DELIVERING RESULTS IN A CHANGING WORLD

Conduit Reinsurance Limited | Financial Condition Report 2023

CONDUIT RE

IN THIS REPORT

Foreword

Conduit Reinsurance Limited is a Bermuda-based reinsurance company licensed by the Bermuda Monetary Authority and is subject to the requirements of The Insurance Act 1978 and associated rules and regulations including the Insurance (Public Disclosure) Rules 2015. As such, Conduit Reinsurance Limited is required to publish annually a Financial Condition Report ("FCR") in accordance with applicable guidelines.

The FCR contains qualitative and quantitative information of the business and performance, governance structure, risk profile, solvency valuation, and capital management. The FCR is not subject to audit requirements. The audited financial statements for Conduit Reinsurance Limited are published in accordance with the Insurance (Public Disclosure) Rules 2015 on the Bermuda Monetary Authority's website at https://www.bma.bm/public-filings/full-filings-class-4.

A. Business and Performance

A.1 Business

Name of the insurer

Conduit Reinsurance Limited (the "Company" or "CRL") is a reinsurance company trading under the Conduit Re brand. It was incorporated in Bermuda on 6 October 2020 and was registered as a Class 4 insurer by the Bermuda Monetary Authority ("BMA", the "Authority"), with registration number 55937, effective 19 November 2020.

CRL's registered office is Clarendon House, 2 Church Street, Hamilton HM11 and its physical office is Ideation House, 94 Pitts Bay Road, Pembroke HM08.

Name and contact details of the insurance supervisor and group supervisor

Bermuda Monetary Authority, BMA House, 43 Victoria Street, Hamilton HM12.

CRL is not subject to group supervision.

Name and contact details of the approved auditor

KPMG Audit Limited, Crown House, 4 Par-la-Ville Road, Hamilton HM08.

Ownership details

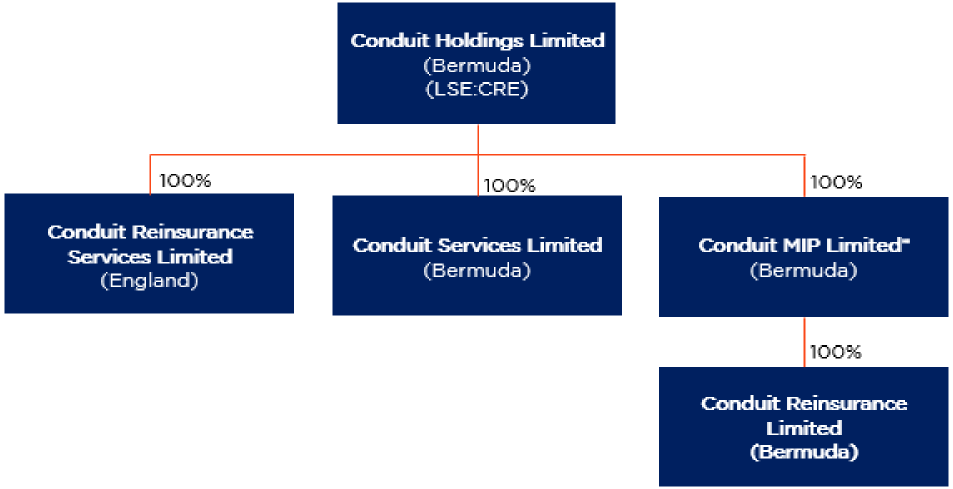
CRL's ultimate parent is Conduit Holdings Limited ("CHL") which is a publicly traded company whose shares are listed on the London Stock Exchange ("LSE"), trading under the ticker LSE:CRE. CRL's immediate parent is Conduit MIP Limited ("CML"), an intermediate holding company.

As at 31 December 2023, CHL was aware of the following interests of 5% or more of voting rights in its ordinary shares:

Shareholder	Proportion
FIL Limited	9.99%
Aviva PLC	9.95%
Janus Henderson Group Plc	5.05%

Group structure

The group structure comprising CHL and direct and indirect subsidiaries (the "Group"), is summarised in the chart below, including country of incorporation.



*Conduit Holdings Limited ownership indicates voting shares only.

A.2 Performance

Insurance business written during the reporting period

CRL is a pure-play treaty reinsurer and writes business under three principal divisions: property, casualty and specialty. Details of each operating segment and reinsurance revenue by geographic region and operating segment, as reported in CRL's audited financial statements are as follows:

Year ended 31 December 2023	Property $m	Casualty $m	Specialty $m	Total $m	Total %
United States	198.0	118.3	20.6	336.9	53.2
Worldwide (excluding US)	101.2	23.4	74.7	199.3	31.5
Europe	21.7	28.2	19.7	69.6	11.0
Other	24.3	1.9	1.0	27.2	4.3
Reinsurance revenue	345.2	171.8	116.0	633.0	100.0

Year ended 31 December 2022[1]	Property $m	Casualty $m	Specialty $m	Total $m	Total %
United States	109.8	104.0	3.9	217.7	55.5
Worldwide (excluding US)	56.5	14.9	51.4	122.8	31.3
Europe	15.7	16.2	7.0	38.9	9.9
Other	10.8	1.6	0.6	13.0	3.3
Reinsurance revenue	192.8	136.7	62.9	392.4	100.0

Performance of investments and material income and expense items

Net investment income, excluding realised and unrealised gains and losses was $41.3 million for the year ended 31 December 2023 (31 December 2022: $17.8 million). Total investment return, including net investment income, net realised gains and losses, and net change in unrealised gains and losses, was a gain of $70.6 million (31 December 2022: loss of $52.8 million).

Year ended 31 December 2023	Net investment income $m	Net realised gains / (losses) $m	Net unrealised gains / (losses) $m	Total investment return $m
Fixed maturity securities	35.7	(1.3)	30.6	65.0
Cash and cash equivalents	5.6	-	-	5.6
Total	41.3	(1.3)	30.6	70.6

Year ended 31 December 2022	Net investment income $m	Net realised gains / (losses) $m	Net unrealised gains / (losses) $m	Total investment return $m
Fixed maturity securities	16.5	(2.8)	(67.8)	(54.1)
Cash and cash equivalents	1.3	-	-	1.3
Total	17.8	(2.8)	(67.8)	(52.8)

[1] 31 December 2022 values have been re-stated under IFRS 17 as Reinsurance revenue rather than disclosed in line with the 2022 Financial Condition Report which disclosed Gross premium written, under IFRS 4.

Included in net investment income is $1.3 million of investment management and custody fees for the year ended 31 December 2023 (31 December 2022: $1.1 million). Net foreign exchange gains (losses) on cash and cash equivalents and fixed maturity securities for the year ended 31 December 2023 was nil (31 December 2022 - $0.5 million gain). Foreign exchange impacts are not included in the investment returns in the table above.

CRL's material expenses are driven by reinsurance losses and loss related amounts, reinsurance operating expenses and other expenses and operating expenses.

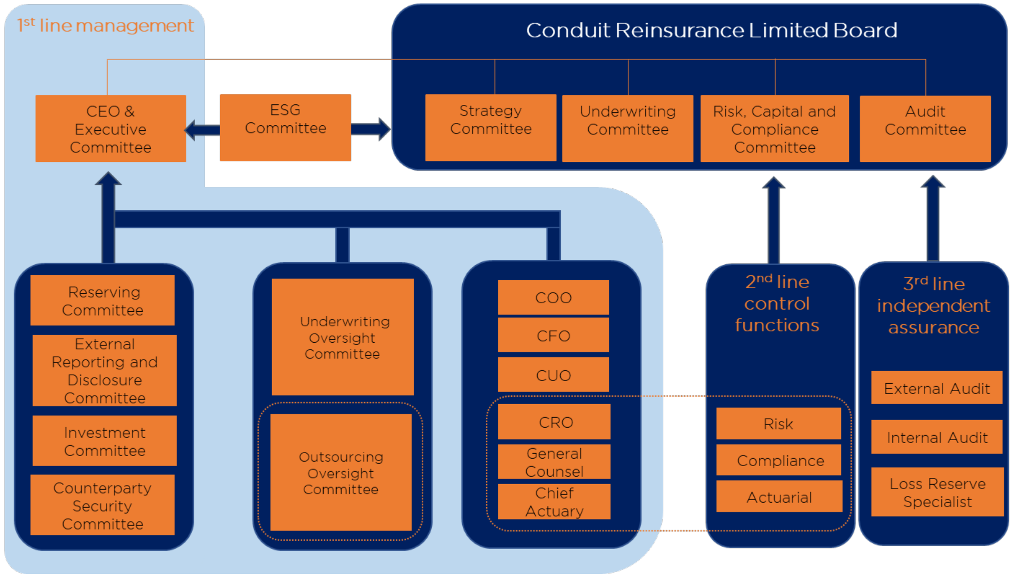
	2023 $m	**2022 $m**
Reinsurance losses and loss related amounts, discounted	328.0	332.5
Reinsurance operating expenses	49.0	29.6
Other expenses and operating expenses	15.9	14.1
Total	392.9	376.2

The 'other expenses' comprise related party transactions, which are detailed in Section B.

B. Governance and Structure

B.1 Board and executive

CRL has established and maintained a sound corporate governance framework that includes principles on corporate discipline, accountability, responsibility, compliance and oversight.



The Board comprises four independent non-executive directors and four executive directors. The Board has established four sub-committees as shown in the diagram above.

Each committee has a written terms of reference which identifies the scope, authority and responsibilities of the committee. The Audit, Risk, Capital & Compliance and Underwriting committees held quarterly meetings throughout 2023. The Strategy Committee met in May 2023.

The Board has also established the Executive Committee comprised of the chief and senior executives. CRL operates a strict, 'three lines of defence' model with all second-line functions (risk, compliance and actuarial) reporting to the Risk, Capital and Compliance Committee; and the third line (internal audit, external audit, and the independent loss reserve specialist) reporting to the Audit Committee.

The Board delegates authority to its sub-committees, the Chief Executive and to the Executive Committee. Certain matters are reserved for the board, including the approval of risk appetite statements.

The Executive Committee delegates certain specialist, decision making, tasks to committees comprising members of executive management and other senior staff. These are the Reserving Committee, Counterparty Security Committee, Investment Committee and the External Reporting and Disclosure Committee.

Two committees with an oversight and review mandate were also established: Underwriting and Outsourcing.

Name	Role	Board	Strategy Committee	Underwriting Committee	Risk, Capital & Compliance Committee	Audit Committee
Ken Randall	INED	Chair	Member	Chair	Attends	Member
Elizabeth Murphy	INED	Member	Member		Attends	Chair
Malcolm Furbert	INED	Member	Member		Chair	Attends
Michelle Seymour Smith	INED	Member	Member		Member	Member
Trevor Carvey	CEO	Member	Chair	Member	Member	Attends
Stuart Quinlan	Deputy CEO/COO	Member	Member	Member		
Elaine Whelan	CFO	Member	Member	Attends	Member	Attends
Greg Lunn	General Counsel	Member	Member		Reports	Attends
Andrew Smith	CRO	Attends	Attends	Attends	Reports	Attends
Andrew Couper	Chief Actuary	Attends	Attends	Attends	Reports	Attends
Greg Roberts	CUO	Attends	Attends	Attends		
EY	Internal Audit					Reports
KPMG	External Audit					Reports
Matthew Ball (WTW)	LRS					Reports

The table shows the position as at 31 December 2023. Each of the independent non-executive directors also serve on the board of CHL, as do Trevor Carvey and Elaine Whelan.

B.2 Remuneration

The Group's remuneration policy is set by the remuneration committee of CHL and is applied to all group entities. The remuneration committee comprises four independent directors of CHL, two of whom are also independent directors of CRL.

The policy is designed to ensure that remuneration is aligned to and supportive of the Company's strategy, including the avoidance of pressures for short-term risk taking. Employee remuneration consists of salary, benefits and annual bonus scheme. The annual bonus scheme is based on a mix of individual and Group performance.

The CHL remuneration committee determines the actual bonus awards for the CHL CEO and CFO, who serve in the same roles for CRL, and review and approve the bonus awards for senior executives of CRL.

Bonuses are subject to a maximum percentage of base salary and deferral of a portion into CHL shares. Malus and claw back provisions also apply to bonus awards.

As part of the Company's start-up, executive management, and certain other members of staff, participate in a share-based management incentive programme which has the potential to be realised over a four-to-seven-year time horizon, subject to malus and claw back provisions.

During 2023 Conduit established an LTIP. These nil cost awards granted to certain staff vest over a three-year period from the date of grant and do not have associated performance criteria attached to the awards.

Non-executive directors of CRL currently receive a flat fee for their service. They may receive an additional fee for specific board responsibilities, including chairmanship or membership of board committees. Additional fees may be paid to non-executive directors on a per diem basis to reflect increased time commitment in certain limited circumstances.

B.3 Pensions

Most employees, including executive management, are provided with a non-contributory pension of 10% of their pensionable earnings, which may be taken as cash in lieu of pension subject to compliance with applicable laws.

Non-executive directors are not eligible for any company pension scheme. No employee early retirement schemes are in place.

B.4 Material transactions with related parties

During the year ended 31 December 2023, the Company returned capital of $81.0 million (31 December 2022: $70.0 million) to its parent to provide funding for the Group's interim 2023 and final 2022 dividend payments.

The Company entered into service agreements with other Group subsidiaries during 2021. The established service agreements allow various operating expenses incurred by the Group's service companies, CSL and CRSL, to be recharged on normal commercial terms to the Company in relation to the services provided. The services provided cover a wide array of functions, and include items such as: provision of personnel, finance and administration, risk management, compliance and regulatory reporting, IT services and maintenance, procurement of goods and services, real estate and facility management, legal and company secretarial services, and human resource functions such as payroll processing, training and compensation administration. Payments of the incurred fees for these services, or adjustment to the service fee agreements, are agreed by both parties.

Other than in direct connection with employment or director responsibilities, no payments have been made directly or indirectly to directors, officers or employees that are material either to the company or the individual. This applies to CHL and all its subsidiaries including CRL.

Employees and directors are encouraged to invest in CHL via public markets, subject to normal public trading safeguards and disclosure requirements. For many staff, a component of annual bonus is also awarded in shares of CHL. These awards are subject to a vesting deferral period.

Other than CHL and its directors, officers and subsidiaries, CRL has not transacted with shareholder controllers other than non-material transactions in the normal course of business on an arms-length basis.

B.5 Fitness and propriety

Description of fit and proper process in assessing board and senior executives

The Company sought board members and senior executives based on the requisite skills and experience for their roles. In some instances, candidates were identified via pre-existing relationships with the founding team, with search and selection firms also being used.

Background checks have been completed for all board members, senior executives and outsourced providers conducting independent assurance roles.

The fitness and propriety of individuals is an ongoing requirement, and the Company conducts periodic reviews of fitness and propriety and requires disclosure of any changes in circumstances that may affect an individual's fitness and propriety and thus their ability to perform their role.

Description of the professional qualifications, skills and expertise of the board and senior executives

Ken Randall

Independent Non-Executive Director

Appointed to the Board: 18 November 2020

Skills and experience:

Ken Randall is a certified accountant and has worked in the insurance industry for more than 46 years. During the early 1980s, Ken was Head of Regulation at Lloyd's which was then a self-regulated institution. From 1985 until 1991 Ken served as Chief Executive of the Merrett Group, which managed a number of prominent syndicates at Lloyd's.

In 1991, Ken left Merrett to set up his own business in partnership with Alan Quilter. Over the next eight years they developed the Randall & Quilter Group's principal subsidiary, the Eastgate Group, into the UK's largest third-party provider of insurance services with 1,300 employees and a turnover of over £80m per annum. Eastgate was sold to Capita PLC in November 2000.

Following the sale of Eastgate, Ken and Alan refocused Randall & Quilter onto the acquisition of non-life legacy run-off portfolios and again developed an insurance -servicing business in London and the US; initially, the Randall & Quilter Group's service offering focused on legacy portfolios and in recent years has also developed a fast-growing programme management business in Europe and the US.

External directorships:

Roosevelt Road Ltd, Roosevelt Road Re Ltd, Renaissance Capital Partners Limited, Financial Guaranty Insurance Company Ltd., Leamington Insurance Advisors Ltd (Bermuda), W.T. Butler & Co Ltd.

CRL Board Committee memberships:

Board (Chair), Underwriting Committee (Chair), Audit Committee and Strategy Committee.

Elizabeth Murphy

Independent Non-Executive Director

Appointed to the Board: 18 November 2020

Skills and experience:

Elizabeth Murphy has worked in the insurance and reinsurance industry for more than 30 years. Elizabeth qualified as a chartered accountant with Coopers & Lybrand in London and moved to work for them in Bermuda. She continued her career with ACE Tempest Reinsurance Ltd as Chief Financial Officer from 1993 to 2000 and as Treasurer of ACE Limited for the next two years.

From 2002 to 2006, Elizabeth worked for Scottish Re Group Limited, as Chief Financial Officer and executive Vice President. From 2006 to 2008 she was an Executive director of Kiln Limited, Chair of the Compensation Committee and non-executive member of the Audit Committee and she also served on the Board of SCPIE Holdings Inc. where she was a member of the Audit Committee and Stock Option Committee. From 2009 to 2015 Elizabeth was an executive director and Chief Financial Officer of Amlin Bermuda Ltd., Amlin AG and a member of the Risk Committee.

External directorships:

Bernina Re Holding Ltd, Bernina Re Ltd.

CRL Board Committee memberships:

Audit Committee (Chair) and Strategy Committee.

Malcom Furbert

Independent Non-Executive Director

Appointed to the Board: 18 November 2020

Skills and experience:
Malcolm Furbert is a corporate and regulatory lawyer with over 30 years' experience including as a corporate lawyer, with one of Bermuda's leading law firms and over 15 years' diverse in-house legal counsel and management experience with Bermuda-based insurance and reinsurance companies (including American International Company Limited, Catlin Insurance Company Limited and XL Catlin), most recently as General Counsel and Head of Compliance & Regulatory Affairs for the Bermuda operations of XL Catlin, a Bermuda-based global (re)insurance company (following the acquisition of the Catlin Group by XL Capital).

In these roles, he provided general and transactional legal and regulatory advice and support to all business areas and had oversight over the Bermuda compliance function. He also acted as Company Secretary to both regulated and non-regulated group companies.

He is a member of the Bar of England and Wales and the Bermuda Bar.

External directorships:
Somers Corporate Services Limited.

CRL Board Committee memberships:
Risk, Capital and Compliance Committee (Chair) and Strategy Committee

Michelle Seymour Smith

Independent Non-Executive Director

Appointed to the Board: 15 September 2021

Skills and experience:
Michelle Seymour Smith has over 20 years of experience in the insurance and reinsurance industry. During her career, Michelle has built a reputation of making strategic initiatives a reality and building effective teams and operations to support sustained growth in global organisations.

Michelle began her career with Arthur Andersen in 1995. She went on to hold positions at Zurich Insurance Global Energy and XL Capital Ltd. In 2004, she joined Arch Reinsurance Ltd as Vice President, Controller. She performed several roles at Arch Re including Chief Financial Officer and Chief Operating Officer, building and overseeing the financial operations of the insurance, reinsurance and mortgage divisions and their international subsidiary reinsurance division. She served as the Chief Transformation Officer of Arch Capital Group Ltd until 2019, leading a global programme to grow business and improve operational efficiency. Michelle has been named as one of 100 Influential Women in Insurance and Reinsurance by Intelligent Insurer. She is a member of the Chartered Professional Accountants of Bermuda and the Institute of Directors.

External directorships:
Transport Intermediaries Mutual Association Ltd., Bermuda Public Accountability Board, Muuvment, Association of Bermuda International Companies, Centennial Foundation, Prismic Life Holdings GP LLC, Prismic Life Holding LP.

CRL Board Committee memberships:
Audit Committee Risk, Capital and Compliance Committee and Strategy Committee

Trevor Carvey

Executive Director and Chief Executive Officer

Appointed to the Board: 18 November 2020

Skills and experience:
Trevor Carvey is Chief Executive Officer and an Executive Director of CHL.

Trevor has a track record of profitable build-outs in the reinsurance industry. Having led the consolidation and subsequent profitable turnaround of the GE Frankona Marine & Energy Global portfolio in the 1990s, he then became a founding underwriter and leader at Arch Re Bermuda in 2002.

In 2007, Trevor joined Harbor Point Re in the UK to lead the build-out of its reinsurance operations. He became CUO Europe of the Alterra Re business after Harbor Point's merger with Max Re in 2012. Trevor was then responsible for the successful integration of Alterra Re's Global Re unit into Markel.

In 2015, Trevor joined Hamilton Re to assist in building out a new treaty reinsurance strategy in the UK and subsequently served as active underwriter for three years from 2016 to 2018.

Trevor has led Conduit since its launch in 2020. As well as serving on the Board of Conduit Holdings Limited, he is a director of CRL and chairs the Executive Committee.

External directorships:
Triple R Industries Limited, Beneficial House (Birmingham) Regeneration LLP, Stanley Dock (All Suite) Regeneration LLP.

Elaine Whelan

Executive Director and Chief Financial Officer

Appointed to the Board: 14 January 2021

Skills and experience:
Elaine Whelan is the Chief Financial Officer and an Executive Director of CHL.

Elaine is an accomplished and experienced public company CFO who has worked in the (re)insurance industry for over 25 years. She is a member of the Institute of Chartered Accountants of Scotland, a member of the Chartered Professional Accountants of Bermuda and a member of the Institute of Directors.

After qualifying as a chartered accountant, Elaine joined Coopers & Lybrand in Bermuda in 1997. From 2001 to 2006, she held a number of positions at Zurich Insurance Company, Bermuda Branch, ultimately as Chief Accounting Officer. In 2006, she joined the Lancashire Group as Financial Controller.

She subsequently performed various financial and management roles for the Lancashire Group, including as CEO, Lancashire Insurance Company Limited. From January 2011 to February 2020, Elaine was Group CFO, Lancashire Holdings Limited, and she was also a main board director from January 2013 to February 2020.

Elaine is responsible for all aspects of Conduit Re's financial management and reporting, is also a Director of CRL and is a member of the Executive Committee.

External directorships:
Cameron Holdings Inc., Salthouse Property Inc., Lomond Property Holdings Limited.

Stuart Quinlan

Executive Director, Deputy Chief Executive and Chief Operations Officer

Appointed to the Board: 18 November 2020

Skills and experience:
Stuart started his 30-year career underwriting casualty lines, specialising in financial lines with Royal & Sun Alliance. He held subsequent executive roles with Novae, Zurich and Barbican before joining Hamilton in London to start a new Lloyd's business with Trevor in 2015.

Stuart has particular expertise in delivering effective IT strategies, recruitment and retention of top talent and monitoring and controlling a developing business. He has experience dealing with regulators, rating agencies and investment stakeholders.

In addition to supporting Trevor more broadly, Stuart is responsible for overseeing Conduit's operations, IT, claims and human resources. Stuart serves on the Board of Conduit Reinsurance Limited and is a member of the Executive Committee.

Greg Lunn

Executive Director, General Counsel and Company Secretary

Appointed to the Board: 18 November 2020

Skills and experience:
Greg Lunn is General Counsel and Company Secretary and leads the compliance function.

Greg has held various industry roles in Bermuda and London over the past 25 years, initially with the ACE Group and later with Lancashire Holdings Limited, where he was Group General Counsel and Company Secretary. At Lancashire, in addition to his legal and corporate governance work, he also had responsibility for the internal audit function.

Greg is responsible for all legal, compliance and corporate secretarial aspects of Conduit's business. Greg serves on the board of Conduit Reinsurance Limited and is a member of the Executive Committee.

Executive management (members of the Executive Committee)

In addition to the four executive directors:

Greg Roberts

Chief Underwriting Officer

Skills and experience:

Greg is Chief Underwriting Officer and is based in Bermuda.

A highly experienced underwriter, Greg spent much of his career with Amlin, where he was ultimately Head of Property Treaty, before establishing AmTrust Re at Lloyd's.

Greg has particular expertise in portfolio and data analytics, property catastrophe modelling and exposure management and brings these skills to our portfolio management.

Having been with Conduit Re at launch as Head of Property, Greg was promoted to Chief Underwriting Officer during 2022 and has responsibility for all underwriting activity. Greg is a member of the Executive Committee.

Andrew Smith

Chief Risk Officer and Chief Sustainability Officer

Skills and experience:

Andrew is Chief Risk Officer and Chief Sustainability Officer and is based in Bermuda.

After qualifying as an accountant with PwC, Andrew focused on risk management and corporate governance in the insurance sector, where he has held regulated risk roles in Bermuda and Europe, including as Chief Risk Officer at Qatar Re.

Having joined Conduit at launch as Chief Risk Officer, as which he leads the risk function, his role was expanded during 2022 to address climate and sustainability specific considerations. Andrew is a member of the Executive Committee.

Andrew Couper

Chief Actuary

Skills and experience:

Andrew is Chief Actuary and is based in Bermuda.

Andrew is a qualified actuary and a Fellow of the UK's Institute and Faculty of Actuaries. He has had a highly successful professional career in the insurance industry spanning over 30 years both in the London Market and Bermuda.

Prior to joining Conduit, Andrew was the Head of Pricing for QBE's European operations and prior to that he spent 13 years in a variety of senior actuarial and risk management roles for Aspen Insurance Holdings Limited, both in London and Bermuda, including Chief Risk Officer, Group Head of Risk and Group Chief Actuary.

As Chief Actuary, Andrew is responsible for leading the actuarial function including pricing, reserving and capital modelling. Andrew is a member of the Executive Committee.

B.6 Risk Management and Solvency Self-Assessment

Description of the management process to identify, measure, manage and report risk

The CRL Board retains ultimate responsibility for CRL's systems of internal control and risk management framework. They review the effectiveness through the establishment of an effective governance and monitoring process. This includes regular reporting and in-depth monitoring of the establishment and operation of prudent and effective controls.

The framework has been designed to strictly follow a three lines of defence model and ensure that good risk practices are the responsibility of first line management with the risk function providing facilitation, tools, challenge and independent validation. The risk function is also responsible for risk reporting to the Risk, Capital and Compliance Committee and the Executive Committee; and for the facilitation of risk activities at committee level.

The risk framework addresses the identification, assessment and management of risk within the context of defined risk appetite and tolerance statements. The process involves the use of risk registers to identify inherent risk and residual risk after the application of controls. The management of individual risks is the responsibility of management, with independent challenge and oversight provided by the risk function. The results of compliance reviews and independent internal audits provide an additional level of review and verification. The Audit Committee has selected a reputable provider to serve as outsourced internal auditors.

Description of how the risk management and solvency self-assessment systems are implemented and integrated into the insurer's operations; including strategic planning and organisational and decision-making process

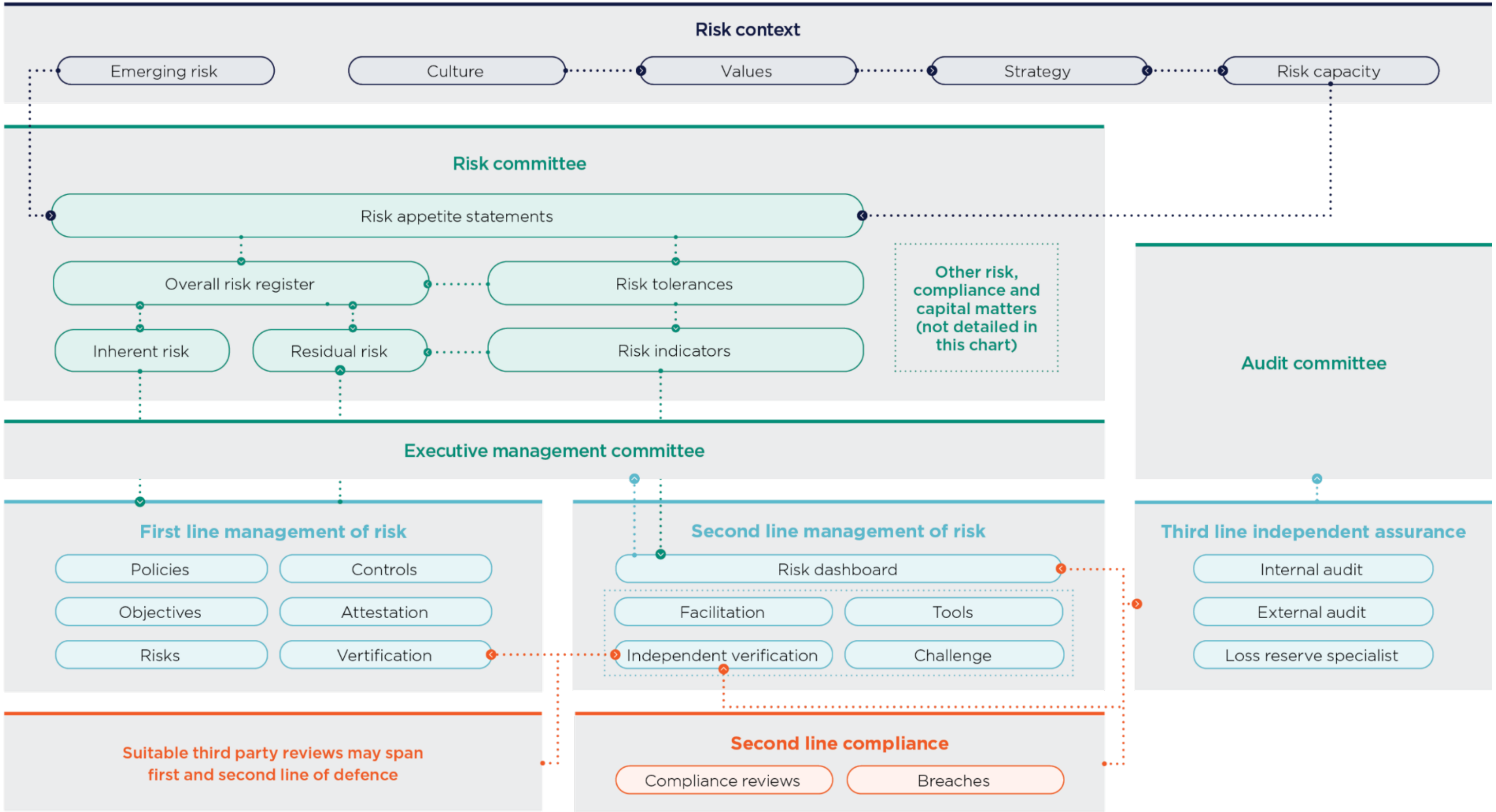
In line with regulatory requirements, the CRL Board requires that the solvency self-assessment is part of the risk management framework processes, with the quarterly risk appetite dashboard and the annual Commercial Insurer's Solvency Self-Assessment ("CISSA") reporting being a trigger for management actions in response to changes in the risk profile.

Overall responsibility for the CISSA process, output and policy lies with the CRL Board. This policy is reviewed annually by the risk function and any changes approved by the CRL Board.

The CISSA process runs throughout the year and includes annual activities and more frequent risk reporting processes. Critical components of the CISSA process include:

- Strategy review
- Risk appetite and tolerance refresh
- Business planning
- Capital management
- Risk identification and assessment
- Evaluation of risk and business management
- Risk and solvency assessment report

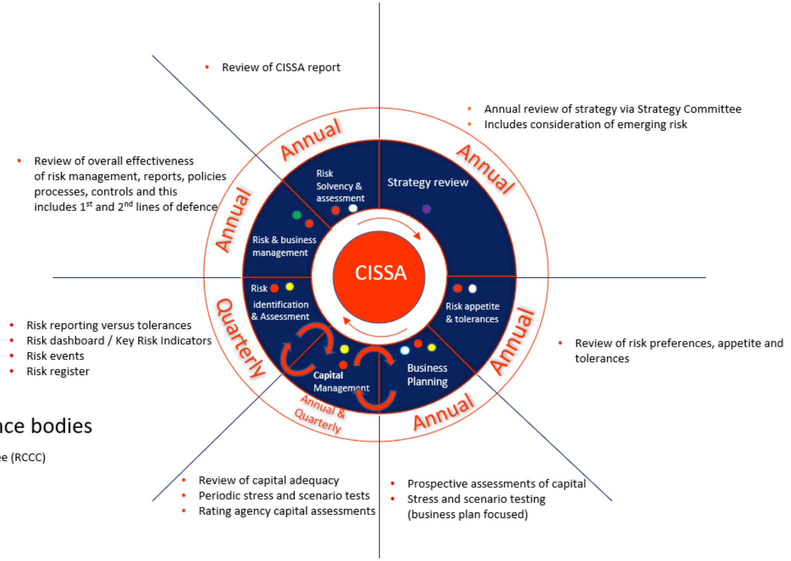
Overall enterprise risk management framework and risk governance



Description of the relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

The diagram below sets out the solvency self-assessment process. The relevant parts of the CISSA process are run quarterly or initiated earlier in the event of a material change occurring.

Board and executive management involvement in the CISSA process



CISSA process governance bodies

- Risk, Capital and Compliance Committee (RCCC)
- Strategy Committee
- Board
- Executive Committee
- Audit Committee

Note – Annual activities are annual or more frequent if there is a material change.

Currently, the amount of capital required to cover our material risks is assessed through regulatory capital requirements, rating agency models, internally developed stress test and underwriting realistic disaster scenarios.

Description of the solvency self-assessment approval process including the level of oversight and independent verification by the board and senior executives

The diagram above shows the involvement of various board and senior executives in the solvency self-assessment process and associated approvals.

B.7 Internal Controls

Internal control is an essential part of all business processes and a key method of mitigating risks that are inherent in them.

The Board is responsible for monitoring the establishment and maintenance of the system of controls used to assess and manage exposure to all areas of risk. The objectives of these controls are to ensure that CRL's risk strategy is maintained and risk remains within the appetite and tolerances approved by the Board.

Compliance function

The compliance function is led by the General Counsel. The function is responsible for compliance activities associated with both legal and regulatory compliance and for the monitoring of compliance with material internal policies and procedures. The compliance function reports directly to the Risk, Capital and Compliance Committee of the Board and has been structured to maintain a strict second line of defence position.

Internal audit

The internal audit function has been outsourced to a 'Big 4' accounting firm. The appointment followed a competitive tender process involving two 'Big 4' firms, both of whom have experience of providing this service to other class 4 Bermuda (re)insurers.

The Audit Committee approves the internal audit charter and plan at least annually and have approved amendments to the plan throughout the year. The internal audit plan is based on a risk assessment undertaken by Internal Audit and discussed with the Audit Committee. Internal audit provided quarterly written and oral reports to the Audit Committee. The findings of each internal audit are reported at the Committee's quarterly meetings. The Committee reviews actions recommended to management for the improvement of internal controls.

Actuarial function

The actuarial function is led by the Chief Actuary. The function is responsible for providing actuarial pricing support (including catastrophe modelling), capital modelling and reserving. The function reports directly to the Risk, Capital and Compliance Committee.

The function's governance is supported by the appointment of an independent external loss reserve specialist, Matthew Ball of Willis Towers Watson, who reports directly to the Audit Committee.

B.7 Outsourcing

The Executive Committee has established an Outsourcing Oversight Committee. It is chaired by the Chief Operations Officer and includes representation from the risk function and compliance function. The committee's scope includes all material outsourced relationships. The definition of material outsourced relationships has been defined based on financial metrics and/or regulatory prescribed roles. The committee has discussed and agreed the principles applicable to outsourced service agreements. As at 31 December 2022 the following service providers were deemed to be material outsourced relationships:

- Outsourced providers of regulatory significant roles – loss reserve specialist and internal audit provider
- Investment managers, custodians and accountants
- Software as a service (SaaS) relationships for core processing systems

All outsourced activities, except for some SaaS relationships, are such that the providers could, if necessary, be replaced relatively easily.

Conduit Services Limited ("CSL"), a Bermuda company, employs the Group's Bermuda-based staff and consumes a range of services from third parties, including many of those mentioned as outsourcing above.

Conduit Reinsurance Services Limited ("CRSL"), a UK company, employs the Group's UK-based staff and provides services to the Company and CHL. As at 31 December 2023 CRSL had two employees comprising the Group roles of Executive Chairman (of CHL) and Head of Investor Relations (of CHL).

C. Risk Profile

CRL is exposed to risks from several sources, classified into six primary risk categories. The primary risk categories are: (a) reinsurance risk; (b) market risk; (c) liquidity risk; (d) credit risk; (e) operational risk; and (f) strategic risk. These are discussed in detail on the following pages. The primary risk to CRL is reinsurance risk.

The Board is responsible for determining the nature and extent of the principal risks CRL is willing to take in achieving its strategic objectives and should maintain sound risk management and internal control systems. To this end, the Board has established various committees to support the execution of its responsibilities and has reviewed the committee structures at CRL. The Board, and committees thereof, define the risk preferences and appetites within which management is authorised to operate.

The risk function is responsible for supporting the Board, and the CRL Board, with the day-to-day oversight of the risks that CRL seeks or is exposed to in pursuit of its strategic objectives, and the satisfaction of certain regulatory risk management expectations relevant to CRL. The framework under which risks are managed contemplates risk appetite and tolerance constraints. Risk appetite is prescribed by the Board and is reviewed at least annually, with consideration of the financial and operational capacity of Conduit. The use of financial capacity in this context relates to calculated or modelled capital requirements, based on residual unmitigated risk exposures. Current capital requirements are determined by reference to rating agency and regulatory capital requirements.

Day-to-day management of risk is the responsibility of management, operating within the defined appetite and tolerances. The risk framework prescribes a standardised approach to the management of risk, oversight and challenge by the risk function and independent assurance provided by the internal audit function. The risk framework also addresses the reporting of risks, emerging risks, risk events and compliance with risk appetite and tolerance statements to executive management and the Board, and relevant board committees, of CHL and CRL. To ensure transparency and accountability of the business for all independent Non-Executive Directors, four independent Non-Executive Directors from the Board have been appointed to the Board of CRL. Furthermore, the Board is invited to attend operating entity board level meetings and see all minutes and records of such operating entity board and committee meetings.

Climate change

CRL is exposed to risks associated with climate change but also potential opportunities arising from that risk. Risks from climate change can include physical risk and transition risk. Physical risks are those relating to the physical impacts of climate change, which can be from increased frequency and/or severity of climate-related events, or structural, due to longer-term shifts in climate patterns. Transition risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputational risk. The potential financial impact from these risks is mitigated by CRL's strategic and risk management policies.

Global tax reform

CRL continues to monitor developments in local and international taxation. On 27 December 2023 the Bermuda government enacted legislation, the Bermuda Corporate Income Tax Act of 2023 (Bermuda CIT), into law. CRL is currently not in scope for this new legislation. While certain implications of the new Bermuda CIT remain uncertain, CRL's current assessment is that CRL and its Bermuda-based affiliates (CHL, CSL, CML) do not meet the criteria to pay any taxes under the Bermuda CIT. If the Group were to meet the Bermuda CIT criteria in the future, it is likely that an exemption will be available for the first five years in which the tax would otherwise apply.

The international tax agenda continues to provide uncertainty to companies. CRL operates exclusively in Bermuda, which limits complexity. As CRL nor the Group meet the qualifying criteria under Bermuda CIT, CRL continues to benefit from an existing undertaking from the Bermuda government which exempts CRL from all Bermuda local income, withholding and capital gains taxes until 31 March 2035.

C.1 Reinsurance risk

CRL underwrites both short-tail and long-tail reinsurance contracts on a worldwide basis. These reinsurance contracts transfer insurance risk, including risks exposed to both natural and man-made catastrophes, and risk and liability losses. The risk in connection with underwriting reinsurance contracts is, in the event of a covered loss, whether the premiums will be sufficient to meet the associated loss payments and expenses. The underwriters evaluate and estimate the level of premiums sufficient to cover expected losses, expenses and profitability through a combination of sophisticated risk modelling tools, past experience and knowledge of loss events, current industry trends and broader economic indicators. In order to ensure appropriate reinsurance risk selection and limits on the concentration and diversification of the aggregate portfolio, CRL has established risk management and internal control systems to evaluate and assess the expected losses of each individual contract, class of business, geographic region and the aggregate portfolio.

These controls, include, but are not limited to:

- A five-year strategic plan is produced that defines the over-riding business goals that management and the Board aim to achieve:
- A detailed business plan is produced annually and considers current market conditions and the risk-adjusted profitability of the underwriting portfolio:
- CRL's internal capital requirements consider the probability and magnitude of reinsurance losses varying adversely from the expected losses considered during the underwriting and subsequent reserving processes:
- Forecasts are produced periodically to assess the progress toward the business plan and the strategic plan:
- Each underwriter has a clearly defined limit of underwriting authority:
- Each contract underwritten is subject to a pre-bind peer review:
- An underwriting roundtable meeting, typically held daily, where deal flow, pricing and opportunities are discussed:
- Pricing models are used in all areas of the underwriting process:
- Risk appetite and tolerance statements have been established and the CRO reports quarterly on adherence:
- A number of modelling tools are used to model catastrophes and expected losses: and
- Outwards reinsurance is purchased to mitigate both frequency and severity of losses, and to protect CRL's capital base.

Catastrophe management

Certain of CRL's classes of business provide coverage for natural-catastrophes (e.g., earthquakes, floods, hurricanes and wildfires) and are subject to seasonal variation and the impacts of climate change. CRL's business has exposure to large catastrophe losses in North America, Europe and Japan as a result of windstorms. The level of windstorm activity, and landfall thereof, during the North American, European and Japanese wind seasons may materially impact loss experience. The North American and Japanese wind seasons are typically June to November and the European wind season November to March. CRL also has exposure to other natural-catastrophes, such as earthquakes, tsunamis, droughts, floods, hail and tornadoes, which can occur throughout the year. In addition, Conduit is exposed to risk losses throughout the year from perils such as fire, explosion, war, terrorism, political risk and other events, including loss arising from legal liabilities rather than physical damage.

CRL has defined its appetite and tolerances for risk accumulations and uses models to determine the expected frequency and severity of aggregating exposures. As with all such models, there is a risk that modelled expectations may not reflect actual outcomes and the scope of the models are such that not all exposures are captured.

CRL has set tolerances around various scenarios. Of these, at the commonly reported 100-year and 250-year return periods, CRL's most significant exposures to any single peril and region combination are to Florida windstorm and California earthquake. The table below shows the estimated net exposures to these peak zone perils on a first occurrence basis. Net positions are calculated by applying relevant reinstatement premiums and outwards reinsurance to the respective modelled gross exposures.

As at 31 December		**2023**		2022	
Return period	Peril	**Net $m**	**% of tangible capital**	Net $m	% of tangible capital
100-year	Florida windstorm	**92.7**	**9.4**	18.5	**2.1**
250-year	Florida windstorm	**90.0**	**9.1**	61.1	**7.1**
100-year	California earthquake	**72.0**	**7.3**	20.8	**2.4**
250-year	California earthquake	**72.7**	**7.4**	74.8	**8.6**

The table shows modelled estimated exposure at a point in time. At the 100-year return period the primary driver for the year-on-year increase is that in 2023 there were no individual loss events that were significant enough to CRL to reduce the magnitude of loss event needed to trigger aggregate outward reinsurance recoveries. The 2022 comparative, by contrast, reflected that events had moved CRL closer to recoveries from aggregate protections. The increases are also influenced by increasing risk appetite as CRL scales.

The modelled estimated exposure for Florida windstorm on a net 250-year basis is lower than a 100 year basis due to the characteristics of the Stablitas Re catastrophe bond.

There can be no guarantee that the modelled assumptions and techniques deployed in calculating these figures are accurate. There could also be an unmodelled loss which exceeds these figures. The models also contain loss scenarios which could cause a larger loss to capital than the modelled expectation from the above return periods.

Property reinsurance

CRL is exposed to large natural-catastrophe losses, such as windstorm and earthquake losses, primarily from assuming risks associated with property treaties. Exposure to natural-catastrophe events is controlled and measured by managing to predefined limits within stochastic modelling and deterministic accumulations across classes per geographic zone and peril. The accuracy of these analyses is limited by the quality of data and the effectiveness of the modelling. It is possible that a catastrophic event significantly exceeds the expected modelled event loss.

Natural-catastrophe risk is written across both the US and internationally on an excess of loss and capped quota share basis. Reinsurance structures are offered typically in respect of peril, geography and probability of activation or exhaustion.

Property per risk treaties are offered with the strategy to minimise natural-catastrophe exposure, focusing on fire risk. This is considered by both natural-catastrophe specific metrics, treaty conditions and excess of loss structure.

Ceded reinsurance may be purchased to mitigate exposures to large natural-catastrophe losses. Ceded reinsurance is typically purchased on an ultimate net loss excess of loss basis, however industry loss warranties, catastrophe bonds, or proportional treaty arrangements may also be utilised.

Casualty reinsurance

CRL underwrites a balanced portfolio of casualty classes of business, comprised of both excess of loss and proportional contracts, on a worldwide basis.

Casualty claims tend to take longer to be reported and ultimately settled than physical damage risks. CRL typically maintains a liability for incurred claims for casualty classes of business over a longer period of time than for the property and specialty classes of business where the costs of claims are generally known and settled within a shorter time frame.

CRL will purchase ceded reinsurance to protect against any 'clash' between losses arising in its casualty portfolio.

The sub-classes of casualty business include directors and officer's liability, financial institutions liability, general liability for multiple sub-classes and, on an excess and umbrella basis, medical malpractice, professional liability and transactional liability. CRL has limited appetite for, and generally avoids, workers compensation, standalone auto and cyber treaties.

Directors and officers liability

Directors and officers liability policies offer protection for company managers and directors and officers against claims that may arise in the normal course of operations. Coverage includes legal expenses and liability to shareholders, bondholders, creditors or others owing to actions or omissions by a director or officer of a private or public corporation, or not-for-profit organisation.

Financial institutions liability

Financial institutions coverage may cover risks such as computer and commercial crime, professional indemnity and civil liability.

General liability

General liability commonly provides cover for losses arising from the legal liability of an original insured and statutory liability in the case of employers' liability which result in bodily injury or disease to third parties or physical damage to third-party property. Conduit offers a wide range of general liability reinsurance products including contractors general liability, excess general liability, umbrella, energy and environmental.

Medical malpractice

Medical malpractice reinsurance generally covers professional liability and errors and omissions specifically in the healthcare industry, protecting physicians and other healthcare professionals against claims of negligent acts or injury of patients under their care. Medical malpractice reinsurance does not cover intentional or criminal acts.

Professional liability

Professional liability generally provides coverage for third-party losses resulting from legal liability or civil liability or negligence, errors or omissions or wrongful acts arising from the provision of, or failure to provide, professional services by an original insured. Sub-classes of this business would include lawyers, accountants, architects and engineers, errors and omissions, plus miscellaneous professional liability.

Transactional liability

Transactional liability reinsurance is used by parties to various business transactions, such as mergers, acquisitions and divestitures, to transfer certain transaction-related risks to the reinsurance market. There can be a broad range of risks covered, including warranty, litigation, pension and tax uncertainties and employment matters.

Specialty reinsurance

CRL's specialty classes of business are written on both an excess of loss and proportional basis and can provide reinsurance coverage against physical damage (short-tail) or against legal liability (long-tail) losses. Although specialty classes of business are exposed to natural-catastrophe risk, it is generally to a lesser extent than property classes of business. They are more likely to be affected by specific large loss events such as accidents, collisions, fires and similar man-made catastrophe events. Specialty classes of business are highly diverse in nature and require specific market expertise and experience. The specialty classes of business include, but are not limited to, aviation, energy, engineering and construction, environmental, marine, renewables, political violence and terrorism are offered on both a specific and a whole account basis.

CRL purchases ceded reinsurance protection to reduce exposure to both large risk losses and an accumulation of smaller losses. Ceded reinsurance is typically purchased on an excess of loss basis, but, from time to time, proportional arrangements may be entered into.

Aviation

The aviation class of business provides cover to the insurers of the world's major airlines and aircraft manufacturers and includes cover for the aircraft themselves as well as losses arising from passenger and third-party liability claims against airlines and/or manufacturers.

Energy

The energy class of business provides reinsurance cover for a global spread of accounts that can include primary risks such as downstream energy, upstream energy, energy liability, construction energy and Gulf of Mexico offshore energy programmes. Policies typically cover property for physical damage (including natural-catastrophe) and machinery breakdown perils plus consequential business interruption exposure, often with loss limits set at a level commensurate with a modelled estimated maximum loss scenario.

Engineering and Construction

The class covers a wide range of products falling under related property and business income protection on a worldwide basis. These products include, but are not limited to, contractors' all risks, erection all risks, plant and equipment, machinery breakdown and loss of profits. Projects range from small bespoke to large civil engineering constructions. Main hazards are fire and explosion, theft, collapse and natural perils such as earthquake, windstorm and flood.

Environmental

Environmental products generally provide cover relating to the environmental and energy casualty classes with regard to pollution. The related sectors typically include energy, construction, and industrial which includes both commercial and residential risks.

Marine

Marine cargo is an international account and covers the reinsurance of commodities or goods in transit. Typically, transit cover is provided on an all-risks basis for marine perils for the full value of the goods concerned. Static cover is also provided for losses to cargo, from both elemental and non-elemental causes. In addition, the cargo account can include for example, fine art, vault risks, artwork on exhibition and marine war and terrorism business relating to cargo in the ordinary course of transit.

Marine liability is mostly the reinsurance of the International Group of Protection and Indemnity Clubs. Marine builders' risk covers the building of ocean-going vessels in specialised yards worldwide and their testing and commissioning.

The marine hull class generally consists of worldwide coverage spanning physical damage, hull and machinery breakdown, loss of hire and mortgagees' interests for a range of maritime vessels from cargo and passenger ships to private pleasure craft. Products typically cover both risk and catastrophe exposures.

Renewables

The class covers a wide range of tailored solutions globally. The class includes offshore and onshore wind power, ground and rooftop solar power plus bioenergy fuels and associated operations. The risks exposed are quite unique, from difficult construction operations to installing complex equipment that is routinely exposed to natural hazards. Policies typically include cover for physical damage, machinery breakdown and business interruption for both construction and operational phases.

Political violence and terrorism

Political violence and terrorism coverage is provided for US and worldwide property risks, but typically excluding nuclear, chemical, biological and cyber coverage in most territories.

Whole account

Coverage is generally provided on a worldwide basis and covers a broad spectrum of the cedants risks under a single policy. The classes of business covered under a whole account reinsurance policy can include traditional property and casualty classes of business including commercial and personal automobile, general liability, workers' compensation, employers' liability, excess casualty and umbrella, as well as selected professional liability coverage.

Ceded reinsurance

Ceded reinsurance is purchased in the normal course of business to increase capital capacity, limit the impact of individual risk losses and loss events impacting multiple cedants (such as natural-catastrophes), or both. Ceded reinsurance may also be purchased from time to time to optimise the risk-adjusted return of CRL's aggregate underwriting portfolio. CRL may purchase ceded reinsurance on both an excess of loss and proportional basis, and may also use catastrophe bonds or other capital market products. The mix of ceded reinsurance coverage is dependent on specific loss mitigation requirements, market conditions and available capacity. In certain market conditions, CRL may deem it more economic to hold capital than purchase ceded reinsurance. Ceded reinsurance does not relieve CRL of its obligations to policyholders. CRL is exposed to reinsurance risk where ceded reinsurance contracts put in place to reduce gross reinsurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the limits purchased. Failure of a ceded reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section below. Ceded reinsurance coverage is not intended to be available to meet all potential loss circumstances. CRL will retain certain losses, as the cover purchased is unlikely to transfer the totality of CRL's exposure. Any loss amount which exceeds the ceded reinsurance coverage purchased would be retained by CRL. Some ceded reinsurance policies have limited reinstatements, therefore the number of claims which may be recovered on second, and subsequent loss circumstances is limited.

Under CRL's ceded reinsurance security policy, ceded reinsurers are assessed and approved based on their financial strength ratings, among other factors. These decisions are regularly reviewed as an integral part of the business planning and performance monitoring process. The management Counterparty Security Committee examines and approves all CRL's ceded reinsurers to ensure that they possess suitable security.

Fulfilment cash flows

Fulfilment cash flows consist of:

- The estimates of future cash flows required in the ultimate settlement of claims;
- An adjustment for the time value of money; and
- A risk adjustment for non-financial risk

Estimates of future cash flows

A significant and critical judgement and estimate made by management is the estimation of future cash flows in relation to ultimate claims settlements. Management estimates, in an unbiased way, future cash flows to cover its estimated liability for both reported and unreported claims on events that have occurred up to the latest valuation date, incorporating all reasonable and supportable information that is available without undue cost or effort. Management uses methodologies that calculate a point estimate for the ultimate losses, representing management's best estimate of ultimate future cash flows. CRL establishes its liability for incurred claims by taking outstanding losses, adding an estimate for IBNR and, if deemed necessary, ACRs which represent CRL's estimate for losses related to specific contracts that management believes may not be adequately estimated by the cedant as at that date.

Liabilities for incurred claims are not permitted until the occurrence of an event which may give rise to a claim. As a result, only provisions applicable to losses that have occurred up to the reporting date are established, with no allowance for the provision of a contingency liability to account for expected future losses or for the emergence of new types of latent claims. Claims arising from future events can be expected to require the establishment of substantial liabilities from time to time. The estimated timing of the future cash flows is determined by applying cash flow payment assumptions to the best estimate of ultimate future cash flows.

The reserving process is dependent on management's judgement and is subject to meaningful uncertainty due to both qualitative and quantitative factors, including, but not limited to: the nature of the business written, whether it is short-tail or long-tail, whether it is excess of loss or proportional, the magnitude and timing of loss events, the geographic areas impacted by loss events, time lags in the reporting process from the original claimant, limited claims data, policy coverage interpretations, case law, regulatory directives, demand surge and inflation, potential uncertainties related to reinsurance and ceding company reserving practices, and other factors inherent in the estimation process for the net ultimate liability for incurred claims.

The judgements and estimates used in establishing future cash flow calculations may be revised as additional experience or other data becomes available. Future cash flows are also reviewed as new or improved methodologies are developed and as laws or regulations change. Furthermore, as a business operating within a broker market, management must rely on loss information reported to brokers by other insurers and their loss adjusters, who must estimate their own losses at the policy level, often based on incomplete and changing information. The information management receives varies by cedant and may include paid losses, estimated case reserves and an estimated provision for IBNR reserves. Additionally, reserving practices and the quality of data reporting may vary among ceding companies, which adds further uncertainty to management's estimates of the ultimate losses.

CRL's internal actuaries review the assumptions and methodologies on a quarterly basis and develop an actuarial best estimate of CRL's future cash flows using the processes outlined above. The management Reserving Committee reviews the estimate for the liability for incurred claims on a quarterly basis. The reserves are subject to a semi-annual independent review by CRL's external actuaries. The results of the internal and independent reserve reviews are presented to the Audit Committee.

Risk adjustment

The risk adjustment for non-financial risk is the compensation that CRL requires for bearing the uncertainty about the amount and timing of the cash flows arising from reinsurance contracts. CRL determines the risk adjustment at the entity level and allocates to the groups of reinsurance contracts.

CRL has estimated the risk adjustment using a margin-based approach. The margins are calibrated to a targeted confidence interval range using the BMA BSCR risk framework. CRL has estimated that the risk adjustment recognised within the fulfilment cash flow will fall within the range of the 75^{th} and the 85^{th} percentile, gross and net of ceded reinsurance. CRL estimates that the risk adjustment net of ceded reinsurance corresponds to the 82^{nd} percentile as at 31 December 2023 and to the 81^{st} percentile as at 31 December 2022.

Short-tail versus long-tail

Claims relating to short-tail risks are generally reported more promptly than those relating to long-tail risks. The timeliness of reporting can be affected by such factors as the nature of the event causing the loss, the location of the loss and whether the losses are from policies in force with primary insurers or reinsurers.

Excess of loss versus proportional

For excess of loss contracts, management is aided by the fact that each policy has a defined limit of liability arising from one event. Once that limit has been reached, there is no further exposure to additional losses from that policy for the same event. For proportional business, an initial estimated loss and loss expense ratio is generally used. This is based upon information provided by the ceding company and/or their broker and management's historical experience of that treaty, if any, and the estimate is adjusted as actual experience becomes known.

C.2 Market risk

CRL is at risk of loss due to movements in market factors. The main market risks CRL was exposed to include:

- Reinsurance risk;
- Investment risk;
- Currency risk.

Reinsurance risk

CRL is exposed to reinsurance market risk from several sources, including the following:

- The advent or continuation of a soft market, which may result in a stabilisation or decline in premium rates and/or terms and conditions for certain classes, or across all classes.
- The actions and reactions of key competitors, which may directly result in volatility in premium volumes and rates, fee levels and other input costs.
- Market events, including unusual inflation in rates, may result in a limit in the availability of cover, causing political intervention or national remedies.
- Failure to maintain broker and cedant relationships, leading to a limited or substandard choice of risks inconsistent with CRL's risk appetite.
- Changes in regulation including capital, governance or licensing requirements, and laws.
- Changes in the geopolitical environment.

The most important method to mitigate reinsurance market risk is to maintain strict underwriting standards. CRL manages reinsurance market risk in numerous ways, including the following:

- Reviews and amends underwriting plans and outlook as necessary;
- Reduces exposure to, or withdraws from, market sectors where conditions have reached unattractive levels;
- Purchases appropriate, cost-effective reinsurance cover to mitigate exposures;
- Closely monitors changes in rates, terms and conditions and inflation;
- Ensures through rigorous underwriting criteria that surplus capital does not drive short-term risk appetite;
- Typically holds a daily underwriting briefing meeting to discuss deal flow, pricing and opportunities;
- Holds quarterly management Underwriting Oversight Committee meetings that consider matters that include underwriting performance;
- Holds an annual strategy review meeting;
- Holds a quarterly Underwriting Committee board meeting that considers matters including underwriting performance;
- Holds a quarterly Risk, Capital and Compliance Committee meeting to review relevant risk and capital considerations; and
- Holds regular meetings with regulators and rating agencies.

Reinsurance finance risk

Estimates of future cash flows for incurred claims are discounted on initial recognition and then re-measured to current rates as at each reporting date. Reinsurance liabilities and ceded assets for incurred claims are therefore sensitive to the level of market interest rates. Interest rate risk on reinsurance contracts is the risk that the value of the future cash flows will fluctuate due to changes in market interest rates. Movements in interest rates may lead to an adverse impact on the value of CRL's reinsurance contract assets and liabilities. CRL manages this risk by monitoring the duration of reinsurance contract cash flows and adopting policies regarding asset and liability matching to reduce the volatility arising from interest rate movements on assets and liabilities in the statement of comprehensive income (loss).

The total reinsurance contract assets and liabilities exposed to interest rate risk are detailed below:

As at 31 December	**2023** **$m**	2022 $m
Ceded asset for incurred claims	42.6	58.5
Liability for incurred claims	(592.2)	(391.1)
Total	**(549.6)**	**(332.6)**

Discount rates

All future cash flows are discounted using yield curves that are adjusted to reflect the characteristics of the cash flows and the liquidity of the reinsurance contracts. CRL determines its discount rates using a bottom-up method of using a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields published by EIOPA for the relevant, material currencies. The illiquidity premium is determined by reference to observable market rates.

The annual spot rates including illiquidity premium used for discounting future cash flows on an IFRS 17 basis are shown below:

	2023				2022			
All portfolios	**1 year**	**3 years**	**5 years**	**10 years**	1 year	3 years	5 years	10 years
USD	5.26%	4.22%	4.00%	3.95%	5.57%	4.76%	4.45%	4.25%
EUR	3.86%	2.94%	2.82%	2.89%	3.68%	3.70%	3.63%	3.59%
GBP	5.24%	4.17%	3.86%	3.78%	4.96%	4.83%	4.56%	4.21%

Discount rates applied for discounting future cash flows on an EBS basis are shown below:

	2023				2022			
All portfolios	**1 year**	**3 years**	**5 years**	**10 years**	1 year	3 years	5 years	10 years
USD	5.92%	4.87%	4.62%	4.44%	6.01%	5.21%	4.92%	4.74%
EUR	3.72%	2.79%	2.64%	2.60%	3.83%	3.76%	3.63%	3.43%
GBP	5.40%	4.45%	4.24%	4.15%	5.09%	4.99%	4.81%	4.50%

The sensitivity of CRL's net reinsurance contract assets and liabilities to interest rate movements is detailed below, assuming linear movements in interest rates.

	2023		2022	
As at 31 December	**$m**	**%**	$m	%
Immediate shift in yield (basis points)				
100	17.4	3.2	10.7	3.2
75	13.1	2.4	8.1	2.4
50	8.7	1.6	5.4	1.6
25	4.4	0.8	2.7	0.8
0	-	-	-	-
-25	(4.4)	(0.8)	(2.7)	(0.8)
-50	(8.8)	(1.6)	(5.5)	(1.7)
-75	(13.3)	(2.4)	(8.2)	(2.5)
-100	(17.8)	(3.2)	(11.0)	(3.3)

Investment risk

Movements in investments resulting from changes in interest and inflation rates, credit spreads, and currency exchange rates, among other factors, may lead to an adverse impact on the value of CRL's investment portfolio. CRL seeks to invest in issuers with stronger ESG practices on balance, as it believes that this will also help reduce risk in the portfolio.

The Investment Committee of CRL is responsible for all investment-related decisions and investment guidelines. The investment guidelines set the parameters within which CRL's external managers must operate. Important parameters of these guidelines include permissible asset classes, duration ranges, credit quality, permitted currency, maturity, industry sectors, geographical, sovereign and issuer exposures. Guideline compliance is monitored on a monthly basis. The portfolio of fixed maturity securities is currently managed by four external managers. Their performance is monitored on an ongoing basis. CRL projects the level of funds required to meet near-term obligations and cash flow needs following extreme events in order to ensure adequate liquidity is maintained. CRL also prioritises liquid asset classes with higher credit quality and shorter duration so that CRL can meet reinsurance and other near-term obligations. CRL has split the portfolio into a short-tail mandate, to better match the property and specialty classes of business, and a long-tail mandate, to better match the casualty classes of business and some aspects of the specialty classes of business. The short-tail mandate will be slightly shorter duration than the long-tail mandate.

CRL reviews the composition, duration and asset allocation of its investment portfolio on a regular basis to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

CRL models various periods of significant stress in order to better understand the investment portfolio's risks and exposures. The scenarios represent what could, and most likely will, occur – albeit not in the exact form of the scenarios, which are based on historic periods of volatility. CRL also monitors the portfolio impact of more severe scenarios consisting of extreme shocks.

CRL focuses on the most significant risks in its investment portfolio which are interest rate risk, credit risk and liquidity risk, and has built stress testing and risk analytics around these risks to ensure they are within tolerances and preferences.

Strategic asset allocation reviews will be undertaken periodically to assess CRL's overall investment strategy and to consider alternative asset allocations to achieve the best risk-adjusted return within CRL's risk appetite. Any resulting recommendations would be approved by the appropriate management committee(s) and reported to the Board. The Investment Committee meets quarterly to ensure that the strategic and tactical investment actions were consistent with investment risk preferences, appetite, risk and return objectives and tolerances. The investment risk tolerances have been incorporated into the risk framework.

The investment mix by mandate and sector of Conduit's portfolio of fixed maturity securities is as follows:

As at 31 December 2023	**Estimated fair value short-tail $m**	**Estimated fair value long-tail $m**	**Estimated fair value total $m**
Short-term investments	42.0	4.7	46.7
US treasuries	230.0	113.9	343.9
US agency debt	2.0	1.8	3.8
US municipals	11.8	7.3	19.1
Non-US government and agency	2.0	-	2.0
Asset-backed	125.4	48.9	174.3
US government agency mortgage-backed	62.3	59.8	122.1
Non-agency mortgage-backed	11.7	6.6	18.3
Agency commercial mortgage-backed	7.8	-	7.8
Non-agency commercial mortgage-backed	25.6	31.2	56.8
Corporate	286.1	157.5	443.6
Total	**806.7**	**431.7**	**1,238.4**

As at 31 December 2022	Estimated fair value short-tail $m	Estimated fair value long-tail $m	Estimated fair value total $m
Short-term investments	33.2	4.7	37.9
US treasuries	103.6	106.6	210.2
US agency debt	-	1.8	1.8
US municipals	10.0	5.2	15.2
Non-US government and agency	2.0	-	2.0
Asset-backed	102.6	61.2	163.8
US government agency mortgage-backed	52.7	47.9	100.6
Non-agency mortgage-backed	9.8	3.0	12.8
Agency commercial mortgage-backed	3.2	-	3.2
Non-agency commercial mortgage-backed	21.9	30.8	52.7
Corporate	263.6	157.9	421.5
Total	**602.6**	**419.1**	**1,021.7**

Corporate and non-US government and agency bonds by country are as follows:

As at 31 December 2023	**Financials $m**	**Other industries $m**	**Non-US government and agency $m**	**Total $m**
US	179.0	178.5	-	357.5
UK	22.9	1.6	-	24.5
Canada	16.1	0.9	-	17.0
Other countries	42.9	1.7	2.0	46.6
Total	**260.9**	**182.7**	**2.0**	**445.6**

As at 31 December 2022	Financials $m	Other industries $m	Non-US government and agency $m	Total $m
US	140.6	187.7	-	328.3
UK	21.7	5.5	-	27.2
Canada	23.2	0.5	-	23.7
Other countries	35.4	6.9	2.0	44.3
Total	**220.9**	**200.6**	**2.0**	**423.5**

The sector allocation of corporate bonds is as follows:

	2023		2022	
As at 31 December	**$m**	**%**	$m	%
Financials	260.9	58.8	220.9	52.4
Industrials	161.4	36.4	180.3	42.8
Utilities	21.3	4.8	20.3	4.8
Total	**443.6**	**100.0**	**421.5**	**100.0**

CRL's investment portfolio is comprised of fixed maturity securities and cash and cash equivalents. Fair values can be impacted by movements in interest rates, credit ratings, exchange rates, the current economic environment and outlook. The estimated fair value of the portfolio of fixed maturity securities is generally inversely correlated to movements in market interest rates. If market interest rates fall, the estimated fair value of CRL's portfolio of fixed maturity securities would tend to rise and vice versa. The sensitivity of the price of fixed maturity securities to movements in interest rates is indicated by their duration. The greater a security's duration, the greater its price volatility to movements in interest rates. The sensitivity of CRL's portfolio of fixed maturity securities to interest rate movements is detailed below, assuming linear movements in interest rates.

	2023		2022	
As at 31 December	**$m**	**%**	$m	%
Immediate shift in yield (basis points)				
100	**(32.1)**	**(2.6)**	(23.0)	(2.2)
75	**(24.1)**	**(1.9)**	(17.2)	(1.7)
50	**(16.0)**	**(1.3)**	(11.5)	(1.1)
25	**(8.0)**	**(0.6)**	(5.7)	(0.6)
0	**-**	**-**	-	-
-25	**9.1**	**0.7**	6.6	0.6
-50	**18.3**	**1.5**	13.2	1.3
-75	**27.4**	**2.2**	19.7	1.9
-100	**36.5**	**2.9**	26.3	2.6

CRL mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines. The duration of the portfolio is matched to the modelled expected duration of the reinsurance reserves, within a permitted range. The permitted duration range for the portfolio is between 1.5 and 5 years. The overall duration for the fixed maturity securities, managed cash and cash equivalents is 2.4 years as at 31 December 2023 (as at 31 December 2022: 2.2 years).

In addition to duration management, CRL monitors VaR to measure potential losses in the estimated fair values of its cash and invested assets and to understand and monitor risk. The VaR calculation is performed using variance/covariance risk modelling. Securities are valued individually using standard market pricing models. These security valuations serve as the input to many risk analytics. The principal VaR measure that is produced is an annual VaR at the 99th percentile confidence level. Under normal conditions, the portfolio is not expected to lose more than the VaR metric listed below, 99% of the time over a one-year time horizon. The appropriateness of this measure is considered by the Investment Committee periodically.

CRL's annual VaR calculation is as follows:

	2023		2022	
As at 31 December	**$m**	**% of shareholders' equity**	$m	% of shareholders' equity
99th percentile confidence level	**91.9**	9.1%	62.0	7.0%

Currency risk

CRL is susceptible to fluctuations in rates of foreign exchange, principally between the US dollar and pound sterling and the US dollar and the euro. Even though risks are assumed on a worldwide basis, they are predominantly denominated in US dollars. CRL is exposed to currency risk to the extent its assets are denominated in different currencies to its liabilities. CRL is also exposed to translation risk on non-monetary assets and liabilities. Foreign currency gains and losses are recorded in the period they occur in the statement of comprehensive income (loss).

CRL hedges monetary non-US dollar liabilities primarily with non-US dollar assets but may also use derivatives, such as currency forwards, to mitigate foreign currency exposures. The main foreign currency exposure relates to its reinsurance and ceded reinsurance assets and liabilities, cash holdings and dividend payable, if applicable.

With the adoption of IFRS 17 all reinsurance and ceded reinsurance assets and liabilities are monetary items and are revalued at period end exchange rates.

The following table summarises the carrying value of all monetary and non-monetary assets and liabilities categorised by CRL's main currencies. Prior periods have been restated for the adoption of IFRS 17:

As at 31 December 2023	**USD $m**	**GBP $m**	**EUR $m**	**Other $m**	**Total $m**
Total assets	1,411.2	50.9	16.6	25.5	1,504.2
Total liabilities	(425.7)	(20.1)	(29.3)	(20.4)	(495.5)
Net assets (liabilities)	**985.5**	**30.8**	**(12.7)**	**5.1**	**1,008.7**

As at 31 December 2022 (re-stated)	USD $m	GBP $m	EUR $m	Other $m	Total $m
Total assets	1,183.9	28.9	4.3	7.1	1,224.2
Total liabilities	(296.4)	(8.6)	(22.4)	(12.9)	(340.3)
Net assets (liabilities)	**887.5**	**20.3**	**(18.1)**	**(5.8)**	**883.9**

The impact on profit from a proportional foreign exchange movement of 10.0% against the US dollar at year end spot rates would be a decrease or increase of $0.4 million (31 December 2022: increase or decrease $1.3 million).

C.3 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring unreasonable costs. Conduit's main exposure to liquidity risk is with respect to its reinsurance and investment activities. Conduit is exposed if proceeds from the sale of financial assets are not sufficient to fund obligations arising from reinsurance contacts and/or other liabilities. Conduit can be exposed to fund daily calls on its available investment assets, principally to settle reinsurance claims and/or to fund trust accounts following a large catastrophe loss, or other collateral requirements.

Liquidity risk exposures related to reinsurance activities are as follows:

- Large catastrophic events, or multiple medium-sized events in quick succession, requiring the payment of high value claims within a short time frame or to fund trust accounts established to collateralise claims payment liabilities.
- Failure of cedants to meet their contractual obligations with respect to the timely payment of premiums.
- Failure of Conduit's ceded reinsurers to meet their contractual obligations to pay claims within a timely manner.

Liquidity risk exposures related to investment activities are as follows:

- Adverse market movements and/or a duration mismatch to obligations, resulting in investments needing to be disposed of at a significant realised loss.
- An inability to liquidate investments due to market conditions.

Conduit's investment strategy is to hold high quality, liquid securities sufficient to meet reinsurance liabilities and other near-term liquidity requirements. Portfolios are specifically designed to ensure funds are readily available in an extreme event.

The maturity dates of Conduit's portfolio of fixed maturity securities are as follows:

	Short-tail	**Long-tail**	**Total**
As at 31 December 2023	**$m**	**$m**	**$m**
Fixed maturity securities at FVTPL			
Less than one year	174.6	29.9	204.5
Between one and two years	135.3	13.1	148.4
Between two and three years	122.3	47.7	170.0
Between three and four years	29.3	21.5	50.8
Between four and five years	41.1	79.8	120.9
Over five years	71.3	93.2	164.5
Asset-backed and mortgage-backed	232.8	146.5	379.3
Total	806.7	431.7	1,238.4

As at 31 December 2022	Short-tail $m	Long-tail $m	Total $m
Fixed maturity securities at FVTPL			
Less than one year	167.9	46.0	213.9
Between one and two years	149.5	37.0	186.5
Between two and three years	54.2	12.5	66.7
Between three and four years	15.8	48.8	64.6
Between four and five years	4.9	21.0	25.9
Over five years	20.1	110.9	131.0
Asset-backed and mortgage-backed	190.2	142.9	333.1
Total	**602.6**	**419.1**	**1,021.7**

The estimated maturity profile of the reinsurance liability for incurred claims and financial liabilities of CRL is as follows:

	Years until liability becomes due – discounted											
	2023						2022					
	Carrying value	**Less than one**	**One to three**	**Three to five**	**Over five**	**Total**	Carrying value	Less than one	One to three	Three to five	Over five	Total
As at 31 December	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	$m	$m	$m	$m	$m	$m
Reinsurance liability for incurred claims	592.2	129.9	255.9	116.6	89.8	592.2	391.1	109.9	160.0	66.1	55.1	391.1
Other reinsurance payables	12.0	12.0	-	-	-	12.0	16.2	16.2	-	-	-	16.2
Other payables	12.0	12.0	-	-	-	12.0	8.7	8.7	-	-	-	8.7
Lease liabilities	2.3	0.7	1.6	-	-	2.3	2.4	0.6	1.2	0.6	-	2.4
Total	**618.5**	**154.6**	**257.5**	**116.6**	**89.8**	**618.5**	**418.4**	**135.4**	**161.2**	**66.7**	**55.1**	**418.4**

Actual maturities of the above may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. The estimation of the ultimate liability for incurred claims is complex and incorporates a significant amount of judgement. The timing of payments is also uncertain and cannot be predicted as simply as for other financial liabilities. Actuarial and statistical techniques, past experience and management's judgement have been used to determine a likely settlement pattern.

As at 31 December 2023, cash and cash equivalents were $199.1 million (31 December 2022: $112.4 million). CRL manages its liquidity risks via its investment strategy to hold high quality, liquid securities, sufficient to meet its reinsurance liabilities and other near-term liquidity requirements. In addition, CRL has established asset allocation and maturity parameters within the investment guidelines such that the majority of the investments are in high quality assets which could be converted into cash promptly and at minimal expense. CRL monitors market changes and outlook and reallocates assets as it deems necessary.

As at 31 December 2023, CRL considers it has more than adequate liquidity to pay its obligations as they fall due even if difficult investment market conditions were to prevail for a period of time.

C.4 Credit risk

Credit risk is the risk that a counterparty may fail to pay, or repay, a debt or obligation. CRL is exposed to credit risk on its fixed maturity investment portfolio, its expected premium cash flows due from cedants and on ceded reinsurance recoverables.

Credit risk on CRL's portfolio of fixed maturity securities is mitigated through the investment policy to invest in instruments of high credit quality issuers and to limit the amounts of credit exposure with respect to particular ratings categories and any one issuer. Securities rated below an S&P or equivalent rating of BBB+ may comprise no more than 10.0% of the portfolio. CRL also limits exposure to individual issuers, with declining limits for less highly rated issuers. CRL therefore does not expect any significant credit concentration risk on its investment portfolio, except for fixed maturity securities issued by the US government and its agencies.

CRL is potentially exposed to counterparty credit risk in relation to the total expected premium cash flows due from reinsurance brokers and cedants and on ceded reinsurance recoverables due from CRL's reinsurers. Credit risk on total expected premium cash flows due from cedants is managed by conducting business with reputable broking organisations, with whom CRL has established relationships, and by rigorous cash collection procedures. CRL also has a broker approval process in place. Credit risk from ceded reinsurance recoverables is primarily managed by the review and approval of reinsurer security, with ongoing monitoring in place.

Ceded reinsurance recoverables are recorded within ceded reinsurance contract assets as the ceded asset for incurred claims which is shown in note 14.

The table opposite presents an analysis of CRL's major exposures to counterparty credit risk, based on their rating. Expected premium cash flows are not rated, however there is limited default risk associated with these amounts.

As at 31 December 2023	**Cash and cash equivalents and fixed maturity securities $m**	**Ceded asset for incurred claims $m**
AAA	434.2	-
AA+, AA, AA-	562.0	-
A+, A, A-	332.6	23.1
BBB+, BBB, BBB-	109.4	-
Other	-	19.5
Total	**1,438.2**	**42.6**

As at 31 December 2022	Cash and cash equivalents and fixed maturity securities $m	Ceded asset for incurred claims
AAA	651.4	-
AA+, AA, AA-	74.5	-
A+, A, A-	279.7	31.0
BBB+, BBB, BBB-	129.0	-
Other	-	27.5
Total	**1,134.6**	**58.5**

The ceded reinsurance contract assets classified as other is fully collateralised.

As at 31 December 2023 the average credit quality of CRL's cash and cash equivalents and portfolio of fixed maturity securities was AA (31 December 2022: AA).

Total expected premium cashflows represents the premium, net of deductions, expected to be received for past and future reinsurance coverage. The following table shows total expected premium cash flows that are not yet due and those that are past due but not impaired, which represents the exposure to credit risk on reinsurance contracts issued at the balance sheet date:

As at 31 December	**2023 $m**	2022 $m (restated)
Not yet due	318.2	215.0
Less than 90 days past due	42.7	29.8
Over 90 days past due	7.0	3.4
Total	**367.9**	**248.2**

For the year ended 31 December 2023 and 2022 no provisions have been made for impaired or irrecoverable balances and no amount was charged to the consolidated statement of comprehensive income (loss) in respect of bad debts.

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems or external events. During the reporting period, various operational risks were identified, and steps were taken to manage or mitigate these risks.

The risk framework addresses the identification, assessment and management of operational risks. This process involves the use of risk registers to identify inherent risk and residual risk after the application of controls. The management of individual risks is the responsibility of management, with independent challenge and oversight provided by the risk function. The results of compliance reviews and independent internal audits provide an additional level of review and verification. The Audit Committee has selected a reputable provider to serve as outsourced internal auditors.

C.6 Strategic risk

CRL has identified several strategic risks, including:

- The risks that either the poor execution of the business plan or an inappropriate business plan in itself results in a strategy that fails to reflect adequately the trading environment, resulting in an inability to optimise performance, including reputational risk.
- The risks of the failure to maintain adequate capital, accessing capital at an inflated cost or the inability to access capital and unanticipated changes in vendor, regulatory and/or rating agency models that could result in an increase in capital requirements or a change in the type of capital required.
- The risks of succession planning, staff retention and key personnel risks.

Business plan risk

CRL's business plan forms the basis of operations and provides strategic direction to management. Actual versus planned results are monitored regularly.

Capital management risk

The total tangible capital is as follows:

As at 31 December	2023 $m	2022 $m (re-stated)
Shareholders' equity	1,008.7	883.9
Intangible assets	-	1.4
Total tangible capital	**1,008.7**	**882.5**

Risks associated with the effectiveness of CRL's capital management are mitigated as follows:

- Regular monitoring of current and prospective regulatory and rating agency capital requirements.
- Oversight of capital requirements by the Board.
- Ability to purchase sufficient, cost-effective reinsurance.
- Maintaining contact with vendors, regulators and rating agencies in order to stay abreast of upcoming developments.
- Participation in industry groups such as the Association of Bermuda Insurers and Reinsurers, Reinsurance Association of America and the International Underwriting Association.

CRL reviews the level and composition of capital on an ongoing basis with a view of:

- Maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- Maximising the risk-adjusted return to shareholders within the context of the defined risk appetite;
- Maintaining an adequate financial strength rating; and
- Meeting all relevant capital requirements.

Capital is increased or returned as appropriate. The retention of earnings generated leads to an increase in capital. Capital raising can include debt or contributions, and returns of capital may be made through a return of capital, dividends, redemption of debt or any combination thereof. Other capital management tools and products available to CRL may also be utilised. All capital actions require approval by the Board.

The primary source of capital used by CRL is equity shareholder's funds provided by its parent. The ability of CRL to pay dividends and make capital distributions is subject to the legal and regulatory restrictions of the jurisdiction in which it operates.

CRL is regulated as a Class 4 (re)insurer by the BMA and is required to hold sufficient capital in that under applicable regulations. BMA's regulatory framework, has been assessed as equivalent to the EU's Solvency II regime. CRL had sufficient capital at all times throughout the year to meet the BMA's requirements, inclusive of the BSCR standard formula and minimum margin of solvency.

Retention risk

Risks associated with succession planning, staff retention and key man risks are mitigated through a combination of resource planning processes and controls, including:

- The identification of key personnel with appropriate succession plans at CHL;
- The identification of key team profit generators at CRL and function heads with targeted retention packages;
- Documented recruitment procedures, position descriptions and employment contracts;
- Resource monitoring and the provision of appropriate compensation, including equity-based incentives which vests over a defined time horizon, subject to achieving certain performance criteria; and
- Training schemes.

C.7 Summary level risk register

A review of the summary level risk register which sets out our general exposure to risks and our approach to managing them was carried out by the Board at the fourth quarter 2023 meetings in February 2024. By formally reviewing it, the boards are demonstrating their awareness of the risks of our business, consistent with corporate governance expectations. A summary is provided below inclusive of the Company's view of the trending change in profile since the 2022 report.

Increasing Decreasing No change

Risk category	Relative appetite/preference	Trend	Commentary
Overall – capital adequacy	Low We maintain capital to support a minimum rating of A– by AM Best and to provide a surplus over the regulatory enhanced capital requirement of twice that prescribed as an early warning buffer by the BMA.	No change	AM Best affirmed our A– rating and we continue to have substantial capital to deploy. In addition to regulatory and rating agency perspectives, we have now implemented an internal capital model. While it continues to undergo validation activities it has already been used to provide an additional perspective.
Underwriting – premium	High This is the risk we seek in order to generate return. The risk is managed by seeking a target portfolio based on our view of rate adequacy and target diversification, supported by event and/or aggregate retrocessional protections.	No change	After consecutive market-loss heavy years, we are expecting favourable underwriting conditions to prevail into 2024. This, together with an expanded underwriting team and increased familiarity with cedants reduces the execution risk.
Underwriting – exposure and aggregations	Medium We underwrite catastrophe-exposed reinsurance through our property and specialty classes, and business exposed to other aggregations, notably across casualty lines. We seek to understand and manage our exposures generally to a lower level than our Bermuda peer group.	Increasing	As our portfolio has grown in scale, we have benefited from greater diversification and lower than initially anticipated exposure to natural perils per dollar of total premium. More broadly, increased scale includes an element of assuming greater accumulations and a period of continued macroeconomic uncertainty increases certain risks and potential for aggregation.
Underwriting – reserve	Medium We underwrite catastrophe-exposed reinsurance through our property and specialty classes, and business exposed to other aggregations, notably across casualty lines. We seek to build a diversified portfolio and manage our exposures generally to a lower level than our Bermuda peer group.	No change	Portfolio growth reduces reserve risk, while continued uncertain macroeconomic factors offset this.
Investment – market and liquidity	Low Our primary aim is to protect capital and, consequently, we have a low appetite to expose our capital base to investment losses and a low appetite for volatility.	Decreasing	Our limited risk portfolio continues to remain highly liquid while improving investment yields provide additional protection against inflation,

Increasing Decreasing No change

Risk category	Relative appetite/preference	Trend	Commentary
Credit	Low We use reinsurance to provide protection and therefore select reinsurers who provide limited credit risk.	↔	All retrocessionaires continue to be high quality and approved by the Counterparty Security Committee. Our collateralised reinsurers continue to be required to provide high quality collateral, held in trust.
Operational and systems	Low We seek to minimise our operational risk within the context of operating as a reinsurer. We seek to attract and retain high-quality staff and gain competitive advantage by use of high-quality and integrated systems.	↘	We have expanded our team, reducing key person dependencies and continue to refine our processes and technology.
Strategic	Low We seek to manage risk by keeping a clear and focused strategy as a single balance sheet reinsurer based in one location.	↘	We have executed on strategy to date and favourable market conditions further reduce strategic risk.
Reputational	Low A focus on maintaining and enhancing brand and franchise value with support from the ESG Committee, established by the holding company Board.	↔	Public coverage is favourable to date and the quality and maturity of our external disclosures continue to improve. Conversely, as recognition of Conduit increases, this provides greater visibility.
Legal, regulatory and litigation	Very low We seek to minimise our legal, litigation and regulatory risk by investing in our systems and people. We have no appetite for censure by regulators and tax authorities.	↗	While legal, regulatory and litigation risks are generally low, we include tax risk in this grouping and, the rate of change on the global tax agenda presents increased uncertainty and risk - albeit recognising that Conduit underwrites on a single balance sheet from a single location.

C.8 Investment in accordance with the prudent person principle

The BMA's Insurance Code of Conduct requires companies to invest assets in accordance with the 'prudent person principle'. In all cases, CRL invests assets in accordance with the prudent person principle. That is, the Board must discharge its duties with the care, skill, prudence and diligence that a prudent person acting in a similar capacity would use in the conduct of an enterprise of similar character and objectives.

CRL invests in assets and instruments that can be properly identified, measured, monitored, managed, controlled and reported on. CRL's investment guidelines set the parameters within which CRL's external managers must operate. Important parameters of these guidelines include permissible asset classes, duration ranges, credit quality, permitted currency, maturity, industry sectors, geographical, sovereign and issuer exposures. Guideline compliance is monitored on a monthly basis. CRL's portfolio of fixed maturity securities is currently managed by three external managers. Their performance is monitored on an ongoing basis.

C.9 Stress and scenario testing on capital

Stress and scenario testing is a key part of the overall risk framework and helps to provide a better understanding of the risks the Company is exposed to in both normal and stressed circumstances. CRL conducts sensitivity, stress and scenario testing on both a scheduled and ad-hoc basis as part of a number of the underlying components in the risk and CISSA framework.

The results of the 2023 stress tests highlighted that the capital resources in place exceed the immediate capital requirements, including under realistic stressed scenarios.

D. Solvency Valuation

D.1 Valuing assets

CRL has used the valuation principles outlined by the Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair-value basis (which is the values that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date).

Reclassification adjustments

Total expected premium cashflows that are not yet due are included in the cash flows used to calculate technical provisions and those which are due but not yet received are included in the Economic Balance Sheet ("EBS").

Valuation of intangible assets, deferred reinsurance acquisition expense cashflows and prepaid expenses

Intangible assets, deferred reinsurance acquisition expense cashflows and prepaid expenses are valued at nil for EBS valuation purposes.

D.2 Valuing liabilities

Reinsurance and ceded reinsurance balances payable

Reinsurance and ceded reinsurance balances payable that are not yet due are included in the cash flows used to calculate technical provisions and those which are due but not yet paid are included in the EBS.

Other liabilities and payables

Other liabilities and payables are valued for EBS purposes on the same basis as for IFRS accounting purposes since the carrying value approximates economic value due to their short-term nature.

Technical provisions

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate liquidity adjustment. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows, which is calculated using the cost of capital approach and a risk-free discount term structure. The discount rate term structures are prescribed by the BMA for each reporting period. The results are mapped to the BMA defined Classes of Business.

The best estimate for the loss and loss expense provision is calculated by using net liability for incurred claims (on a IFRS 17 basis) as a starting point and then performing a series of adjustments, including:

- Removal of IFRS discounting
- Removal of IFRS ceded reinsurers non-performance risk
- Removal of uplift factors/margins of uncertainty;
- Incorporation of events not in data ("ENID");
- Allowance for reinsurance counterparty default;
- Allowance for future expenses; and
- Discounting of cash flows.

The best estimate for the premium provision is calculated by using the future expected reinsurance revenue on contracts in force at the balance sheet date and then carrying out the following adjustments:

- Application of best estimate loss ratios to the reinsurance revenue;
- Amendments for ENID, reinsurance counterparty default ;
- Allowance for future expenses;
- Allowance for bound but not incepted ("BBNI") policies; and
- Projecting and discounting of cash flows.

As at 31 December 2023, the total net technical provisions amount to $400.9 million (31 December 2022: $219.1 million) comprising the following (on an EBS basis):

As at 31 December	**2023 $m**	2022 $m
Net premium provisions	(140.0)	(131.1)
Net loss and loss expense provisions	505.7	326.1
Risk margin	35.2	24.0
Total net technical provisions	400.9	**219.1**

E. Capital Management

The primary capital management objectives of CRL are to maintain a strong capital base to support the development of its business and to meet regulatory and rating agency capital requirements at all times. CRL strives to be an efficient and prudent user of capital, maintaining capital to support a minimum rating of A– by AM Best and to provide a surplus over the regulatory enhanced capital requirement of twice that prescribed as an early warning buffer by the BMA.

E.1 Eligible Capital

The capital base has been established as part of a five-year business plan, with underwriting having commenced in 2021. The capital base comprises common shares plus contributed surplus. The total eligible capital as at 31 December 2023 was $1,127.5 million (2022: $947.0 million). The $118.8 million difference between shareholder equity in the financial statements and regulatory eligible capital relates to different approaches to recognising and discounting future reinsurance assets and liabilities on an IFRS 17 basis compared to an Economic Balance Sheet ("EBS") basis.

CRL's eligible capital was categorised as follows:

31 December 2023	**Eligible Capital $m**	**Applied to Minimum Margin of Solvency $m**	**Applied to Enhanced Capital Requirement $m**
Tier 1	1,069.1	1,069.1	1,069.1
Tier 2	58.4	58.4	58.4
Tier 3	-	-	-
Total	1,127.5	1,127.5	1,127.5

31 December 2022	Eligible Capital $m	Applied to Minimum Margin of Solvency $m	Applied to Enhanced Capital Requirement $m
Tier 1	864.4	864.4	864.4
Tier 2	82.7	82.7	82.7
Tier 3	-	-	-
Total	947.0	947.0	947.0

E.2 Regulatory Capital Requirements

There was no non-compliance with regulatory capital requirements during the year.

The Enhanced Capital Requirement ("ECR") is based on the greater of the minimum margin of solvency ("MSM") and the BSCR.

As at 31 December 2023 and 31 December 2022 respectively, the regulatory capital requirements for CRL were assessed as follows:

As at 31 December	2023 $m	2022 $m
Bermuda Solvency Capital Requirement	296.3	234.5
Minimum Margin of Solvency	418.8	290.5
Enhanced Capital Requirement	**418.8**	**290.5**
Eligible Capital	**1,127.5**	**947.0**
BSCR Coverage Ratio	381%	404%
ECR Coverage Ratio	**269%**	**326%**

E.3 Approved Internal Capital Model used to derive the ECR

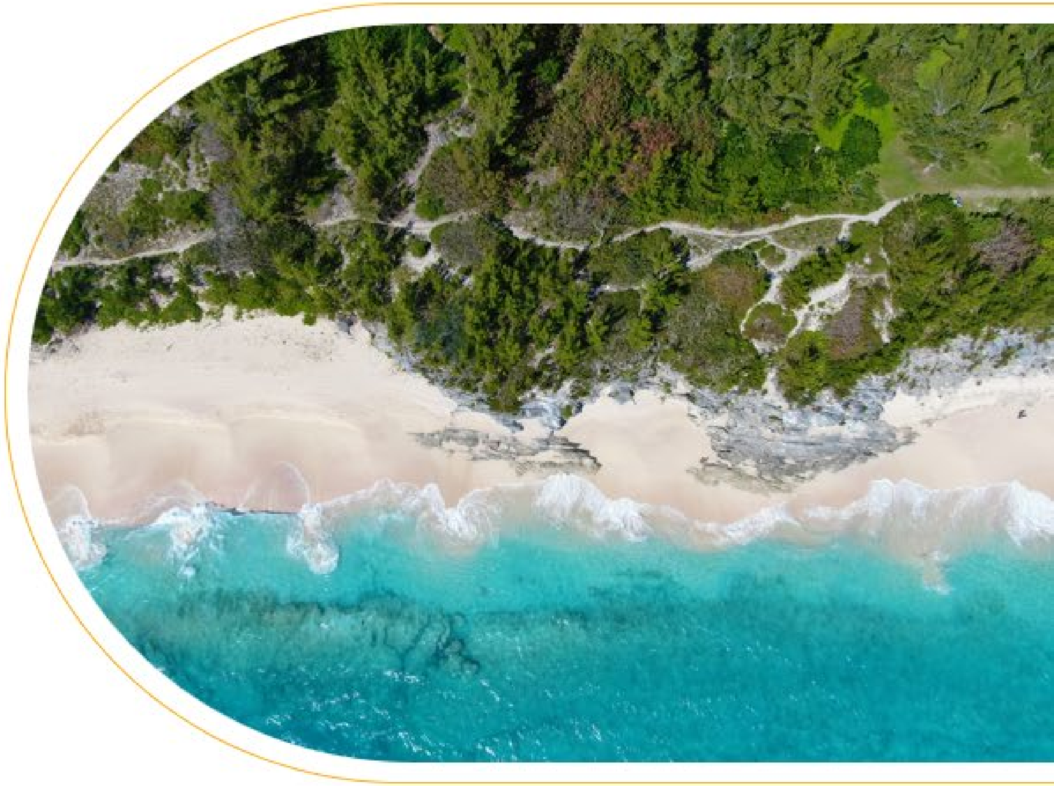
The Company has not sought approval to use an internal capital model to determine its regulatory capital requirements.

F. Subsequent Events

Dividend

On 21 February 2024, the CHL Board of Directors declared a final dividend for 2023 to be paid during the second quarter of 2024. As CHL does not generate its own cash flows and relies on dividends/distributions from its subsidiaries to meet its ongoing cash flow needs, the CRL Board of Directors approved a dividend to CHL in the amount of $50.0 million during February 2024.

G. FCR Declaration



Confirmation

To the best of our knowledge and belief, this Financial Condition Report fairly represents the financial condition of the Company in all material aspects during the reporting period.

Signed and dated:

Andrew Smith
Chief Risk Officer
30 April 2024

Trevor Carvey
Chief Executive Officer
30 April 2024

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