

Antares Reinsurance



Annual Report and Accounts

31 December 2023

ANTARES REINSURANCE COMPANY LIMITED
BERMUDA REGISTRATION: 50896
ANNUAL REPORT AND ACCOUNTS CCOUNTS
31 DECEMBER 2023

Table of Contents

Company Information	3
Directors' Report	4
Directors' Responsibilities Statement	11
Independent auditor's report to Antares Reinsurance Company Limited	12
Statement of Comprehensive Income	16
Statement of Financial Position - Assets.....	18
Statement of Financial Position – Liabilities	19
Statement of Changes in Equity	20
Notes to the Annual Accounts.....	21

Company Information

Directors

William Malloy

George A. Prescott

Michael G. Frith

Michael P. Van der Straaten

Mark Graham

Philip Smith

Ahmed El Tabbakh (Resigned 20 March 2024)

Faraz Khalid (Resigned 20 March 2024)

Marios Georgiou (Resigned 20 March 2024)

Jennifer Crayford (Resigned 28 April 2023)

Pantelis Koulovasilopoulos (Resigned 15 July 2023)

Misha Novakovic (Appointed 23 March 2023, Resigned 20 March 2024)

Secretary

Chris Mckinley

Registered Office

71 Pitts Bay Road

Pembroke HM 08

Bermuda

Registered Number

Bermuda Registrar of Companies - 50896

Registered Auditor

KPMG LLP

15 Canada Square

London, E14 5GL

Directors' Report

The Directors present their annual report, together with the audited financial statements for the year ended 31 December 2023.

Principal Activity

Antares Reinsurance Company Limited (the "Company"), formerly known as Qatar Reinsurance Company Limited, is primarily engaged in the business of reinsurance and was authorised as a Class 4 insurer by the Bermuda Monetary Authority ("BMA") on 24 November 2015.

The Company was originally incorporated on 6 December 2009 in the Qatar Financial Centre ("QFC") in Doha, Qatar under the name of "Q-Re LLC" and with Registration Number 00117. The Company subsequently changed its name to Qatar Reinsurance Company LLC on 18 February 2014. On 24 November 2015, the Company completed the transfer of its seat of incorporation from the QFC to Bermuda and was incorporated in Bermuda under the name of Qatar Reinsurance Company Limited as an exempted company with limited liability and with registration number 50896.

On 26 January 2018 the address of the registered office of the Company changed from Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, to 71 Pitts Bay Road, Pembroke HM 08, Bermuda, which is also the address of the Company's head office.

On 14 October 2022 to unify the Company and its subsidiaries ("collectively "the Group") under a consistent brand that reflects the international nature of the operations, the Company changed its name from Qatar Reinsurance Company Limited to Antares Reinsurance Company Limited.

The Company is wholly owned by a single shareholder - QIC Capital LLC ("QICC") – a limited liability holding company incorporated in the QFC. QICC is wholly owned subsidiary of Qatar Insurance Company Q.S.P.C. ("QIC"), a Qatar Shareholding Company listed on the Qatar Stock Exchange and the ultimate parent of the QIC group of companies. The Company operates from its head office in Bermuda and its branch offices established in Switzerland and United Kingdom.

These consolidated financial statements incorporate the financial information of the Company and its subsidiaries, all of which have 31 December as their financial year end.

Subsidiaries

On 25 July 2018, the Company completed the acquisition of 100% of the share capital of the Markerstudy Group's Gibraltar-based insurance companies, namely: Markerstudy Insurance Company Limited ("MICL"); Zenith Insurance PLC; St. Julians Insurance Company Limited ("SJICL") and Ultimate Insurance Company. At the time the Gibraltar-based insurance companies underwrote more than 5% of the UK motor insurance market. Ultimate Insurance Company has been placed into runoff and has been de-registered with the insurance regulator in Gibraltar. On 23 November 2021, Zenith Insurance PLC has changed its name to West Bay Insurance PLC ("West Bay").

On 1 September 2018, the Company acquired 100% of the share capital of QIC Europe Limited ("QEL"). QEL is a limited liability company incorporated in Malta and is authorised by the Malta Financial Services Authority to conduct insurance and reinsurance business in a number of classes of business. Prior to this acquisition QEL was a wholly owned subsidiary of QIC and as such was considered a related party to the Company through common ownership.

QEL writes insurance and reinsurance business throughout the European Economic Area (the "EEA"), with a large portion of its book of business written in the United Kingdom (the "UK"). The UK exited the European Union (the "EU") on 31 January 2020. As a result, after 31 December 2020 QEL would no longer be able to rely on EU passporting rights to operate in the UK and would be required to obtain a Part 4A permission from the Prudential Regulation Authority (the "PRA") and the Financial Conduct Authority (the "FCA") to continue operating in the UK.

As one would expect a large numbers of firms applied for this permission and to avoid any disruption to business, the UK regulator has implemented a Temporary Permissions Regime ("TPR"), which came into effect on 1 January 2021. This TPR allows EEA firms currently operating in the UK (such as QEL) to temporarily continue operating and servicing UK contracts with minimal disruption while they apply for and/or wait for the regulators to evaluate and approve their applications for a third country branch. The TPR will be in place for a maximum of three years, concluding by the end of 2023. Refer to the strategy section for the future development of QEL.

Directors' Report (continued)

The Group has a plan to sell West Bay Insurance Plc and Markerstudy Insurance Co. Ltd. The Group is in active discussions with a potential institutional buyer. On 17 October 2022, the board executive committee provided the approval and authorised the management to conclude the transaction which was confirmed by the board of directors on 26 October 2022. The completion of the sale is subject to approval from relevant regulatory authorities.

Results of Business

This is the first year that the Group has presented its results under FRS 102. The last financial statements under IFRS were for the year ended 31 December 2022. The date of transition to FRS 102 was 1 January 2022. Refer to Note 1 for details on the impact arising from transition.

When considering the performance of the Group, one item to highlight is the impact that the Gibraltar based companies in particular have had on the results. The Gibraltar entities have been a primary source of volatility leading to the poor financial performance and knock-on effect to solvency. The Company has taken substantial steps to deal with these companies as the Company has a plan to sell West Bay and MICL and is in active discussions with a potential institutional buyer. Identifying the related Gibraltar business as a disposal group with assets and liabilities for sale, and recognizing continued operations as that business that would be retained after the sale of West Bay and MICL, the Group's results during the year can be summarized as follows:

	2023	2022
	\$'000	\$'000
Profit (Loss) before tax from continuing operations	31,120	(82,269)
Profit (Loss) after tax from continuing operations	31,267	(82,137)
Profit (Loss) from the disposal group held for sale	(34,396)	(345,208)
Total Profit (Loss) after tax for the Financial Year	(3,130)	(427,345)

The Group result a Loss after tax of \$3m (2022: Loss \$427m).

Dividend

The Directors do not recommend the payment of a dividend for the period ended 31 December 2023 (2022: \$nil).

Going Concern

Financial and regulatory aspect

The directors have assessed going concern from both financial and regulatory aspects.

The Board has observed the need for improving underwriting volume and profitability. The Board has also recognised that the Company has the backing of 'A' rated shareholders with a clear intent of improving the capital position of the Company along with income performance.

The Company's ultimate parent, Qatar Insurance Company QSPC, has confirmed in writing its commitment to continue providing financial support to the Company for at least a period of 12 months from the date of approval of the Company's financial statements so as to enable the Company to meet its liabilities as and when they fall due and to adequately meet the regulatory solvency capital requirement.

As part of the going concern assessment, the Board reviewed the Company's projections for the next three years from the signing of these financial statements, including cash flow forecasts and stress tested these forecasts under a range of scenarios. The stress testing also considered the impact on regulatory capital requirements and solvency.

Directors' Report (continued)

Forecasts and budgets

Budgets have been prepared for a period of three years following the date of the financial statements. Financial projections and underlying assumptions have been set out in the Company's Group Solvency Self-Assessment (GSSA) document.

A list of assumptions has been developed that underlie the forecasts, with particular emphasis on:

- mix of business;
- premium volume and rate movements;
- expected claims levels;
- administrative costs; and
- working capital requirements.

Key profitability drivers will be the Company's focus on pricing and profitable sourcing of business in the future. The oversight on this front will be increased with continuous underwriting level dialogue and data review.

Cash Flow Forecasts

Forecast cash flows have been prepared and analysed in light of available facilities for a period of twelve months in order to ensure that adequate funds are available to meet financial commitments in future as and when they arise.

Approach to risk management

The internal control framework of the Company seeks to mitigate risks, protect policyholders, and limit the likelihood of losses or other adverse outcomes, as well as providing a framework for the overall management and oversight of the business. Key controls are captured within the risk register and assessed as part of the risk and control assessment process.

Conclusion on going concern

After making enquiries of management and considering the actions taken by the Company, the current financial and solvency positions for the Company, and the latest forecasts and in particular those for the three-year period following the date of signing the financial statements, the Board is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Moreover, the Company's ultimate parent QIC, has confirmed in writing its commitment to continue providing financial support to the Company for at least 12 months from the date of approval of the financial statements.

For these reasons, the Board continues to adopt the going concern basis in preparing these financial statements.

Solvency and Liquidity

The Group is regulated by the Bermuda Monetary Authority ("BMA") as group supervisor. QEL is regulated by the Malta Financial Services Authority (MFSA) and the Gibraltar companies are regulated by the Gibraltar Financial Services Commission (GFSC).

The Group is required by the BMA to hold available consolidated statutory capital and surplus of an amount that is equal to or exceeds the Enhanced Capital Requirement ("ECR"). The ECR is the higher of the Bermuda Solvency Capital Requirement ("BSCR") (the BMA standard formula capital requirement) and the Minimum Margin of Solvency ("MSM"). The BSCR forms part of the regulatory regime that has achieved equivalence with Europe's Solvency II.

Directors' Report (continued)

Strategy

The Group's strategic objectives continue to be driven by our firm commitment to five core principles:

- Underwriting Excellence
- Claims Expertise
- Capital Management
- Operational Efficiency
- Investment in our People

Antares Reinsurance Company Limited (Antares Re)

In early 2023, Antares Re completed a substantial re-underwriting of the in-force book; this re-underwriting focused on contracts containing Cat elements and increasing attachment points in Property, as it moved away from smaller and more volatile programs on regional books to focus on larger national carriers with significantly higher retentions. In addition, Antares Re introduced further diversification by writing an almost non-correlated Speciality book in Energy/Marine Treaty generating approximately \$30m in 2023 GWP with combined ratio of 77%.

Examples of how Antares Re has reduced volatility include:

- Cancellation of non-performing contracts
- Repositioning the Cat treaty portfolio – we moved away from working layers that unduly exposed to non-modelled perils and redirected capacity to higher quality and better balanced programs
- Reduced exposure to Credit and Surety
- Reduced exposure to unbalanced agriculture treaties

The change in approach and risk appetite is reflected in the current Underwriting Guidelines and Underwriting Policy, that are reviewed and approved by the Group's Underwriting Committee each year.

QIC Europe Limited (QEL)

QEL currently writes insurance and reinsurance business throughout the European Economic Area (the "EEA"), with a large portion of its book of business written in the United Kingdom (the "UK"). The UK exited the European Union (the "EU") on 31 January 2020. Consequently, after 31 December 2020 QEL would no longer be able to rely on EU passporting rights to operate in the UK. As a result, QEL applied for a Part 4A permission from the Prudential Regulation Authority (the "PRA") and the Financial Conduct Authority (the "FCA") to continue operating in the UK.

The UK regulator has implemented a Temporary Permissions Regime ("TPR"), which came into effect on 1 January 2021 and allows EEA firms currently operating in the UK (such as QEL) to temporarily continue operating and servicing UK contracts with minimal disruption while they apply for and/or wait for the regulators to evaluate and approve their applications for a third country branch. The TPR will be in place for a maximum of three years, concluding by the end of 2023.

During 2021, the project group entrusted with exploring options available to QEL post Brexit concluded on setting up of a new UK entity through which all UK domiciled business of QEL will be underwritten. In line with this proposal, an application was prepared and submitted to the PRA at the end of December 2022 to establish a new UK domiciled insurer. The new UK insurance company was authorised by the PRA in Q4 2023 and commenced writing business from 1 January 2024.

QEL in the meantime will continue to underwrite and develop EU domiciled business through the head office in Malta under the freedom of services framework. QEL has renewed its ongoing EU coverholder relationships into the 2024 underwriting year.

QEL will also continue to administer an orderly run off of existing UK domiciles business written prior to the conclusion of TPR.

Directors' Report (continued)

West Bay Insurance Plc (West Bay), Markerstudy Insurance Company Limited (MICL)

As mentioned, the Company has agreed to sell West Bay and MICL to an institutional buyer and have a signed Sale and Purchase Agreement dated 6 May 2023 to this effect. This sale transaction is still subject to the approval of the relevant regulatory authorities. The Directors are unsure about the new owner's intentions and if the Gibraltar Financial Services Commission (GFSC) will approve the transaction. There's also uncertainty about the regulator approving the 2024 financial year business plan for West Bay. If the business plan and sale aren't approved, West Bay will go into run-off. MICL is currently in run-off and will continue as such.

The assets and liabilities included in this disposal group has been included in note 24.

West Bay's strategic business model is that of traditional insurance and its senior management continues to manage and maintain a strong Statement of Financial Position.

The focus is predominantly on the Electronic Data Interchange ('EDI') and Direct business where the company, through its third party agency MISL, controls the product, rating, and claims. The main books increasingly make use of insurer hosted pricing which enables fraud and customer data to be assessed before quoting. This has contributed to significantly improving the risk profile selection and reducing claims frequency.

If the Year of Account 2024 business plan is approved, the target market for Private Car remains to be better performing demographics, enabling underwriting profitability to remain the focus. As a result, volumes were reduced in 2023 in line with this focus. A mixture of underwriting changes, base rate changes, and selective rate changes (at both product and individual broker level) have all been employed in order to improve performance.

In 2023 an external consultant was appointed to conduct a thorough claims audit including reserving and overall, the report was rated "Green". All claims in excess of the MISL delegated authority limit are referred to Antares Global Claims team to review reserves setting, case strategy and lifecycle. There have also been settlement drives on aged cases with a view to mitigating reserve deterioration from previous years, reducing claim life cycles and improving certainty.

West Bay has engaged external management consultants to identify areas where there is scope for improvement in efficiency and profitability within the claims life cycle compared to market peers. This has led to the increased focus on Accidental Damage and Third Party Property Damage spend. The company has performed well on its engineering network and efforts are ongoing to improve claimant intervention and capture.

There remains a high priority on credit hire claims handling, spurious bodily injury claims and general counter-fraud activity. The company maintains rigid controls on leakage costs, with a view to ensuring that claims are settled at appropriate monetary values, closed on time and that recoveries due from third parties are being collected on time.

Principal Risk and Uncertainties

The Group's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk entirely. However, the Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

The Group is exposed to risk in the following categories:

Underwriting Risk is defined as the risk that the frequency and severity of insured events exceeds the expectations of the Group at the time of underwriting.

Reserving Risk is defined as the risk of loss due to the previously established reserves for claims reported on previously exposed business being incorrect in terms of quantum or timing.

Directors' Report (continued)

Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Credit Risk is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. This is the risk of loss or of adverse change in the Group's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Group is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Market Risk is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that the value of the Group's capital changes unfavourably, due to economic factors such as variations in interest rates.

Liquidity Risk is defined as the risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due.

Operational Risk is defined as the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events impacting the Group's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk but excludes risks arising from strategic and reputational risk.

Regulatory Risk is the risk that each of the companies within the Group fails to meet the regulatory requirements of each of the jurisdictions in which the company resides. During the year, there has been breaches in laws and regulations noted in the subsidiary entities – refer note 18 Risk management for more details on the breaches.

Strategic Risk is defined as: the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between the Group's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate/inadequate management and mitigation of other risk categories.

Group Risk is the possibility that the operation of one part of the Group adversely affects another. Group risk includes: negative publicity; inadequate communication within the organisation; undue influence from fellow subsidiaries; holding companies or stakeholders; financial pressures to make funds available to the Group; and financial restraint leading to shortcomings in core activities. The overall strategy is to minimise Group risk by ensuring that there are clear lines of authority and communication between related parties, and that any intra-Group agreements are formed objectively and clearly understood by all parties.

Reputational Risk is recognised as a by-product of inappropriate/inadequate management and mitigation of other risk categories.

Climate Change Risk

Climate Change, and the response to climate change is an evolving risk area which has potential to impact the Group along with the wider insurance industry. This risk could impact not only the physical environment, but also the liability environments in which we operate. There may also be potential transition risks arising from the transition to a low carbon economy. Such impacts could be short or long term in nature, and potentially affect our other key risk types described above.

The Group has a process to monitor the risks arising from climate change on an ongoing basis. This includes the monitoring of qualitative and quantitative considerations across the business (including the utilisation of scenario testing where feasible) Climate change risks are considered as part of our wider ongoing risk management processes, as is the case for the other potential risks impacting the organisation. The Group continues to monitor developments in this space, including regulatory expectations in this area.

Directors' Report (continued)

Risk Governance

The Board is ultimately responsible for ensuring the effective management and control of risk affecting the Group. The Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders. The Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management. Risk management is further discussed in note 18 in the Notes to the financial statements.

Subsequent events after the Reporting Date

There are no events that are material to the operations of the Group that have occurred since the reporting date.

Directors

The directors who served the Company during the period were as follows:

William Malloy

George A. Prescott

Michael G. Frith

Michael P. Van der Straaten

Mark Graham

Philip Smith

Ahmed El Tabbakh (Resigned 20 March 2024)

Faraz Khalid (Resigned 20 March 2024)

Marios Georgiou (Resigned 20 March 2024)

Jennifer Crayford (Resigned 28 April 2023)

Pantelis Koulovasilopoulos (Resigned 15 July 2023)

Misha Novakovic (Appointed 23 March 2023, Resigned 20 March 2024)

Auditors

The Company has appointed KPMG LLP as the Company's auditors. KPMG LLP are eligible for re-appointment.

Statement of Disclosure of Information to the Auditors

Each person who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board.

.....
M Van der Straaten
Chief Executive Officer and Director
24 May 2024

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Group's financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the applicable laws and regulations. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information.

Legislation in Bermuda governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

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M Van der Straaten
Chief Executive Officer and Director
24 May 2024

Independent auditor's report to Antares Reinsurance Company Limited

Opinion

We have audited the non-statutory consolidated financial statements ("financial statements") of Antares Reinsurance Company Limited ("the Company") for the year ended 31 December 2023 which comprise the statement of income, statement of comprehensive income, statement of financial position, statement of changes in equity, statement cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as of 31 December 2023 and of its loss for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and the terms of our engagement letter dated 13 December 2022. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including review of internal audit findings, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Risk and Capital Management Committee meeting minutes.

Antares Reinsurance Company Limited

- Considering remuneration incentive schemes and performance targets for management, directors and underwriters.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level.

As required by auditing standards, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of claims reserves (gross IBNR). On this audit, we do not believe that there is a fraud risk related to revenue recognition because there is limited opportunity to manipulate revenue, including there being limited judgement or estimation involved.

We also identified a fraud risk related to gross IBNR in response to possible pressures to meet profit targets and given the high degree of estimation uncertainty and complexity, the potential opportunity to manipulate the estimate.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

In order to address the risk of fraud specifically in relation to the valuation of claims reserves (gross IBNR), we involved actuarial specialists to assist in our challenge of the methodology and assumptions adopted by the Group. We assessed and challenged the claims reserving methodology and assumptions by reference to industry practice and our expectations based on market experience. In addition, we calculated our own range for the claims reserves and compared this to the Group's estimate.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted by senior management, journals posted to seldom-used accounts and journals posted with no descriptions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the directors and the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-money laundering, employment law and regulatory capital and liquidity recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the breaches discussed in note 18, we assessed disclosures against understanding obtained from inspection of regulatory correspondence.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' responsibilities

As explained more fully in their statement set out on page 11 the directors are responsible for: the preparation of the financial statements, which are intended by them to give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Antares Reinsurance Company Limited

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the company in accordance with Section 17A of the Insurance Act 1978 and the terms of our engagement with the company. Our audit work has been undertaken so that we might state to the company those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our audit work, for this report, or for the opinions we have formed.

Umar Jamil

For and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London, E14 5GL

24 May 2024

Statement of Comprehensive Income

For the year ended 31 December 2023

Technical Account – General Business	Notes	2023 \$000	2022 \$000
Earned Premium, Net of Reinsurance			
Gross Premium Written	2	1,004,635	1,638,501
Outward Reinsurance Premium		(651,679)	(1,018,122)
Net Premiums Written		352,956	620,380
Change in the Provision for Unearned Premium			
Gross Amount		366,134	253,168
Reinsurers' Share		(242,158)	(191,245)
Net Change in Provision for Unearned Premium		123,976	61,923
Earned Premiums, Net of Reinsurance		476,932	682,303
Allocated Investment Return Transferred from the Non-Technical Account	8	81,516	63,296
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(1,488,416)	(1,638,634)
Reinsurers' Share		1,024,861	1,057,567
Net Claims Paid		(463,554)	(581,066)
Change in the Provision for Claims			
Gross Amount		224,198	(317,915)
Reinsurers' Share		(171,273)	58,652
Net Change in the Provision for Claims	3	52,925	(259,263)
Claims Incurred, Net of Reinsurance		(410,629)	(840,329)
Net Operating Income/(Expenses)	4	(209,956)	(201,738)
Recoverable on Financial guarantee contract	4	149,923	-
Balance on the Technical Account – General Business		87,786	(296,469)

Statement of Comprehensive Income (continued)

For the year ended 31 December 2023

		2,023	2,022
Non-Technical Account	Notes	\$000	\$000
Balance on the General Business Technical Account		87,786	(296,469)
Investment Income	8	79,300	78,223
Unrealised Gains/(Losses) on Investment	8	6,536	(9,880)
Investment Expenses and Charges	8	(4,319)	(5,048)
Allocated Investment Return Transferred to General Business Technical Account	8	(81,516)	(63,296)
Interest Income/(Expenses)		(16,038)	(9,475)
Exchange Losses		(8,383)	(4,409)
Other Income and Expenses	5	(66,648)	(117,128)
(Loss)/Profit on ordinary activities before Taxation		(3,284)	(427,482)
Taxation on (Loss)/Profit on Ordinary Activities	6	154	135
(Loss) / Profit for the Financial Year		(3,130)	(427,346)
Other comprehensive income (OCI)			
Net changes in fair value during the year		45,466	(116,029)
Foreign currency translation differences foreign operations		7,193	(25,828)
Total other comprehensive income/(loss)		52,659	(141,857)
Total comprehensive profit/(loss) for the Financial Year		49,529	(569,203)

The Statement of Comprehensive Income relates to activities for the current and preceding financial years.

Statement of Financial Position - Assets

at 31 December 2023

	Notes	2023 \$000	2022 \$000
Fixed Asset			
Property and equipment	15	102	183
Investments			
Financial Investments	7,17,18	1,248,026	1,307,802
Deposits with Ceding Undertakings			
		184,115	267,785
Reinsurers' Share of Technical Provisions			
Provision for Unearned Premiums	11	242,654	449,148
Claims Outstanding	11,18	2,592,074	2,294,077
Debtors			
Debtors Arising out of Direct Insurance Operations – Intermediaries	9	596,794	967,092
Debtors Arising out of Reinsurance Operations		157,768	157,967
Other Debtors	10	284,201	134,356
Other Assets			
Cash at Bank and in Hand	18	418,471	711,623
Prepayments and Accrued Income			
Other Prepayments and Accrued Income		8,139	14,408
Deferred Acquisition Costs	12	23,216	151,637
Total Assets		5,755,559	6,456,079

Statement of Financial Position – Liabilities

at 31 December 2023

	Notes	2023 \$000	2022 \$000
Capital and Reserves			
Share capital	19	1,000	1,000
General reserve	20	1,918,167	1,694,473
Fair value (Loss) reserve		(53,634)	(99,100)
Foreign Currency Translation Reserve		(12,853)	(20,045)
Retained earnings		(789,893)	(786,764)
Equity Shareholders' Funds		1,062,787	789,564
Subordinated Perpetual Debt		-	
Total Equity		1,062,787	789,564
Technical Provisions			
Provision for Unearned Premiums	11	389,148	719,969
Claims Outstanding	11,18	3,269,741	3,508,506
Creditors			
Creditors Arising out of Direct Insurance Operations – Intermediaries	13	1,746	8,853
Creditors Arising out of Reinsurance Operations	13	359,328	517,339
Amounts due to Group Companies	14	394,119	436,733
Short term borrowing		194,823	361,152
Derivative financial liabilities	16,17	992	4,169
Other Creditors		56,317	93,902
Accruals and Deferred Income		26,557	15,893
Total Liabilities		4,692,772	5,666,515
Total Equity and Liabilities		5,755,559	6,456,079

The annual accounts on pages 16 to 70 were approved by the Board of Directors on 24 May 2024 and signed on its behalf by:

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M Van der Straaten
Director

24 May 2024

Statement of Changes in Equity

at 31 December 2023

	Share Capital	Contributed Surplus	Fair Value Reserve	Foreign Currency Reserve	Retained Earnings	Subordinated Perpetual Debt	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2022 under IFRS	1,000	1,099,197	16,929	5,782	(340,240)	443,724	1,226,393
Transitional adjustment (Note 1)	-	-	-	-	882	-	882
At 1 January 2022 under FRS 102	1,000	1,099,197	16,929	5,782	(339,358)	443,724	1,227,275
Profit/(Loss) for the Year					(427,346)		(427,346)
Net changes in investments at fair value through other comprehensive income ("FVOCI")			(116,029)				(116,029)
Foreign currency translation reserve				(25,828)			(25,828)
Total comprehensive income/(loss) for the year	-	-	(116,029)	(25,828)	(427,346)	-	(569,203)
Contribution from Parent Company		595,276					595,276
Others (Perpetual Bond and Interest)					(20,060)		(20,060)
Redemption of perpetual debt						(443,724)	(443,724)
Transfer of reserves to discontinued operations							-
At 31 December 2022 under FRS 102	1,000	1,694,473	(99,100)	(20,045)	(786,764)	-	789,564
Profit/(Loss) for the Year					(3,130)		(3,130)
Net changes in investments at fair value through other comprehensive income ("FVOCI")			45,466				45,466
Foreign Currency Translation Reserve				7,193			7,193
Total comprehensive income/(loss) for the year	-	-	45,466	7,193	(3,130)	-	49,529
Contribution from Parent Company		223,694					223,694
At 31 December 2023 under FRS 102	1,000	1,918,167	(53,634)	(12,853)	(789,893)	-	1,062,787

Notes to the Annual Accounts

at 31 December 2023

1. Accounting Policies

Statement of Compliance

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value at the end of each reporting period, and in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (“FRS 102”) and Financial Reporting Standard 103 – “Insurance Contracts” (“FRS 103”).

Under FRS 102, Antares Reinsurance Company Limited has taken advantage of the cash flow exemption available in the financial statements. Group consolidated accounts are prepared by the Ultimate Parent Company QIC and copies of these are available from the registered office at Tamin Street, West Bay, PO Box 666, Doha, Qatar.

Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with UK accounting standards, under FRS 102 and FRS 103 for the first time. The previous financial statements for the year ended 31 December 2022 were prepared under International Financial Statements (IFRS), with the date of transition to FRS 102 being 1 January 2023. As a consequence of adopting FRS 102 and FRS 103, a number of accounting policies have changed to comply with those standards resulting in adjustments to balances on transition. Further information on these transition adjustments is detailed later in this note.

The accompanying consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period. These consolidated financial statements are presented in United States Dollars (USD) and rounded to the nearest thousand (USD '000), unless otherwise indicated.

Financial assets and financial liabilities are offset and the net amount reported in these consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

The consolidated financial statements also provide comparative information in respect of the previous financial year.

The annual accounts of Antares Reinsurance Company Limited were authorised for issue by the Board of Directors on 24 May 2024.

The Company has taken advantage of the following disclosure exemptions available under Section 1.12 of FRS 102:

- a) the requirements of Section 7, Statement of Cash Flows, and the related notes;
- b) the requirements of Section 4, Statement of Financial Position, in relation to reconciliation of the number of shares outstanding at the beginning and end of the year; and
- c) the requirements of Section 33, Related Party Disclosures, in respect of key management personnel compensation and the transactions entered into between the Company and other wholly-owned subsidiaries of Qatar Insurance Company Q.S.P.C. as appropriate.

The Company is included in the publicly available consolidated financial statements of Qatar Insurance Company Q.S.P.C. The copies of these accounts can be obtained from <https://www.qic-group.com> or available from the registered office at Tamin Street, West Bay, PO Box 666, Doha, Qatar.

Notes to the Annual Accounts

at 31 December 2023

1. Accounting Policies (continued)

Going concern

The Company's ultimate parent QIC has provided a continuous Deed of Guarantee to guarantee the obligations of the Group. In addition, QIC has confirmed in writing its commitment to continue providing financial support to the Group for at least a period of 12 months from the date of approval of the Company's financial statements, so as to enable the Group to meet its liabilities as and when they fall due and to adequately meet the regulatory solvency capital requirement. Significant losses from the Gibraltar based companies has called this parental support into play whereby the ultimate parent has injected over USD 223 million of additional capital into the Group in 2023 (Note 20).

After making enquiries of management and considering the actions taken by the Group, assessing the current financial and solvency positions for the Group, considering the planned results and taking into consideration the parental support provided to the Group by the ultimate parent QIC, the Board has concluded that these financial statements have been prepared on a going concern basis, which assumes that the Group will continue in existence for the foreseeable future.

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its investees that are considered as subsidiaries as at 31 December 2023 (together referred to as the "Group").

Subsidiaries are investees that the Company has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Basis of Consolidation

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

The contractual arrangement with the other vote holders of the investee

- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position and the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiary companies are prepared for the same reporting period as the Company, using consistent accounting policies.

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiaries are accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the statement of income. Any investment retained is recognised at fair value.

The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from company shareholders' equity.

Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealised gains or losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Business combination

The management uses the following criteria to evaluate whether a business combination has substance:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- The existing activities of the entities involved in the transactions; whether or not it is bringing entities together into a reporting entity that did not exist before; and
- where a new company is established, whether it is undertaken in connection with an IPO or spin-off or other change in control and significant change in ownership.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred in a business combination, measured at fair value on the date of acquisition and the amount of any non-controlling interest ("NCI") in the acquiree. Total fair value is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised and expensed as a part of administrative expenses in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with the changes in fair value recognised in the statement of income.

Goodwill, if any, is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI in the acquiree, over the net identifiable assets acquired and liabilities assumed as at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

Common control transactions

Business combinations involving the transfer of business and net assets in a transaction under common control, are accounted for at the carrying values of the underlying net assets of the transferred business. There are no bargain gain or goodwill on transfer of assets recognised by the Group on common control transactions.

Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at cost which is their fair value as at the date of acquisition. Subsequent to initial recognition,

Notes to the Annual Accounts

at 31 December 2023

1. Accounting Policies (continued)

- Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.
- Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

The current economic lives applied to the Group's intangible assets were as follows:

<u>Intangible assets acquired</u>	<u>Economic Life</u>
Framework agreement	10 years
Non life insurance license	Indefinite

First-Time Adoption of, and Conversion to UK GAAP

These financial statements, for the year ended 31 December 2023, are the first the Group has prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). For all periods up to and including the year ended 31 December 2022, the Group prepared its financial statements in accordance with IFRS. These financial statements present the conversion of the Group to UK GAAP.

The principal adjustments made by the Group in converting its IFRS profit and loss account to an UK GAAP statement of comprehensive income are presented below:

Changes to Income Statement

	Notes	Year Ended 31 December 2022 \$'000
Total recognised gains reported in the IFRS financial statements		(428,762)
UK GAAP adjustments		
Impact of foreign exchange differences on changes in gross provision for unearned premium	A	140
Impact of foreign exchange differences on changes in reinsurance provision for unearned premium	A	1,343
Impact of foreign exchange differences on changes in gross deferred acquisition costs	A	(72)
Impact of foreign exchange differences on changes in reinsurance deferred acquisition costs	A	(107)
IFRS 16 right of use lease		111
Total comprehensive income		(427,346)

Notes to the Annual Accounts

at 31 December 2023

1. Accounting Policies (continued)

Changes to Balance Sheet – Assets

	Notes	2022 Closing		UK GAAP \$000	2022 Opening		UK GAAP \$000
		IFRS \$000	Adjustment \$000		IFRS \$000	Adjustment \$000	
Fixed Asset							
Property and equipment		173	10	183	327	(101)	227
Goodwill and Intangible		-	-	-	50,308	-	50,308
Investments							
Financial Investments	B	1,307,802	-	1,307,802	1,581,793	-	1,581,793
Deposits with Ceding Undertakings		267,785	-	267,785	187,136	-	187,136
Reinsurers' Share of Technical Provisions							
Provision for Unearned Premiums	A	451,366	(2,218)	449,148	740,984	(3,561)	737,423
Claims Outstanding		2,294,077	-	2,294,077	2,925,959	-	2,925,959
Debtors							
Debtors Arising out of Direct Insurance Operations – Intermediaries	A	967,092	-	967,092	922,168	-	922,168
Debtors Arising out of Reinsurance Operations	A	157,967	-	157,967	308,111	-	308,111
Other Debtors		147,702	-	147,702	132,916	-	132,916
Other Assets							
Cash at Bank and in Hand	B	711,623	-	711,623	1,039,476	-	1,039,476
Prepayments and Accrued Income							
Other Prepayments and Accrued Income		1,063	-	1,063	5,849	-	5,849
Deferred Acquisition Costs		153,486	(1,849)	151,637	274,593	(1,778)	272,816
Total Assets		6,460,136	(4,057)	6,456,079	8,169,621	(5,439)	8,164,181

Notes to the Annual Accounts

at 31 December 2023

1. Accounting Policies (continued)

Changes to Balance Sheet – Liabilities

	Notes	2022 Closing			2022 Opening		
		IFRS \$000	Adjustment \$000	UK GAAP \$000	IFRS \$000	Adjustment \$000	UK GAAP \$000
Capital and Reserves							
Share capital		1,000		1,000	1,000		1,000
General reserve		1,694,473		1,694,473	1,099,197		1,099,197
Fair value(Loss) reserve		(99,100)		(99,100)	16,929		16,929
Foreign Currency Translation Reserve		(22,398)	2,353	(20,045)	4,735	1,048	5,782
Retained earnings		(786,709)	(55)	(786,764)	(339,192)	(166)	(339,358)
Equity Shareholders' Funds		787,266	2,298	789,564	782,669	882	783,551
Subordinated Perpetual Debt		-		-	443,724		443,724
Total Equity		787,266	2,298	789,564	1,226,393	882	1,227,275
Technical Provisions							
Provision for Unearned Premiums	A	720,642	(5,682)	719,969	1,081,518	(5,542)	1,080,673
Claims Outstanding		3,508,506		3,508,506	3,959,478		3,959,478
		-		-	-		-
Creditors		-		-	-		-
Creditors Arising out of Direct Insurance Operations – Intermediaries	A	8,853		8,853	1,026		1,026
Creditors Arising out of Reinsurance Operations	A	517,339		517,339	642,028		642,028
Amounts due to Group Companies		436,733		436,733	693,791		693,791
Short term borrowing		361,152		361,152	420,802		420,802
Derivative financial liabilities		4,169		4,169	22,255		22,255
Other Creditors		99,584	(738)	93,902	97,059	(715)	91,583
Accruals and Deferred Income		15,893		15,893	25,271		25,271
Total Liabilities		5,672,870	(6,355)	5,666,515	6,943,228	(6,321)	6,936,907
Total Equity and Liabilities		6,460,136	(4,057)	6,456,079	8,169,621	(5,439)	8,164,182

Notes to the Annual Accounts

at 31 December 2023

1. Accounting Policies (continued)

Note A – Foreign exchange accounting for non-monetary assets and liabilities.

Under IFRS, IAS 21, The effects of changes in foreign exchange rates, requires foreign currency denominated non-monetary assets, liabilities and transactions (i.e. those without a corresponding cash flow, being principally the unearned premium reserve, the reinsurers' share of the unearned premium reserve and deferred acquisition costs) to be converted to the functional currency using the exchange rate prevailing at the date of the original transaction (or an average rate for the period of the transaction) even when accounted for in subsequent periods.

Under UK GAAP, in the Group's financial statements, income statement transactions were translated into USD using an average rate of exchange for the period. Both monetary and non-monetary assets and liabilities were translated into USD using the rate of exchange on the balance sheet date, regardless of the period in which the asset or liability first arose. Any foreign exchange gains or losses were recognised in the statement of total recognised gains and losses.

As such, in these UK GAAP financial statements the applicable foreign currency denominated non-monetary assets and liabilities (i.e. gross and ceded unearned premium reserves and deferred acquisition costs) have been retranslated using an average rate.

Note B – Reclassification between financial investments and cash and cash equivalents.

The Company has elected under FRS 102 the option to continue to recognise financial assets and liabilities under IFRS 9 as the accounting framework changes from IFRS to UK GAAP. Therefore, there is no change for restated comparatives.

Insurance and Reinsurance Operations

Gross Premiums Written

Gross written premiums are recognised when written and include an estimate for written premiums receivable at the reporting date. Gross written premiums are comprised of premiums on business inception in the current financial year together with adjustments to estimates of premiums written in prior accounting periods. Gross written premiums include estimates for pipeline premiums, representing amounts due to the Group which have not yet been notified.

Premium on reinsurance contracts are recognised as revenue (earned premiums) proportionally over the period of risk coverage. The portion of premium recognised as written on in-force contracts that relates to unexpired risks at the reporting date are reported as the unearned premium reserve.

Reinsurance Premium Ceded

Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by retrocession contracts entered into during the year and are recognised on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of retrocession contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

Provision for Unearned Premiums

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into, and premiums are charged and are brought to account as premium income over the term of the contract in accordance with the nature and type of reinsurance contract written by the Group.

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

Unexpired Risks Provision

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

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Insurance and other Debtor Receivable balances

Insurance and other debtor receivable balances are recognised on business written and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, insurance and other receivables are measured at amortised cost as deemed appropriate.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Indemnification assets acquired as part of a business combination are initially recognized and measured at fair value as at acquisition date, adjusted for any contractual limitations and credit risk of the indemnifying party. At the end of each subsequent reporting period indemnification asset shall be measured on the same basis as the indemnified liability, subject to any contractual limitations on this amount and, for an indemnification asset that is not subsequently measured at fair value, management's assessment of the collectability of that asset. The indemnification asset shall be derecognized only when it is collected, sold or when the Acquirer otherwise loses the right to it.

Some insurance contracts permit the Company to sell assets acquired in settling a claim (for example, salvage). The Company included estimates of salvage recoveries as an allowance in the measurement of the insurance liability for claims, and salvage asset is recognised in other assets as the liability is settled or established during the year. The allowance is the amount that can reasonably be recovered from the disposal of the salvage asset. Salvage asset is presented as part of Insurance and other receivables in the consolidated statement of financial position.

Reinsurer's Share of Technical Provisions

The Company cedes insurance risk in the normal course of business as part of its businesses model. Reinsurer's Share of Technical Provisions represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Notes to the Annual Accounts

at 31 December 2023

1. Accounting Policies (continued)

Reinsurance balances are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of income.

Provision for Claims Outstanding

Provision for claims outstanding is recognised at the date the claims are known and covers the liability for losses and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money. Salvage assets are generally netted against the gross provision.

Reinsurance and other Creditor Payable balances

Reinsurance and other creditor payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other creditor payables are measured at amortised cost, as deemed appropriate.

Gross Claims Paid

Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

Commission earned and Paid

Commissions earned and paid are recognised at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the earning pattern of the underlying reinsurance contract.

Financial Guarantee Contract

West Bay have entered into a financial guarantee contract with QIC as the ultimate parent, which guarantees the indebtedness of a third party in case of any default against indemnity debtors. West Bay have assessed this guarantee to be non-integral to the arrangement with the third party and, accordingly, has accounted for the guarantee under the financial guarantee contract as a separate reimbursement right by analogy to UK GAAP to the extent of default of the receivable. No consideration was paid by West Bay for the guarantee and the arm's length price determined at inception to be immaterial.

Notes to the Annual Accounts

at 31 December 2023

1. Accounting Policies (continued)

Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with FRS 102 and 103 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors as deemed reasonable and appropriate. The results of these factors allow judgements to be made in respect of the carrying values of assets and liabilities that are not readily apparent from other sources. The nature of estimation means that actual outcomes could differ from those estimates. Uncertainties exist where current valuations are dependent on estimates of future results.

The estimates and assumptions are reviewed on an ongoing basis. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related assets, liability or equity item in the period of change.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Premium estimates

The majority of the estimation arises within the insurance binder estimates where the premium amounts are dependent on the volume of policies that are insured under the binder over the coverage period, and within the reinsurance contracts where premium amounts are also dependent on the volume of policies attaching to the reinsurance contracts. In these cases, underwriters estimate an initial premium volume and then adjust throughout the life of the coverage period as and when new information becomes available. The process of determining the estimated premium income ("EPI") is based on a number of factors, which can include:

- coverholder business plan documents supplied prior to binding;
- historical trends of business written;
- current and expected market conditions for this line of business; and
- life to date bordereaux submissions versus expectation.

As the contract period matures, the premium estimates are moved to ultimate premium. At a class of business level, ultimate premium is the total premium expected for all business. The ultimate premium estimates are based on the combination of statistical methods, on underwriter information provided, with validations performed by internal actuaries using the statistical methods and by way of discussion with the underwriting teams for each class of business. For those classes of business where inwards reinstatement premiums are likely to be material to the ultimate premium estimate, these are explicitly modelled as a function of the ultimate claims for a year of account. Reinsurance premiums are estimated by reinsurance type: proportional and non-proportional.

Judgements, estimates, and assumptions are employed in the assessment of the adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment and particularly in determining the carrying amount of the indemnity receivable for 2023 year of account for West Bay (note 9).

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

Claims Provisions and Related Recoveries

Claims and loss adjustment expenses are charged to the consolidated statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims paid and the provisions made are included in the consolidated statement of income in the year of settlement.

For certain lines of business (non-life), in order to estimate the liabilities, the expected loss ratios are calculated for all underlying insurance contracts. The amounts estimated as the difference between the current estimated losses and the reported losses are set aside as the incurred but not reported reserve for the losses that have been incurred but which are not yet known or have still to be reported.

General

Financial Investments

The Company has elected under FRS 102 the option to continue to recognise financial assets and liabilities under IFRS 9 as the accounting framework changes from IFRS to UK GAAP.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

IFRS 9 does not require bifurcation of an embedded derivative from an asset host contract. However, entities must separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

- i) Initial recognition
Financial assets and liabilities are initially recognised on the trade date. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from the amount. Trade receivables are measured at the transaction price. The Day 1 gain or loss is recognised when the fair value of financial instruments at initial recognition differs from the transaction price.
- ii) Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

Financial instruments – initial recognition

iii) Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities are measured at amortised cost.

The details of these conditions are outlined below.

2. Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(ii) The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

In contrast, contractual terms that introduce a more than de-minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

b) Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the statement of income.

iv) Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as investment income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

During 2023 and 2022 there have been no equity instruments at FVOCI.

v) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

The liabilities are part of a group of financial liabilities which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in the statement of income loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the statement of income. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in the statement of income as other operating income when the right to the payment has been established.

Derivative Financial Instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. The Group uses derivative financial instruments for economic hedging purposes such as forward currency contracts and interest rate swaps to hedge its foreign currency risks interest rate risks and equity price risk, respectively. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

As previously mentioned, IFRS 9 does not require bifurcation of an embedded derivative from an asset host contract. However, entities must separate derivatives embedded in financial liabilities where they are not closely related to the host contract. Derivatives that are embedded in these host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of income.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVTPL category. However, as an exception to above, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate) is not separated and measured at fair value even if the exercise price differs from the carrying amount of the host insurance liability.

Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which are recognised in OCI and later reclassified to the statement of income when the hedged item affects profit or loss. However, there were no cash flow hedges used during the year.

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

Financial Assets/Liabilities

All financial assets and liabilities are recognised initially at fair value.

Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and in hand, as well as other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes as per the FRS 102 standard. The cash equivalents include selected balances of holdings in collective investment schemes meeting the cash equivalent criteria.

Short Term Borrowings

Short term borrowings are recognised initially at fair value, net of transaction costs incurred and it is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Investment Properties

Investment properties are properties held for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial acquisition, investment properties are then marked to a fair value. The fair values of investment properties are estimated by the Management's external valuer, by reference to market evidence of recent transactions for similar properties. Any change in value is recognised in the consolidated statement of income.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are charged to the consolidated statement of income during the financial period they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected.

From its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

Depreciation

Depreciation is provided on a straight line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation for furniture & fixtures are based on a 2 to 5 year estimated useful life. Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

Impairment of Non-Financial Assets

An assessment is made at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined, and an impairment loss is recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the consolidated statement of income.

Provisions

The Group recognises provisions in the consolidated financial statements when the Group has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

Employees' end of service benefits

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the Group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

Taxation

Income Tax

Although the Company is domiciled in Bermuda where there is no tax levied on corporate profits, the Group does have branch offices and subsidiaries in taxable jurisdictions. Current income tax assets and liabilities in these branches and subsidiaries for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates branches and subsidiaries and generates taxable income.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset. The tax effects on the temporary differences are disclosed under other receivables or payables as deferred tax. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income for the year except to the extent that it relates to items recognised directly to other comprehensive income, in which case it is recognised in equity.

Insurance premium tax

Insurance Premium Tax ("IPT") is a government levy on general insurance premiums. The tax is recognised and charged in the consolidated statement of income when the associated premium is recognised as written.

Notes to the Annual Accounts at 31 December 2023

1. Accounting Policies (continued)

Value-added tax

Value-added tax ("VAT") is a form of consumption tax, that is a tax applied to purchases of goods or services and other 'taxable supplies' in the respective jurisdiction. The tax is recognised in the consolidated statement of income at the time that the associated good is purchased or the cost of the service is recognised.

Withholding tax

Withholding tax is a tax levied by an overseas government on dividends or income received by non-residents. The withholding tax is recognised in the consolidated statement of income upon recognition of the associated income.

Foreign Currencies

Foreign operations

The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of the subsidiary is expressed in the presentation currency of the Company.

The assets and liabilities of foreign operations are translated to United States Dollars using exchange rates prevailing at the reporting date. Income and expenses are also translated to United States Dollars at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. A foreign currency translation reserve is included separately under equity. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the yearend. The resultant exchange differences are included in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognised in other comprehensive income.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the date of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are translated at period end exchange rates.

Non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated at historic rates. Non-monetary assets and liabilities carried at estimated fair value denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined.

Exchange differences are recorded in the non-technical account.

Notes to the Annual Accounts

at 31 December 2023

1. Accounting Policies (continued)**Investment Return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

2. Segmental Analysis

For management reporting purposes, the Group is organised into business segments based on their products and structure. The reportable operating segments are comprised of Property, Casualty and Other Segments. These segments are the basis on which the Company reports its operating segment information. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. No inter-segment transactions occurred in 2023 and 2022.

The Property Segment includes business written under the lines of business that includes Property Catastrophe, North America and International Property, Energy, Aviation, Marine, Agriculture and Engineering.

The Casualty Segment includes all Casualty lines and the Motor lines of business.

Other Segment includes business recognised by the Company as Credit and Surety, Residual Value Insurance, and Structured Finance.

An analysis of the underwriting results before investment return for 2023 and 2022 are set out below:

	Gross Written Premiums	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total
2023	\$000	\$000	\$000	\$000	\$000	\$000
Property	232,415	282,029	(266,065)	(48,202)	71,622	39,384
Casualty	760,093	1,075,572	(992,816)	(125,784)	12,575	(30,453)
Other	12,128	13,169	(5,337)	(5,006)	(5,487)	(2,661)
Total						
Insurance	1,004,636	1,370,770	(1,264,218)	(178,992)	78,710	6,270

	Gross Written Premiums	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total
2022	\$000	\$000	\$000	\$000	\$000	\$000
Property	336,633	448,176	(385,225)	(128,544)	46,494	(19,099)
Casualty	1,274,986	1,413,155	(1,556,817)	(286,928)	88,400	(342,190)
Other	26,883	30,338	(14,507)	(7,055)	(7,252)	1,524
Total						
Insurance	1,638,502	1,891,669	(1,956,549)	(422,527)	127,642	(359,765)

Notes to the Annual Accounts

at 31 December 2023

2. Segmental Analysis

The above segmental analysis is broken down into the divisional structure by which management views the business.

The geographical split of gross written premiums on continued operations based on the location of the customer is as follows:

	2023	2022
	\$000	\$000
Gross Written Premium by Regions		
Africa	2,753	1,800
Americas	35,951	106,494
Asia	(1,278)	11,749
Europe	962,804	1,511,925
Oceania	4,406	6,534
Total	1,004,636	1,638,502

3. Change in Net Provision for Claims

The change in net provision for claims is made up of the following:

	2023	2022
	\$000	\$000
Outstanding Claims	(39,625)	(48,364)
Claims Incurred but not Reported	92,550	(210,899)
Change in Net Provision for Claims	52,925	(259,263)

4. Net Operating Expenses

Net Operating Expenses on technical results is made up of the following charges:

	2023	2022
	\$000	\$000
Commission income	118,959	220,789
Commission expense	(328,915)	(422,527)
Net Operating Expenses	(209,956)	(201,738)

	2023	2022
	\$000	\$000
Recoverable on Financial guarantee contract (see Note 9)	149,923	-

Notes to the Annual Accounts

at 31 December 2023

5. Other Expenses and Charges

Other expenses and charges are made up of the following:

	2023	2022
	\$000	\$000
General and administrative expenses	65,176	116,361
Provision for doubtful debts	351	29
BOD Remuneration	1,041	694
Depreciation of property and equipment	81	43
Total	66,648	117,128

Included in General and administrative expenses are auditor expenses as follows:

	2023	2022
	\$000	\$000
Auditors' Remuneration		
Audit of the Financial Statements	4,608	2,143
Total	4,608	2,143

Notes to the Annual Accounts

at 31 December 2023

6. Taxation

Total tax charges are derived from Antares Reinsurance Company Limited, QEL, WestBay and Markerstudy Insurance Company Limited and are comprised as follow:

	2023	2022
	\$000	\$000
Current Tax		
Current tax on income in the year	154	135
Total Current Tax (Credit)	154	135

As at 31 December 2023 the consolidated accounts of the Company include trading losses carried forward in a number of jurisdictions on which no deferred tax asset has been recognised. These can be summarised as follows:

- In Switzerland, a deferred tax asset has not been recognized on trading losses recognized for tax purposes from 2022 and prior by Antares Reinsurance Swiss Branch of USD 55.2m;
- In Malta, a deferred tax asset has not been recognized on trading losses recognized for tax purposes by QEL of USD 3.4m; and
- In Gibraltar, a deferred tax asset has not been recognized on trading losses recognized for tax purposes from 2022 and prior by Markerstudy of USD 196.2m, WestBay of USD 424.5m and St Julians of USD 12.1m.

This in line with each entities assessment on the recoverability of this amount from future trading profits at the time of signing the consolidated financial statements.

OECD global minimum tax (Pillar Two)

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%.

The overall framework is known as the OECD Pillar Two rules and legislation was enacted in England on 11 July 2023 and in Switzerland on 22 December 2023 meaning the rules will come into effect from 1 January 2024 in both jurisdictions, impacting the Antares Reinsurance UK and Swiss Branches. The Company Limited is not expected to fall with scope until 2025 when its ultimate parent entity, based in Qatar, implements the regime.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group also applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to Section 29 issued by the Financial Reporting Council (FRC) in July 2023.

Antares Reinsurance Company Limited - Bermuda

Legislation was passed in Bermuda on 27 December 2023 to implement a corporate income tax regime from 1 January 2025. The Bermuda corporate income tax regime will supersede the previously granted tax assurances which provided an exemption from corporate income taxes until 31 March 2035 for the Company.

The Company will continue during 2024 to assess the potential impact of the recently introduced Bermuda Corporate Tax legislation. In light of emerging guidance and uncertainty as to the potential impact, no decision has yet been taken as to whether to take advantage of available tax deductions arising from the Economic Transition Adjustment or to use the Net Operating Losses from the past five years in order to recognise potential deferred tax assets. As the legislation was not effective at the reporting date, the entity has no related tax exposure in Bermuda.

Notes to the Annual Accounts

at 31 December 2023

6. Taxation (continued)

The Company does incur income tax on business written in its Zurich and London offices. The total income tax charge amounts to USD 72,000 (2022: credit USD 160,000).

QEL

The income tax expense for the year differs from the theoretical taxation applicable in Malta of 35% and London of 19% on the Company's profit from ordinary activities before tax. The tax assessed for QEL is USD 207,000 (2022: USD 29,000).

7. Financial Investments

	2023	2022
	\$000	\$000
Financial investments at fair value through profit or loss (FVTPL)		
Managed funds	1,521	4,892
Derivative financial investments	1,372	-
Bonds	19,739	20,052
Internationally quoted shares	14,379	10,780
Unquoted shares and private equity	17,624	19,010
Financial investments at fair value through other comprehensive income (FVOCI)		
Derivative financial investments (Note 22)	18,852	33,254
Bonds	1,172,185	1,217,564
Total	1,245,672	1,305,552

8. Investment Income and Expenses

	2023	2022
	\$000	\$000
Interest income on FVTPL	1,577	1,276
Interest income under effective interest method	80,913	61,392
Dividend income	58	46
Net realised gain (loss) on sale of investments	16,554	28,904
Recycled from other comprehensive income (Note 26)	(18,302)	(12,473)
Unrealised gains on investments	4,438	(9,880)
Reversal (Impairment) loss on investment	(27)	56
Other income and net gains (losses)	623	(977)
Total Investment Income	85,836	68,343
Investment Expenses and Charges		
Advisory fee	(4,319)	(5,048)
Finance costs	(16,038)	(9,475)
Net Investment Income	65,478	53,820

Notes to the Annual Accounts

at 31 December 2023

9. Debtors Arising out of Direct Insurance Operations

	2023	2022
	\$000	\$000
Due from Intermediaries	596,794	967,092
Total	596,794	967,092

Included within the balance due from intermediaries above, is an indemnity debtor balance related to West Bay of USD 149,923,000 due from a third party. An estimated impairment provision of USD 149,923,000 has been recognised against this balance.

West Bay ultimate parent, QIC has issued a financial guarantee in full in respect of this balance. In the event that the sale of West Bay is effected, the parental guarantee will no longer apply. Given the uncertainty with the sale, the Group has deemed it appropriate to recognise the guarantee in full and an amount of USD 149,923,000 has, therefore, been recognised within Other Debtors as due from group undertakings.

10. Other Debtors

	2023	2022
	\$000	\$000
Indemnification asset	131,574	131,574
Indemnification asset due from group undertakings (note 9)	149,923	-
Deferred Tax Asset	887	-
Other receivables	1,816	2,782
Total	284,201	134,356

Included in the Other Debtors balance above, the Group has recorded an indemnification asset for uncertainties about the settlement amounts of certain insurance liabilities acquired. Nil fair value was first assigned to the indemnification asset as at the acquisition-date and as subsequently re-measured for the purposes of disclosure in the Group's consolidated financial statements for the year ended 31 December 2018. During 2021 it was agreed that the indemnification asset would be capped at GBP 100 million. An amount of USD 131,574,000 (2022: USD 131,574,000) has been assigned for each of the years ended 31 December 2023 and 2022.

Any default on the future settlement of the amount of this indemnification asset to the Group has itself been indemnified by the Group's ultimate parent, QIC.

11. Insurance Contracts and Reinsurance Contracts

	Insurance Contract Liabilities	2023 Reinsurance Contract Assets	Net	Insurance Contract Liabilities	2022 Reinsurance Contract Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Claims Outstanding	3,269,741	2,592,074	677,668	3,508,506	2,294,077	1,214,430
Provision for Unearned Premiums	389,148	242,654	146,495	719,969	449,148	270,821
Total	3,658,889	2,834,727	824,162	4,228,475	2,743,225	1,485,250
Contracts due no more than 12 months after the reporting date	2,505,282	1,902,492	602,790	2,895,283	1,808,976	1,086,307
Contracts due more than 12 months after the reporting date	1,153,608	932,235	221,373	1,333,192	934,249	398,943
Total	3,658,889	2,834,727	824,162	4,228,475	2,743,225	1,485,250

Notes to the Annual Accounts

at 31 December 2023

11. Insurance Contracts and Reinsurance Contracts (continued)

(a) Movement in Claims Outstanding

	Insurance Contract Liabilities	2023 Reinsuran ce Contract Assets	Net	Insurance Contract Liabilities	2022 Reinsuran ce Contract Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January	3,508,506	2,294,077	1,214,430	3,959,478	2,925,959	1,033,519
Claims incurred during the year	1,264,218	853,589	410,629	1,956,549	1,116,219	840,329
Claims paid during the year	(1,488,416)	(1,024,861)	(463,554)	(1,638,634)	(1,057,567)	(581,066)
Effect of Portfolio transfer & Foreign exchange	(14,568)	158,773	(173,340)	(768,886)	(690,535)	(78,352)
OIC Quota Share change 2019 UWY & Prior	-	310,497	(310,497)	-	-	-
Balance at 31 December	3,269,741	2,592,074	677,668	3,508,506	2,294,077	1,214,430

(b) Movement in Unearned Premium

	Insurance Contract Liabilities	2023 Reinsurance Contract Assets	Net	Insurance Contract Liabilities	2022 Reinsurance Contract Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January	719,969	449,148	270,821	1,080,673	737,423	343,250
Premium written in the year	1,004,635	651,679	352,956	1,638,501	1,018,122	620,380
Premium earned during the year	(1,370,769)	(893,837)	(476,932)	(1,891,669)	(1,209,366)	(682,303)
Effect of Portfolio transfer & Foreign exchange	35,314	25,653	9,661	(107,537)	(97,030)	(10,507)
OIC Quota Share change 2019 UWY & Prior	-	10,010	(10,010)	-	-	-
Balance at 31 December	389,148	242,654	146,495	719,969	449,148	270,821

12. Deferred Acquisition Costs

	2023	2022
	\$000	\$000
Balance as 1 January	151,637	272,816
Commission Expense	(178,992)	(422,527)
Commission deferred during the year	50,571	301,349
Deferred Acquisitions Costs	23,216	151,637

Notes to the Annual Accounts

at 31 December 2023

13. Creditors Arising out of Direct Insurance Operations

	2023	2022
	\$000	\$000
Due to Intermediaries	1,746	8,853
Due to Policyholders	359,328	517,339
Total	361,075	526,191

14. Related Parties

During the year, the Company entered into transactions in the ordinary course of business with other group companies. The overwhelming majority of these transactions have been with QIC. The Corporate section in the Statement of Financial Position includes transactions entered into during the year and trading balances outstanding at 31 December 2023 as follows:

	2023	2022
	Qatar Insurance Company	Qatar Insurance Company
	\$000	\$000
Reinsurance Written Premium	(470,625)	(476,468)
Reinsurance Recoveries	377,755	304,081
Reinsurance Claims Outstanding	10,866	160,860
Net commission	76,946	87,108
Total	(5,058)	75,581

	2023	2022
	\$000	\$000
Amounts due to related parties	394,119	436,733
Total	394,119	436,733

Notes to the Annual Accounts

at 31 December 2023

15. Property and Equipment

	Furniture and fixtures USD ('000)	Computer USD ('000)	Total USD ('000)
Cost:			
At 1 January 2022	3,376	1,369	4,745
Additions during the year	-	-	-
Disposals during the year	-	-	-
At 31 December 2022	3,376	1,369	4,745
Additions during the year	-	-	-
Disposals during the year	-	-	-
At December 2023	3,376	1,369	4,745
Accumulated Depreciation:			
At 1 January 2022	3,203	1,314	4,517
Charge during the year	41	3	43
Disposals during the year	-	-	-
At 31 December 2022	3,243	1,317	4,560
Charge during the year	56	25	81
Disposals during the year	-	-	-
At December 2023	3,299	1,342	4,641
Net book value:			
At 31 December 2023	77	27	104
At 31 December 2022	133	52	185

Notes to the Annual Accounts

at 31 December 2023

16. Derivatives

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forward contracts, swaps and equity options structures.

The Company employs various derivative option strategies which are intended for hedging currency exposure, managing interest rate and insurance risk, and for income enhancement. The derivative financial instruments held by the Company include forward contracts, swaps and equity options structures.

The Group has purchased interest rate swap contracts to match the expected liability duration of insurance contracts, to swap floating rates of the backing assets, to fixed rates over the main duration of the related insurance contracts. The Group also manages exchange rate risk on the Group's net currency exposure by using forward exchange contracts. Both of these strategies are considered as economic hedges, but do not meet the hedge accounting criteria.

Derivative products valued using a valuation technique with market observable inputs (Level 2) are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at yearend and are neither indicative of the market risk nor credit risk.

At 31 December 2023	Notional amount \$000	Derivative asset \$000	Derivative liability \$000	Within 3 months \$000	3-12 months \$000
Over the Counter Derivatives:					
Credit and interest rate derivatives	81,218	13,544	-	(5,100)	86,318
Equity derivatives	-	-	-	-	-
Foreign exchange derivatives	541,062	6,680	(992)	428,581	112,480
Total	622,280	20,224	(992)	423,481	198,798

At 31 December 2022	Notional amount \$000	Derivative asset \$000	Derivative liability \$000	Within 3 months \$000	3-12 months \$000
Over the Counter Derivatives:					
Credit and interest rate derivatives	139,635	33,243	(28)	(83,600)	223,235
Equity derivatives	-	-	-	-	-
Foreign exchange derivatives	555,266	10	(4,141)	(103)	555,369
Total	694,901	33,254	(4,169)	(83,703)	778,604

Notes to the Annual Accounts

at 31 December 2023

16. Derivatives (continued)

Various option strategies are employed for hedging, risk management and income enhancement. All calls sold are on assets held by the Group.

Credit and interest rate derivatives

Credit and interest rate derivatives include swap contracts to exchange one set of cash flows for another, generally fixed and floating interest payments in a single currency without exchanging principal. In the case of credit default swaps the counterparties agree to make payments with respect to defined credit events based on specified notional amounts. The forward exchange derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

Equity derivatives

Equity derivatives include options and swaps and are contractual agreements in relation to a specified equity instrument at a specified price and date in the future. The equity derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

Foreign Exchange derivatives

Foreign exchange derivatives include forwards and options and are contractual agreements in relation to a specified currency at a specified price and date in the future. The options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, at a pre-determined price. The interest rate and credit derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

Notes to the Annual Accounts

at 31 December 2023

17. Determination of Fair Value and Fair Value Hierarchy of Investments***Determination of Fair Value and Fair value hierarchy***

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There have been no transfers between level 1 and level 2 in either direction in 2023 or 2022.

The tables below summarise the fair value hierarchy for the Group:

At 31 December 2023	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Derivative assets	-	20,224		20,224
Investment securities	1,207,824	-	17,624	1,225,448
Derivative liabilities		(992)		(992)

Notes to the Annual Accounts

at 31 December 2023

17. Determination of Fair Value and Fair Value Hierarchy of Investments (continued)

At 31 December 2022	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Derivative assets	-	33,254	-	33,254
Investment securities	1,253,288		19,010	1,272,298
Derivative liabilities	-	(4,169)		(4,169)

Valuation techniquesListed investment in equity securities and debt securities.

When fair values of publicly traded equity securities and debt securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy.

Managed funds

In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Group categorises these investments as Level 2.

Over-the-counter derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly options contracts.

Unlisted equity investments

Unquoted equity investments are recorded at fair values adopting market approach and applying price to book value multiple to arrive at the value of investment. There are no active markets for these investments.

Unlisted managed funds

The Group invests in managed funds, including private equity funds, which are not quoted in an active market, and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. The Group's investment managers consider the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classifies these funds as Level 3.

Investment properties

The fair values of investment properties were estimated by the Management's external valuer, by reference to market evidence of recent transactions for similar properties. Group classifies this asset as Level 3.

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management

Governance Framework

The Group has established a sound and effective Corporate Governance framework that is appropriate to the size, nature, complexity and risk profile of the Group. The governance framework supports the sound and prudent management of the Company and its subsidiaries' activities to ensure the protection of policyholders and other applicable stakeholders.

A risk management function has been established with clear terms of reference from the board of directors, its committees and the associated executive management committees, across the Group. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Group policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The Board of Directors approves the Group's risk appetite and risk management policies, and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limits its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

Capital Management Framework (Unaudited)

The Group is regulated by the Bermuda Monetary Authority ("BMA") as group supervisor. The Group is required by the BMA to hold available consolidated statutory capital and surplus of an amount that is equal to or exceeds the Enhanced Capital Requirement ("ECR"). The ECR is the higher of the Bermuda Solvency Capital Requirement ("BSCR") (the BMA standard formula capital requirement) and the Minimum Margin of Solvency ("MSM"). The BSCR forms part of the regulatory regime that has achieved equivalence with Europe's Solvency II.

Capital adequacy is maintained with reference to risk appetite and tolerance statements, which are defined in terms of the Group's regulatory and internal model solvency ratios. The Group's risk appetite defines what it seeks to achieve based on normal commercial situations. At any given time, the capital management policy is to maintain a strong capital base to enable the Group to support the business plan based on its own view of the capital required, while meeting regulatory capital requirements on an ongoing basis.

The Risk Management Framework is embedded in strategic planning, decision making and budgeting. As part of this framework, the level of capital is assessed to maintain solvency at the thresholds targeted within the risk appetite and tolerance statements, given the Group's risk profile. The Group Solvency Self-Assessment ("GSSA") processes enable the Group to identify, assess, monitor, manage and report on the current and emerging risks that the Group faces, and to determine the capital necessary to ensure that overall solvency needs are met at all times.

The Capital Management Action Plan identifies the various thresholds below which available capital may be depleted, and the actions that will be adopted to maintain capital adequacy in line with the risk appetite and tolerance statements. The capital position can be managed by either increasing the amount of available capital or by taking action which reduces the required capital. The approach taken depends on the specific circumstances of the event giving rise to the depletion of available capital.

The BMA have introduced a three-tiered capital system, which is designed to assess the quality of insurers' capital resources eligible to satisfy their regulatory capital requirement. The tiered capital system (Tiers 1, 2 and 3) classifies capital instruments into a given tier based on their loss absorbency characteristics. The highest-quality capital is eligible for Tier 1, which is able to absorb losses under all circumstances, including as a going-concern, during run-off, wind-up and insolvency. Tier 2, while providing full protection to policyholders in a wind-up or insolvency, has

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

moderate loss absorbency on a going-concern basis. Tier 3 meets, on a limited basis, some of the characteristics exhibited in Tiers 1 and 2.

Eligibility limits are applied to each tier in determining the amounts eligible to cover regulatory capital requirement levels. Only Tier 1 and Tier 2 capital are eligible to cover the MSM (a minimum of 80% Tier 1 capital and a maximum of 20% of Tier 2 capital). A minimum of 60% of Tier 1 capital and a maximum of 15% of Tier 3 capital must be available to cover the ECR. Eligible capital consists of paid-in share capital and retained earnings.

The BMA require audited financial statements and a signed loss reserve specialist opinion to be filed on an annual basis. However, the BMA do not require that the Capital and Solvency Return (CSR) be audited.

The Unaudited balances and ratios included in the CSR at the end of 2022 which have been filed with the BMA indicate the requirements and compliance for 2023.

Due to the 20% restriction Tier 2 capital applied in the MSM assessment, the full amount of the subordinated debt was not deemed eligible capital at the end of 2021. As a result, on 27 June 2022 the Company offered to buy back the 4.95% Tier 2 notes at 100.20% of par value. The Company received interest from 74.75% of the noteholders. The settlement date for the 74.75% notes tendered was 18 July 2022, whereas the balancing 25.25% of the noteholders settled on the call date of 13 September 2022 (Note 27). The Tier 2 capital was then replaced with USD 450 million of Tier 1 capital from QIC Capital L.L.C. An additional USD 145.3 million of Tier 1 capital in excess of the USD 450 million was also injected into the Group in 2022 in order to boost the eligible capital. However, despite these capital injections, the unaudited available capital and surplus at the end of 2022 was USD 601.7 million (USD 963.5 million at the end of 2021). The Group ECR and BSCR coverage ratios at the end of 2022 was 94% (158% at the end of 2021) which is below the Company's target minimum ratio. To address this, an additional USD 100 million was injected into the Company in the first quarter of 2023 and an additional USD 123.7 million in the second quarter of 2023 under the Capital Management Action Plan.

As part of the post year-end reserve strengthening review at December 2022 together with other adjustments, it was determined that there had been a breach of West Bay's and potential breach in MICL's capital requirements at 31 December 2022. This was remediated by undertaking capital transactions which included capital injections and additional letter of credit during the second quarter of 2023 and remediated any breaches in capital requirements as at 30 June 2023.

At the end of the year the BSCR coverage ratio for the Company is expected to be approximately 186%. The companies within the Group are each expected to remain compliant with regulatory capital requirements. The unaudited Solvency Capital Requirement ("SCR") ratios for the subsidiaries are expected to be as follows:

	2023
QEL	170%
MICL	174%
West Bay	168%
SJICL	316%

**Above ratios are unaudited*

Notes to the Annual Accounts at 31 December 2023

18. Risk Management (continued)

Risk Management Framework

The Group has established a risk management framework by which risks are identified, measured, mitigated and managed. The Group has established a framework of internal controls which seeks to mitigate risks and limit the probability of losses or other adverse outcomes during the implementation of the strategic objectives and business plan, as well as providing a framework for the overall management and oversight of the business. The controls are rated according to their effectiveness of both design and performance, with independent challenge provided by the risk management function. Internal audit also provides independent assurance. The framework provides a basis for understanding the risks that the Group is exposed to and its ability to identify, assess, control and mitigate these risks.

The General and administrative expenses in Note 5 include a regulatory penalty relating to the period between July 2022 and October 2023 during which West Bay's internal systems and controls fell below regulatory standards and thereby resulted in regulatory breaches. The financial regulatory penalty was agreed via a Regulatory Settlement Agreement between the Gibraltar Financial Services Commission (GFSC) and West Bay. The regulator noted that Settlement Agreement was reached through a collaborative process and West Bay demonstrated a positive approach in dealing with the GFSC.

West Bay has been required by the Financial Conduct Authority (FCA) via their letter dated 12 April 2024 to appoint a skilled person to undertake a review in relation to total loss motor claims for 2021, 2022 and 2023 to establish whether claims may have been settled at lower amounts than the market value of the vehicles in cases where vehicles had been written off. Management has already appointed a firm to carry out a detailed review of the relevant files and is in discussions with the FCA regarding the appointment of a skilled person. Until this review is completed it is unclear if there will be any subsequent action and the group financial statements do not include any adjustment for possible financial implications.

Risk Monitoring and Controls

Risk management processes are based on risk identification; assessment and quantification; response; and monitoring and reporting. All risk categories are identified in the risk register. Supporting controls mitigate the inherent impact of the risks to a residual level that is within the approved risk appetite and tolerance levels. All risk categories and related controls are assigned risk owners and control owners that are responsible for managing the risks.

The risk register is maintained through regular review by the Risk Department and through the monthly self-certification process by the risk and control owners. The Risk Department provides regular reports on key risk issues and actions required to the Board and its Committees.

Principal Risk and Uncertainties

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance risks for profit while also benefiting from the investment return on its invested asset base. The Group is mainly exposed to the following risks;

- Insurance risk,
- Credit Risk
- Market, investment, liquidity and concentration risk
- Operational and systems risk
- Group risk,
- Strategic risk and
- Reputational

Notes to the Annual Accounts at 31 December 2023

18. Risk Management (continued)

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. In order to achieve this, it is of critical importance to have efficient and effective risk management systems in place.

a) Insurance Risk:

The principal risk the Group faces under insurance contracts is that the actual claims or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and subsequent development of long-tail claims.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive management of claims. The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group. Underwriting limits are in place to enforce risk selection criteria, and an exposure management framework monitors and limits exposure to peak peril zones within the context of defined risk appetite.

Insurance risk can be broken down into underwriting (including catastrophe risk) and reserve risk. Underwriting risk relates to the unexpired risk on business already incepted or bound and reflects the risk that premiums are not sufficient to cover future losses. The Group manages underwriting risk through various governance and control mechanisms under the oversight of the Underwriting and Portfolio Management Committee ("UPMC"), which comprises senior representatives from the underwriting, risk, claims and actuarial functions.

Detailed policies and guidelines exist relating to:

- Underwriting authorities;
- Pricing methodologies; and
- Risk accumulations.

In relation to catastrophe risk pricing utilises proprietary pricing tools blended with internal analysis. Aggregate catastrophe risk is subject to defined limits which are monitored using an internally developed exposure management tool.

The Group purchases both treaty and facultative reinsurance to manage insurance risk in the context of the defined risk appetite, to protect the capital base and manage volatility.

The Group actively manages claims in order to identify, measure and manage losses while delivering on obligations to policyholders.

The reserve risk element of insurance risk arises from the inherent uncertainty surrounding the adequacy of the reserves or technical provisions set aside to cover the insurance liabilities. The risk is that the current reserves, including those incurred but not yet reported, are not sufficient to cover the run-off of the claims which have already occurred.

Reserve risk exposure is managed within the actuarial function and through defined reserving practices which are overseen and approved by the Reserving Committee, which comprises various members of the executive management team. The Reserving Committee ultimately determines the management best estimate or reserves based on advice from the reserving actuaries and consultation with underwriters, exposure management and claims. If there were any disagreement between the Reserving Committee and the loss reserve specialist (a role defined under Bermuda regulatory requirements), these would be escalated to the Board for resolution.

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimated. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The general insurance claims provisions are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, net profit and equity.

	Change in assumptions	Impact on liabilities \$000	Impact on net profit \$000	Impact on equity \$000
At 31 December 2023				
Net incurred claims cost	10%	41,063	(41,063)	(41,063)
Net incurred claims cost	-10%	(41,063)	41,063	41,063
At 31 December 2022				
Net incurred claims cost	10%	84,033	(84,033)	(84,033)
Net incurred claims cost	-10%	(84,033)	84,033	84,033

The table below sets out the concentration of outstanding claims liabilities by division:

	2023			2022		
	Insurance Contract Liabilities \$000	Reinsurance Claims Outstanding \$000	Net \$000	Insurance Contract Liabilities \$000	Reinsurance Claims Outstanding \$000	Net \$000
Property	461,850	357,819	104,031	623,705	404,629	219,076
Casualty	3,119,756	2,417,033	702,723	3,544,327	2,299,383	1,244,944
Other	77,283	59,875	17,408	60,444	39,213	21,231
Total	3,658,889	2,834,727	824,162	4,228,476	2,743,225	1,485,251

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

The table below sets out the concentration of outstanding claims liabilities by geographic area:

	2023			2022		
	Insurance Contract Liabilities \$000	Reinsurance Claims Outstanding \$000	Net \$000	Insurance Contract Liabilities \$000	Reinsurance Claims Outstanding \$000	Net \$000
Africa	5,207	4,034	1,173	6,835	4,434	2,401
Americas	315,548	244,471	71,077	398,462	258,502	139,960
Asia	74,758	57,918	16,839	96,234	62,432	33,802
Europe	3,259,623	2,525,396	734,228	3,718,828	2,412,591	1,306,237
Oceania	3,753	2,908	845	8,118	5,266	2,851
Total	3,658,889	2,834,727	824,162	4,228,476	2,743,225	1,485,251

I. *Claims Management Risk*

Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Claims related risks are managed through a number of control activities and Key Performance Indicators that range from claim authority and claims processing time to potential significant loss event reporting and outstanding case reserve monitoring.

Claims Development Table

The Group maintains reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

The following table represents the claims development on gross claims on continued operations. The impact of ceded reinsurance has not been taken into consideration.

Notes to the Annual Accounts at 31 December 2023

18. Risk Management (continued)

Whole Account Underwriting Year	Before 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Gross Claims												
At end of underwriting year		499,682	639,770	1,100,096	1,436,342	1,511,931	1,186,850	1,194,028	688,550	908,971	735,137	
One year later		785,885	676,068	1,391,150	1,566,229	1,805,876	1,660,154	1,951,288	1,754,339	1,533,968		
Two years later		806,101	739,120	1,443,103	1,608,101	1,936,951	1,761,731	2,000,081	1,758,743			
Three years later		825,901	748,584	1,508,025	1,699,374	2,009,331	1,693,799	1,854,513				
Four years later		855,418	762,117	1,530,751	1,726,951	1,971,621	1,607,873					
Five years later		870,017	784,366	1,559,511	1,674,122	2,059,999						
Sixth years later		886,638	808,596	1,545,602	1,613,423							
Seventh years later		933,404	743,785	1,615,313								
Eighth years later		944,778	745,739									
Nine years later		912,286										
Ten years later												
Estimate of Ultimate Gross Claims	2,793,203	912,286	745,739	1,615,313	1,613,423	2,059,999	1,607,873	1,854,513	1,758,743	1,533,968	735,137	17,230,196
Claims Paid in Same Year												
One year later		145,299	130,118	364,979	250,132	347,039	241,099	299,253	425,582	408,133	503,086	
Two years later		442,537	383,680	988,955	976,179	1,264,367	804,952	880,921	1,031,370	866,995		
Three years later		532,218	480,136	1,158,867	1,046,929	1,523,653	1,047,415	1,131,939	1,224,728			
Four years later		575,707	555,837	1,255,114	1,255,354	1,662,470	1,148,420	1,206,680				
Five years later		634,121	608,932	1,327,457	1,337,734	1,720,336	1,219,738					
Sixth years later		711,749	664,224	1,392,564	1,459,454	1,863,583						
Seventh years later		743,630	715,166	1,464,408	1,485,026							
Eighth years later		761,949	731,212	1,488,545								
Nine years later		785,765	720,001									
Ten years later		801,872										
Net Paid Claims Position	2,580,201	801,872	720,001	1,488,545	1,485,026	1,863,583	1,219,738	1,206,680	1,224,728	866,995	503,086	13,960,455
Gross claims reserve	213,002	110,414	25,738	126,768	128,397	196,415	388,135	647,833	534,016	666,973	232,051	3,269,741

Notes to the Annual Accounts at 31 December 2023

18. Risk Management (continued)

Whole Account Underwriting Year	Before 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Net Claims												
At end of underwriting year	-	330,458	325,786	555,078	682,837	727,520	596,752	555,063	66,943	564,984	404,648	
One year later	-	560,074	365,668	617,993	643,478	822,047	756,182	635,138	227,167	674,937	-	
Two years later	-	575,382	391,980	625,922	666,416	875,649	761,445	626,695	162,296	-	-	
Three years later	-	593,659	395,296	658,434	670,300	882,552	748,957	566,585	-	-	-	
Four years later	-	612,802	399,818	632,606	677,608	879,735	638,353	-	-	-	-	
Five years later	-	615,291	383,575	641,858	669,098	790,238	-	-	-	-	-	
Sixth years later	-	606,282	392,920	639,811	609,035	-	-	-	-	-	-	
Seventh years later	-	637,210	386,409	583,278	-	-	-	-	-	-	-	
Eighth years later	-	637,887	360,956	-	-	-	-	-	-	-	-	
Nine years later	-	616,088	-	-	-	-	-	-	-	-	-	
Ten years later	-	-	-	-	-	-	-	-	-	-	-	
Estimate of Ultimate Gross Claims	2,289,204	616,088	360,956	583,278	609,035	790,238	638,353	566,585	162,296	674,937	404,648	7,695,618
Claims Paid in Same Year												
Claims Paid in Same Year	-	103,155	73,053	194,531	142,087	181,378	133,222	134,627	150,542	239,353	311,130	-
One year later	-	332,212	215,445	463,886	380,269	594,019	425,764	278,535	315,179	384,683	-	-
Two years later	-	409,750	266,235	601,271	469,905	705,289	498,435	341,326	369,723	-	-	-
Three years later	-	444,387	303,685	572,473	505,037	750,882	544,753	356,590	-	-	-	-
Four years later	-	484,426	334,839	576,184	531,320	777,845	553,209	-	-	-	-	-
Five years later	-	537,534	350,715	601,904	552,469	764,771	-	-	-	-	-	-
Sixth years later	-	550,575	362,689	614,404	537,275	-	-	-	-	-	-	-
Seventh years later	-	559,339	365,184	586,751	-	-	-	-	-	-	-	-
Eighth years later	-	566,800	358,404	-	-	-	-	-	-	-	-	-
Nine years later	-	556,703	-	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-	-	-	-	-	-	-
Net Paid Claims Position	2,238,162	556,703	358,404	586,751	537,275	764,771	553,209	356,590	369,723	384,683	311,130	7,017,401
Net claims reserve	51,042	59,385	2,552	- 3,473	71,761	25,467	85,144	209,994	- 207,427	290,254	93,518	678,217

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

b) Credit Risk

Credit risk arises from both the underwriting and investment activities of the Group. This represents the risk of counterparties defaulting and not being able to make payments resulting in losses to the Company. A credit risk event can occur due to the failure of reinsurers to settle claims in full, failure of a broker to pass on premiums or failure of a bank or invested party to return cash.

To monitor the Group's credit risk, the outwards reinsurance team actively monitors exposure to single reinsurance counterparties. The technical accounting department prepare and monitor aged debt reports, establishing provisions for amounts which are not expected to be recovered due to default. Exposure to brokers is captured within a dashboard by the underwriting department. The security rating of all banking and custodian counterparties is actively monitored. For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

To minimise our exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsures. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Minimum security ratings or collateral requirements are in place for reinsurance counterparties. An approval process is in place for accepting all new reinsurers and banking counterparties, with minimum security ratings also in place for all banking and investment counterparties. All brokers are subject to due diligence procedures.

The Company's maximum exposure to counterparty credit risk analysed by credit quality is detailed below.

At 31 December 2023	AAA	AA	A	BBB & Below	Unrated	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Debt Securities	19,552	109,987	462,685	599,719	1,501	1,193,445
Cash and Cash Equivalents	5,330	78,910	227,742	-	106,490	418,471
Insurance and Other Receivables		2,306	189,659		1,062,267	1,254,232
Reinsurance Claims Outstanding	-	18,977	2,558,182	-	14,915	2,592,074
Total	24,881	210,181	3,438,268	599,719	1,185,173	5,458,222

At 31 December 2022	AAA	AA	A	BBB & Below	Unrated	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Debt Securities	24,724	72,095	479,397	656,361	9,931	1,242,508
Cash and Cash Equivalents	98,407	151,738	237,295	-	224,183	711,623
Insurance and Other Receivables		4,009	470,217		1,219,019	1,693,245
Reinsurance Claims Outstanding	-	23,995	2,254,992		15,089	2,294,077
Total	123,131	251,836	3,441,902	656,361	1,468,223	5,941,453

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

In addition to the above, debtors arising out of insurance operations and debtors arising out of reinsurance operations in respect of inward business which are considered as unrated are linked to the claim liabilities. The credit risk can be mitigated by way of payments being withheld in the event the premiums are not received by the Company.

Debtor Aging Analysis is as below:

Debtor Aging Analysis	Net Balance \$000	Not Due \$000	Due \$000	<= 30 Days \$000	31-90 Days \$000	91-180 Days \$000	181-365 Days \$000	>= 366 Days \$000
At 31 December 2023	1,089,494	1,004,491	85,003	7,603	3,526	15,060	16,720	42,093
At 31 December 2022	1,393,375	1,321,288	72,088	15,224	(2,174)	3,813	23,624	31,600

Impaired financial assets

At 31 December 2023 there are impaired insurance receivables of USD 606,000 (2022: USD 354,000). For assets to be classified as “past-due and impaired” contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

c) Market Risk

Market risk can cause the Group to suffer losses due to unfavourable developments in the financial markets. Market risk arises as a result of our currency exposures, interest rate and default risk on the fixed income portfolio, and equity price risk as a result of the equities that the Group holds within the investment portfolio.

The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and bond markets. In addition, The Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees. The Group’s investment guidelines and associated mandates are intended to limit its exposures to market risk and volatility, and the adherence to these guidelines and their continued suitability are overseen by the Investment Committee of the Board. In particular the Group limits its exposure to assets such as fixed income securities, cash deposits, private equity, hedge funds and other (non-fixed income/non-equity) managed funds.

However, the investment portfolio is heavily weighted towards the fixed income securities and cash deposits. The allocation to other investments such as equities and alternatives is approximately 2% (2020: 4%) of the overall invested assets.

d) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument (asset or liability) will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk to the extent that its assets are denominated in different currencies to its liabilities. Certain currency risk is managed through hedging.

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at reporting date by categorising financial assets and liabilities by major currencies.

	<i>USD and Others*</i>	<i>QAR</i>	<i>EURO</i>	<i>GBP</i>	<i>Total USD</i>
31 December 2023	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	117,354	218,203	195	82,721	418,471
Insurance and other receivables	(185,694)	-	73,012	1,366,915	1,254,232
Reinsurance contract assets	1,169,011	-	27,727	1,637,989	2,834,727
Financial Investment	1,214,310	-	25,571	5,791	1,245,672
Total Assets	2,314,980	218,203	126,505	3,093,415	5,753,102
Reinsurance contract liabilities	281,539	-	181,083	3,196,268	3,658,891
Provisions, reinsurance and other payables	23,690	-	(60,775)	482,026	444,941
Short term borrowings	194,823	-	-	-	194,823
Total Liabilities	500,052	-	120,308	3,678,295	4,298,654

	<i>USD and Others*</i>	<i>QAR</i>	<i>EURO</i>	<i>GBP</i>	<i>Total USD</i>
31 December 2022	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	168,704	326,978	1,980	213,962	711,623
Insurance and other receivables	172,855	-	79,666	1,440,724	1,693,245
Reinsurance contract assets	1,120,011	-	15,905	1,607,309	2,743,225
Financial Investment	1,302,256	-	9	3,286	1,305,551
Total Assets	2,763,826	326,978	97,560	3,265,282	6,453,645
Reinsurance contract liabilities	763,370	-	184,022	3,281,083	4,228,475
Provisions, reinsurance and other payables	185,074	-	16,327	438,754	640,155
Short term borrowings	361,153	-	-	-	361,153
Total Liabilities	1,309,597	-	202,349	3,719,837	5,229,783

*Others mainly represents exposure in minor currencies with immaterial currency risk.

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, it is necessary to change the variables on an individual basis.

	<i>Change in variables</i>	<i>Impact of profit or loss</i>	
		<i>31 December 2023</i>	<i>31 December 2022</i>
		\$000	\$000
Currency			
Euro	10%	620	(10,279)
GBP	10%	(58,488)	(45,456)
Total		(57,868)	(55,734)
Euro	-10%	(620)	10,279
GBP	-10%	58,488	45,456
Total		57,868	55,734

e) Interest Risk

Interest rate risk is the risk of changes in market interest rates which may reduce the overall return of interest-bearing securities or reduce the fair market value of the fixed income security. The Group invests in fixed income securities and holds cash deposits that are subject to interest rate risk.

The Group's interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest bearing financial liabilities.

The Group manages and limits its interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and reacting to these changes in a timely and efficient manner. The Group diversifies its portfolio such that it has no significant concentration of interest rate risk.

The sensitivity of the Group's investment portfolio to interest rate movements is detailed below, assuming linear movements in interest rates:

	<i>Impact of profit and loss</i>	<i>Impact on Equity</i>
	\$000	\$000
At 31 December 2023:		
+ 50 basis points	(284)	(24,112)
-50 basis points	284	24,112
At 31 December 2022:		
+ 50 basis points	(91)	(23,604)
-50 basis points	91	23,604

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

The Group's interest rate risk based on contractual arrangements is as follows:

	< 1 year \$000	1-5 years \$000	> 5 years \$000	Total \$000	Effective interest rate %
At 31 December 2023:					
Debt securities	78,266	630,163	485,015	1,193,445	3.44%
Cash at Bank and in Hand	418,471			418,471	6.00%
At 31 December 2022:					
Debt securities	85,134	481,817	675,557	1,242,508	3.11%
Cash at Bank and in Hand	711,623			711,623	5.14%

f) Price risk

Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Group's risk appetite and tolerance statements, and Investment Mandate limit the exposures to equity price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

	Change in variables	Impact of profit and loss \$000	Impact on Equity \$000
At 31 December 2023:			
Qatar Market	+10%	-	-
International Markets	+10%	1,438	1,438
Qatar Market	-10%	-	-
International Markets	-10%	(1,438)	(1,438)

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

	Change in variables	Impact of profit and loss	Impact on Equity
		\$000	\$000
At 31 December 2022:			
Qatar Market	+10%	-	-
International Markets	+10%	1,078	1,078
Qatar Market	-10%	-	-
International Markets	-10%	(1,078)	(1,078)

The method used for deriving sensitivity information and significant variables did not change from the previous year.

g) Investment risk

Investment risk can arise as a result of implementing an inappropriate investment strategy. The Group's investment strategy is tailored to meet the Group's business needs, objectives and regulatory requirements.

The Investment Committee of the Board approves and monitors the implementation of the Investment Mandate by the investment advisors, taking into consideration these objectives and requirements. An update on the investment portfolio is included in the Investment Committee meeting materials. Asset allocations are compared to minimum and maximum allocations and constraints per the investment mandate and, risk appetite and, tolerance statements to ensure compliance.

h) Liquidity Risk

Liquidity risk arises when the Group is unable to meet its payment obligations as and when they fall due. The Group measures this risk by assessing the appropriateness of the controls in place to monitor and manage liquidity risk exposure and supplement this with cash flow analysis arising from stress testing exercises such as those conducted as part of the Exposure Management Framework.

Liquidity risk is managed through the Group's overall investment strategy which is focused on allocations to more liquid instruments and wider monitoring of the overall liquidity profile of the investment portfolio. At an operational level, liquidity requirements are monitored on a regular basis, and management ensures that sufficient funds are available to meet any commitments as they arise. The actuarial team provide information to the investment managers on a quarterly basis relating to the maturity profile of the insurance liabilities in order to facilitate appropriate asset allocations. The Group risk appetite statements in relation to liquidity require that the average duration of assets is no longer than the average duration of liabilities.

Notes to the Annual Accounts

at 31 December 2023

18. Risk Management (continued)

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance contract assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurer's share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

At 31 December 2023:	< 1 year	1-5 years	> 5 years	Total
	\$000	\$000	\$000	\$000
Financial assets: Non derivatives				
Financial investments at fair value through profit or loss (FVTPL)	32,003	2,156	19,104	53,263
Financial investments at fair value through other comprehensive income (FVOCI)	78,266	628,007	465,912	1,172,185
Cash at Bank and in Hand	418,471			418,471
Insurance and Other Receivables	972,736	281,497		1,254,232
Reinsurers' Share of Claims Provisions	2,342,846	221,326	27,901	2,592,073
Total Financial Assets	3,844,323	1,132,986	512,916	5,490,225

Financial liabilities: Non derivatives				
Insurance and Other Payables	282,286	162,655		444,941
Short term borrowings	194,823			194,823
Due to related parties	394,119			394,119
Claims Provision	1,475,300	1,185,509	608,076	3,268,885
Total Financial Liabilities	2,346,528	1,348,164	608,076	4,302,768

At 31 December 2022:	< 1 year	1-3 years	> 5 years	Total
	\$000	\$000	\$000	\$000
Financial assets: Non derivatives				
Financial investments at fair value through profit or loss (FVTPL)	34,683	0	20,052	54,734
Financial investments at fair value through other comprehensive income (FVOCI)	80,242	481,817	655,505	1,217,564
Cash at Bank and in Hand	711,623			711,623
Insurance and Other Receivables	1,561,671	131,574		1,693,245
Reinsurers' Share of Claims Provisions	2,093,611	189,387	11,078	2,294,077
Total Financial Assets	4,447,147	802,778	666,583	5,916,509

Financial liabilities: Non derivatives				
Insurance and Other Payables	375,541	264,614		640,155
Short term borrowings	361,152			361,152
Due to related parties	436,733			436,733
Claims Provision	1,916,326	1,039,132	553,048	3,508,506
Total Financial Liabilities	3,089,752	1,303,746	553,048	4,946,546

Notes to the Annual Accounts at 31 December 2023

18. Risk Management (continued)

i) Concentration risk

Concentration risk can arise when the investment portfolio is not appropriately diversified across counterparties, geographical regions and industries. Concentration risk is measured with reference to the Group's risk appetite and tolerance statements, which limit the concentration of asset holdings on a regional, country and counterparty level, ensuring the investment portfolio is appropriately diversified.

j) Operational and systems risk

Operational risk arises from the failure of or inadequate processes, people or systems or from external events that impact the operational capability of the Group. The Group monitors operational risk exposures through its risk register and emerging risk processes which are overseen by the Risk & Capital Committee of the Board. This risk register and emerging risk process also cover strategic risks, reputational risks and legal and litigation risks.

The Group seeks to manage operational risk exposure through the implementation of a robust internal control framework and an effective governance framework. The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process. The Group has established business continuity and disaster recovery plans.

k) Group risk

Group risk represents the risk arising as a result of being part of an insurance group, including exposures resulting from intra-group transactions. It arises from the relationship that the Group has with the parent group, including the reinsurance cover provided by QIC and the dependence on the QIC group credit rating and parental guarantee. Operational dependency is limited to only one material intra-group outsourcing contract relating to investment advisory services.

l) Strategic risk

The Group has identified a number of strategic risks within the risk register, covering risks to the planning, communication and execution of the business plan, and risks associated with the management and availability of capital. The risk of business strategy failure is mitigated through the review and sign off of the Group's business plan by the Board and alignment of the business plan, risk appetite, capital requirements and underwriting guidelines. Stress and scenario testing help to identify and assess the risks to the business plan.

All Board members and Officers of the Group are subject to requirements to confirm that they are fit and proper to discharge their responsibilities, which includes providing the necessary strategic direction.

m) Reputational risk

Reputational risk arises as a result of adverse publicity regarding business practices or associations. The risk is mitigated through the Group's corporate governance framework and Board oversight of its strategies, policies and risk appetite. The Group is committed to complying with sound business practices and compliance with applicable laws and regulations.

Notes to the Annual Accounts

at 31 December 2023

19. Share Capital

	2023		2022	
	No of Shares	USD	No of Shares	USD
Authorised				
Ordinary shares of USD 1 each	1,200,000	1,200,000	1,200,000	1,200,000
Issued and fully paid up				
Ordinary shares of USD 1 each	1,000,000	1,000,000	1,000,000	1,000,000

There has been no movement in the authorised or issued and fully paid share capital of the Company during 2023 and 2022.

20. Contributed Surplus

	2023	2022
	\$000	\$000
(i) On cancellation of shares after change in legal domicile	251,651	251,651
(ii) On merger of Antares Re business as on 31 December 2015	243,717	243,717
(iii) Contribution from Parent Company during 2016	200,000	200,000
(iv) Contribution from Parent Company during 2020	202,569	202,569
(v) Contribution from Parent Company during 2021	201,260	201,260
(vi) Contribution from Parent Company during 2022	595,276	595,276
(vii) Contribution from Parent Company during 2023	223,694	
Total	1,918,167	1,694,473

21. Directors' Remuneration

In accordance with the Bye-Laws of the Company, the Board of Directors' remuneration and expenses for the year 2023 has been proposed at USD 1,041,000 (2022: USD 694,000).

22. Ultimate Parent Company

The Immediate Parent Company is QIC Capital LLC, a Company incorporated and registered in the State of Qatar, which has a 100% shareholding. The Ultimate Parent Company is Qatar Insurance Company QSPC, an insurance group incorporated in the State of Qatar and listed on the Qatar Stock Exchange. Consolidated accounts are prepared by Qatar Insurance Company QSPC and copies of these are available from the registered office at Tamin Street, West Bay, PO Box 666, Doha, Qatar.

23. Contingencies, Guarantees and Other Off-Balance Sheet Items

The Company has not been party to any arrangement, which is not reflected in the balance sheet, where material risks and benefits arise for the Company.

The Group, like most other insurance and reinsurance companies, is continuously involved in legal proceedings, claims and litigation in the normal course of business. As at 31 December 2023 there are no additional contingent liabilities to establish in relation to any of these legal proceedings.

The Group is also subject to insurance solvency regulations in all of the territories in which it issues insurance contracts. There are no contingencies associated with the Group's compliance or lack of compliance with these regulations.

Notes to the Annual Accounts

at 31 December 2023

23. Contingencies, Guarantees and Other Off-Balance Sheet Items (continued)

Letters of Credit:

The Company provides letters of credit to clients as additional security for outstanding recoverable from the Company. The majority of these clients represent U.S. insurance companies. As the Company is not an admitted reinsurer in the U.S., the terms of certain U.S. reinsurance contracts require Qatar Re to provide letters of credit or other terms of collateral to clients in order that such clients may include any recoverable balances from Qatar Re as an admitted asset in their U.S. statutory financial statements. The Company has in place unsecured letter of credit facilities with various highly rated banking institutions that are for the provision of a letter of credit mostly in favour of U.S. ceding companies, as well as ceding companies from other jurisdictions. These banking institutions are all included on the NAIC List of Qualified U.S. Financial Institutions.

Guarantee:

The Company has provided a guarantee to QEL as a subsidiary, whereby the Company guarantees certain amounts payable to QEL by specified third parties. The intent of the guarantee is to transfer credit risk to the Company as a part of a capital management strategy.

The Company also provides a parental guarantee to its subsidiaries.

24. Disposal Group held for sale

The Group has a plan to sell the wholly owned Gibraltar-based subsidiaries namely West Bay Insurance Plc and Markerstudy Insurance Co. Ltd (MICL). The business of the Gibraltar-based subsidiaries were to underwrite UK motor insurance with MICL currently in run off. The Group is in active discussions with a potential institutional buyer. These companies were classified as a disposal group held for sale.

The Balance Sheet of these subsidiaries of the year are presented as follows:

	2023	2022
	\$000	\$000
Investments		
Financial Investments	342,669	294,015
Investment properties	2,355	2,235
Reinsurers' Share of Technical Provisions		
Provision for Unearned Premiums	181,962	335,145
Claims Outstanding	1,246,365	1,143,727
Debtors		
Debtors Arising out of Direct Insurance Operations – Intermediaries	355,552	468,615
Other Debtors	1,096	1,725
Other Assets		
Cash at Bank and in Hand	100,241	244,603
Prepayments and Accrued Income		
Other Prepayments and Accrued Income	7,273	13,345
Deferred Acquisition Costs	4,886	59,107
Total Disposal Group Assets Held for Sale	2,242,400	2,562,517

Notes to the Annual Accounts

at 31 December 2023

24. Disposal Group held for sale (continued)

	2023	2022
	\$000	\$000
Technical Provisions		
Provision for Unearned Premiums	292,777	367,581
Claims Outstanding	1,883,642	1,380,336
Creditors		
Creditors Arising out of Direct Insurance Operations – Intermediaries	1,746	1,939
Creditors Arising out of Reinsurance Operations	184,454	270,397
Amounts due to Group Companies	(365,049)	404,321
Derivative financial liabilities	-	2,246
Other Creditors	28,467	90,676
Accruals and Deferred Income	17,017	11,241
Total Disposal Group Liabilities related to Held for Sale	2,043,055	2,528,736

25. Events After the Reporting Period

There are no events that are material to the operations of the Group that have occurred since the reporting date.

26. Comparatives

Certain 2022 balances have been restated in accordance with UK GAAP (see note 1). Certain comparative figures of the previous year have also been reclassified to conform to the current year's presentation under UK GAAP.

In accordance with IFRS 5 – Non-current Assets held for Sale and Discontinued Operations, a Discontinued Operation is a component of an entity that either has been disposed of or is classified as held for sale. As a result, as there was a binding sales agreement in place, the assets, liabilities and profit and loss for West Bay and MICL were presented separately as Discontinued Operations under IFRS in the 2022 financial statements.

However, in accordance with FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland), Discontinued Operations is only defined as a component of an entity that has been disposed of. Because the sale of West Bay and MICL has not yet been completed, the operations of West Bay and MICL cannot be presented as discontinued operations under UK GAAP. The operations of these companies have therefore been included by line in the consolidated Statement of Comprehensive Income for 2023 with restated comparatives for 2022. As there is a binding sales agreement, the related assets and liabilities have been categorised as a Disposal Group in both the 2023 and 2022 numbers and have been disclosed in note 24.



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