underlying assets of the funds would liquidate over 5-10 years from inception of the respective vehicles.

Private debt funds

At December 31, 2023, the Company had $30,162 (2022; $11,722) invested in closed end funds which invest primarily in loans. The Company has no right to redeem its investment in these funds. It is estimated that the majority of the underlying assets in these closed end funds will liquidate after 4-8 years from inception of the applicable fund.

Financial instruments disclosed, but not carried, at fair value

The fair value of financial instruments accounting guidance also applies to financial instruments disclosed, but not carried, at fair value, except for certain financial instruments, including insurance contracts.

The carrying values of cash and cash equivalents and accrued investment income approximated their fair values at December 31, 2023 and 2022, due to their respective short maturities. As these financial instruments are not actively traded, their fair values are classified as Level 2.

Debt

Included on the Company's consolidated balance sheet at December 31, 2023 and 2022 were debt obligations of $400,000, net of unamortized debt issuance expenses of $3,760 (2022 - $4,300). As at December 31, 2023 the fair value of the Company's debt obligations was $334,292 (2022 - $340,880).

5. Goodwill and intangible assets

Goodwill and intangible assets as of December 31, 2023 and 2022 are as follows:

	Goodwill	Intangible assets			Goodwill & Intangible assets
	Gross	Gross	Amortization	Total	Total
Balances as of December 31, 2021	$ 69,551	$ 246,801	$ (74,370)	$ 172,431	$ 241,982
Acquired during year	—	—	—	—	—
Amortization	—	—	(7,136)	(7,136)	(7,136)
Balances as of December 31, 2022	69,551	246,801	(81,506)	165,295	234,846
Acquired during year	—	—	—	—	—
Amortization	—	—	(7,050)	(7,050)	(7,050)
Balances as of December 31, 2023	$ 69,551	$ 246,801	$ (88,556)	$ 158,245	$ 227,796

(Expressed in thousands of U.S. dollars, except share data)

The gross carrying value and accumulated amortization by major category of intangible assets as of December 31, 2023 is shown below:

	Gross carrying value	Accumulated amortization	Total
Lloyd's Syndicate capacity	$ 94,000	$ —	$ 94,000
U.S. licenses	15,254	—	15,254
Indefinite life	**109,254**	—	**109,254**
Customer relationships and distribution network	95,702	(46,711)	48,991
VOBA	41,845	(41,845)	—
Definite life	**137,547**	**(88,556)**	**48,991**
Total intangible assets	**$ 246,801**	**$ (88,556)**	**$ 158,245**

The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2022 is shown below:

	Gross carrying value	Accumulated amortization	Total
Lloyd's Syndicate capacity	$ 94,000	$ —	$ 94,000
U.S. licenses	15,254	—	15,254
Indefinite life	**109,254**	—	**109,254**
Customer relationships and distribution network	95,702	(40,090)	55,612
VOBA	41,845	(41,416)	429
Definite life	**137,547**	**(81,506)**	**56,041**
Total intangible assets	**$ 246,801**	**$ (81,506)**	**$ 165,295**

The remaining useful life of intangible assets with finite lives ranges from 3 to 8 years with a weighted average remaining amortization period of 7.6 years. Expected amortization of the intangible assets is shown below:

	Other intangible assets
2024	$ 6,634
2025	6,621
2026	6,582
2027	6,467
2028	6,356
2029 and thereafter	16,331
Total remaining amortization expense - definite life	48,991
Indefinite life	109,254
Total	$ 158,245

On November 18, 2016, AUGL, a wholly owned subsidiary of the Company, acquired 100% ownership in Ascot Employee Corporate Member Limited ("AECM"), AUHL and ACNL (together "the UK Group") for an aggregate purchase price of $422,391. The UK Group provides underwriting capacity to Syndicate 1414. The purchase price was allocated to the assets acquired (including certain intangible assets) and liabilities assumed of the UK group based on estimated fair values at the acquisition date and AUGL recognized goodwill of $67,797.

On October 4, 2018, Ascot US Holding Corporation acquired Ascot Insurance Company (formerly Greyhawk Insurance Company), a Colorado domiciled admitted carrier, and its wholly owned subsidiary Ascot Specialty Insurance Company (formerly Greyhawk Specialty Insurance Company) a Rhode Island domiciled surplus lines carrier. The purchase price was $22,646 and was allocated to the assets acquired (including certain intangible assets) and liabilities assumed based on estimated fair values at the acquisition date and $1,754 of goodwill was recognized.

As described in Note 2, Significant accounting policies, the annual qualitative and quantitative impairment test was performed and neither goodwill nor the intangible assets were deemed to be impaired.

6. Reserves for loss and loss adjustment expenses

Reserving Methodology

The Company believes that the most significant accounting judgment made by management is the estimate of reserve for losses and loss expenses (“loss reserves”). The loss reserves represent management’s estimate of the unpaid portion of the ultimate liability for losses and loss expenses for events that have occurred at or before the balance sheet date. The reserves are estimated on an undiscounted basis.

The process of establishing loss reserves is complex and subject to considerable variability, as it requires the use of judgment to make informed estimates. These estimates are based on numerous factors, and may be revised as additional experience and other data become available and are reviewed. Loss reserves are categorized into two types:

- Case reserves - reserves for reported losses and loss expenses that have not yet been settled; and
- IBNR reserves - reserves for incurred but not reported losses or for reported losses over and above the amount of case reserves.

For all case and IBNR reserves, net of reinsurance reserves are estimated by first estimating gross of reinsurance reserves, then estimating reinsurance recoverables.

Case reserves
Case reserves generally are analyzed and established by the claims department, making use of third party input where appropriate (including, for the reinsurance business, reports of losses from ceding companies).

For insurance contracts, the Company is generally notified of insured losses by the insureds and/or their brokers. Based on this information, the Company's claims personnel estimate the ultimate losses arising from the claim, including the cost of administering the claims settlement process. These estimates reflect the judgment of the Company's claims personnel based on general reserving practices, the experience and knowledge of such personnel regarding the nature of the specific claim and, where appropriate, the advice of legal counsel, loss adjusters and other relevant consultants.

For reinsurance contracts, case reserves for reported claims are generally established based on reports received from ceding companies and/or their brokers. For excess of loss contracts, the Company is typically notified of insured losses on specific contracts and records a case reserve for the estimated ultimate liability arising from the claim. With respect to contracts written on a proportional basis, the Company typically receives aggregated claims information and records a case reserve based on that information. However, proportional reinsurance contracts typically require that losses in excess of pre-defined amounts be separately notified so that the Company can adequately evaluate them. The Company's claims department evaluates each specific loss notification received and records additional case reserves when a ceding company's reserve for a claim is not considered adequate.

IBNR reserves

IBNR reserves represent management's best estimate, at a given point in time, of the amount in excess of case reserves that is needed for the future settlement and loss adjustment costs associated with claims reported and also for the future settlement of any incurred but not reported claims. The estimation of IBNR reserves is necessary due to the time lags between when a loss event occurs and when it is actually reported to the Company, referred to as the reporting lag. Reporting lags may arise from a number of factors, including but not limited to the nature of the loss, the use of intermediaries and complexities in the claims adjusting process.

IBNR reserves on known catastrophe and shock losses are reviewed on a quarterly basis, and are adjusted as new information becomes available. Any such adjustments are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. IBNR reserves are estimated separately for all other losses.

<u>Attritional losses</u>

Consistent with industry practice, the Company utilizes a variety of standard actuarial methods together with management judgment to estimate IBNR for attritional losses. The loss reserve selection from these methods is based on the loss development characteristics of the specific line of business and contracts, which take into consideration coverage terms, type of business, maturity of loss data, reported claims and paid claims.

The principal actuarial methods used by the Company to perform the quarterly loss reserve analysis are:

- Expected Loss Ratio Method. The Expected Loss Ratio method multiplies premiums by an expected loss ratio to produce ultimate loss estimates for an accident or underwriting year. Expected loss ratios are generally based on an analysis of historical loss experience to date, industry data or pricing information. This method is insensitive to actual incurred losses for the accident year or underwriting year in question and is, therefore, often useful in the early stages of development when very few losses have been incurred.

- Loss Development Method. This method assumes that the losses incurred/paid for each underwriting year at a particular development stage follow a relatively similar pattern. It assumes that on average, every accident or underwriting year will display the same ratio of loss amounts from one valuation date to another. The percentages incurred/paid are established through analyzing the historical loss development data and/or external benchmark information.

- Bornhuetter-Ferguson Method. These methods are a weighted average of the Expected Loss Ratio and the Loss Development Method. The weighting between the two methods depends on the maturity of the business. This means that for the more recent years a greater weight is placed on the Expected Loss Ratio Method, while for the more mature years a greater weight is placed on the Loss Development Method. These methods avoid some of the distortions that could result from a large development factor being applied to a small base of paid or reported losses to calculate ultimate losses.

Known catastrophe events

IBNR reserves are established for known catastrophe events (such as hurricanes and earthquakes) for which not all claims are believed to have been reported to the Company and to allow for reported losses over and above the amount of case reserves. Loss reserves for such events are estimated by management in collaboration with actuaries, claim handlers and underwriters after a catastrophe occurs by completing an analysis based on several sources of information, including:

- Estimates of the size of insured industry losses from the catastrophic event and the Company's corresponding market share;
- A review of the Company's portfolio to identify those contracts which may be exposed to the catastrophic event;
- A review of modeled loss estimates based on information previously reported by customers and brokers, including exposure data obtained during the underwriting process;
- Discussions of the impact of the event with insureds and brokers;
- Information that has been provided by insureds or brokers as claims are notified; and
- Catastrophe bulletins published by various independent statistical reporting agencies.

A blend of these information sources is generally used to arrive at aggregate estimates of the ultimate losses arising from the catastrophic event.

Paid losses and case reserves are then deducted from the ultimate loss to ascertain the IBNR estimate for these individual catastrophe events. The size of event for which the Company establishes a separate ultimate loss estimate may vary based on an assessment of the materiality of the event, as well as on other factors such as complexity and volatility.

In subsequent periods, changes in paid and incurred losses in relation to each significant catastrophe are reviewed and adjustments are made to estimates of ultimate losses for each event if there are developments that are different from previous expectations. Adjustments are recorded in the period in which they are identified.

The reserving process produces a point estimate for the Company's loss reserves. Although the Company believes that the assumptions and methodologies used are reasonable, the Company cannot be certain that the ultimate payments will not vary, potentially materially, from the estimates made.

(Expressed in thousands of U.S. dollars, except share data)

Reserve Roll-Forward

The following table presents a reconciliation of the beginning and ending gross reserve for losses and loss expenses and net reserve for losses and loss expenses for the years ended December 31, 2023 and 2022:

	2023	2022
Gross reserves for losses and loss adjustment expenses, beginning of year	$ 3,613,475	$ 2,219,296
Less: reinsurance recoverable balances, beginning of year	1,160,147	760,565
Net reserves for losses and loss adjustment expenses, beginning of year	2,453,328	1,458,731
Increase in net losses and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	1,551,873	1,400,480
Prior years	40	155,281
Total incurred losses and loss adjustment expenses	1,551,913	1,555,761
Less: net losses and loss adjustment expenses paid in respect of losses occurring in:		
Current year	97,216	125,756
Prior years	595,935	414,714
Total net paid losses	693,151	540,470
Net foreign currency on loss and loss adjustment expenses	16,021	(20,694)
Net reserve for losses and loss adjustment expenses, end of year	3,328,111	2,453,328
Add: reinsurance recoverable balances, end of year	1,337,575	1,160,147
Gross reserve for losses and loss adjustment expenses, end of year	$ 4,665,686	$ 3,613,475

For the year ended December 31, 2023, the Company recorded $17,437 of net favorable prior years reserve development primarily related to reduction in loss estimates for catastrophe events in the 2022 accident year and better than expected loss emergence in our U.S. Ocean Marine, Inland Marine, and Workers' Compensation product lines. This favorable impact was partially offset by unfavorable loss emergence, primarily driven by our Marine liability and Cargo product lines. Marine Liability has shown an increase in loss activity relative to expectations and recent history. Offsetting this was net losses and loss adjustment expenses related to prior years of $17,477 resulting from changes in premium estimates. Changes in premium estimates occur on prior year contracts each year as the Company receives additional information on the underlying exposures insured and the associated loss is recorded, at the original loss ratio, concurrently with the premium adjustment.

For the year ended December 31, 2022, the Company recorded net unfavorable prior years reserve development primarily related to losses from catastrophe events and per-risk losses. The unfavorable prior year development was principally in the Company's property lines of business and related to various catastrophe events in 2020 and 2021 accident years and certain per risk losses in 2019 to 2021 accident years. The Company has experienced an increase in frequency and severity of large per risk losses. The estimation of the losses is complex due to both the location of loss, supply chain challenges and inflationary pressures.

(Expressed in thousands of U.S. dollars, except share data)

Net incurred and paid claims development tables by accident year

The following information presents the incurred and paid claims information as of December 31, 2023, net of reinsurance, as well as cumulative claim frequency and total IBNR reserves by accident year. The information about incurred and paid claims development presented for the years ended December 31, 2014 to December 31, 2022 is presented as supplementary information.

Non-U.S. dollar denominated loss data is converted to U.S. dollar at the rates of exchange in effect at the balance sheet date for material underlying currencies. Fluctuations in currency exchange rates may cause material shifts in loss development. Reserves for losses and loss expenses, disclosed in the Consolidated Balance Sheets, are also revalued using the exchange rate at the balance sheet date.

Consolidated

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2023	
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total IBNR	Cum. No. of Reported Claims
2014	226,547	249,857	250,654	242,480	239,685	240,894	240,681	240,331	243,480	242,531	692	6,891
2015		238,035	279,459	279,238	272,020	276,384	274,503	274,595	274,111	275,275	2,443	8,323
2016			239,692	273,506	264,469	280,555	287,254	294,513	295,142	296,354	4,869	9,523
2017				381,508	359,388	355,152	361,832	352,283	353,924	355,296	5,841	10,995
2018					358,061	470,379	514,970	521,808	527,417	531,260	17,024	10,146
2019						279,755	284,588	310,328	337,607	349,661	36,819	8,872
2020							501,153	509,521	541,465	561,945	99,111	9,962
2021								919,442	1,005,511	990,603	298,187	11,181
2022									1,369,857	1,345,470	747,321	13,010
2023										1,512,372	1,121,553	12,446
										$6,460,767	$2,333,860	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	83,899	161,766	199,103	214,618	221,806	230,179	233,010	235,601	239,769	238,142
2015		56,489	163,899	207,308	225,196	244,381	253,546	258,194	262,275	263,311
2016			56,341	156,579	207,358	221,712	242,364	256,000	269,837	274,037
2017				(19,565)	162,496	222,111	262,915	283,235	305,788	319,481
2018					102,316	272,393	365,339	423,823	459,277	479,737
2019						73,389	138,885	190,541	226,523	261,195
2020							85,462	239,478	330,216	381,676
2021								145,083	341,806	479,238
2022									121,647	384,234
2023										146,354
										$ 3,227,405

(Expressed in thousands of U.S. dollars, except share data)

The following table reconciles the net reserve for losses and loss expenses derived from the incurred and paid loss development triangles to the reserve for losses and loss expenses in the consolidated balance sheet as of December 31, 2023:

	December 31, 2023
Total incurred claims and allocated loss and loss adjustment expenses, net of reinsurance	$ 6,460,767
Less: Cumulative paid claims and loss adjustment expenses, net of reinsurance	(3,227,405)
All outstanding liabilities before 2014, net of reinsurance	22,736
Unallocated claims adjustment expenses and other	72,013
	$ 3,328,111

Property

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2023	
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total IBNR	Cum. No. of Reported Claims
2014	118,931	135,544	134,873	134,120	134,428	135,559	136,052	135,699	138,430	137,153	83	2,152
2015		97,851	114,718	118,609	114,450	116,889	115,048	114,021	114,007	113,968	135	2,567
2016			107,207	121,254	110,810	115,688	119,540	121,636	121,894	123,327	(800)	3,214
2017				220,170	180,451	163,832	166,705	158,038	156,755	155,528	2,624	3,547
2018					148,057	214,150	256,278	257,828	255,522	254,735	4,582	3,250
2019						75,279	69,553	87,633	102,004	101,066	4,598	2,837
2020							215,647	240,919	275,056	280,555	22,350	3,713
2021								343,794	423,768	420,100	43,403	3,485
2022									480,931	449,430	117,933	3,927
2023										336,778	144,802	2,642
										$2,372,640	$339,710	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	57,905	98,034	119,181	127,720	130,362	133,828	134,829	135,445	137,791	135,075
2015		31,780	73,663	93,609	101,758	109,255	114,001	114,166	115,035	113,776
2016			23,162	72,642	94,909	105,118	113,894	116,855	119,632	121,126
2017				(42,798)	77,419	105,201	127,129	128,751	142,098	146,428
2018					72,701	155,718	209,853	218,833	237,253	241,165
2019						21,370	42,952	58,486	70,069	80,021
2020							55,958	158,097	207,419	231,210
2021								89,639	204,846	275,806
2022									72,386	238,633
2023										71,408
										$ 1,654,648

(Expressed in thousands of U.S. dollars, except share data)

Marine & Energy

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2023	
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total IBNR	Cum. No. of Reported Claims
2014	93,653	93,793	93,878	89,325	87,973	87,346	86,804	86,162	85,605	85,663	48	4,308
2015		117,610	124,759	119,412	117,959	118,618	116,357	117,026	116,658	116,032	132	4,927
2016			90,217	93,025	90,046	94,242	93,045	93,778	93,477	93,165	1,449	4,591
2017				104,707	103,053	108,720	109,525	109,259	111,186	111,620	(1,877)	4,922
2018					105,729	121,469	123,929	127,853	129,721	131,546	1,425	4,399
2019						98,557	106,026	115,199	124,831	133,625	9,929	3,743
2020							112,212	104,140	111,768	113,082	6,759	3,350
2021								146,883	145,558	145,374	22,676	3,795
2022									160,543	174,780	41,055	4,190
2023										189,950	108,204	2,578
										$1,294,837	$189,800	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	24,853	56,403	70,171	76,562	80,237	83,348	83,955	84,882	85,403	85,630
2015		23,471	77,857	96,655	103,466	109,909	111,343	113,081	114,214	114,374
2016			32,280	61,466	81,229	75,928	79,555	82,260	87,071	87,318
2017				21,800	60,740	81,876	88,077	99,763	102,302	103,876
2018					27,433	79,856	102,578	111,472	116,718	121,391
2019						41,466	71,064	89,433	97,754	109,881
2020							21,231	57,148	76,149	83,213
2021								39,344	82,200	101,624
2022									38,036	91,059
2023										33,063
										$931,429

(Expressed in thousands of U.S. dollars, except share data)

Casualty

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2023	
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total IBNR	Cum. No. of Reported Claims
2014	12,320	18,286	19,756	16,891	15,161	15,835	15,682	16,346	17,316	17,577	537	422
2015		21,952	38,751	39,831	38,513	39,767	42,003	42,493	42,382	44,202	2,136	815
2016			41,879	58,726	63,303	69,897	73,968	78,461	79,132	79,222	4,205	1,701
2017				55,079	75,267	81,409	84,374	81,858	84,952	87,088	5,002	2,501
2018					102,707	133,365	132,465	134,034	140,171	141,920	10,578	2,470
2019						98,512	102,463	99,357	100,310	103,866	20,680	2,192
2020							141,236	134,848	126,745	138,632	58,992	2,272
2021								337,327	342,975	336,990	191,439	2,455
2022									574,250	579,295	469,084	2,639
2023										752,788	675,260	2,365
										$2,281,580	$1,437,913	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	685	5,253	7,675	8,260	9,111	10,889	12,112	13,160	14,461	15,323
2015		1,255	12,278	16,016	18,944	24,164	27,148	29,892	31,971	34,106
2016			1,360	22,889	31,164	40,044	48,291	56,261	62,510	64,968
2017				1,439	24,164	34,841	46,601	52,496	60,421	68,208
2018					2,173	36,797	52,122	92,687	104,465	115,507
2019						10,550	24,708	37,476	53,146	63,802
2020							5,978	19,307	34,288	50,205
2021								9,817	40,694	76,797
2022									8,115	41,428
2023										21,409
										$551,753

(Expressed in thousands of U.S. dollars, except share data)

Credit

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2023	
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total IBNR	Cum. No. of Reported Claims
2014	1,643	2,234	2,147	2,144	2,123	2,154	2,143	2,124	2,129	2,138	24	9
2015		622	1,231	1,386	1,098	1,110	1,095	1,055	1,064	1,073	40	14
2016			389	501	310	728	701	638	639	640	15	17
2017				1,552	617	1,191	1,228	3,128	1,031	1,060	92	25
2018					1,329	1,295	2,244	2,013	1,920	2,971	426	20
2019						1,084	1,361	1,308	1,405	1,518	445	26
2020							5,735	3,918	5,128	6,019	10	97
2021								3,119	2,210	855	241	36
2022									19,453	11,101	8,505	49
2023										21,646	21,366	26
										$ 49,021	$ 31,164	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	456	2,076	2,076	2,076	2,096	2,114	2,114	2,114	2,114	2,114
2015		(17)	101	1,028	1,028	1,053	1,054	1,055	1,055	1,055
2016			(461)	(418)	56	622	624	624	624	625
2017				(6)	173	193	1,108	2,225	967	969
2018					9	22	770	779	781	1,606
2019						1	55	730	1,119	1,117
2020							2,121	2,427	4,787	6,122
2021								118	218	260
2022									834	1,669
2023										173
										$ 15,710

(Expressed in thousands of U.S. dollars, except share data)

Management and Professional Liability

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2023	
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total IBNR	Cum. No. of Reported Claims
2014	—	—	—	—	—	—	—	—	—	—	—	—
2015		—	—	—	—	—	—	—	—	—	—	—
2016			—	—	—	—	—	—	—	—	—	—
2017				—	—	—	—	—	—	—	—	—
2018					239	100	54	80	83	88	13	7
2019						6,323	5,185	6,831	9,057	9,586	1,167	74
2020							26,323	25,696	22,768	23,657	11,000	530
2021								88,319	91,000	87,284	40,428	1,410
2022									134,680	130,864	110,744	2,205
2023										211,210	171,921	4,835
										$ 462,689	$335,273	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	—	—	—	—	—	—	—	—	—	—
2015		—	—	—	—	—	—	—	—	—
2016			—	—	—	—	—	—	—	—
2017				—	—	—	—	—	—	—
2018					—	—	16	52	60	68
2019						2	106	4,416	4,435	6,374
2020							174	2,499	7,573	10,926
2021								6,165	13,848	24,751
2022									2,276	11,445
2023										20,301
										$ 73,865

(Expressed in thousands of U.S. dollars, except share data)

7. Reinsurance

In the ordinary course of business, the Company purchases treaty and facultative reinsurance to reduce exposure to significant losses. Facultative reinsurance provides coverage for all or a portion of the losses incurred for a single policy and each facultative contract is negotiated separately.

Treaty reinsurance provides coverage for a specified type or category of risks. Treaty reinsurance agreements provide this cover on either an excess of loss or a proportional basis. Excess of loss covers provide a contractually set amount of coverage after a specified loss amount has been reached. These treaties can provide cover for a number of lines of business within one contract. Under proportional reinsurance, the Company cedes an agreed proportion of the premiums and the losses and loss expenses on the policies it underwrites. These treaties provide a specified percentage of coverage from the first dollar of loss.

All of these reinsurance covers provide the Company the right to recover a portion of specified losses and loss expenses from reinsurers. However, to the extent that the reinsurers do not meet their obligations under these agreements due to solvency issues, contractual disputes or other reasons, the Company remains liable.

(a) Effects of reinsurance on premiums written and earned

The effects of reinsurance on premiums written and earned and on losses and loss adjustment expenses is as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Net premiums written		
Direct	$ 2,479,209	$ 2,193,822
Assumed	1,364,734	1,383,092
Ceded	(964,935)	(977,439)
Net premiums written	2,879,008	2,599,475
Net premiums earned		
Direct	2,340,748	2,002,487
Assumed	1,300,135	1,238,232
Ceded	(927,561)	(935,715)
Net premiums earned	2,713,322	2,305,004
Losses and loss adjustment expenses		
Gross losses and loss adjustment expenses incurred	1,981,598	2,226,655
Losses and loss adjustment expense recoveries	(429,685)	(670,894)
Net incurred losses and loss adjustment expenses	$ 1,551,913	$ 1,555,761

(b) Credit risk

Reinsurance recoverable reflects amounts due from reinsurers based on the claim liabilities associated with the reinsured policy. The Company accrues amounts that are due from assuming companies based on estimated ultimate losses applicable to the contracts.

The Company has not historically experienced significant credit losses. In determining an allowance for these reinsurance assets, the Company considers historical information in combination with counterparty financial strength ratings and the extent to which they are collateralized. The Company assesses the risk of future default by evaluating current market conditions for the likelihood of default and calculates its provision for current expected credit losses under the probability of default and loss given default methodology.

(Expressed in thousands of U.S. dollars, except share data)

As of December 31, 2023, 79.2% (2022; 79.4%) of reinsurance recoverables were from reinsurers rated A- or better, 19.5% (2022; 19.2%) from unrated reinsurers all of which is collateralized and 1.2% (2022; 1.4%) from unrated reinsurers on an uncollateralized basis. The uncollateralized recoverable from unrated reinsurers principally relates to a recoverable from the Mississippi Workers' Compensation Assigned Risk Pool.

As of December 31, 2023 and 2022, the provision for current expected credit losses was $2,033 and $3,445, respectively.

8. Financing arrangements

Debt Facilities

On December 15, 2020, the Company issued $400,000 principal amount of its 4.25% Senior Notes due December 15, 2030, with interest on the notes payable on June 15 and December 15 of each year, commencing on June 15, 2021. The notes are redeemable at the applicable redemption price, subject to the terms described in the indenture for the notes. However, the notes may not be redeemed or repaid at any time including on the scheduled maturity date without approval from the Bermuda Monetary Authority (the “BMA”) if enhanced capital requirements, as established by the BMA, would be breached immediately before or after giving effect to the redemption of such notes, unless, in each case, the Company replaces the capital represented by the notes to be redeemed with capital having equal or better capital treatment as the notes under applicable BMA rules. The net proceeds from this offering were used for general corporate purposes.

The following table sets forth the scheduled maturity of the Company's debt obligations reflected on its consolidated balance sheet at December 31, 2023:

2024	$	—
2025		—
2026		—
2027		—
2028		—
After 2028		400,000
Unamortized debt issuance expenses		(3,760)
	$	396,240

Letter of Credit Facilities

On October 30, 2023, Ascot Bermuda and the Company (as Guarantor) entered into an unsecured $300,000 letter of credit facility (the "FAL LOC Facility") with ING Bank N.V. London Branch, The Bank of Nova Scotia, London Branch and Lloyds Bank PLC. The facility may be collateralized at the option of Ascot Bermuda. Under the terms of the FAL LOC Facility, letters of credit to a maximum aggregate amount of $300,000 are available for issuance. These letters of credit will be used to provide Funds at Lloyd's to support the underwriting capacity provided by ACNL to the Syndicate. The FAL LOC Facility is subject to certain covenants, including the requirement to maintain a minimum consolidated tangible net worth and a maximum leverage ratio, as defined in the FAL LOC Facility Documents. Obligations under the FAL LOC Facility include contingent reimbursement obligations for outstanding letters of credit and fees. In the event of default, the Banks may exercise certain remedies, including the exercise of control over pledged collateral and the termination of the availability of the FAL LOC Facility. This facility replaced the unsecured $250,000 letter of credit facility entered into on November 4, 2020 by Ascot Bermuda and the Company (as Guarantor) as amended and restated on October 28, 2022.

(Expressed in thousands of U.S. dollars, except share data)

On December 20, 2018, Ascot Bermuda and the Company (as Guarantor) entered into an uncommitted secured letter of credit facility with Wells Fargo Bank, National Association (the "Wells Fargo LOC Facility"). On November 30, 2022 the terms of the Wells Fargo LOC Facility were amended to increase the maximum aggregate amount of letters of credits which are available for issuance to $200,000. The Wells Fargo LOC Facility is subject to certain covenants, including the requirement to maintain a minimum level of collateral in the form of cash and fixed maturity securities. Obligations under the Wells Fargo LOC Facility include contingent reimbursement obligations for outstanding letters of credit and fees. In the event of default, the Banks may exercise certain remedies, including the exercise of control over pledged collateral and the termination of the availability of the Wells Fargo LOC Facility.

On December 21, 2021, Ascot Bermuda and the Company (as Guarantor) entered into an uncommitted letter of credit facility with The Bank of Nova Scotia (the "Nova Scotia LOC Facility"). The facility may be collateralized at the option of Ascot Bermuda. The terms of this facility were amended on April 14, 2023 and a maximum aggregate amount of $75,000 of letters of credit are available for issuance. The Nova Scotia LOC Facility is subject to certain covenants, including the requirement to maintain a minimum consolidated tangible net worth and a maximum leverage ratio, as defined in the Nova Scotia LOC Facility Documents.

On February 2, 2023, AIC entered into a Master Reimbursement Agreement with Lloyds Bank Corporate Markets plc (the "Lloyds Reimbursement Facility"). Under the terms of the facility, letters of credit, financial guarantees, bonds or comparable demand instruments to a maximum aggregate amount of $100,000 may be extended on an unsecured basis. The Lloyds Reimbursement Facility is subject to usual and customary representations, warranties and undertakings.

On April 14, 2023, AIC entered into a Master Reimbursement Agreement with The Bank of Nova Scotia (the "Nova Scotia Reimbursement Facility"). Under the terms of the facility, letters of credit, financial guarantees, bonds or comparable demand instruments to a maximum aggregate amount of $75,000 may be extended on an unsecured basis. The Nova Scotia Reimbursement Facility is subject to usual and customary representations, warranties and undertakings.

At December 31, 2023, the letters of credit outstanding under the above facilities were as follows:

Letter of credit facility		
FAL LOC Facility	$	216,000
Wells Fargo LOC Facility		164,264
Nova Scotia LOC Facility		65,177
Lloyds Reimbursement Facility		70,861
Nova Scotia Reimbursement Facility		35,000
	$	551,302

9. Commitments and contingencies

a) Concentrations of credit risk

Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments and premium payments from policy holders. The Company mitigates credit risk through the application of detailed counterparty credit assessments, working to ensure that contractual terms are fit for purpose and that full disclosure of relevant information is made, and through exerting contractual and other credit control measures in pursuit of premium and reinsurance recoverables due.

The assets that potentially subject the Company to concentrations of credit risk consist principally of cash and investments, reinsurance recoverable and premiums receivable balances, as described below.

The Company adopted ASU 2016-13 effective January 1, 2023. In assessing an allowance for (re) insurance assets, which includes premiums receivable and reinsurance recoverable, the Company considers historical information, financial strength of reinsurers, collateralization amounts, and ratings to determine the appropriateness of the allowance. In assessing future default for reinsurance assets, the Company evaluates the provision for current expected credit losses under the probability of default method. The Company utilizes counterparty ratings from major rating agencies, and assesses the current market conditions for the likelihood of default. Historically, the Company has not experienced material credit losses from premium receivables or reinsurance recoverable assets. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated statements of income and comprehensive income and balance sheet.

Cash and investments
The Company’s cash and cash equivalents are on deposit with various financial institutions. Credit risk arises from the failure of the counterparty to perform according to the terms of a contract. The Company’s deposits are with reputable banks to minimize this risk and they are located principally in Bermuda, the U.S. and the U.K.

The Company's investment portfolio is managed by external investment managers in accordance with its investment guidelines. The Company limits such credit risk through diversification, issuer exposure limitation graded by ratings and, with respect to custodians, through contractual and other legal remedies. Some of the key limits are:

- Excluding securities issued by Sovereigns and Sovereign agencies rated AA- or better, the Company limits its concentration of credit risk to any single issuer to 2% or less of its investment portfolio;
- Exposure to non investment grade fixed maturities is limited to less than 15% of its investment portfolio;
- Exposure to equities is limited to less than 20% of its investment portfolio;
- Illiquid investments are limited to 10%; and
- A minimum average portfolio quality of A- is required for fixed maturity securities.

At December 31, 2023 and 2022, the Company was in compliance with these limits.

Reinsurance recoverable balances
See Note 7. Reinsurance for information with respect to reinsurance recoverables.

Premiums receivable balances
Premiums receivable reflect premiums written based on contract and policy terms and include estimates based on information received from both insureds and ceding companies and the Company's judgement. The

(Expressed in thousands of U.S. dollars, except share data)

diversity of the Company's client base limits the credit risk associated with its premium balances receivable. In addition, for insurance contracts, the Company has contractual rights to cancel coverage for non-payment of premiums and for reinsurance contracts, it has contractual rights to offset premiums receivable with corresponding payments for losses and loss expenses.

Brokers and other intermediaries collect premiums from customers to be paid to the Company. The Company has policies and standards in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions.

These contractual rights contribute to the mitigation of credit risk, as does the monitoring of aged receivable balances and the fact that a significant portion of premium balances receivable are not currently due based on the terms of the underlying contracts.

As of December 31, 2023, the Company's premiums receivable balance was $1,209,199 (2022: $1,118,698). Following the adoption of ASU 2016-13, the provision for current expected credit losses on the Company's premiums receivable was $7,423 at December 31, 2023 (2022: $1,750).

b) Brokers

The Company produces its business through brokers and direct relationships with insurance companies. During the years ended December 31, 2023 and 2022, the following brokers were used to generate greater than 10% of the Company's consolidated gross premiums written:

	% of Gross Premiums Written	
Broker	**2023**	**2022**
Marsh & McLennan Companies Inc.	17.7 %	20.8 %
Arthur J. Gallagher & Co	16.0 %	16.4 %
Aon plc	12.2 %	12.8 %

c) Lease commitments

The Company leases office space under operating leases principally in Bermuda, the U.K. and the U.S. These leases expire at various dates through 2032. The Company renews and enters into new leases in the ordinary course of business, as required. Included in other assets and other liabilities at December 31, 2023 is a right-to-use asset of $28,555 (2022: $33,404) and a lease liability of $34,162 (2022: $39,155) associated with the Company's operating leases. Operating lease expenses with respect to these leases for the year ended December 31, 2023 of $6,865 (2022: $6,466) was recorded in general and administrative expenses.

Future minimum lease payments under the leases are expected to be as follows:

2024	$	8,031
2025		8,024
2026		7,153
2027		6,269
2028		5,394
Later years		3,882
Total minimum future lease commitments	$	38,753

(Expressed in thousands of U.S. dollars, except share data)

d) Litigation

The Company is subject to litigation and arbitration in the normal course of its business. These lawsuits and arbitrations principally involve claims on policies of insurance and contracts of reinsurance and are typical for the Company and for the property and casualty insurance and reinsurance industry in general. Such legal proceedings are considered in connection with the Company's loss and loss expense reserves. In addition to litigation relating to insurance and reinsurance claims, the Company and its subsidiaries are subject to lawsuits in the normal course of business. The status of any such legal actions is actively monitored by management. If management believed, based on available information, that an adverse outcome upon resolution of a given legal action was probable and the amount of that adverse outcome was reasonable to estimate, a loss would be recognized and a related liability recorded. No such liabilities were recorded by the Company as of December 31, 2023 and 2022.

10. Share capital

(a) Authorized and issued

The issued shares as of December 31, 2023 by each class of ordinary share capital was as follows:

	Issued	Nominal value	Issued and Paid (US$)
Class A	1,895,863,158	0.0001	$ 189,586
Class B1	62,180,445	0.0001	6,218
Class B2	600,001	0.1000	60,000
Class B3	199,999	0.1000	20,000
Class C1	45	0.0001	—
Class C2	47	0.0001	—
	1,958,843,695		$ 275,804

As of December 31, 2023 and 2022, the authorized share capital of the Company was $2,500,000. Class A shares have both economic and voting rights, except for the right to vote on director appointments. Class B1 shares have economic rights but no voting rights. Class B2 shares have economic rights and voting rights, except for the right for vote on director appointments, subject to a maximum voting percentage of 5% in total. Class B3 shares have economic rights but no voting rights. Class C1 shares have economic rights but no voting rights, other than the right to vote on Director appointments. Class C2 shares have economic rights but no voting rights, other than the right to vote on Director appointments.

(Expressed in thousands of U.S. dollars, except share data)

The following table is a summary of changes in Class B1, Class B2 and Class B3 common shares issued and outstanding:

	2023	2022
Class B1		
Total issued and outstanding shares - January 1	62,454,527	60,909,644
Issuance of shares	3,520,064	4,807,268
Repurchase of shares and cancelled	(3,794,146)	(3,262,385)
Issuance of restricted stock awards	—	—
Issued and outstanding shares - December 31	62,180,445	62,454,527
Class B2		
Issued and outstanding shares - January 1	800,000	800,000
Conversion of class B2 to B3 shares	(199,999)	—
Issued and outstanding shares - December 31	600,001	800,000
Class B3		
Issued and outstanding shares - January 1	—	—
Conversion of class B2 to B3 shares	199,999	—
Issued and outstanding shares - December 31	199,999	—

There were no changes in the number of Class A, Class C1 and Class C2 common shares issued and outstanding during the years ended December 31, 2023 and 2022. The issued and outstanding Class A shares held in treasury as of December 31, 2023 and 2022 were as follows:

	2023	2022
Class A		
Issued and outstanding shares	1,635,174,942	1,635,174,942
Issued and outstanding shares held in treasury	260,688,216	260,688,216
Total issued and outstanding shares	1,895,863,158	1,895,863,158

(b) Dividends

The Company did not declare any dividends during the years ended December 31, 2023 and 2022.

11. Retirement plans

The Company maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation.

For the year ended December 31, 2023, the Company's total pension expenses were $9,236 (2022: $7,865) for the above retirement benefits.

(Expressed in thousands of U.S. dollars, except share data)

12. Share based compensation

The share based compensation expense related to restricted share awards, restricted share units, performance share units and performance share options is recorded in general and administrative expenses in the statement of income and comprehensive income. The expense recorded for the years ended December 31, 2023 and 2022 and the unrecognized share based compensation expense and weighted-average period in years over which it is expected to be recognized as of December 31, 2023 was as follows:

	2023	2022	Unrecognized expense as of December 31, 2023	Weighted average remaining period (years)
Restricted share awards	$ 299	$ 1,372	$ 111	0.6
Restricted share units	10,971	6,788	12,821	2.1
Performance share units	1,411	—	4,232	2.3
Performance share options	466	7,809	1,812	1.8
	$ 13,147	$ 15,969	$ 18,976	2.1

Restricted shares and share units

During 2018, the Company established a long term incentive plan, the Restricted Share Incentive Plan, under which the Company may grant restricted share awards and restricted share units to employees. The restricted share awards granted under this plan generally vest in annual installments over a four year service period and the restricted share units granted under this plan generally vest at the end of a three year service period.

During 2023, the Company established the Executive Management Deferred Compensation Plan, under which the Company may issue restricted share units and performance share units. The restricted share units granted under this plan vest evenly over a three year service period and the performance share units vest at the end of a three year performance period.

Activity with respect to restricted share awards for the years ended December 31, 2023 and 2022 was as follows:

	Restricted shares	Weighted average grant date fair value
Restricted shares outstanding as of December 31, 2021	5,192,152	$ 0.951
Restricted shares issued	—	
Restricted shares vested	(1,917,708)	0.953
Restricted shares forfeited	(187,500)	0.959
Restricted shares outstanding as of December 31, 2022	3,086,944	0.949
Restricted shares issued	—	
Restricted shares vested	(1,795,930)	0.949
Restricted shares forfeited	(153,559)	1.050
Restricted shares outstanding as of December 31, 2023	1,137,455	$ 0.937

(Expressed in thousands of U.S. dollars, except share data)

Activity with respect to restricted share units for the years ended December 31, 2023 and 2022 was as follows:

	Restricted share units	Weighted average grant date fair value
Restricted share units outstanding as of December 31, 2021	15,696,071	$ 0.989
Restricted share units issued	6,081,978	1.250
Restricted share units vested	(4,774,764)	0.959
Restricted share units forfeited	(561,295)	0.935
Restricted share units outstanding as of December 31, 2022	16,441,990	1.096
Restricted share units issued	17,464,688	1.000
Restricted share units vested	(9,193,517)	1.019
Restricted share units forfeited	(398,688)	0.988
Restricted share units outstanding as of December 31, 2023	24,314,473	$ 1.058

Activity with respect to performance share units for the year ended December 31, 2023 was as follows:

	Performance share units	Weighted average grant date fair value
Performance share units outstanding as of December 31, 2022	—	
Performance share units issued	5,839,000	1.000
Performance share units vested	—	
Performance share units forfeited	(46,861)	1.000
Performance share units oustanding as of December 31, 2023	5,792,139	$ 1.000

Performance share options

During 2019, the Company established a Performance Share Option Plan under which the Company may grant share options to employees. The Performance Share Option Plan was replaced during 2023 by the Executive Management Deferred Compensation Plan. The exercise price of the options granted is equal to the share price of the Company's shares on the grant date. Options granted will vest after four years, subject to the satisfaction of service and performance conditions. The number of options vesting is dependent on the employee's continuous service and the growth in the market value of the Company's shares over the four year period. Options are exercisable for a period of up to 10 years after the grant date.

(Expressed in thousands of U.S. dollars, except share data)

Activity with respect to options for the years ended December 31, 2023 and 2022 was as follows:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Range of exercise prices
Options outstanding as of January 1, 2022	87,895,671	1.036	8.1 years	$0.93 - $1.18
Options issued	36,955,871	1.245		
Options forfeited	(7,678,637)	1.086		
Option vested	—			
Options outstanding as of December 31, 2022	117,172,905	1.099	7.7 years	$0.93 - $1.25
Options exerciseable at December 31, 2022	—			
Options issued	521,000	1.052		
Options vested	(372,687)	1.189		
Options forfeited	(30,412,418)	1.012		
Options outstanding as of December 31, 2023	86,908,800	$ 1.128	7.0 years	$0.93 - $1.25
Options exerciseable at December 31, 2023	—			

The expense recognized was based on the grant date fair value of options issued which was estimated using a Monte Carlo simulation model with the weighted average assumptions detailed below. There were no new awards issued for the 2023 year under the Performance Share Option Plan. The options issued in the year ended December 31, 2023 related to the 2022 performance year.

	2022
Expected term	8.4 years
Expected dividend yield	— %
Expected volatility	27.2 %
Risk-free interest rate	2.3 %
Post vesting restrictions discount	10.0 %

13. Taxation

(a) Bermuda

Under current Bermuda law, AGL and it's Bermuda subsidiaries are exempt from all Bermuda income, withholding and capital gains taxes. On December 27, 2023, Bermuda enacted the Corporate Income Tax Act 2023 ("the Act"). The Act introduces at 15% corporate income tax ("CIT") on Bermuda businesses that are part of qualifying multinational enterprises. The effective date for the tax is January 1, 2025. The tax legislation includes a provision referred to as the economic transition adjustment, which is intended to provide a fair and equitable transition into the tax regime with respect to which the Company has recorded a deferred tax asset of $80,044. Due to certain scoping exemptions the Company does not expect to realize the full value of the deferred tax asset and therefore has recorded a valuation allowance of $44,553 for the portion that is not more likely than not to be realized. The Company expects to realize the net deferred tax asset of $35,491 and utilize it to reduce taxes paid over the 10 year period ending in 2035. The Company expects to incur increased taxes in Bermuda beginning in 2030.

(b) United Kingdom

The Company operates in the U.K. through its U.K. subsidiaries and the profits of these companies are subject to U.K. corporation taxes. Income from the Company's operations at Lloyd's is also subject to U.S. income taxes. Under a Closing Agreement between Lloyd's and the U.S. Internal Revenue Service ("IRS"), Lloyd's Members pay U.S. income tax on U.S.- connected income written by Lloyd's Syndicates. U.S. income tax due on this U.S.- connected income is calculated by Lloyd's and remitted directly to the IRS and is charged by Lloyd's to Members in proportion to their participation on the relevant Syndicates. The Company's Corporate Member is subject to this arrangement and will receive a U.K. corporation tax credit for any U.S. income tax incurred up to the value of the equivalent U.K. corporation tax charge on the U.S. income.

The Company's U.K. operating companies are taxed at the blended U.K. corporate tax rate of 23.5% for the year ended December 31, 2023. In 2021, the UK enacted Finance Act 2021 which increased the U.K. corporate tax rate from 19% to 25% on April 1, 2023.

On July 11, 2023, Finance (No.2) Act 2023 was enacted in the U.K., introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax (IIR), effective for accounting periods starting on or after December 31, 2023. The Company expects our UK entities and the US and Canada entities owned by our UK entities to be subject to the UK IIR legislation.

(c) United States

The Company's U.S. subsidiaries are subject to federal, state, and local corporate income taxes and other taxes applicable to U.S. corporations. A valuation allowance has been established for the Company's net deferred tax asset relating to disallowed capital losses. Management believes that the realization of the tax benefits from these disallowed capital deferred tax assets is uncertain.

The Company's U.S. operating companies are subject to a U.S. federal income tax rate of 21%.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act that includes a new Corporate Alternative Minimum Tax ("CAMT") based upon financial statement income, an excise tax on stock buybacks and tax incentives for energy and climate initiatives, among other provisions. The new CAMT is expected to slow but not eliminate the favorable tax impact of the Company's deferred tax assets, resulting in higher cash tax in some years that would generate future tax benefits. The impact of CAMT will depend on the facts in each year and anticipated guidance from the U.S. Department of the Treasury. The Company currently does not expect to incur CAMT for the year ended December 31, 2023.

(d) Others

The Company is subject to income taxation in other jurisdictions than those stated above, but the impact of the other jurisdictions is not material to the provision for income taxes for the years ended December 31, 2023 and 2022.

The components of the provision for income taxes attributable to operations consist of the following for the years ended December 31, 2023 and 2022:

(Expressed in thousands of U.S. dollars, except share data)

	2023	2022
Current tax expense (benefit):		
United Kingdom	$ 3,483	$ (55)
U.S. Federal	20,965	2,154
U.S. State & local	1,528	1,046
Bermuda	—	—
Other	23	1
Total	25,999	3,146
Deferred tax expense (benefit):		
United Kingdom	20,201	(6,427)
U.S. Federal	(33,448)	(181)
U.S. State & local	—	—
Bermuda	(35,491)	—
Other	—	—
Total	(48,738)	(6,608)
Income tax (benefit) expense	$ (22,739)	$ (3,462)

Deferred income taxes reflect the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Significant components of the deferred tax assets and liabilities were as follows as of December 31, 2023 and 2022:

	2023	2022
Deferred tax assets:		
Loss carryforwards	$ 27,581	$ 21,017
Deferred underwriting loss	9,581	7,444
Accrued expenses	9,029	7,042
Unearned premium reserve	14,943	11,832
Loss reserve discounting	10,213	6,602
Investments	1,911	10,775
Stock based compensation	6,111	6,125
Capital loss carry forward	2,747	—
Debt fair value	13,594	—
Value of in-force business	21,750	—
Intangible assets	44,700	—
Other temporary differences	4,926	4,756
Total deferred tax assets	167,086	75,593
Valuation allowance	(48,209)	(37,597)
Deferred tax assets, net of valuation allowance	**118,877**	**37,996**
Deferred tax liabilities		
Intangible assets	(38,274)	(39,903)
Deferred acquisition costs	(7,667)	(5,768)
Deferred underwriting loss	(50,694)	(19,636)
Other temporary differences	(2,018)	(1,203)
Total deferred tax liabilities	**(98,653)**	**(66,510)**
Net deferred tax liabilities	**$ 20,224**	**$ (28,514)**

(Expressed in thousands of U.S. dollars, except share data)

As of December 31, 2023, the Company had net operating losses of $7,840 ($9,684 as of December 31, 2022) that can be used to offset future taxable income in the Company's U.S subsidiaries. The Company's ability to use the majority of these losses expires between the years 2024 and 2038. As of December 31, 2023, the Company had net operating losses of $100,725 ($67,550 as of December 31, 2022) that can be used indefinitely to offset future taxable income in the Company's U.K. subsidiaries.

As of each reporting date, the Company considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. As of December 31, 2023, the Company has provided a valuation allowance of $48,209 ($37,597 as at December 31, 2022) against its gross deferred tax asset balance. During the year ended December 31, 2023, the Company recorded a net valuation allowance release of $34,314 on the basis of managements reassessment of the amount of its deferred tax assets in its U.S. operations that are more likely than not to be realized. Also, during the year ended December 31, 2023, the Company recorded a valuation allowance of $44,553 in relation to the deferred tax asset established with respect to the introduction of the Bermuda CIT regime and the associated economic transition adjustment.

The expected tax provision computed on pre-tax income at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. A reconciliation of income before tax expense by taxing jurisdiction to the expected income tax provision by taxing jurisdiction and consolidated weighted average effective income tax rate is as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Income (loss) before tax expense by taxing jurisdiction		
Domestic		
Bermuda	$ 226,198	$ (227,408)
Foreign		
United Kingdom	104,360	(23,678)
United States	100,984	(53,925)
Singapore	—	(29)
Canada	(1,335)	(968)
Consolidated income (loss) before tax	$ 430,207	$ (306,008)
Statutory tax rates		
Bermuda	— %	— %
United Kingdom	23.5 %	19.0 %
United States	21.0 %	21.0 %
Singapore	17.0 %	17.0 %
Canada	26.5 %	26.5 %
Expected income tax expense (benefit) by taxing jurisdiction		
Domestic		
Bermuda	$ —	$ —
Foreign		
United Kingdom	24,525	(4,499)
United States	21,207	(11,324)
Singapore	—	(5)
Canada	(354)	(257)
Consolidated	$ 45,378	$ (16,085)
Consolidated weighted average effective income tax rate	10.5 %	5.3 %

(Expressed in thousands of U.S. dollars, except share data)

A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate is as follows for the years ended December 31, 2023 and 2022:

	2023	%	2022	%
Expected income tax (benefit) expense at weighted average rate	$ 45,378	10.5 %	(16,085)	5.3 %
Change in tax rate	948	0.2 %	(553)	0.2 %
Recognition of Bermuda net deferred tax asset	(80,044)	(18.6)%	—	— %
Change in valuation allowance	10,613	2.5 %	13,433	(4.4)%
Elimination of intercompany transaction	973	0.3 %	(1,990)	0.7 %
Disallowed deductions	616	0.1 %	491	(0.2)%
State and local taxes	1,207	0.3 %	827	(0.3)%
Other	(2,430)	(0.6)%	415	(0.1)%
Income tax benefit	$ (22,739)	(5.3)%	(3,462)	1.1 %

During 2023 and 2022, the Company had no unrecognized benefits from uncertain tax positions. The Company does not anticipate any significant changes in the amount of unrecognized tax benefits during the next 12 months. Interest and penalties related to unrecognized tax benefits will be included in income tax expense.

The Company's U.K. corporation tax returns for certain subsidiaries for the 2021 and 2022 fiscal years are open for examination by the U.K. tax authorities.

The U.S. corporation tax returns for fiscal years 2020 to 2022 are open for examination by the U.S. tax authorities.

14. Statutory financial information

The Company's operations are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate, the most significant of which include Bermuda, the U.S. and Lloyd's in the U.K. These regulations include certain restrictions on the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

Bermuda

Ascot Bermuda is regulated by the BMA. Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Act"), Ascot Bermuda is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR"). The MSM is the greater of $1 million, approximately 15% of net premiums written, 15% of the net reserve for losses and loss expenses or 25% of the ECR. The ECR is calculated based on either an internally developed risk-based capital model or a standard risk-based capital model developed by the BMA. Under the Act, Ascot Bermuda is restricted as to the payment of dividends for amounts greater than 25% of the prior year's statutory capital and surplus, whereby an affidavit signed by at least two members of the Board of Directors is required, attesting that any dividend in excess of this amount would not cause the company to fail to meet its relevant margins. In addition, Ascot Bermuda is restricted from reducing by 15% or more its prior years total statutory capital without approval from the BMA.

As of December 31, 2023, the required statutory capital and surplus was $1,387,259 and the available statutory capital and surplus was $2,411,787 . As of December 31, 2022, the required statutory capital and surplus was $1,087,171 and the available statutory capital and surplus was $1,909,262. As of December 31, 2023, Ascot Bermuda is restricted from paying a dividend due to availability of statutory surplus. As of

December 31, 2023 the maximum capital distribution Ascot Bermuda could pay without regulatory approval is $291,132 ($298,632 as of December 31, 2022).

United States

The required statutory capital and surplus of the Company's U.S. insurance subsidiaries, AIC, ASIC, AmFed and ASC is determined using the risk-based capital formula ("RBC"), which is the National Association of Insurance Commissioners' ("NAIC") method of measuring the minimum capital appropriate for a U.S. reporting entity to support its overall business operations in consideration of its size and risk profile. If a company falls below the authorized control level as determined under the RBC, the NAIC is authorized to take regulatory actions that it considers necessary to protect policyholders and creditors. The maximum dividend that may be paid by the Company's U.S. insurance subsidiaries is restricted by the regulatory requirements of the domiciliary states. Generally, the maximum dividend that may be paid by each of the Company's U.S. insurance subsidiaries is limited to unassigned surplus (statutory equivalent of retained earnings) and may also be limited to statutory net income, net investment income or 10% of total statutory capital and surplus. At December 31, 2023, for AIC (which owns ASIC, AmFed and ASC) the required statutory capital and surplus was $143,715 and the actual statutory capital and surplus was $609,612. At December 31, 2022, the required statutory capital and surplus of AIC was $100,574 and the actual statutory capital and surplus was $371,718. As of December 31, 2023 and 2022 the maximum dividend that could be paid without regulatory approval was $nil.

Lloyd's

The Company operates in the Lloyd's market through ACNL which is the corporate member of Syndicate 1414. Corporate members of Lloyd's and Lloyd's syndicates are bound by the rules of Lloyd's, which are prescribed by Bye-laws and Requirements made by the Council of Lloyd's under powers conferred by the Lloyd's Act 1982. These rules prescribe members' membership subscription, the level of their contribution to the Lloyd's Central Fund and the assets they must deposit with Lloyd's in support of their underwriting. The Council of Lloyd's has broad powers to sanction breaches of its rules, including the power to restrict or prohibit a member's participation on Lloyd's syndicates. The capital provided to support underwriting, or FAL, is not available for distribution for the payment of dividends or for working capital requirements. Corporate members may also be required to maintain funds under the control of Lloyd's in excess of their capital requirements and such funds also may not be available for distribution for the payment of dividends. Lloyd's sets the corporate members' required capital annually through the application of a capital model that is based on regulatory rules pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of business of Insurance and Reinsurance (Solvency II).

FAL may be satisfied by cash, certain investments and letters of credit provided by approved banks. As of December 31, 2023 fixed maturities and other fixed income investments with a fair value of $524,763 (2022: $446,429) and cash of $774 (2022: $844), respectively, were restricted to satisfy FAL requirements. In addition, as of December 31, 2023 a letter of credit facility of $216,000 supported the FAL requirements (2022: $250,000).

15. Related party transactions

Canro Re Limited

Canro Re Limited ("Canro Re"), a Bermuda-domiciled special purpose insurer ("SPI") was formed to provide reinsurance capacity to subsidiaries of Ascot, namely Ascot Bermuda and Syndicate 1414, through reinsurance agreements which will be collateralized and funded by Canro Re through the issuance of non-voting redeemable preference shares to investors. As of December 31, 2023 and 2022, the sole investor of the preference shares issued by Canro Re was CPP Investment Board PMI-2 Inc., CPP Investment Board PMI-2 Inc. is a related party of the Company.

Upon issuance of the preference shares, the proceeds from the issuance are deposited into a collateral account to fund any potential obligations under the reinsurance agreements entered into with Ascot Bermuda and Syndicate 1414.

The Company concluded that Canro Re meets the definition of a VIE as it does not have sufficient equity capital to finance its activities. The Company evaluated its relationship with Canro Re and concluded it does not have a variable interest in Canro Re, as a result the financial position and results of operations of Canro Re are not consolidated by the Company.

For the year ended December 31, 2023, the Company recorded $35,698 of ceded premiums written to Canro Re and $20,477 of losses and loss adjustment expense recoveries from Canro Re. As of December 31, 2023, the Company had a reinsurance recoverable on unpaid losses of $121,415 due from Canro Re and $39,835 of reinsurance balances payable due to Canro Re.

For the year ended December 31, 2022, the Company recorded $74,971 of ceded premiums written to Canro Re and $81,528 of losses and loss adjustment expense recoveries from Canro Re. As of December 31, 2022, the Company had a reinsurance recoverable on unpaid losses of $147,596 due from Canro Re and $34,741 of reinsurance balances payable due to Canro Re.

16. Subsequent events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2023 through March 21, 2024, the date the financial statements were available to be issued, and concluded that there are no subsequent events requiring recognition or disclosure