



## CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Report on Reinsurance Security

Date: October 2024



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## 1. REINSURANCE SECURITY CONSIDERATIONS

### 1.1 Status Update

The purpose of this report is to provide the CLLAS Audit Committee with a status review of the current CLLAS reinsurance security, consistent with CLLAS' Reinsurance Security Policy.

### 1.2 Reinsurance Security

One of the responsibilities of the Audit Committee is to monitor CLLAS' reinsurers and to recommend changes to the Board based on any number of factors including, but not limited to:

- Downgrading of the security rating
- A rating agency placing a reinsurer on a "watch" list
- Exposure to any one reinsurer exceeding an agreed percentage
- Difficulties collecting reinsurance proceeds after a claim is settled
- Use of unregistered (in Canada) security
- Any other matters that may threaten the security of a reinsurer

The Committee acknowledges that reinsurance intermediaries cannot guarantee the solvency of any reinsurer and that they rely on the rating agencies to evaluate reinsurers' financial strength. The Audit Committee is not meant to substitute the expert advice provided by CLLAS' intermediaries. Its purpose is to use this advice to assist the Advisory Board in its due diligence process. Included in Appendices A and B are letters from Axxima (including Alternative Risk Services) and 3MG (formerly Miller Insurance Services LLP), respectively, which provide information on the reinsurance security practices of these firms. Note, 3MG International Ltd.'s practices are consistent with those outlined by Miller Insurance Services LLP.

### 1.3 Level I Monitoring

Level I monitoring of CLLAS reinsurance consists of the following:

- Current A.M. Best and S&P 5-year rating chart comparison – see Appendix C
- Current claims liability exposure (i.e., case reserves and IBNR) to each reinsurer from all policy years combined – see Appendix D
- Current claims liability exposure to each reinsurer for the prior policy year– see Appendix E
- Single claim limit exposure to each reinsurer for the current year – see Appendix F



CLLAS reinsurers should be rated A- or better by A.M. Best and S&P, except for special circumstances agreed to by the Board.

For the committee's convenience we have also included the A.M. Best and S&P ratings for insurers participating on the commercial excess layers placed by Pro-Form for CLLAS' subscribers, including the ratings for the "CLLAS International" program, as provided by Pro-Form, under Appendix C-PF. For completeness, the commercial excess and CLLAS International insurers have also been included in the analysis of claim limit exposure to each reinsurer for the current year, which is found under Appendix F-PF.

#### **1.4 Level II Monitoring Triggers**

Should any of the following events occur, Level II monitoring would take place:

- Downgrading of the financial strength rating
- A rating agency placing a reinsurer on a "watch" list
- Difficulties collecting reinsurance proceeds after a claim is settled
- Use of a reinsurer that is unregistered in Canada
- Any other events deemed material by the Audit Committee or its advisors

Additionally, for a particular reinsurer, Level II monitoring will be triggered in the event the following takes place and the reinsurer's exposure to CLLAS is significant relative to its total assets and/or capital and surplus:

- Current claims liability exposure (i.e., case reserves and IBNR) for all policy years combined exceeds 10% of the total
- Current claims liability exposure for the prior policy year exceeds 10% of the total
- Claim limit exposure to each reinsurer for the current year exceeds 10% of the total limits provided by CLLAS

CLLAS' exposure is considered significant to the reinsurer if its share of CLLAS' total current liabilities or claim limit exposure exceeds 0.1% of the reinsurer's assets or 0.5% of the reinsurer's capital and surplus.

## 1.5 Level II Monitoring

The following Level II monitoring should take place for any reinsurer that requires it due to events identified above:

- Additional information should be reviewed by the Audit Committee, including a review of:
  - Stock performance relative to the remainder of the market
  - Early warning signals/ratios (as provided by A.M. Best or equivalent agency)
  - Balance sheet and income statement highlights (as provided by A.M. Best or equivalent agency)
- Meetings or direct correspondence with such reinsurers as necessary to discuss the financial health of the reinsurer.

The Audit Committee should make recommendations to the Board based on these reviews.

## 1.6 Cyber Program Review

The CLLAS cyber program is reinsured entirely by Lloyd's syndicates (Beazley and Axis). Given the limited claims data available, a fulsome analysis is not possible. We are, however, comfortable that both syndicates are able to rely on Lloyd's' financial strength and, as concluded later in this report, CLLAS does not present a material risk to Lloyd's, even with the longevity and significant accumulation of liabilities under the professional liability program.

We will continue to monitor the security supporting the cyber program and include it in a more fulsome assessment as and when sufficient data is available.

## 2. LEVEL II MONITORING

### 2.1 Reinsurers Requiring Level II Monitoring

As the first step in our reinsurance security monitoring process, Level I tests were performed on all CLLAS reinsurers. The following identifies the reinsurers subject to Level II monitoring and which Level II monitoring criteria was triggered:

#### Level II Monitoring Triggers

| Market                                   | Unregistered in Canada | Collection Difficulties | Downgrade \ Watch List | Current Liabilities (All Years) exceeds 10% | Current Liabilities (Most Recent Year) exceeds 10% | Claim Limit Exposure (Most Recent Year) exceeds 10% |
|--|------------------------|-------------------------|------------------------|---|--|---|
| AWAC                                     | ✓                      |                         |                        |   |  |   |
| Colchester                               | ✓                      |                         |                        | ✓   | ✓  | ✓   |
| Lloyd's                                  |                        |                         |                        | ✓   | ✓  | ✓   |
| WSM 1200 (Westfield Specialty Syndicate) |                        |                         |                        | ✓   | ✓  |   |
| Swiss Re                                 |                        |                         |                        |   |  | ✓   |
| AML 2001 (MS Amlin Syndicate)            |                        |                         |                        | ✓   | ✓  |   |
| Casper Specialty UK Ltd.                 |                        |                         |                        | ✓   | ✓  |   |
| Scor                                     |                        |                         | ✓                      |   |  |   |

## Level II Monitoring Requirement

| Market                                   | Exposure Exceeds 0.1% of Insurer Total Assets | CLLAS Exposure Exceeds 0.5% of Insurer Total Capital & Surplus | Level II Monitoring Required? |
|--|---|--|-------------------------------|
| AWAC (Unlicensed)                        | No  | No   | Yes                           |
| Colchester (Unlicensed)                  | Yes   | Yes  | Yes                           |
| Lloyd's                                  | No  | No   | No                            |
| WSM 1200 (Westfield Specialty Syndicate) | Yes   | No   | No*                           |
| Swiss Re                                 | No  | No   | No                            |
| AML 2001 (MS Amlin Syndicate)            | Yes   | No   | No*                           |
| Casper Specialty UK Ltd.                 | Relies on Lloyd's                             |  |                               |
| Scor                                     | No  | No   | No                            |

\* Relied upon MS Amlin and Westfield's parent company financials for which CLLAS' liabilities represent only 0.16% and 0.19% of the total Assets, respectively. Given the additional security provided by at Lloyd's, we are not triggering Level II Monitoring for these Syndicates on the basis that the central fund at Lloyd's would easily reduce the test result below the monitoring threshold.

Casper Specialty UK is an MGA that was launched in March, 2023 to write business on the behalf of Argenta, who provides long-term capacity. Argenta mainly writes short-tail business, and Casper was launched to focus on financial lines and professional risks and places risks on behalf of Argenta. Argenta was a reinsurer of CLLAS as Syndicate 2121 (Argenta Syndicate) from 2020-2022. Argenta is wholly owned by Hanover Re and other third-party capital providers. The syndicate further benefits from Lloyd's security and credit rating.

Although exposure to Lloyd's does not exceed the Level II Monitoring requirement thresholds as a percent of assets and capital, we are including the AM Best Rating Report under Appendix G as an information item due to the size of the liabilities placed with Lloyd's.

Scor was downgraded from A+ to A by A.M. Best, however our exposure to Scor is minimal. Level II monitoring is not required because Scor does not exceed the Asset or Capital & Surplus thresholds.

## 2.2 Allied World Assurance Company Limited (“AWAC”)

### General

Allied World Assurance Company Limited is a global specialty insurance and reinsurance company with offices in Bermuda, Europe and the United States. Launched in 2001, AWAC originally consisted of four employees located in a small office in Bermuda, today, AWAC has 25 offices across the world.

AWAC has been a participant in the CLLAS Program since 2002. Currently, AWAC participates in the high layers of the CLLAS Program – the Optional Excess and Umbrella layers.

The CLLAS/AWAC reinsurance agreement includes a provision for outstanding claims advances by AWAC in favour of CLLAS.

On July 5, 2017, AWAC was acquired by Fairfax Financial Holdings. Stock information is no longer available for AWAC, so we have included the stock performance of their ultimate parent company, Fairfax Financial Holdings Ltd., which is outlined below.

### Stock Performance

The following is the 5-year stock performance as of October 1, 2024, for Fairfax Financial Holdings (ticker: FFH, Toronto Stock Exchange) with the S&P/TSX Composite Index for comparison.





## AM Best Report Highlights

The complete A.M. Best report is set forth in Appendix H.

- Current financial strength rating is A (Excellent) Positive from A.M. Best.

The balance sheet performance for AWAC is categorized as “strongest” which means that Allied World Assurance Company Holdings Limited (Allied World) has a strong balance sheet strength which is mainly due to a diversified investment portfolio, favorable reserve development and controlled growth.

AWAC is backed by a Fairfax Financial Holdings (Fairfax) which has a financially stable balance sheet. AWAC can benefit from Fairfax's supportive financial leverage and favorable liquidity, with cash and short-term investments readily available to support its insurance operations.

## Financial Highlights

- Net Premium Written increased from USD 4,456,100,000 in 2022 to \$4,839,500,000 in 2023.
- Income for the year, after taxation, was USD 548,300,000 in 2021, USD -4,700,000 in 2022 and \$1,223,800,000 in 2023.
- Overall, the company's combined ratio decreased from 90.9% to 89.7%.

## Outlook

The stable rating outlooks reflect AM Best's expectation that the group's strongest level of balance sheet strength will continue to be supported by adequate operating performance; diverse business profile, both geographically and by line of business; and well-defined enterprise risk management guidelines and controls.

A.M. Best report was updated on May 9, 2024.

## 2.3 Colchester Reinsurance Limited (“Colchester”)

### General

Colchester is a captive reinsurer for CLLAS and is wholly owned by the current and past subscriber firms of CLLAS, or their affiliates. Colchester is domiciled in Barbados.

### Stock Performance

Colchester is not publicly traded.

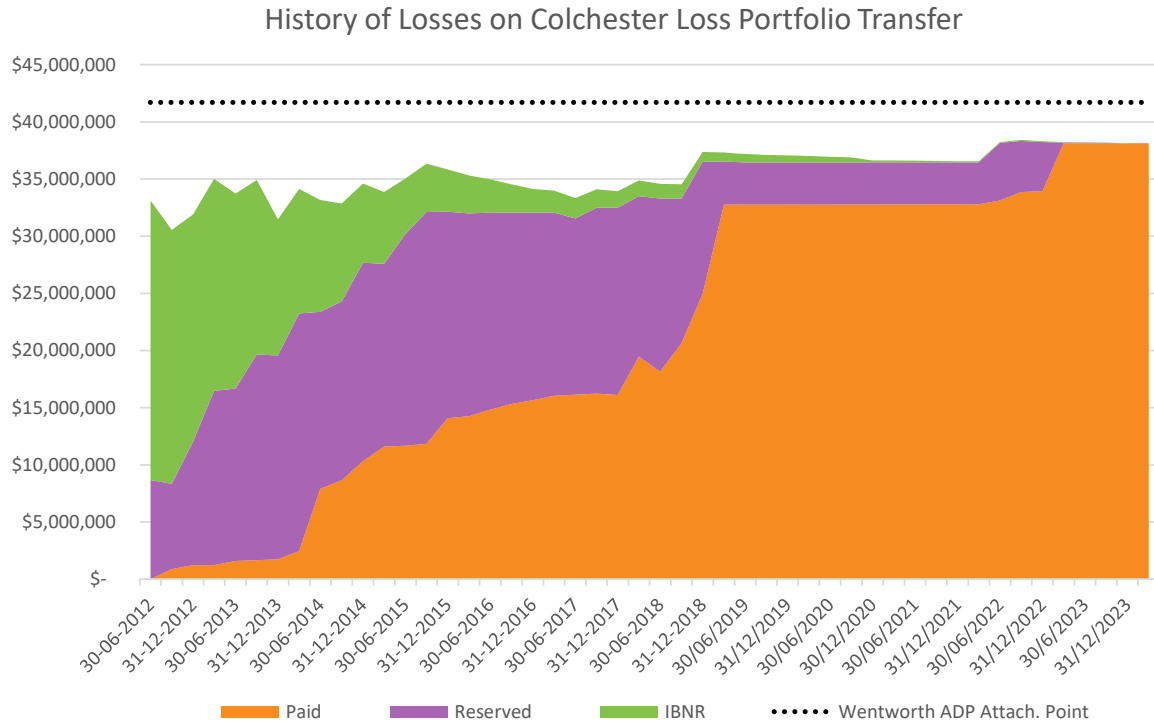
### Highlights of A.M. Best Report

Colchester is not rated by any ratings agencies.

### Financial Highlights

Please see Appendix I for a copy of the most recent draft financial statements (as of June 30, 2024). The following are some of the highlights from these financials:

- Total Equity decreased from \$22,060,230 in 2023 to \$21,209,939 in 2024
- Income for the year, after taxation, decreased from (\$558,593) in 2023 to (\$850,291) in 2024
  - Reinsurance premiums written and earned increased from \$3,603,874 in 2023 to \$4,744,434 in 2024
  - Retrocession premiums increased from (\$2,764,463) in 2023 to (\$2,772,308) in 2024
- Colchester was for several years deliberately distributing surplus via premium reductions but has now shifted to positive underwriting, we should begin to see Colchester's underwriting income turn either flat or positive in the coming years.
- All the assets supporting the claims liabilities of Colchester are held in trust in a custodial account in favour of CLLAS, subject to a reinsurance security agreement as outlined by the Office of the Superintendent of Financial Institutions (Canadian federal regulator) and approved by the Alberta Superintendent of Insurance (the regulator in CLLAS' home jurisdiction)
- On June 30, 2012, Colchester and CLLAS affected a Loss Portfolio Transfer, which transferred approximately \$33.1 million of CLLAS' liabilities to Colchester for all prior years of account. Since that time, those liabilities have remained relatively stable, as can be seen in the chart below. Colchester also purchased 10% quota share adverse development retrocession protection on the Loss Portfolio, which attaches at \$41.7 million, also shown below as a dotted line for reference.





Actuaries and Insurance Management Advisors

September 23, 2014

Mr. Nick Leblovic  
Chairman, CLLAS  
c/o Davies Ward Phillips & Vineberg LLP  
40<sup>th</sup> Floor, 155 Wellington Street West  
Toronto, Ontario M5V 3J7

Dear Nick,

This is in response to a previous request to provide a letter regarding the reinsurance that is placed on behalf of CLLAS. We are reissuing this letter under Axxima cover to confirm that the previous letter, dated June 9, 2009 under Dion, Durrell + Associates Inc. cover, remains accurate under Axxima's management.

As you know, we work closely with Miller Insurance Services Ltd. (Miller) on all CLLAS reinsurance matters, with Miller being responsible for the London placement (including Lloyd's and certain European companies) and the Colchester retrocession placement. Axxima, via its subsidiary, Alternative Risk Services, a division of 3303128 Canada Inc. ("AR Services"), prepares the reinsurance submission that goes out to all markets and specifically places the domestic and Bermuda reinsurance as well as the aggregate stop-loss reinsurance placed through Colchester.

In the past, a minimum reinsurance security rating standard of no less than A-, as determined by A.M. Best and Standard & Poor's, had been established with CLLAS. Any deviation from such standard is to be referred to the CLLAS Advisory Board. Thoughtful and deliberate monitoring preserves the important relationships that CLLAS has developed over the years with its reinsurers.

Please be advised that neither Axxima, nor AR Services, carries out its own assessment of the solvency of any insurer or reinsurer and do not guarantee the solvency or continuing solvency of any insurer or reinsurer. You should note that the financial solvency of any insurer or reinsurer could change after the reinsurance protection has been placed. We are committed to providing CLLAS with up-to-date information on any material changes in the financial status or the security ratings of CLLAS reinsurers. To this end, we carry out CLLAS' adopted reinsurance security process.

In general, we are prepared to provide CLLAS with updates from A.M. Best and S&P based on our monitoring of the security ratings of each of the participating reinsurers. We will advise CLLAS on any adverse developments which may require CLLAS to replace a certain reinsurer mid-term or to decide to monitor and continue to use a certain reinsurer for a prescribed period of time.

We hope that the foregoing is satisfactory, however, should you have any questions, please do not hesitate to contact the undersigned.

Yours sincerely,

A handwritten signature in black ink, appearing to read "J. Tontini".

Joseph D. Tontini  
Consultant



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Chairman  
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Canada

5th June 2009

Dear Nick

**CLLAS Reinsurance Programme  
Renewal effective 1<sup>st</sup> July 2009**

In accordance with your request and in conjunction with Dion, Durrell + Associates, Inc., we have compiled various material relating to the reinsurers we use who participate on the CLLAS reinsurance programme. We have collated this information with the underwriters' responses given during our meetings to the set of questions posed during your recent visit to London. A copy of the matrix with reinsurers' feedback is enclosed.

You have asked us to comment on the appropriateness of the reinsurers who are involved as well as give our views on possible new markets. Miller does not assess or guarantee the solvency of any (re)insurer, however we check the financial strength ratings provided by specialist agencies (such as Standard & Poor's and A.M. Best) for each participating market and each must be authorised internally at Miller for us to use. Any markets which do not meet a minimum criteria may still be used but only with specific client approval. In practice the current specialist agency financial strength ratings of all the reinsurers used by us on your programme are in excess of our minimum criteria for authorisation.

On an ongoing basis we monitor these ratings as well as developments in the market and will advise you in the event there are circumstances which lead a market to fall out of our authorised classification. Taking into consideration reinsurers' feedback from our meetings, the Miller authorisations of each of the markets we use on the CLLAS programme are unaffected.

For 2009 we will be approaching the current participants for their support and many of these have had long term relationships with CLLAS. As outlined in London, we and Dion, Durrell work closely together to strategically manage the size and layering of participations offered by each reinsurer to ensure that the most optimal result is achieved for CLLAS, in line with its objectives for renewal. At present there are no new reinsurance companies which we wish to approach with your programme this year, but there are several new Lloyd's syndicates which may be interested in supporting your account and we will be approaching them for their views in due course. The current Lloyd's rating by Standard & Poor's is A+ (strong) with a stable outlook.

Please don't hesitate to let me know if you have any questions or comments.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mark Pople".

Mark Pople  
Director – Professional Risks

Encl.

## CLLAS Reinsurance

Appendix C

A.M Best Ratings over a 5 year period

October 2024

| Reinsurers  | Registered Status | AMB#  |         | 2019     | 2020   | 2021   | 2022     | 2023     | 2024       |
|---|-------------------|-------|---------|----------|--------|--------|----------|----------|------------|
| Lloyd's   | Registered        | 85202 | Rating  | A        | A      | A      | A        | A        | A+         |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Positive | Stable     |
| Aspen Re  | Registered        | 14149 | Rating  | A        | A      | A      | A        | A        | A          |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Hannover Rueck  | Registered        | 85070 | Rating  | A+       | A+     | A+     | A+       | A+       | A+         |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Transatlantic Reinsurance Company (UK)  | Registered        | 03126 | Rating  | A+       | A+     | A+     | A+       | A++      | A++        |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Arch Insurance Company (Canada Branch)  | Registered        | 66513 | Rating  | A+       | A+     | A+     | A+       | A+       | A+         |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Allied World Assurance Company Ltd.   | Unregistered      | 84808 | Rating  | A        | A      | A      | A        | A        | A          |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Positive   |
| CRC (Bermuda) Reinsurance Ltd.  | Unregistered      |       | Rating  | N/A      | N/A    | N/A    | N/A      | N/A      | N/A        |
|   |                   |       | Outlook | N/A      | N/A    | N/A    | N/A      | N/A      | N/A        |
| Intact Financial Corporation is the Parent company( formerly RSA Insurance Group) | Registered        | 51160 | Rating  | N/A      | N/A    | N/A    | A        | A        | A-         |
|   |                   |       | Outlook | N/A      | N/A    | N/A    | Stable   | Stable   | Stable     |
| SCOR Canada Reinsurance Company   | Registered        | 85445 | Rating  | A+       | A+     | A+     | A+       | A+       | A          |
|   |                   |       | Outlook | Stable   | Stable | Stable | Negative | Stable   | Developing |
| Swiss Reinsurance Company Ltd. (Canada Branch)                                    | Registered        | 66833 | Rating  | A+       | A+     | A+     | A+       | A+       | A+         |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Toa Reinsurance Company of America  | Registered        | 85179 | Rating  | A        | A      | A      | A        | A        | A          |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)       | Registered        | 58309 | Rating  | N/A      | N/A    | N/A    | N/A      | A+       | A+         |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Colchester Reinsurance Ltd.   | Unregistered      |       | Rating  | N/A      | N/A    | N/A    | N/A      | N/A      | N/A        |
|   |                   |       | Outlook | N/A      | N/A    | N/A    | N/A      | N/A      | N/A        |
| Munich Re   | Registered        | 85011 | Rating  | A+       | A+     | A+     | A+       | A+       | A+         |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Argo Group Operating Subsidiaries (Formerly AMA 1200 Parent)                      | Registered        | 91791 | Rating  | A        | A      | A-     | A-       | A-       | A-         |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Axis Reinsurance Company  | Registered        | 12557 | Rating  | A+       | A      | A      | A        | A        | A          |
|   |                   |       | Outlook | Negative | Stable | Stable | Stable   | Stable   | Stable     |
| Continental Casualty Company (CNA)  | Registered        | 02128 | Rating  | A        | A      | A      | A        | A        | A          |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Allianz Global Risks  | Registered        | 00407 | Rating  | A+       | A+     | A+     | A+       | A+       | A+         |
|   |                   |       | Outlook | Stable   | Stable | Stable | Stable   | Stable   | Stable     |
| Westfield Insurance (AMA 1200 Parent)   | Registered        | 02382 | Rating  | N/A      | N/A    | N/A    | N/A      | A        | A          |
|   |                   |       | Outlook | N/A      | N/A    | N/A    | N/A      | Stable   | Stable     |
| CNA Canada  | Registered        | 86301 | Rating  | N/A      | N/A    | N/A    | N/A      | N/A      | N/A        |
|   |                   |       | Outlook | N/A      | N/A    | N/A    | N/A      | N/A      | N/A        |

## CLLAS Reinsurance

S&P Ratings over a 5 year period

October 2024

Appendix C

| Reinsurers  |         | 2019     | 2020     | 2021     | 2022     | 2023     | 2024     |
|---|---------|----------|----------|----------|----------|----------|----------|
| Lloyd's   | Rating  | A+       | A+       | A+       | A+       | A+       | A+       |
|   | Outlook | Negative | Stable   | Stable   | Stable   | Stable   | Stable   |
| Aspen Re  | Rating  | A        | A        | BBB      | BBB      | BBB      | BBB      |
|   | Outlook | Negative | Negative | Stable   | Stable   | Stable   | Stable   |
| Hannover Rueck  | Rating  | AA-      | AA-      | AA-      | AA-      | AA-      | AA-      |
|   | Outlook | Stable   | Stable   | Stable   | Stable   | Stable   | Stable   |
| Transatlantic Reinsurance Company (UK)                                      | Rating  | A+       | A+       | A+       | A+       | A+       | A+       |
|   | Outlook | Stable   | Stable   | Stable   | Stable   | Stable   | Stable   |
| Arch Insurance Company (Canada Branch)                                      | Rating  | A+       | A+       | A+       | A+       | A+       | A+       |
|   | Outlook | Stable   | Negative | Negative | Stable   | Stable   | Stable   |
| Allied World Assurance Company Ltd.   | Rating  | A-       | A-       | A-       | A        | A        | A+       |
|   | Outlook | Positive | Stable   | Positive | Stable   | Stable   | Positive |
| CRC (Bermuda) Reinsurance Ltd.  | Rating  | N/A      | N/A      | N/A      | N/A      | N/A      | N/A      |
|   | Outlook | N/A      | N/A      | N/A      | N/A      | N/A      | N/A      |
| RSA Insurance Group (Intact Financial Corporation is the Parent company)    | Rating  | A        | A        | N/A      | N/A      | N/A      | N/A      |
|   | Outlook | Stable   | Stable   | N/A      | N/A      | N/A      | N/A      |
| SCOR Canada Reinsurance Company   | Rating  | AA-      | AA-      | AA-      | AA-      | AA-      | A+       |
|   | Outlook | Stable   | Stable   | Stable   | Negative | Negative | Stable   |
| Swiss Reinsurance Company Ltd. (Canada Branch)                              | Rating  | AA-      | AA-      | AA-      | AA-      | AA-      | AA-      |
|   | Outlook | Stable   | Negative | Negative | Negative | Negative | Stable   |
| Toa Reinsurance Company of America  | Rating  | A+       | A+       | A+       | A+       | A+       | A        |
|   | Outlook | Stable   | Stable   | Stable   | Negative | Negative | Stable   |
| Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent) | Rating  | BBB+     | BBB+     | BBB+     | BBB+     | BBB+     | BBB+     |
|   | Outlook | Stable   | Stable   | Stable   | Stable   | Stable   | Stable   |
| Transatlantic Reinsurance Company (Canada)                                  | Rating  | A+       | A+       | A+       | A+       | A+       | AA+      |
|   | Outlook | Stable   | Stable   | Stable   | Stable   | Stable   | Stable   |
| Colchester Reinsurance Ltd.   | Rating  | N/A      | N/A      | N/A      | N/A      | N/A      | N/A      |
|   | Outlook | N/A      | N/A      | N/A      | N/A      | N/A      | N/A      |
| Munich Re   | Rating  | AA-      | AA-      | AA-      | AA-      | AA-      | AA       |
|   | Outlook | Stable   | Stable   | Stable   | Stable   | Stable   | Stable   |
| Argo Group Operating Subsidiaries* (AMA 1200 Parent)                        | Rating  | A-       | A-       | A-       | A-       | A-       |          |
|   | Outlook | Stable   | Stable   | Negative | Negative | Negative |          |
| Axis Reinsurance Company  | Rating  | A+       | A+       | A+       | A+       | A+       | A+       |
|   | Outlook | Stable   | Negative | Negative | Stable   | Stable   | Stable   |
| Continental Casualty Company (CNA)  | Rating  | A        | A+       | A+       | A+       | A+       | A+       |
|   | Outlook | Positive | Stable   | Stable   | Stable   | Stable   | Stable   |
| Allianz Global Risks  | Rating  | AA       | AA       | AA       | AA       | AA       | AA       |
|   | Outlook | Stable   | Negative | Negative | Stable   | Stable   | Stable   |
| CNA Canada  | Rating  | A        | A+       | A+       | A+       | A+       | A+       |
|   | Outlook | Positive | Stable   | Stable   | Stable   | Stable   | Stable   |

\* Argo Group syndicate AMA 1200 was purchased by Westfield and is not rated under S&P

# Insurer Financial Ratings

## CLLAS Canadian Excess Program

| INSURANCE COMPANY   |                                    | COUNTRY | BEST'S RATING | S&P RATING |
|---|------------------------------------|---------|---------------|------------|
| LIBERTY INTERNATIONAL UNDERWRITERS CANADA, A DIVISION OF LIBERTY MUTUAL INSURANCE COMPANY |                                    | U.S.A.  | A             | A          |
| TRAVELERS COMMERCIAL INSURANCE COMPANY OF CANADA  |                                    | Canada  | A++           | AA         |
| SOVEREIGN GENERAL INSURANCE COMPANY   |                                    | Canada  | A             |            |
| NORTHBRIDGE COMMERCIAL INSURANCE CORP.  |                                    | Canada  | A             | A+         |
| INTACT INSURANCE COMPANY  |                                    | Canada  | A+            |            |
| QBE INSURANCE (INTERNATIONAL) LTD.  |                                    | U.S.A.  | A             | A+         |
| XL SPECIALTY INSURANCE COMPANY  |                                    | U.S.A.  | A+            | AA-        |
| TOKIO MARINE CANADA LTD.  |                                    | Canada  | A-            |            |
| TRISURA GUARANTEE INSURANCE COMPANY   |                                    | Canada  | A-            |            |
| VICTOR INSURANCE MANAGERS INC. - Participants   |                                    |         |               |            |
| 1   | Continental Casualty Company       | U.S.A.  | A             | A+         |
| 2.  | XL/Catlin Reinsurance America Inc. | U.S.A.  | A+            | AA-        |
| 3.  | Temple Insurance Company           | Canada  | A+            | A+         |
| 4.  | Aviva Insurance Company of Canada  | Canada  | A+            | AA-        |

Ratings reflect the most recent issue, update or change communicated by the rating agency. Effective dates on S&P interactive ratings above do not reflect affirmations. Ratings do not necessarily correspond to a specific data year. "Secure" scales are described below. Refer to A.M. Best's (Best's) and Standard and Poor's (S&P) definitions for details. Conversions to U.S. Dollars are subject to exchange rate differences. Sources of financial data (company accounts or regulatory returns) for non-US companies are indicated on the individual company reports

| <u>Best's Ratings</u> |  | <u>S&amp;P Ratings</u> |  |
|-----------------------|--|------------------------|--|
| A++, A+ Superior      | Best's rating modifiers may be assigned based on group affiliation: (r=Reinsured, p=Pooled, or g=Group) FPR ratings range from 1-9, where 1=Poor and 9=Very Strong | AAA Extremely Strong   | S & P Financial Strength ratings may be modified by the use of a "+" or "-" sign to show relative standing within a category. The "pi" indicates a "public information" rating. A "pos", "neg", or "dev" indicates a positive, negative, or developing CreditWatch implication |
| A, A- Excellent       |  | AA Very Strong         |  |
| B++, B+ Very Good     |  | A Strong               |  |
| U Under review        |  | BBB Good               |  |



# Insurer Financial Ratings

## CLLAS International Program

| INSURANCE<br>COMPANY               | COUNTRY           | BEST'S<br>RATING | S&P<br>RATING |
|------------------------------------|-------------------|------------------|---------------|
| CONTINENTAL<br>CASUALTY<br>COMPANY | U.S.A.            | A                | A+            |
| AXA XL                             | U.S.A.            | A+               | AA-           |
| BERKSHIRE                          | U.S.A.            | A++              | AA+           |
| ASPEN RE                           | U.S.A.            | A                | A-            |
| LLOYDS                             | UNITED<br>KINGDOM | A                | AA-           |
| MARKEL                             | U.S.A.            | A                | A             |

CLLAS Reinsurance

Top 25 Reinsurers by % of Current Liability  
ALL YEARS

Appendix D

| Lev. II                      | Name   | Jurisdiction | Reg'd? | LAYERS          |                  |               |                |              |                 |              |                 |                 |              |                 | TOTAL      | All-time<br>Percent<br>of Total | Prev. Year<br>Percent<br>of Total | Move-<br>ment? |
|------------------------------|--|--------------|--------|-----------------|------------------|---------------|----------------|--------------|-----------------|--------------|-----------------|-----------------|--------------|-----------------|------------|---------------------------------|-----------------------------------|----------------|
|                              |  |              |        | \$ .975MM<br>XS | \$4/\$49MM<br>XS | \$7.5MM<br>XS | \$12.5MM<br>XS | \$10MM<br>XS | \$30/60MM<br>XS | \$20MM<br>XS | \$10-60MM<br>XS | \$15-50MM<br>XS | \$60MM<br>XS | \$30/60MM<br>XS |            |                                 |                                   |                |
|                              |  |              |        | \$.025MM        | \$1MM            | \$5MM         | \$12.5MM       | \$25MM       | \$65MM          | \$140MM      | \$160MM         | \$50MM          | \$100MM      | \$250MM         |            |                                 |                                   |                |
|                              | Underwriters at Lloyd's                        | London       | Yes    | 0               | 48,463,283       | 0             | 0              | 0            | 73,117          | 0            | 116,824         | 0               | 0            | 4,878           | 48,658,102 | 58.7%                           | 57.7%                             | Up             |
| ➡                            | Colchester                                     | Barbados     | No     | 0               | 21,503,876       | 0             | 0              | 0            | 0               | 0            | 22,629          | 223,417         | 0            | 1,924           | 21,751,846 | 26.2%                           | 25.9%                             | Up             |
| ➡                            | AMA 1200 (Now Westfield)                       | Lloyd's      | Yes    | 0               | 17,447,237       | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 17,447,237 | 21.1%                           | 21.3%                             | Down           |
| ➡                            | AML 2001                                       | Lloyd's      | Yes    | 0               | 9,962,354        | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 9,962,354  | 12.0%                           | 11.6%                             | Up             |
|                              | Casper (Formerly Argenta 2121)                 | Lloyd's      | Yes    | 0               | 8,296,109        | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 8,296,109  | 10.0%                           | 7.7%                              | Up             |
|                              | AUL 1274                                       | Lloyd's      | Yes    | 0               | 7,378,271        | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 7,378,271  | 8.9%                            | 8.5%                              | Up             |
|                              | AXIS Re  | Canada       | Yes    | 0               | 5,119,296        | 0             | 0              | 0            | 0               | 0            | 11,703          | 0               | 0            | 0               | 5,130,998  | 6.2%                            | 5.9%                              | Up             |
|                              | Allianz Global Risks                           | London       | Yes    | 0               | 3,856,943        | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 3,856,943  | 4.7%                            | 5.3%                              | Down           |
|                              | Vibe 5678                                      | Lloyd's      | Yes    | 0               | 1,771,598        | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 1,771,598  | 2.1%                            | 3.2%                              | Down           |
|                              | PPI 9969                                       | Lloyd's      | Yes    | 0               | 1,601,694        | 0             | 0              | 0            | 0               | 0            | 428             | 0               | 0            | 0               | 1,602,122  | 1.9%                            | 3.3%                              | Down           |
|                              | AGD 2526                                       | Lloyd's      | Yes    | 0               | 809,497          | 0             | 0              | 0            | 0               | 0            | 10              | 0               | 0            | 0               | 809,506    | 1.0%                            | 1.1%                              | Down           |
|                              | Carbon 4747                                    | Lloyd's      | Yes    | 0               | 369,652          | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 369,652    | 0.4%                            | 0.0%                              | Up             |
|                              | CNA (Combined)                                 | Combined     | Mixed  | 0               | 341,834          | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 341,834    | 0.4%                            | 0.9%                              | Down           |
|                              | CNA Canada                                     | Canada       | Yes    | 0               | 341,834          | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 341,834    | 0.4%                            | 0.9%                              | Down           |
|                              | Scor Re (Combined)                             | Combined     | Yes    | 0               | 237,399          | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 237,399    | 0.3%                            | 0.0%                              | Up             |
|                              | Scor 2015                                      | Lloyd's      | Yes    | 0               | 237,399          | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 237,399    | 0.3%                            | 0.0%                              | Up             |
|                              | MKL 3000                                       | Lloyd's      | Yes    | 0               | 158,540          | 0             | 0              | 0            | 12,919          | 0            | 30,797          | 0               | 0            | 0               | 202,256    | 0.2%                            | 0.1%                              | Up             |
|                              | Canopus 4444                                   | Lloyd's      | Yes    | 0               | 158,540          | 0             | 0              | 0            | 9,092           | 0            | 11,883          | 0               | 0            | 636             | 180,152    | 0.2%                            | 0.0%                              | Up             |
|                              | Swiss Re (Combined)                            | Combined     | Mixed  | 0               | 0                | 0             | 0              | 0            | 46,654          | 0            | 24,856          | 53,620          | 45,044       | 385             | 170,558    | 0.2%                            | 0.3%                              | Down           |
|                              | Westport Insurance Corp. (Swiss Re)            | Canada       | Yes    | 0               | 0                | 0             | 0              | 0            | 46,654          | 0            | 24,856          | 53,620          | 45,044       | 385             | 170,558    | 0.2%                            | 0.3%                              | Down           |
|                              | Hamilton (Combined)                            | Combined     | Yes    | 0               | 149,612          | 0             | 0              | 0            | 6,583           | 0            | 12,797          | 0               | 0            | 530             | 169,523    | 0.2%                            | 0.4%                              | Down           |
|                              | Hamilton 3334                                  | Lloyd's      | Yes    | 0               | 107,219          | 0             | 0              | 0            | 157             | 0            | 392             | 0               | 0            | 0               | 107,768    | 0.1%                            | 0.3%                              | Down           |
|                              | PEM 4000                                       | Lloyd's      | Yes    | 0               | 42,394           | 0             | 0              | 0            | 6,426           | 0            | 12,405          | 0               | 0            | 530             | 61,755     | 0.1%                            | 0.1%                              | Down           |
|                              | Barbican 1955                                  | Lloyd's      | Yes    | 0               | 61,304           | 0             | 0              | 0            | 5               | 0            | 11              | 0               | 0            | 0               | 61,321     | 0.1%                            | 0.2%                              | Down           |
|                              | Acappella 2014                                 | Lloyd's      | Yes    | 0               | 53,001           | 0             | 0              | 0            | 529             | 0            | 3,866           | 0               | 0            | 0               | 57,397     | 0.1%                            | 0.2%                              | Down           |
|                              | BRT 2987                                       | Lloyd's      | Yes    | 0               | 0                | 0             | 0              | 0            | 30,068          | 0            | 11,410          | 0               | 0            | 0               | 41,477     | 0.1%                            | 0.1%                              | Down           |
|                              | Gerling Global Re                              | Canada       | Yes    | 0               | 0                | 0             | 0              | 0            | 5,332           | 0            | 23,407          | 0               | 0            | 0               | 28,739     | 0.0%                            | 0.0%                              | Zero           |
| ➡                            | AWAC   | Bermuda      | No     | 0               | 0                | 0             | 0              | 0            | 8,138           | 0            | 16,384          | 0               | 0            | 0               | 24,522     | 0.0%                            | 0.0%                              | Zero           |
| Total Current Liabilities    |  |              |        | 2,893,923       | 79,285,232       | 0             | 0              | 0            | 133,296         | 0            | 234,055         | 277,036         | 45,044       | 7,696           | 82,876,282 |                                 |                                   |                |
| Proportional Reinsurance:    |  |              |        |                 |                  |               |                |              |                 |              |                 |                 |              |                 |            |                                 |                                   |                |
|                              | London   |              |        | 0               | 52,320,226       | 0             | 0              | 0            | 73,117          | 0            | 116,824         | 0               |              | 4,878           | 52,515,045 | 63.4%                           | 63.1%                             | Up             |
|                              | Canada   |              |        | 0               | 5,461,130        | 0             | 0              | 0            | 52,040          | 0            | 78,218          | 53,620          |              | 893             | 5,645,901  | 6.8%                            | 7.1%                              | Down           |
|                              | Bermuda  |              |        | 0               | 0                | 0             | 0              | 0            | 8,138           | 0            | 16,384          | 0               |              | 0               | 24,522     | 0.0%                            | 0.0%                              | Zero           |
|                              | Barbados                                       |              |        | 0               | 21,503,876       | 0             | 0              | 0            | 0               | 0            | 22,629          | 223,417         |              | 1,924           | 21,751,846 | 26.2%                           | 25.9%                             | Up             |
|                              | Total  |              |        | 0               | 79,285,232       | 0             | 0              | 0            | 133,296         | 0            | 234,055         | 277,036         |              | 7,696           | 79,937,314 | 96.5%                           | 96.1%                             | Up             |
| CLLAS Proportional Retention |  |              |        | 2,893,923       | 0                | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 2,893,923  | 3.5%                            | 3.9%                              | Down           |
| ➡                            | Colchester Loss Portfolio Transfer & Stop Loss |              |        | 0               | 0                | 0             | 0              | 0            | 0               | 0            | 0               | 0               | 0            | 0               | 0          | 0.0%                            | 0.2%                              | Down           |
| CLLAS Net Retention          |  |              |        |                 |                  |               |                |              |                 |              |                 |                 |              |                 | 2,893,923  | 3.5%                            | 3.7%                              | Down           |

## CLLAS Reinsurance

Appendix E

Reinsurers by % of Current Liability

CURRENT YEAR (2024/2025)

| Lev. II | Name                                | Jurisdiction | Reg'd? | LAYERS       |           |              |              |              |           |              | TOTAL     | Percent of Total | Prev. Year Percent of Total | Move-ment? |
|---------|-------------------------------------|--------------|--------|--------------|-----------|--------------|--------------|--------------|-----------|--------------|-----------|------------------|-----------------------------|------------|
|         |                                     |              |        | \$ .975MM XS | \$49MM XS | \$30/60MM XS | \$10-60MM XS | \$15-50MM XS | \$60MM XS | \$30/60MM XS |           |                  |                             |            |
|         |                                     |              |        | \$ .025MM    | \$1MM     | \$65MM       | \$160MM      | \$50MM       | \$60MM    | \$250MM      |           |                  |                             |            |
|         | Underwriters at Lloyd's             | London       | Yes    | 0            | 3,409,011 | 5,131        | 1,727        | 0            | 0         | 672          | 3,416,541 | 80.0%            | 59.6%                       | Up         |
| ➔       | AMA 1200 (Now Westfield)            | Lloyd's      | Yes    | 0            | 862,521   | 0            | 0            | 0            | 0         | 0            | 862,521   | 20.2%            | 21.5%                       | Down       |
|         | Casper (Formerly Argenta 2121)      | Lloyd's      | Yes    | 0            | 616,086   | 0            | 0            | 0            | 0         | 0            | 616,086   | 14.4%            | 14.4%                       | Up         |
| ➔       | AML 2001                            | Lloyd's      | Yes    | 0            | 595,550   | 0            | 0            | 0            | 0         | 0            | 595,550   | 13.9%            | 13.9%                       | Up         |
| ➔       | Colchester                          | Barbados     | No     | 0            | 410,724   | 0            | 342          | 10,678       | 0         | 265          | 422,009   | 9.9%             | 30.1%                       | Down       |
|         | AUL 1274                            | Lloyd's      | Yes    | 0            | 410,724   | 0            | 0            | 0            | 0         | 0            | 410,724   | 9.6%             | 9.6%                        | Up         |
|         | Carbon 4747                         | Lloyd's      | Yes    | 0            | 369,652   | 0            | 0            | 0            | 0         | 0            | 369,652   | 8.7%             | 0.0%                        | Up         |
|         | AXIS Re                             | Canada       | Yes    | 0            | 287,507   | 0            | 171          | 0            | 0         | 0            | 287,678   | 6.7%             | 6.7%                        | Up         |
|         | Scor Re (Combined)                  | Combined     | Yes    | 0            | 237,399   | 0            | 0            | 0            | 0         | 0            | 237,399   | 5.6%             | 0.0%                        | Up         |
|         | Scor 2015                           | Lloyd's      | Yes    | 0            | 237,399   | 0            | 0            | 0            | 0         | 0            | 237,399   | 5.6%             | 0.0%                        | Up         |
|         | MKL 3000                            | Lloyd's      | Yes    | 0            | 158,540   | 1,151        | 441          | 0            | 0         | 0            | 160,132   | 3.7%             | 0.1%                        | Up         |
|         | Canopus 4444                        | Lloyd's      | Yes    | 0            | 158,540   | 747          | 277          | 0            | 0         | 88           | 159,652   | 3.7%             | 0.0%                        | Up         |
|         | Swiss Re (Combined)                 | Combined     | Mixed  | 0            | 0         | 3,265        | 342          | 0            | 1,316     | 53           | 4,976     | 0.1%             | 0.2%                        | Down       |
|         | Westport Insurance Corp. (Swiss Re) | Canada       | Yes    | 0            | 0         | 3,265        | 342          | 0            | 1,316     | 53           | 4,976     | 0.1%             | 0.2%                        | Down       |
|         | BRT 2987                            | Lloyd's      | Yes    | 0            | 0         | 1,555        | 0            | 0            | 0         | 0            | 1,555     | 0.0%             | 0.0%                        | Down       |
|         | AFB 623/2623                        | Lloyd's      | Yes    | 0            | 0         | 737          | 0            | 0            | 0         | 88           | 825       | 0.0%             | 0.0%                        | Up         |
| ➔       | AWAC                                | Bermuda      | No     | 0            | 0         | 560          | 239          | 0            | 0         | 0            | 799       | 0.0%             | 0.0%                        | Down       |
|         | Gerling Global Re                   | Canada       | Yes    | 0            | 0         | 373          | 342          | 0            | 0         | 0            | 715       | 0.0%             | 0.0%                        | Down       |
|         | Hamilton (Combined)                 | Combined     | Yes    | 0            | 0         | 437          | 174          | 0            | 0         | 73           | 684       | 0.0%             | 0.0%                        | Down       |
|         | PEM 4000                            | Lloyd's      | Yes    | 0            | 0         | 437          | 174          | 0            | 0         | 73           | 684       | 0.0%             | 0.0%                        | Down       |
|         | FDY 435                             | Lloyd's      | Yes    | 0            | 0         | 504          | 146          | 0            | 0         | 0            | 650       | 0.0%             | 0.0%                        | Down       |
|         | Probitas 1492                       | Lloyd's      | Yes    | 0            | 0         | 0            | 205          | 0            | 0         | 146          | 351       | 0.0%             | 0.0%                        | Down       |
|         | Sampo (Fronted by Trisura)          | Canada       | Yes    | 0            | 0         | 0            | 256          | 0            | 0         | 70           | 326       | 0.0%             | 0.0%                        | Down       |
|         | Mosaic                              | Lloyd's      | Yes    | 0            | 0         | 0            | 227          | 0            | 0         | 44           | 270       | 0.0%             | 0.0%                        | Down       |
|         | Newline 1218                        | Lloyd's      | Yes    | 0            | 0         | 0            | 257          | 0            | 0         | 0            | 257       | 0.0%             | 0.0%                        | Up         |
|         | Starr                               | Lloyd's      | Yes    | 0            | 0         | 0            | 0            | 0            | 0         | 146          | 146       | 0.0%             | 0.0%                        | Up         |
|         | W/R/B                               | Lloyd's      | Yes    | 0            | 0         | 0            | 0            | 0            | 0         | 88           | 88        | 0.0%             | 0.0%                        | Up         |

### Total Current Liabilities

137,625 4,107,242 9,329 3,419 10,678 1,316 1,060 4,270,669

### Proportional Reinsurance:

|          |   |           |       |       |        |       |       |           |       |       |      |
|----------|---|-----------|-------|-------|--------|-------|-------|-----------|-------|-------|------|
| London   | 0 | 3,409,011 | 5,131 | 1,727 | 0      | 0     | 672   | 3,416,541 | 80.0% | 59.6% | Up   |
| Canada   | 0 | 287,507   | 3,638 | 1,111 | 0      | 1,316 | 123   | 293,696   | 6.9%  | 7.0%  | Down |
| Bermuda  | 0 | 0         | 560   | 239   | 0      | 0     | 0     | 799       | 0.0%  | 0.0%  | Down |
| Barbados | 0 | 410,724   | 0     | 342   | 10,678 | 0     | 265   | 422,009   | 9.9%  | 30.1% | Down |
| Total    | 0 | 4,107,242 | 9,329 | 3,419 | 10,678 | 1,316 | 1,060 | 4,133,044 | 96.8% | 96.8% | Up   |

### CLLAS Proportional Retention

137,625 0 0 0 0 0 0 137,625 3.2% 3.2% Down

### ➔ Colchester Aggregate

n/a n/a n/a

### CLLAS Net Retention

137,625 3.2% 3.2% Down

## CLLAS Reinsurance

Appendix F

### Reinsurers by % of Single Claim Exposure

#### CURRENT YEAR (2024/2025)

| CURRENT YEAR (2024/2025) |                                     |              |        | LAYERS          |             |              |               |              |              |               | TOTAL       | Percent of Total | Prev. Year Percent of Total | Move-ment? |
|--------------------------|-------------------------------------|--------------|--------|-----------------|-------------|--------------|---------------|--------------|--------------|---------------|-------------|------------------|-----------------------------|------------|
| Lev. II                  | Name                                | Jurisdiction | Reg'd? | \$975MM         | \$49MM      | \$30/60MM    | \$10-60MM     | \$15-50MM    | \$60MM       | \$30/60MM     |             |                  |                             |            |
|                          |                                     |              |        | XS<br>\$0.025MM | XS<br>\$1MM | XS<br>\$65MM | XS<br>\$160MM | XS<br>\$50MM | XS<br>\$60MM | XS<br>\$250MM |             |                  |                             |            |
|                          | Underwriters at Lloyd's             | London       | Yes    | 0               | 40,670,000  | 16,500,000   | 30,300,000    | 0            | 0            | 19,017,000 #  | 106,487,000 | 60.7%            | 55.1%                       | Up         |
|                          | Swiss Re (Combined)                 | Combined     | Mixed  | 0               | 0           | 10,500,000   | 6,000,000     | 0            | 3,000,000    | 1,500,000 #   | 21,000,000  | 12.0%            | 11.7%                       | Up         |
|                          | Westport Insurance Corp. (Swiss Re) | Canada       | Yes    | 0               | 0           | 10,500,000   | 6,000,000     | 0            | 3,000,000    | 1,500,000 #   | 21,000,000  | 12.0%            | 11.7%                       | Up         |
| ➔                        | Colchester                          | Barbados     | No     | 0               | 4,900,000   | 0            | 6,000,000     | 2,500,000    | 0            | 7,500,000 #   | 20,900,000  | 11.9%            | 17.8%                       | Down       |
|                          | MKL 3000                            | Lloyd's      | Yes    | 0               | 1,891,400   | 3,702,000    | 7,734,000     | 0            | 0            | 0 #           | 13,327,400  | 7.6%             | 7.2%                        | Up         |
|                          | Canopus 4444                        | Lloyd's      | Yes    | 0               | 1,891,400   | 2,403,000    | 4,866,000     | 0            | 0            | 2,481,000 #   | 11,641,400  | 6.6%             | 6.2%                        | Up         |
| ➔                        | AMA 1200 (Now Westfield)            | Lloyd's      | Yes    | 0               | 10,290,000  | 0            | 0             | 0            | 0            | 0 #           | 10,290,000  | 5.9%             | 6.3%                        | Down       |
|                          | Probitas 1492                       | Lloyd's      | Yes    | 0               | 0           | 0            | 3,600,000     | 0            | 0            | 4,134,000 #   | 7,734,000   | 4.4%             | 4.4%                        | Unchanged  |
|                          | Casper (Formerly Argenta 2121)      | Lloyd's      | Yes    | 0               | 7,350,000   | 0            | 0             | 0            | 0            | 0 #           | 7,350,000   | 4.2%             | 4.2%                        | Unchanged  |
|                          | Gerling Global Re                   | Canada       | Yes    | 0               | 0           | 1,200,000    | 6,000,000     | 0            | 0            | 0 #           | 7,200,000   | 4.1%             | 4.1%                        | Unchanged  |
| ➔                        | AML 2001                            | Lloyd's      | Yes    | 0               | 7,105,000   | 0            | 0             | 0            | 0            | 0 #           | 7,105,000   | 4.0%             | 4.0%                        | Unchanged  |
|                          | Hamilton (Combined)                 | Combined     | Yes    | 0               | 0           | 1,404,000    | 3,054,000     | 0            | 0            | 2,067,000 #   | 6,525,000   | 3.7%             | 3.9%                        | Down       |
|                          | PEM 4000                            | Lloyd's      | Yes    | 0               | 0           | 1,404,000    | 3,054,000     | 0            | 0            | 2,067,000 #   | 6,525,000   | 3.7%             | 3.9%                        | Down       |
|                          | Sampo (Fronted by Trisura)          | Canada       | Yes    | 0               | 0           | 0            | 4,500,000     | 0            | 0            | 1,983,000 #   | 6,483,000   | 3.7%             | 3.7%                        | Unchanged  |
|                          | AXIS Re                             | Canada       | Yes    | 0               | 3,430,000   | 0            | 3,000,000     | 0            | 0            | 0 #           | 6,430,000   | 3.7%             | 3.7%                        | Unchanged  |
| ➔                        | AWAC                                | Bermuda      | No     | 0               | 0           | 1,800,000    | 4,200,000     | 0            | 0            | 0 #           | 6,000,000   | 3.4%             | 3.4%                        | Unchanged  |
|                          | Mosaic                              | Lloyd's      | Yes    | 0               | 0           | 0            | 3,978,000     | 0            | 0            | 1,239,000 #   | 5,217,000   | 3.0%             | 3.1%                        | Down       |
|                          | BRT 2987                            | Lloyd's      | Yes    | 0               | 0           | 5,001,000    | 0             | 0            | 0            | 0 #           | 5,001,000   | 2.8%             | 4.3%                        | Down       |
|                          | AUL 1274                            | Lloyd's      | Yes    | 0               | 4,900,000   | 0            | 0             | 0            | 0            | 0 #           | 4,900,000   | 2.8%             | 2.8%                        | Unchanged  |
|                          | AFB 623/2623                        | Lloyd's      | Yes    | 0               | 0           | 2,370,000    | 0             | 0            | 0            | 2,481,000 #   | 4,851,000   | 2.8%             | 2.2%                        | Up         |
|                          | Newline 1218                        | Lloyd's      | Yes    | 0               | 0           | 0            | 4,506,000     | 0            | 0            | 0 #           | 4,506,000   | 2.6%             | 0.0%                        | Up         |
|                          | Carbon 4747                         | Lloyd's      | Yes    | 0               | 4,410,000   | 0            | 0             | 0            | 0            | 0 #           | 4,410,000   | 2.5%             | 0.0%                        | Up         |
|                          | FDY 435                             | Lloyd's      | Yes    | 0               | 0           | 1,620,000    | 2,562,000     | 0            | 0            | 0 #           | 4,182,000   | 2.4%             | 2.6%                        | Down       |
|                          | Starr                               | Lloyd's      | Yes    | 0               | 0           | 0            | 0             | 0            | 0            | 4,134,000 #   | 4,134,000   | 2.4%             | 2.4%                        | Unchanged  |
|                          | Scor Re (Combined)                  | Combined     | Yes    | 0               | 2,832,200   | 0            | 0             | 0            | 0            | 0 #           | 2,832,200   | 1.6%             | 0.0%                        | Up         |
|                          | Scor 2015                           | Lloyd's      | Yes    | 0               | 2,832,200   | 0            | 0             | 0            | 0            | 0 #           | 2,832,200   | 1.6%             | 0.0%                        | Up         |
|                          | W/R/B                               | Lloyd's      | Yes    | 0               | 0           | 0            | 0             | 0            | 0            | 2,481,000 #   | 2,481,000   | 1.4%             | 1.4%                        | Unchanged  |

#### Maximum Exposure Any One Claim

975,000 49,000,000 30,000,000 60,000,000 2,500,000 3,000,000 30,000,000 175,475,000

#### Proportional Reinsurance:

|          |   |            |            |            |           |           |            |             |       |       |           |
|----------|---|------------|------------|------------|-----------|-----------|------------|-------------|-------|-------|-----------|
| London   | 0 | 40,670,000 | 16,500,000 | 30,300,000 | 0         | 0         | 19,017,000 | 106,487,000 | 60.7% | 55.1% | Up        |
| Canada   | 0 | 3,430,000  | 11,700,000 | 19,500,000 | 0         | 3,000,000 | 3,483,000  | 41,113,000  | 23.4% | 23.1% | Up        |
| Bermuda  | 0 | 0          | 1,800,000  | 4,200,000  | 0         | 0         | 0          | 6,000,000   | 3.4%  | 3.4%  | Unchanged |
| Barbados | 0 | 4,900,000  | 0          | 6,000,000  | 2,500,000 | 0         | 7,500,000  | 20,900,000  | 11.9% | 17.8% | Down      |
| Total    | 0 | 49,000,000 | 30,000,000 | 60,000,000 | 2,500,000 | 3,000,000 | 30,000,000 | 174,500,000 | 99.4% | 99.4% | Unchanged |

#### CLLAS Proportional Retention

975,000 0 0 0 0 0 0 975,000 0.6% 0.6% Unchanged

#### Colchester Aggregate

n/a n/a n/a

#### CLLAS Net Retention

975,000 0.6% 0.6% Unchanged

## CLLAS Reinsurance

### Reinsurers by % of Single Claim Exposure

CURRENT YEAR (2024/2025)

Appendix F-PF

| Lev. II | Name   | Jurisdiction | Reg'd? | LAYERS        |             |              |               |              |               |               | US\$30MM*<br>(\$39MM) | TOTAL       | Percent<br>of Total |
|---------|--|--------------|--------|---------------|-------------|--------------|---------------|--------------|---------------|---------------|-----------------------|-------------|---------------------|
|         |  |              |        | \$975MM       | \$49MM      | \$30/60MM    | \$10-60MM     | \$15-50MM    | \$60MM        | \$30/60MM     |                       |             |                     |
|         |  |              |        | XS<br>\$025MM | XS<br>\$1MM | XS<br>\$65MM | XS<br>\$160MM | XS<br>\$50MM | XS<br>\$100MM | XS<br>\$250MM |                       |             |                     |
|         | Underwriters at Lloyd's                      | London       | Yes    | 0             | 40,670,000  | 16,500,000   | 30,300,000    | 0            | 0             | 19,017,000    | 6,630,000             | 113,117,000 | 35.5%               |
|         | Westport Insurance Corp. (Swiss Re)          | Canada       | Yes    | 0             | 0           | 10,500,000   | 6,000,000     | 0            | 3,000,000     | 1,500,000     | 0                     | 21,000,000  | 6.6%                |
|         | Colchester                                   | Barbados     | No     | 0             | 4,900,000   | 0            | 6,000,000     | 2,500,000    | 0             | 7,500,000     | 0                     | 20,900,000  | 6.6%                |
|         | Swiss Re (Combined)                          | Combined     | Mixed  | 0             | 0           | 10,500,000   | 6,000,000     | 0            | 0             | 1,500,000     | 0                     | 18,000,000  | 5.6%                |
|         | Victor Insurance (PF)                        | Canada       | Yes    | 0             | 0           | 0            | 0             | 5,000,000    | 12,000,000    | 0             | 0                     | 17,000,000  | 5.3%                |
|         | Intact Insurance Company (PF) (Formerly RSA) | Canada       | Yes    | 0             | 0           | 0            | 0             | 10,000,000   | 5,700,000     | 0             | 0                     | 15,700,000  | 4.9%                |
|         | Travelers Insurance Company of Canada (PF)   | Canada       | Yes    | 0             | 0           | 0            | 0             | 5,000,000    | 9,900,000     | 0             | 0                     | 14,900,000  | 4.7%                |
|         | MKL 3000                                     | Lloyd's      | Yes    | 0             | 1,891,400   | 3,702,000    | 7,734,000     | 0            | 0             | 0             | 0                     | 13,327,400  | 4.2%                |
|         | Canopus 4444                                 | Lloyd's      | Yes    | 0             | 1,891,400   | 2,403,000    | 4,866,000     | 0            | 0             | 2,481,000     | 0                     | 11,641,400  | 3.6%                |
|         | AXA XL (PF)                                  | Canada       | Yes    | 0             | 0           | 0            | 0             | 5,000,000    | 0             | 0             | 6,435,000             | 11,435,000  | 3.6%                |
|         | AMA 1200 (Now Westfield)                     | Lloyd's      | Yes    | 0             | 10,290,000  | 0            | 0             | 0            | 0             | 0             | 0                     | 10,290,000  | 3.2%                |
|         | Liberty International Canada (PF)            | Canada       | Yes    | 0             | 0           | 0            | 0             | 10,000,000   | 0             | 0             | 0                     | 10,000,000  | 3.1%                |
|         | The Sovereign General Insurance Company (PF) | Canada       | Yes    | 0             | 0           | 0            | 0             | 0            | 9,900,000     | 0             | 0                     | 9,900,000   | 3.1%                |
|         | QBE Insurance Group (PF)                     | Canada       | Yes    | 0             | 0           | 0            | 0             | 5,000,000    | 4,800,000     | 0             | 0                     | 9,800,000   | 3.1%                |
|         | Northbridge Insurance Company (PF)           | Canada       | Yes    | 0             | 0           | 0            | 0             | 2,500,000    | 6,000,000     | 0             | 0                     | 8,500,000   | 2.7%                |
|         | Tokio Marine Canada (PF)                     | Canada       | Yes    | 0             | 0           | 0            | 0             | 5,000,000    | 3,000,000     | 0             | 0                     | 8,000,000   | 2.5%                |
|         | CNA (US)                                     | US           | Yes    | 0             | 0           | 0            | 0             | 0            | 0             | 0             | 7,800,000             | 7,800,000   | 2.4%                |
|         | Berkshire (PF)                               | US           | Yes    | 0             | 0           | 0            | 0             | 0            | 0             | 0             | 7,800,000             | 7,800,000   | 2.4%                |
|         | Probitas 1492                                | Lloyd's      | Yes    | 0             | 0           | 0            | 3,600,000     | 0            | 0             | 4,134,000     | 0                     | 7,734,000   | 2.4%                |
|         | Casper (Formerly Argenta 2121)               | Lloyd's      | Yes    | 0             | 7,350,000   | 0            | 0             | 0            | 0             | 0             | 0                     | 7,350,000   | 2.3%                |
|         | Gerling Global Re                            | Canada       | Yes    | 0             | 0           | 1,200,000    | 6,000,000     | 0            | 0             | 0             | 0                     | 7,200,000   | 2.3%                |
|         | AML 2001                                     | Lloyd's      | Yes    | 0             | 7,105,000   | 0            | 0             | 0            | 0             | 0             | 0                     | 7,105,000   | 2.2%                |
|         | Hamilton (Combined)                          | Combined     | Yes    | 0             | 0           | 1,404,000    | 3,054,000     | 0            | 0             | 2,067,000     | 0                     | 6,525,000   | 2.0%                |
|         | PEM 4000                                     | Lloyd's      | Yes    | 0             | 0           | 1,404,000    | 3,054,000     | 0            | 0             | 2,067,000     | 0                     | 6,525,000   | 2.0%                |
|         | Sampo (Fronted by Trisura)                   | Canada       | Yes    | 0             | 0           | 0            | 4,500,000     | 0            | 0             | 1,983,000     | 0                     | 6,483,000   | 2.0%                |
|         | Aspen Re (PF)                                | Canada       | Yes    | 0             | 0           | 0            | 0             | 0            | 0             | 0             | 6,435,000             | 6,435,000   | 2.0%                |
|         | AXIS Re                                      | Canada       | Yes    | 0             | 3,430,000   | 0            | 3,000,000     | 0            | 0             | 0             | 0                     | 6,430,000   | 2.0%                |
|         | AWAC   | Bermuda      | No     | 0             | 0           | 1,800,000    | 4,200,000     | 0            | 0             | 0             | 0                     | 6,000,000   | 1.9%                |
|         | Trisura Guarantee Insurance Company (PF)     | Canada       | Yes    | 0             | 0           | 0            | 0             | 0            | 5,700,000     | 0             | 0                     | 5,700,000   | 1.8%                |
|         | Mosaic                                       | Lloyd's      | Yes    | 0             | 0           | 0            | 3,978,000     | 0            | 0             | 1,239,000     | 0                     | 5,217,000   | 1.6%                |
|         | BRT 2987                                     | Lloyd's      | Yes    | 0             | 0           | 5,001,000    | 0             | 0            | 0             | 0             | 0                     | 5,001,000   | 1.6%                |
|         | AUL 1274                                     | Lloyd's      | Yes    | 0             | 4,900,000   | 0            | 0             | 0            | 0             | 0             | 0                     | 4,900,000   | 1.5%                |
|         | AFB 623/2623                                 | Lloyd's      | Yes    | 0             | 0           | 2,370,000    | 0             | 0            | 0             | 2,481,000     | 0                     | 4,851,000   | 1.5%                |
|         | FDY 435                                      | Lloyd's      | Yes    | 0             | 0           | 1,620,000    | 2,562,000     | 0            | 0             | 0             | 0                     | 4,182,000   | 1.3%                |
|         | Starr  | Lloyd's      | Yes    | 0             | 0           | 0            | 0             | 0            | 0             | 4,134,000     | 0                     | 4,134,000   | 1.3%                |
|         | Markel (Combined)                            | Combined     | Yes    | 0             | 0           | 0            | 0             | 0            | 0             | 0             | 3,900,000             | 3,900,000   | 1.2%                |
|         | Markel (PF)                                  | Canada       | Yes    | 0             | 0           | 0            | 0             | 0            | 0             | 0             | 3,900,000             | 3,900,000   | 1.2%                |
|         | W/R/B  | Lloyd's      | Yes    | 0             | 0           | 0            | 0             | 0            | 0             | 2,481,000     | 0                     | 2,481,000   | 0.8%                |

#### Maximum Exposure Any One Claim

975,000 49,000,000 30,000,000 60,000,000 50,000,000 60,000,000 30,000,000 39,000,000 318,975,000

#### Proportional Reinsurance:

|          |   |            |            |            |            |            |            |            |             |       |
|----------|---|------------|------------|------------|------------|------------|------------|------------|-------------|-------|
| London   | 0 | 40,670,000 | 16,500,000 | 30,300,000 | 0          | 0          | 19,017,000 | 6,630,000  | 113,117,000 | 35.5% |
| Canada   | 0 | 3,430,000  | 11,700,000 | 19,500,000 | 47,500,000 | 60,000,000 | 3,483,000  | 16,770,000 | 162,383,000 | 50.9% |
| US       | 0 | 0          | 0          | 0          | 0          | 0          | 0          | 15,600,000 | 15,600,000  | 4.9%  |
| Bermuda  | 0 | 0          | 1,800,000  | 4,200,000  | 0          | 0          | 0          | 0          | 6,000,000   | 1.9%  |
| Barbados | 0 | 4,900,000  | 0          | 6,000,000  | 2,500,000  | 0          | 7,500,000  | 0          | 20,900,000  | 6.6%  |
| Total    | 0 | 49,000,000 | 30,000,000 | 60,000,000 | 50,000,000 | 60,000,000 | 30,000,000 | 39,000,000 | 318,000,000 | 99.7% |

#### CLLAS Proportional Retention

975,000 0 0 0 0 0 0 0 0 975,000 0.3%

#### Colchester Aggregate

n/a n/a

#### CLLAS Net Retention

975,000 0.3%

**Best's Credit Rating Effective Date**

August 07, 2024

**Analytical Contacts**

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**Information**[Best's Credit Rating Methodology](#)[Guide to Best's Credit Ratings](#)[Market Segment Outlooks](#)**Financial Data Presented**

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

**Lloyd's****AMB #:** 085202 | **AIIN #:** AA-1122000**Ultimate Parent:** AMB # 051215 - Society of Lloyd's**Best's Credit Ratings - for the Rating Unit Members****Financial Strength Rating  
(FSR)**

|   |
|---|
| <b>A+</b><br><b>Superior</b>                      |
| Outlook: <b>Stable</b><br>Action: <b>Upgraded</b> |

**Issuer Credit Rating  
(ICR)**

|   |
|---|
| <b>aa-</b><br><b>Superior</b>                     |
| Outlook: <b>Stable</b><br>Action: <b>Upgraded</b> |

**Assessment Descriptors**

| Balance Sheet Strength     | <b>Very Strong</b>    |
|----------------------------|-----------------------|
| Operating Performance      | <b>Strong</b>         |
| Business Profile           | <b>Very Favorable</b> |
| Enterprise Risk Management | <b>Appropriate</b>    |

**Rating Unit - Members****Rating Unit:** Lloyd's | **AMB #:** 085202

**AMB #**   **Rating Unit Members**  
078649   Lloyd's Ins Co (China) Ltd

**AMB #**   **Rating Unit Members**  
095926   Lloyd's Insurance Co. S.A.

## Rating Rationale

### Balance Sheet Strength: **Very Strong**

- The market has the strongest level of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR).
- A robust capital-setting regime, which incorporates a risk-based approach to setting member-level capital, helps protect risk-adjusted capitalisation from volatility.
- Member-level capital is subject to fungibility constraints as it is held on a several rather than joint basis.
- Balance sheet strength is underpinned by a strong Central Fund that is available, at the discretion of the Council of Lloyd's, to meet the policyholder obligations of all Lloyd's members.
- An offsetting factor is the market's significant exposure to catastrophe risk and its dependence on reinsurance to manage this risk.

### Operating Performance: **Strong**

- Lloyd's is expected to report strong operating performance across the underwriting cycle, taking into account potential volatility due to its catastrophe exposure.
- Improved market conditions, as well as the robust performance oversight by the Corporation, materialised in measurable improvements in underwriting performance, as evidenced by combined ratios of 84% and 92% in 2023 and 2022, respectively.
- The market's expense ratio has historically been considered relatively high compared to that of peers. However, this has decreased over the medium term largely due to top-line growth, specific actions taken by syndicates to reduce costs and changing business mix.
- The market's consolidated operating performance cannot be viewed as a leading indicator of its future balance sheet strength to the same extent as it is for other insurers. Earnings generated by the market do not directly build or erode Lloyd's capital base, as profits and losses are distributed to the market's capital providers when a year of account is closed. Lloyd's continues to demonstrate that it is able to retain and attract capital to the market.

### Business Profile: **Very Favorable**

- Lloyd's has an excellent position in the global general insurance and reinsurance markets as a leading writer of specialty property and casualty risks. Although Lloyd's syndicates operate as individual businesses, the collective size of the market allows them to compete with international groups under the Lloyd's brand.
- Unique business proposition given the market's ability to provide access to insurance business globally through its multitude of reinsurance and direct insurance licences.
- The portfolio is well diversified by geography and line of business and positions Lloyd's well to benefit from current market conditions and rate improvements.
- Product risk is moderate to high; however, it is mitigated through robust underwriting expertise and good exposure management practices. Higher-risk lines include reinsurance, energy, aviation, some marine business and a high proportion of the casualty and property business written. The majority of small commercial and consumer business, as well as some of the business written through coverholders, is typically of lower risk.

### Enterprise Risk Management: **Appropriate**

- Lloyd's enterprise risk management framework is well developed and appropriate for the size and complexity of the market.
- Risk management capabilities are aligned with the market's risk profile.
- The Corporation's risk management function works closely across other functional areas of the Corporation to provide the market additional oversight.
- An internal capital model, in place since 2012, is used to calculate the solvency capital requirement under the Solvency II regime as well as to stress test the market's risk-adjusted capitalisation. In AM Best's opinion, the internal capital model strongly supports the Corporation's ability to assess the capital adequacy of the market.

## Outlook

- The stable outlooks reflect AM Best's expectation that risk-adjusted capitalisation will remain at the strongest level, supported by Lloyd's capital and catastrophe management strategy, the continued availability of the Central Fund insurance, and the requirement for members to replenish their Funds at Lloyd's following losses. Operating performance is expected to remain strong over the underwriting cycle given the ongoing oversight. The successful execution of Blueprint 2 is expected to support Lloyd's ability to remain competitive.

## Rating Drivers

- Negative rating actions could arise should Lloyd's fail to maintain underlying performance in line with expectations.
- Negative rating actions could arise following a material deterioration in the market's risk-adjusted capitalisation, for instance, due to a substantial loss to the Central Fund or a reduction in member-level capital requirements set by Lloyd's.
- Positive rating pressure could arise following the successful execution of Lloyd's strategy, which leads to improvements in the resilience of the market's balance sheet and enhances its competitiveness against peers.

## Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

### Best's Capital Adequacy Ratio (BCAR) Scores (%)

| Confidence Level | 95.0 | 99.0 | 99.5 | 99.6 |
|------------------|------|------|------|------|
| BCAR Score       | 75.4 | 62.8 | 57.3 | 55.4 |

Source: Best's Capital Adequacy Ratio Model - Global

| Key Financial Indicators  | 2023<br>GBP (000) | 2022<br>GBP (000) | 2021<br>GBP (000) | 2020<br>GBP (000) | 2019<br>GBP (000) |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Premiums Written:     |                   |                   |                   |                   |                   |
| Non-Life                  | 39,351,000        | 34,570,000        | 28,439,000        | 25,826,000        | 25,659,000        |
| Composite                 | 39,351,000        | 34,570,000        | 28,439,000        | 25,826,000        | 25,659,000        |
| Net Income                | 10,663,000        | -769,000          | 2,277,000         | -887,000          | 2,532,000         |
| Total Assets              | 165,095,000       | 161,530,000       | 138,155,000       | 128,304,000       | 119,878,000       |
| Total Capital and Surplus | 44,665,000        | 39,602,000        | 35,757,000        | 33,146,000        | 29,844,000        |

Source: BestLink® - Best's Financial Suite

| Key Financial Indicators & Ratios               | 2023<br>GBP (000) | 2022<br>GBP (000) | 2021<br>GBP (000) | 2020<br>GBP (000) | 2019<br>GBP (000) | Weighted<br>5-Year<br>Average |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|
| Profitability:                                  |                   |                   |                   |                   |                   |                               |
| Balance on Non-Life Technical Account           | 5,910,000         | 2,641,000         | 1,741,000         | -2,676,000        | -538,000          | ...                           |
| Net Income Return on Revenue (%)                | 26.2              | -2.4              | 8.1               | -3.2              | 8.9               | 8.8                           |
| Net Income Return on Capital and Surplus (%)    | 25.3              | -2.0              | 6.6               | -2.8              | 8.8               | 7.9                           |
| Non-Life Combined Ratio (%)                     | 84.0              | 91.9              | 93.5              | 110.3             | 102.1             | 95.2                          |
| Net Investment Yield (%)                        | 3.9               | -0.5              | 1.8               | 2.2               | 3.5               | 2.2                           |
| Leverage:                                       |                   |                   |                   |                   |                   |                               |
| Net Premiums Written to Capital and Surplus (%) | 88.1              | 87.3              | 79.5              | 77.9              | 86.0              | ...                           |

Source: BestLink® - Best's Financial Suite

## Credit Analysis

### Balance Sheet Strength

Lloyd's very strong balance sheet strength assessment is underpinned by risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), as well as its strong financial flexibility. The market has significant potential exposure to catastrophe losses and is dependent on reinsurance to manage this risk. However, a robust market-wide capital-setting



**Balance Sheet Strength (Continued...)**

regime, which incorporates a risk-based approach to setting member-level capital, and the requirement for members to replenish their Funds at Lloyd's (FAL) after a loss, helps protect risk-adjusted capitalisation against volatility.

Lloyd's balance sheet strength is supported by a strong Central Fund that is available, at the discretion of the Council of Lloyd's, to meet the policyholder obligations of all Lloyd's members. It is the existence of this partially mutualising link that is the basis for a market-level rating. The protection afforded to members through the Central Fund is enhanced by Central Fund insurance, which was renewed in 2024 for a period of five years.

The market's member-level capital is held on a several rather than joint basis and is only available to meet the liabilities of the providing member. The resulting fungibility constraints on capital, as well as the market's elevated exposure to catastrophe risk, are considered offsetting factors for the balance sheet strength assessment.

**Capitalisation**

The BCAR scores shown in this report are based on the 2023 year-end figures published in the Lloyd's annual report, which contains the audited financial results of Lloyd's and its members in proforma financial statements and includes the financial statements of the Society of Lloyd's (referred to in this report as the Society or the Corporation). The proforma financial statements include the aggregated accounts, which are based on the accounts of each Lloyd's syndicate, members' FAL, and the Society's financial statements.

The Society was formed in 1871, when the then existing association of underwriters at Lloyd's was incorporated by the Lloyd's Act. The Society produces consolidated financial statements that cover Lloyd's activities outside the underwriting market and Lloyd's central resources (the Central Fund).

Lloyd's benefits from risk-adjusted capitalisation at the strongest level, as measured by BCAR. This assessment takes into account capital resources available at member level, in the form of Members' FAL, and centrally in the form of the Central Fund and net assets of the Corporation. Capital credit is given in BCAR for FAL provided through LOCs, as if drawn these LOCs will turn into Tier 1 capital for Lloyd's. Nonetheless, the use of LOCs as FAL reduces somewhat the quality of available capital. AM Best does not give explicit credit for contingent capital in the 'callable layer', which is the ability of the Corporation to supplement central assets by calling funds from members of up to 5% of their overall premium limits.

Any assessment of Lloyd's capital strength is complicated by the compartmentalisation of capital at member level. Member-level capital in the form of FAL and members' balances are held on a several rather than joint basis, meaning that any member need meet only its share of claims. However, Lloyd's central assets are available, at the discretion of the Council of Lloyd's, to meet policyholder liabilities that any member is unable to meet in full. This link in the Chain of Security comprises of the Central Fund and other central assets, as well as subordinated debt. These central assets can be supplemented by funds called from members of up to 5% of their overall premium limits. It is the existence of this partially mutualising third link, and the high liquidity of the Central Fund in particular, that is the basis for a market-level rating.

During 2021, Lloyd's secured insurance for the Central Fund through a five-year, multi-layered cover, which was renewed in 2024 for another five years. The Central Fund insurance provides protection to the Central Fund, and therefore the market, against severe tail events. The cover will reimburse aggregate payments from the Central Fund that are in excess of USD 1 billion and is provided by international reinsurers of excellent credit quality.

Lloyd's Internal Model (LIM) captures Lloyd's unique capital structure and takes into account fungibility constraints on member-level capital and the mutual nature of central assets. If a severe market loss led to the exhaustion of some members' FAL, central assets would be exposed to any further losses faced by these members. The model captures this mutualised exposure, so that, at different return periods, the exposure of both member-level capital and central capital is demonstrated.

Lloyd's is subject to the Solvency II regulatory regime. As agreed with the UK regulator, the Prudential Regulation Authority (PRA), Lloyd's calculates two separate Solvency Capital Requirements (SCRs) and two separate SCR coverage ratios: a market-wide SCR (MWSCR) and a central SCR (CSCR). The MWSCR calculates the total capital consumed at a 99.5% value at risk (VaR) confidence level over a one-year period for the Lloyd's market as a whole (including the exposure of both member-level and central assets).

The CSCR is calculated at a 99.5% VaR confidence level over a one-year period in respect of risks facing the Society and its Central Fund. It captures exposure to losses that may not affect the majority of syndicates (and so would not erode capital at overall member level) but would have an impact on central assets. Calculating a CSCR addresses the fact that a 1-in-200 year loss to central assets

## Balance Sheet Strength (Continued...)

could be bigger than the loss to central assets in a 1-in-200 year market loss event. By calculating both figures, Lloyd's has a better view of the likelihood that central and market level assets are sufficient.

Lloyd's has approval from the PRA to use existing LOCs, in the form that they are provided as FAL, as Tier 2 capital for Solvency II purposes. However, any new LOCs provided as FAL need to be individually approved. Under Solvency II, at least 50% of the solvency capital requirement must be met by Tier 1 capital.

Since 2018 Lloyd's has been implementing a phased reduction in the proportion of FAL that can be provided via LOCs, and, since December 2020 members' Tier 2 capital is not allowed to exceed 50% of their economic capital assessment (ECA) in order to minimise assets ineligible for regulatory capital credit. As at 31 December 2023, LOCs accounted for approximately 17% (2022:21%) of total FAL and all Lloyd's Tier 2 assets were eligible to meet the MWSCR.

The MWSCR coverage ratio stood at 207% at year-end 2023 (2022: 181%) and the CSCR coverage ratio at 503% (2022: 412%). Lloyd's risk appetite for MWSCR coverage is a minimum of 140% and the CSCR coverage is a minimum of 200%. The MWSCR target is low relative to peers, but this should be seen in light of Lloyd's good financial flexibility and capital-setting process. The Lloyd's CSCR has improved materially in recent years, reflecting the reductions in the SCR primarily driven by the modelled benefits of the Central Fund insurance.

Lloyd's employs strict capital-setting criteria both at member level and centrally. Individual syndicates are required to calculate a SCR at a 99.5% confidence level over both a one-year and an ultimate horizon for each underwriting year. The ultimate basis drives the determination of member level capital. A 35% uplift is applied to the ultimate SCR to arrive at the FAL requirement. The stability in the market's solvency levels, as a result of the capital-setting process, is considered to be a strength for the balance sheet assessment.

Lloyd's members are required to replenish their FAL to meet their current underwriting liabilities as part of the "coming into line" process each year. However, Lloyd's can require a member to recapitalise outside of this process if deemed necessary. Most members underwrite with limited liability. However, if FAL are eroded due to losses, affected members will have to provide additional funds to support any outstanding underwriting obligations to continue to underwrite at Lloyd's. This requirement in effect provides the market with access to funds beyond those reflected in its capital structure.

Member contributions to the Central Fund reduced in 2016 to 0.35% of gross written premiums (from 0.50% of capacity) per annum. The contribution rate can be increased to strengthen the Central Fund at any time.

Lloyd's good financial flexibility is enhanced by the diversity of its capital providers, which include corporate and individual investors. Traditional Lloyd's businesses remain committed to the market. In addition, Lloyd's continues to attract new investors, drawn by its capital efficient structure and global licences. As the capital to support underwriting at Lloyd's is supplied by members on an annual basis, an important factor in AM Best's analysis of the market is its ability to retain and attract the capital required for continued trading.

To this end, as detailed in the Future at Lloyd's prospectus, one of the objectives of Lloyd's is to improve the ease of doing business and, specifically, make it easier for capital to enter the marketplace. This included reinventing the way that capital comes into the market and making it flexible to access a diverse set of insurance risks on the Lloyd's platform.

In 2021, Lloyd's sponsored a new multi Insurance Special Purpose Vehicle, London Bridge Risk PCC Ltd., to act as a reinsurance risk transformation vehicle onshore in the UK and facilitate the participation of institutional investors. Lloyd's sponsored a second transformation vehicle in 2022, London Bridge 2 PCC Ltd (LB2), which allows the issuance of both preference and/or debt securities to fund reinsurance obligations. By the end of 2023, the London Bridge vehicles had raised over USD 750 million in capital to support underwriting at Lloyd's, and in early 2024, LB2 issued its first catastrophe bond to provide multi-year protection for named storm and earthquake events affecting the United States, Canada and parts of the Caribbean.

| Liquidity Analysis (%)                 | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|------|------|------|------|------|
| Liquid Assets to Total Liabilities     | 73.3 | 68.1 | 69.8 | 70.7 | 69.9 |
| Total Investments to Total Liabilities | 83.6 | 78.6 | 82.0 | 84.0 | 81.3 |

Source: BestLink® - Best's Financial Suite

## Balance Sheet Strength (Continued...)

### Asset Liability Management - Investments

The majority of Lloyd's investments are managed independently by the individual syndicates' managing agents, while the assets in the Lloyd's Central Fund are managed centrally by the Corporation. Although syndicates are able to define their own investment strategy, asset risk is generally low, with more than three quarters of the market's total investments held in bonds and cash/deposits. Exposure to shares and other variable yield securities accounted for circa 10% of invested assets in 2023.

In AM Best's opinion, Lloyd's maintains good overall liquidity. Managing agents are responsible for the investment of syndicate premium trust funds, although Lloyd's monitors liquidity levels at individual syndicates as part of its capital adequacy review. Overall, these funds exhibit a high level of liquidity, as most syndicate investment portfolios tend to consist primarily of cash and high-quality fixed-income securities of relatively short duration. Lloyd's also monitors projected liquidity for its central assets, which are tailored to meet the disbursement requirements of the Central Fund and the Corporation (including its debt obligations).

An investment platform to pool assets across the market was launched in the second half of 2022. The initial platform funds, Lloyd's Private Impact Fund and Lloyd's Private Credit Fund, were launched 2023. In 2024, two additional funds, USD Enhanced Yield Liquidity Fund and CAD Core Fixed Income Fund were launched. Should participation in the investment platform be in line with the Corporation's expectations this could lead to some meaningful enhancements in non-technical returns for members, particularly smaller managing agents.

| <b>Composition of Cash and Invested Assets</b>  | <b>2023<br/>GBP (000)</b> | <b>2022<br/>GBP (000)</b> | <b>2021<br/>GBP (000)</b> | <b>2020<br/>GBP (000)</b> | <b>2019<br/>GBP (000)</b> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total Cash and Invested Assets                  | 100,686,000               | 95,872,000                | 83,998,000                | 79,951,000                | 73,193,000                |
| Cash (%)  | 11.3                      | 12.8                      | 13.0                      | 13.1                      | 13.2                      |
| Bonds (%)                                       | 65.9                      | 63.7                      | 60.6                      | 59.7                      | 60.4                      |
| Equity Securities (%)                           | 10.4                      | 10.1                      | 11.4                      | 11.3                      | 12.4                      |
| Real Estate, Mortgages and Loans (%)            | 8.8                       | 10.3                      | 11.0                      | 12.1                      | 10.4                      |
| Other Invested Assets (%)                       | 3.6                       | 3.1                       | 3.9                       | 3.8                       | 3.6                       |
| Total Cash and Unaffiliated Invested Assets (%) | 100.0                     | 100.0                     | 100.0                     | 100.0                     | 100.0                     |
| Total Cash and Invested Assets (%)              | 100.0                     | 100.0                     | 100.0                     | 100.0                     | 100.0                     |

Source: BestLink® - Best's Financial Suite

### Reserve Adequacy

Robust oversight of reserves is provided by the Corporation. In AM Best's opinion, reserving in the Lloyd's market tends to be prudent, with the majority of market participants incorporating an explicit margin in reserves above actuarial best estimates. Reserve surpluses, which are not fungible across the market, vary significantly between syndicates.

Total prior-year reserve releases benefited the combined ratio by 2.2 percentage points in 2023, compared to a benefit of 3.6 percentage points in the previous year. Releases were reported across all lines of business except for aviation, due to strengthening of loss estimates pertaining to the Russia/Ukraine conflict.

Over the 2024 calendar year, a subset of Casualty classes, in particular US General Liability, will be subject to further additional oversight by Lloyd's. There will be a review of the appropriateness of reserves due to the changing inflationary environment with consideration of social inflation allowances and monitoring.

Lloyd's exposure to open run-off years has significantly reduced over the past decade, principally due to better management of these years. At the beginning of 2023, there were seven syndicates whose 2017, 2018 and 2019 underwriting years remained open. In 2023, these run-off years reported an aggregate loss of GBP 7 million (2022: loss of GBP 15 million), including investment return. There were five syndicates whose 2017/2018/2019 underwriting years remained open post 31 December 2023. The total number of open underwriting years at 1 January 2024 is five.

## Operating Performance

Lloyd's is expected to report strong operating performance across the underwriting cycle, taking into account potential volatility due to its catastrophe exposure.

In 2023, the market reported a net profit of GBP 10.6 billion. This resulted from an underwriting profit of GBP 5.9 billion and investment profit of GBP 5.3 billion. These results translated into a robust return-on-equity ratio of 25%, which was the highest return reported by Lloyd's in a decade and significantly exceeded its 10-year weighted average return-on-equity ratio of 6%.

The market's operating performance assessment is based on analysis of the overall consolidated performance of Lloyd's, considering the stability, diversity, and sustainability of the market's sources of earnings. The assessment also incorporates analysis of the performance of individual syndicates, including the spread between the strongest and worst performers, with a particular focus on the potential exposure of central capital resources to losses from individual members.

The Lloyd's market's consolidated operating performance cannot be viewed as a leading indicator of its future balance sheet strength to the same extent as it is for other insurers. Earnings generated by the market do not directly build or erode Lloyd's capital base. The capital to support underwriting at Lloyd's is instead supplied by capital providers. Therefore, AM Best considers the impact of the market's results on its ability to retain and attract the capital required for continued trading.

Despite volatility in performance over the longer term, the market has continued to attract new capital, with several new participants in 2023. AM Best notes that there have been also a number of syndicate closures since 2018, coinciding with the Lloyd's Decile 10 review and the winnowing out of weaker performing syndicates from the market as part of the Corporation's Performance Management Directorate (PMD) strategy.

### Underwriting Performance

For several years the market's underwriting performance was below AM Best's expectations for a strong assessment. However, remedial work undertaken by the market and robust performance oversight by the Corporation, as well as improving market conditions in more recent years, have supported measurable improvements in underlying performance, with the accident-year combined ratio (excluding major claims) falling in each year since 2017. In 2023, the overall combined ratio improved to 84.0% (2022: 91.9%), resulting in an improved 5-year average (2019-2023) combined ratio of 95%.

Underwriting performance is subject to volatility due to the nature of business underwritten; however, the 2023 year was benign for Lloyd's in terms of natural catastrophe experience. As a result, major claims contribution to the combined ratio reduced to 3.5% as compared to 12.7% in 2022. Major claims for 2023 comprised natural catastrophe losses such as Hurricane Idalia, Maui Wildfire, Hurricane Otis and the Middle East Earthquake. The 2023 events were less severe as compared to 2022 events such as Hurricane Ian, Hurricane Fiona, Australian Floods and non-natural catastrophe losses such as the Ukraine conflict.

The attritional loss ratio remained relatively stable at 48.3% in 2023 (2022: 48.4%) and is reflective of the positive rate environment and emphasis on underwriting discipline across the market. Prior year reserve releases benefitted the combined ratio by 2.2 percentage points (2022: 3.6 percentage points).

In terms of line of business performance, property reinsurance outperformed the rest with a combined ratio of 72.8% in 2023 (2022: 95.6%), largely driven by a strong rating environment and favourable prior year movement. Aviation and motor business were the only lines that reported higher combined ratios in 2023 compared to 2022. Whilst aviation results were weakened by strengthening of loss estimates for the Russia/Ukraine conflict, motor business experienced lower prior year releases in 2023 compared to 2022. Nonetheless, both lines reported underwriting profits in 2023.

The market's operating expense ratio is high compared to that of peers, often in the mid-to-high 30% range. However, the ratio has decreased from 39.2% in 2018 to 34.4% in 2023, in part due to a change in business mix. Actions are being taken through the Future at Lloyd's initiative to reduce the cost of placing business at Lloyd's, although any benefits will likely take time to materialise.

After experiencing rate strengthening in 2023, there are signs of moderating pressures in certain lines in 2024. However, good overall rate adequacy is expected to persist, and the market continues to focus on prudent risk selection. Underwriting results for 2024 are likely to remain strong, although will be subject to natural catastrophe claims experience in the remainder of the year.

### Performance on a Year of Account (YOA) Basis:

The 2021 YOA closed at the end of 2023 with an overall profit of GBP 2.8 billion (2020 underwriting year profit: GBP 290 million). Despite major claims events such as COVID-19, Hurricane Ida, European Floods and US Winter storm Uri, the 2021 pure underwriting



## Operating Performance (Continued...)

YOA reported an underwriting result that was boosted by the addition of releases from 2020 and prior years, which were reinsured to close at the end of 2022.

### Investment Performance

Investment returns (including gains/losses) for the market were on average 2.1% in the period 2019-2023, ranging from -3.5% (2022) and 5.4% (2023). In 2022, interest rates rose rapidly as central banks sought to contain higher levels of inflation. Higher yields pushed down the price of bonds, and the consequent unrealised losses underpinned the market's investment losses of GBP 3.1 billion. In 2023, the market reported significant investment profit of GBP 5.3 billion driven by the strong performance of the fixed income portfolio in a high interest rate environment and the unwind of unrealised fair value losses on the bond portfolio that were reported in 2022.

| Financial Performance Summary              | 2023<br>GBP (000) | 2022<br>GBP (000) | 2021<br>GBP (000) | 2020<br>GBP (000) | 2019<br>GBP (000) |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Pre-Tax Income                             | 10,663,000        | -769,000          | 2,277,000         | -887,000          | 2,532,000         |
| Net Income after Non-Controlling Interests | 10,663,000        | -769,000          | 2,277,000         | -887,000          | 2,532,000         |

Source: BestLink® - Best's Financial Suite

| Operating and Performance Ratios (%) | 2023 | 2022 | 2021 | 2020  | 2019  |
|--------------------------------------|------|------|------|-------|-------|
| Overall Performance:                 |      |      |      |       |       |
| Return on Assets                     | 6.5  | -0.5 | 1.7  | -0.7  | 2.1   |
| Return on Capital and Surplus        | 25.3 | -2.0 | 6.6  | -2.8  | 8.8   |
| Non-Life Performance:                |      |      |      |       |       |
| Loss and LAE Ratio                   | 49.6 | 57.5 | 57.9 | 73.2  | 63.4  |
| Expense Ratio                        | 34.4 | 34.4 | 35.5 | 37.2  | 38.7  |
| Non-Life Combined Ratio              | 84.0 | 91.9 | 93.5 | 110.3 | 102.1 |

Source: BestLink® - Best's Financial Suite

## Business Profile

Lloyd's very favourable business profile assessment reflects its excellent position in the global general insurance and reinsurance markets as a leading writer of specialty property and casualty risks. The market's ability to provide access to insurance business globally through its multitude of reinsurance and direct insurance licences is a key competitive strength. In addition, the growing size of the market demonstrates its ability to attract and retain investors due to its unique business proposition that offers a capital efficient structure.

### Market Position:

Lloyd's occupies an excellent position in the global general insurance and reinsurance markets as a leading writer of specialty property and casualty risks. The market's position is particularly strong in non-life reinsurance, where Lloyd's was ranked as the 4th largest global non-life reinsurer based on 2022 gross written premiums (GWP). Lloyd's is also a market leader in marine insurance, and has a strong position in aviation, energy, and specialty property and casualty insurance.

Although Lloyd's syndicates operate as individual businesses, the collective size of the market allows them to compete with major international groups under the Lloyd's brand. The market's competitive strength stems from its strong brand, licences, and reputation for innovative and flexible underwriting, supported by the pool of underwriting expertise in London.

In 2024, notable players like Aviva and Fidelis Insurance entered the market. In addition, more recent initiatives such as the London Bridge vehicles and the Investment Platform are contributing towards the attractiveness of the market.

### Product Diversification and Product Risk:

Total GWP grew by 12% in 2023 to GBP 52 billion (2022: GBP 47 billion) due to a combination of risk-adjusted rate change and exposure growth, which was largely from the better performing syndicates. Insurance business accounted for 67% of premium revenue in 2023 and reinsurance for the balance. This split has been relatively stable in recent years.

**Business Profile (Continued...)**

The market is well diversified by line of business with a focus towards commercial lines business over personal lines. The current portfolio mix positions Lloyd's well to benefit from current market conditions and rate improvements.

Product risk is moderate-to-high, as the business that comes to Lloyd's is predominantly specialty business that requires expert underwriting. High product risk lines include reinsurance, energy, aviation, most marine business, and a high proportion of the casualty and property business written (although some of the property and casualty business written through coverholders is lower risk).

Reinsurance is the market's largest segment and accounted for 33% of GWP in 2023. Reinsurance business comprises of property, casualty and specialty reinsurance (primarily marine, aviation and energy reinsurance).

Property insurance business is Lloyd's second largest segment, which accounted for 28% of GWP in 2023. The property book is a global book but with some concentration towards US excess and surplus lines business. There is also a bias towards commercial risks with residential risks written being mainly non-standard risks. The book also includes terrorism, power generation, engineering and nuclear risks.

Casualty business is Lloyd's third largest segment and in 2023 accounted for 25% of GWP. The book has a focus towards the US, but the UK, Canada, and Australia are also significant markets. The main products written are general liability and professional indemnity. Accident and health business is also accounted for within this segment.

The remaining lines of marine, aviation, and transport (8%), energy (3%), motor (2%), and life (<0.1%) together accounted for approximately 13% of GWP in 2023. Lloyd's writes a diversified marine book, including cargo, hull, marine liability, specie and fine art. The energy book consists of onshore and offshore property and liability risks. The motor book is focused on the UK, covering commercial and personal motor business, with a focus on niche personal risks. An international book is also written, with a focus on North America. Aviation business includes airlines, general aviation, space and war.

**Geographical Diversification:**

Lloyd's writes a global portfolio, albeit with some bias to North America, which accounted for nearly half of the premium in 2023. The remainder was split across the rest of Europe, UK, Central Asia and Asia Pacific, Other Americas and rest of the world.

Over the past 20 years, Lloyd's has built out its licence network considerably, to be able to write insurance and/or reinsurance business in Brazil, Mexico, Colombia, Dubai, China, Singapore, and India, as well as a number of smaller markets. This work was undertaken in response to the growth of local and regional (re)insurance hubs and the preference of clients to place business locally. The market's network of licences provides syndicates with access to a wide international client base, which is of benefit in particular to the syndicates that are not part of global insurance groups.

**Distribution Channels:**

The distribution of Lloyd's business is dominated by insurance brokers, and in particular by the top three largest global brokers. Lloyd's brokers play an active part in the placement of risks and in providing access to regional markets.

In addition, a significant part of Lloyd's business is distributed via coverholders (accounting for circa 30% of GWP), which write business on behalf of syndicates under the terms of a binding authority. Coverholders are important in bringing regional business to Lloyd's and providing the market with access to small and medium-sized risks.

The Lloyd's distribution model is expensive, with business often passing through several distribution links before arriving at Lloyd's. The market's reliance on brokers also makes it vulnerable to price based competition. Although in overall terms, Lloyd's is important to the large global brokers (as well as to the specialised London market brokers), the importance of individual syndicates is less so.

**Modernisation Programme:**

In May 2019, Lloyd's management team unveiled a modernisation plan called the Future at Lloyd's. The proposed reforms include plans to radically reduce the cost of doing business and creating new digital platforms for placing insurance risk and streamlining claims services. If the plan is successfully implemented, cost reductions are likely to support profitability. In AM Best's view, the Future at Lloyd's programme is making important progress towards modernising the market's operations.

**Business Profile (Continued...)**

The latest areas of focus highlighted in Blueprint Two (published in November 2020) sets out a vision for the end-to-end modernisation of business models, practices, and systems within Lloyd's - this is to overhaul paper-based processes and implement a more digital, data-led and automated approach.

Some of the Blueprint's features are the use of a core data record (CDR) for consistent data standards and an intelligent market reform contract (IMRC). Moreover, the recently established London Market Data Council agreed the scope and approach of the CDR and IMRC to standardise the data used across the Lloyd's market. Successful delivery of these much-needed modernisation initiatives should support the market to become better-equipped to meet evolving customer needs and realise future cost savings.

Failure to deliver these successfully could reduce the confidence and support of the market in the Corporation's wider Future at Lloyd's ambitions in the short-term.

**Corporate Overview:**

Lloyd's is the London-based market where approximately 100 individual syndicates underwrite all types of insurance and reinsurance business, apart from long term life insurance. Each syndicate is formed by one or more members of Lloyd's, who join together to provide capital and accept insurance risks. Lloyd's members are mainly corporate members although a small proportion of Lloyd's underwriting capacity continues to be provided by private individuals.

In 1871, the then existing association of underwriters at Lloyd's was incorporated by the Lloyd's Act as the Society and Corporation of Lloyd's (referred to in this report as the Society or the Corporation), making the Society the legal entity which oversees the Lloyd's market. Its purpose is to facilitate the underwriting of insurance business by Lloyd's members, to protect members' interests in this context and to maintain Lloyd's Central Fund. The Society is also the holding company for Lloyd's Insurance Company S.A. and Lloyd's Insurance Company (China) Limited.

**Enterprise Risk Management**

The enterprise risk management (ERM) of Lloyd's is assessed as appropriate. The market's enterprise risk framework is considered to be developed and risk management capabilities are aligned to the risk profile.

Lloyd's ERM is designed to manage risks arising from the market and the Society. It provides an extra layer of oversight over the market's risks that are also managed through the risk functions of individual managing agents. Nonetheless, there are limitations on the ability of the Corporation to actively manage the market's risks, as it is supervising individual and competing syndicates each with their own risk appetites and commercial strategies.

Under the Lloyd's Act 1982, the Council of Lloyd's (the Council) is responsible for the management and supervision of the market as the governing body of the Society. The key committees of the Council are the Audit Committee, the Market Supervision and Review Committee and the Risk Committee. The Risk Committee is responsible for the identification and management of Lloyd's key risks.

The Council manages risks by setting and monitoring a risk appetite framework. The risk appetites are reviewed on a regular basis and may be updated as required. The framework includes key risks and a number of underlying monitoring metrics. The risk appetites are structured under the three risk objective pillars of sustainability, solvency, and operational.

Over the past several years, there has been a much tougher tone and more active approach taken by the Corporation's oversight functions to managing under-performing syndicates as well as the under-performing lines of generally well performing syndicates. The enhanced oversight has led to some syndicates being put into run-off as well as others exiting certain loss-making lines of business. This additional scrutiny has led to meaningful improvements in underlying performance over the last several years.

The Society of Lloyd's and its managing agents are regulated by The Bank of England, acting through the PRA, as well as by the Financial Conduct Authority (FCA). Lloyd's remains subject to the Solvency II regulatory and capital regime, which came into force on 1 January 2016. It applies to the "association of underwriters known as Lloyd's" as a collective entity.

Lloyd's uses an internal capital model to calculate its SCR and SCR coverage ratios, with approval from the PRA. An internal model has been in use since 2012, although the current model has undergone radical change since then. In AM Best's opinion, the Corporation's ability to assess the capital adequacy of the market has been strongly improved by its capital modelling work.

**Enterprise Risk Management (Continued...)**

Lloyd's recognises that one of the greatest risks to the Central Fund is the market's exposure to natural catastrophes, albeit risks from non-natural catastrophe losses, such as cyber and liability, are growing. The catastrophe model component of Lloyd's internal capital model allows the Corporation to assess catastrophe risk across return periods and, in AM Best's opinion, has improved its ability to monitor the market's aggregate catastrophe exposure against a defined risk appetite. An enhancement noted in 2020, was the introduction of the Catastrophe Risk Oversight Framework, now a Principle within the Principles Based Oversight framework, which enables Lloyd's to apply more stringent minimum capital requirements to exposure growth in syndicates with poor performance track records and catastrophe risk management capabilities. In 2024, recognizing the increased frequency of secondary perils, Lloyd's began requiring syndicates with material exposures for such perils to report more granular data, ensuring they are appropriately captured in the syndicates' models and in the Lloyd's Catastrophe Model. Due to the nature of business written, Lloyd's has significant exposure to catastrophe losses, making this aspect of risk management particularly important.

Lloyd's Realistic Disaster Scenarios (RDSs) continue to play a critical role in exposure management at Lloyd's, both as benchmark stress tests validating the internal model output and as a source of data. The scenarios are defined in detail annually by Lloyd's and are used to evaluate aggregate market exposures as well as the exposure of each syndicate to certain major events. Syndicate-level scenarios are prepared by each managing agent, reflecting the particular characteristics of the business that each syndicate writes. In addition, Lloyd's asks for syndicates' aggregate exceedance probability (AEP) loss at a 1-in-30-year and 1-in-200 return period for various regional perils. As the Lloyd's RDSs represent different return periods for different syndicates, collecting this additional data helps to ensure a uniform treatment of syndicates' exposure to large losses.

**Reinsurance Summary**

Lloyd's has moderate dependence on reinsurance. This is due to the nature of the market, which consists of small-to-medium sized business that independently purchase reinsurance. The market as a whole ceded 25% of its GWP in 2023. This amount includes reinsurance from syndicates to their related groups as well as reinsurance between individual Lloyd's syndicates.

Lloyd's oversight function monitors individual syndicates' reinsurance placements to ensure the appropriateness and credit quality of the market's overall use of reinsurance.

**Environmental, Social & Governance**

As a writer of global commercial property policies, Lloyd's is exposed to the impacts of changing climate trends, namely the increased severity and frequency of natural catastrophe losses. In AM Best's view the market uses reinsurance to manage climate risk and has applied more stringent minimum capital requirements for syndicates approved to write catastrophe-exposed business (based on their past performance). Catastrophe modelling and accumulations are managed to ensure that the market's exposure to natural catastrophes is maintained within its risk appetite.

Furthermore, to actively support the transition to a low carbon economy, the Corporation published guidance to the market on how they can manage the risks of transition alongside the growth opportunities spurred on by new economic activities. This guidance provided information on how Lloyd's will engage with the market on reviewing their own sustainability strategies, as well as toolkits for use by the market in setting transition plans. In addition, Lloyd's in collaboration with Moody's has developed a proof of concept solution to measure insurance-associated carbon emissions across the market.

Lloyd's has a large book of US casualty business that is susceptible to adverse social inflation trends. AM Best defines social inflation as the rise in cost of current and future claims caused by higher court awards and legislated rises in claims payments driven by changing social behaviour. This has contributed to reserve strengthening of casualty provisions over several years and has been an area of additional oversight and focus by the Corporation's actuarial team.

In terms of investment strategy, Lloyd's currently allocates 5% of Central Fund assets to impact investments and has committed to increasing this to 10% by 2025. Impact investments are made with an aim of generating positive, measurable social and environmental impact alongside a financial return.

In recent years, Lloyd's has strengthened its position in the sector in terms of ESG leadership by becoming the leader of the SMI Insurance Task Force. The Corporation also established the Sustainability Committee, which is responsible for driving action and providing robust challenge across its environmental and social priorities and commitments.



## Financial Statements

|                                       | 12/31/2023  |       | 12/31/2023  |
|---------------------------------------|-------------|-------|-------------|
|                                       | GBP (000)   | %     | USD (000)   |
| <b>Balance Sheet</b>                  |             |       |             |
| Cash and Short Term Investments       | 11,408,000  | 6.9   | 14,525,122  |
| Bonds                                 | 66,366,000  | 40.2  | 84,499,846  |
| Equity Securities                     | 10,446,000  | 6.3   | 13,300,265  |
| Other Invested Assets                 | 12,466,000  | 7.6   | 15,872,210  |
| <b>Total Cash and Invested Assets</b> | 100,686,000 | 61.0  | 128,197,443 |
| Reinsurers' Share of Reserves         | 31,804,000  | 19.3  | 40,494,125  |
| Debtors / Amounts Receivable          | 25,501,000  | 15.4  | 32,468,893  |
| Other Assets                          | 7,104,000   | 4.3   | 9,045,097   |
| <b>Total Assets</b>                   | 165,095,000 | 100.0 | 210,205,558 |
| Unearned Premiums                     | 25,065,000  | 15.2  | 31,913,761  |
| Non-Life - Outstanding Claims         | 78,774,000  | 47.7  | 100,298,208 |
| Total Gross Technical Reserves        | 103,839,000 | 62.9  | 132,211,968 |
| Debt / Borrowings                     | 907,000     | 0.5   | 1,154,829   |
| Other Liabilities                     | 15,684,000  | 9.5   | 19,969,496  |
| <b>Total Liabilities</b>              | 120,430,000 | 72.9  | 153,336,293 |
| Retained Earnings                     | 10,663,000  | 6.5   | 13,576,558  |
| Other Capital and Surplus             | 34,002,000  | 20.6  | 43,292,706  |
| <b>Total Capital and Surplus</b>      | 44,665,000  | 27.1  | 56,869,265  |
| <b>Total Liabilities and Surplus</b>  | 165,095,000 | 100.0 | 210,205,558 |

Source: BestLink® - Best's Financial Suite

|  | Non-Life   | Life      | Other     | 12/31/2023<br>Total | 12/31/2023<br>Total |
|--|------------|-----------|-----------|---------------------|---------------------|
|  | GBP (000)  | GBP (000) | GBP (000) | GBP (000)           | USD (000)           |
| <b>Income Statement</b>                            |            |           |           |                     |                     |
| Gross Premiums Written                             | 52,149,000 | ...       | ...       | 52,149,000          | 66,398,193          |
| Net Premiums Earned                                | 36,925,000 | ...       | ...       | 36,925,000          | 47,014,387          |
| Net Investment Income                              | ...        | ...       | 3,850,000 | 3,850,000           | 4,901,974           |
| Realized capital gains/(losses)                    | ...        | ...       | -215,000  | -215,000            | -273,747            |
| Unrealized capital gains/(losses)                  | ...        | ...       | 1,675,000 | 1,675,000           | 2,132,677           |
| <b>Total Revenue</b>                               | 36,925,000 | ...       | 5,310,000 | 42,235,000          | 53,775,291          |
| Benefits And Claims                                | 18,302,000 | ...       | ...       | 18,302,000          | 23,302,838          |
| Net Operating And Other Expenses                   | 12,713,000 | ...       | 557,000   | 13,270,000          | 16,895,895          |
| Total Benefits, Claims And Expenses                | 31,015,000 | ...       | 557,000   | 31,572,000          | 40,198,733          |
| <b>Pre-Tax Income</b>                              | 5,910,000  | ...       | 4,753,000 | 10,663,000          | 13,576,558          |
| <b>Net Income before Non-Controlling Interests</b> | ...        | ...       | ...       | 10,663,000          | 13,576,558          |
| <b>Net Income/(loss)</b>                           | ...        | ...       | ...       | 10,663,000          | 13,576,558          |

Source: BestLink® - Best's Financial Suite

## Related Methodology and Criteria

[Best's Credit Rating Methodology, 01/18/2024](#)

[Catastrophe Analysis in AM Best Ratings, 02/08/2024](#)

[Available Capital and Insurance Holding Company Analysis, 08/15/2024](#)

[Rating Lloyd's Operations, 03/21/2024](#)

[Scoring and Assessing Innovation, 02/27/2023](#)



[Understanding Global BCAR, 08/01/2024](#)

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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## Best's Credit Rating Effective Date

May 09, 2024

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## Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

## Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

# Allied World Assurance Company Holdings, Ltd.

**AMB #:** 058218

**Ultimate Parent:** AMB # 058364 - Fairfax Financial Holdings Limited

## Best's Credit Ratings - for the Rating Unit Members

### Financial Strength Rating (FSR)

|                          |
|--------------------------|
| <b>A</b>                 |
| <b>Excellent</b>         |
| Outlook: <b>Positive</b> |
| Action: <b>Affirmed</b>  |

### Issuer Credit Rating (ICR)

|                          |
|--------------------------|
| <b>a+</b>                |
| <b>Excellent</b>         |
| Outlook: <b>Positive</b> |
| Action: <b>Affirmed</b>  |

## Assessment Descriptors

|                            |                    |
|----------------------------|--------------------|
| Balance Sheet Strength     | <b>Strongest</b>   |
| Operating Performance      | <b>Adequate</b>    |
| Business Profile           | <b>Favorable</b>   |
| Enterprise Risk Management | <b>Appropriate</b> |

## Rating Unit - Members

**Rating Unit:** Allied World Asr Co Hldgs Ltd | **AMB #:** 058218

**AMB # Rating Unit Members**  
083090 Allied World Asr (Europe) DAC  
012525 Allied World Asr Co (US) Inc  
084808 Allied World Assurance Company  
013865 Allied World Insurance Co

**AMB # Rating Unit Members**  
012526 Allied World National Assur Co  
012699 Allied World Specialty Ins Co  
011719 Allied World Surplus Lines Ins  
011219 Vantapro Specialty Ins Co

## Best's Credit Rating - for the Holding Company

### Issuer Credit Rating (ICR)

|             |                          |
|-------------|--------------------------|
| <b>bbb+</b> | Outlook: <b>Positive</b> |
| <b>Good</b> | Action: <b>Affirmed</b>  |

## Rating Rationale - for the Rating Unit Members

The Issuer Credit Ratings and Financial Strength Ratings of the member operating companies of the rating unit are determined in accordance with Best's building block rating methodology as applied to the consolidated group's financial statements, and the supporting analytics and results are described in the following sections of this report.

### Balance Sheet Strength: **Strongest**

- Allied World Assurance Company Holdings, Limited (Allied World), maintains the strongest level of balance sheet strength, as measured by Best's Capital Adequacy Ratio (BCAR), supported by long-term favorable reserve development, diversified investment profile and controlled growth. Gross premium growth has been fueled by significant rate increases.
- Net unrealized investment gains and investment income have been significant contributors to surplus growth due to the mark-to-market performance of Allied World's investment portfolio, which is managed by its ultimate parent, Fairfax Financial Holdings Limited (Fairfax), and to the positive effect on the yield of fixed-income securities, which compose the majority of Allied World's investment portfolio. The dividend payment was slightly increased in 2023.
- The fixed-income portfolio comprises the majority of Allied World's investments, and the instruments within it are predominantly allocated to high-quality fixed-income securities and cash.
- Natural catastrophe exposure remains comparatively modest, leading to a lower pace of growth for probable maximum losses (PMLs) relative to premiums. The reinsurance panel is structured with highly rated companies.
- Allied World guarantees the long-term debt of its subsidiary, Allied World Assurance Company Holdings I, Limited (Bermuda). Financial leverage and coverage measures are favorable.

### Operating Performance: **Adequate**

- In the past five years, Allied World's underwriting performance has been steadily improving across its global property and casualty insurance and reinsurance businesses. Nonetheless, investment performance has been variable; however, in 2023, net realized and unrealized gains recovered from the losses in the previous year, benefiting operating results as expected. Allied World recorded the largest underwriting profit in the Fairfax group in 2023.
- Allied World's underwriting performance continued to benefit from significantly improved market conditions in most of its business segments. The group has further reduced exposure to natural catastrophes, decreasing the volatility of its underwriting results despite the continuing increase in frequency and severity of catastrophic events.
- Recent underwriting results have had help from the group's lower-than-average expense ratio, as it experiences gains of economies of scale due to overall premium growth led by rate increases, its cost-efficient Bermuda platform, and technological advances brought by the use of predictive analytics and generative artificial intelligence in some of its lines of business. Allied World has been able to maintain its low-cost advantage relative to its peers for at least 10 years.
- Allied World generates low investment yields relative to its industry segment due to its investment strategy, which includes high-quality, liquid, short-term bonds, while equities are managed for long-term accretion to capital and to increase compounding rates of return. The recent increase in duration helped the group align investment yields to the strong operating performance benchmark of AM Best. Due to this strategy, equities have historically produced volatile although accretive contributions to surplus over an extended period of time.
- Investments are managed by Hamblin Watsa Investment Counsel Limited (Hamblin Watsa), the investment management subsidiary of Fairfax, the group's ultimate parent company.

### Business Profile: **Favorable**

- Allied World is a global specialty property and casualty insurer and reinsurer that underwrites a portfolio of property, casualty, and specialty business. The group has made adjustments to its book of business, which has resulted in a stronger market presence in the lines it targets.
- Growth in the group's insurance business in recent years has benefited from expanded branch networks as well as strong local broker relationships, including wholesale brokers.
- Allied World is well-diversified both by business lines and geography, writing surplus lines and admitted business in the U.S., direct business in Bermuda, Canada, Europe and Asia-Pacific and also global reinsurance business. Its main lines of business are direct casualty, direct professional lines, direct property, assumed property and assumed casualty, and assumed specialty lines.

- Allied World is a top 40 global reinsurer, according to AM Best's Global Reinsurance Ranking published in September 2023, and a top 15 US surplus lines writer, according to AM Best's US Surplus Lines Report also published in September 2023. Additionally, Allied World is Fairfax's largest (re)insurance organization by gross premiums written.
- The hard market environment continues to be conducive for supporting an overall increase in rates and favorable terms and conditions in the reinsurance segment. In 2023, Allied World increased the share of assumed reinsurance in its total gross premiums written for a 73%/27% insurance/reinsurance business mix.

## Enterprise Risk Management: **Appropriate**

- Allied World's risk management capabilities are viewed as being appropriate for its risk profile. It has a comprehensive enterprise risk management framework with specific risk tolerances and risk appetites discussed and monitored by numerous risk committees and the board of directors.
- It maintains a diversified portfolio of insurance products designed to limit volatility of earnings and equity. In the past, it incurred significant catastrophe losses and has since increased its enterprise aggregate protection, and it has reduced its exposure to climate-related natural catastrophe lines, with the benefit of reducing its PMLs.
- Allied World monitors and estimates each of its anticipated risks as a percentage of capital. Stress and scenario tests are performed on the significant risks. Additionally, it actively manages its cyber risks and exposures.
- Allied World also participates in risk management at the Fairfax group level under the direction of the group's chief risk officer. Risks are reviewed on a regular basis with risk managers at the subsidiary level. This practice allows the group to share information, resources and best practices with the other operating entities.

## Outlook

- The positive rating outlooks reflect AM Best's expectations that the group's operating performance will continue to be executed in a favorable manner and that its risk-adjusted capitalization will remain at the strongest level. However, a potential upgrade in the ratings is dependent on continuing to obtain results that outperform those of its peers.

## Rating Drivers

- Ratings could be positively affected by the continued positive momentum of the group's operating performance.
- A material decrease in the balance sheet's metrics, including risk-adjusted capitalization, as measured by BCAR, could lead to negative rating actions.
- The ratings could be negatively impacted by a material increase in financial leverage of Allied World Assurance Company Holdings Limited or at the ultimate parent level.

## Rating Rationale - for the Holding Company

The rating of the holding company is determined by reference to the Issuer Credit Rating (ICR) of the operating insurance company members of the associated rating unit [Fairfax Financial Holdings Limited AMB# 058364](#). It reflects consideration of holding company sources and uses of cash, the competing demands placed upon holding company resources and normal subordination of holding company creditors to claims of the policyholders of the operating insurance companies. In general, therefore, the holding company's Issuer Credit Rating is notched from those assigned to the operating companies of the rating unit.

## Key Financial Indicators

### Best's Capital Adequacy Ratio (BCAR) Scores (%)

| Confidence Level | 95.0 | 99.0 | 99.5 | 99.6 |
|------------------|------|------|------|------|
| BCAR Score       | 59.2 | 40.3 | 32.6 | 30.3 |

Source: Best's Capital Adequacy Ratio Model - Global



| Key Financial Indicators  | 2023<br>USD (000) | 2022<br>USD (000) | 2021<br>USD (000) | 2020<br>USD (000) | 2019<br>USD (000) |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Premium Written:      |                   |                   |                   |                   |                   |
| Non-Life                  | 4,839,500         | 4,456,100         | 3,907,800         | 3,017,600         | 2,519,000         |
| Composite                 | 4,839,500         | 4,456,100         | 3,907,800         | 3,017,600         | 2,519,000         |
| Net Income                | 1,223,800         | -4,700            | 548,300           | 279,800           | 369,100           |
| Total Assets              | 23,921,700        | 20,562,500        | 19,047,100        | 16,646,000        | 15,272,900        |
| Total Capital and Surplus | 5,670,000         | 4,594,800         | 4,792,300         | 4,377,400         | 4,136,100         |

Source: BestLink® - Best's Financial Suite

| Key Financial Ratios (%)                   | 2023<br>USD (000) | 2022<br>USD (000) | 2021<br>USD (000) | 2020<br>USD (000) | 2019<br>USD (000) | Weighted<br>5 Year<br>Average |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|
| Profitability:                             |                   |                   |                   |                   |                   |                               |
| Net Income Return on Revenue               | 22.4              | -0.1              | 13.8              | 9.1               | 12.8              | 12.5                          |
| Net Income Return on Capital and Surplus   | 23.8              | -0.1              | 12.0              | 6.6               | 9.6               | 10.3                          |
| Balance on Non-Life Technical Account      | 470,600           | 382,400           | 219,500           | 117,400           | 54,700            | ...                           |
| Non-Life Combined Ratio                    | 89.7              | 90.9              | 93.6              | 95.7              | 97.7              | 92.8                          |
| Net Investment Yield                       | 3.8               | 1.9               | 1.5               | 1.9               | 2.7               | 2.3                           |
| Leverage:                                  |                   |                   |                   |                   |                   |                               |
| Net Premium Written to Capital and Surplus | 85.4              | 97.0              | 81.5              | 68.9              | 60.9              | ...                           |

Source: BestLink® - Best's Financial Suite

## Credit Analysis

### Balance Sheet Strength

Allied World's risk-adjusted capital is supportive of its premium growth, catastrophe exposure and current loss reserve position. The company also has long term debt with modest leverage and manageable interest coverage.

Loss reserve development has been slightly variable over the past several accident years as a result of development on the group's commercial casualty business and property catastrophe losses. However, since inception the company has accumulated significant overall favorable prior year reserve development. In recent years, the group has increased its catastrophe enterprise reinsurance protections, and reduced exposure to natural catastrophe lines which has reduced its PMLs when compared with premiums growth.

Catastrophe represented 4.6 percentage points to Allied World's combined ratio in 2023. The main events causing losses were PCS events, Turkey earthquake, Maui fire, and the European hailstorm. Allied World continues to benefit from actively managing its PMLs, and 2023 natural catastrophe events were not material to the company's risk-adjusted capitalization.

### Capitalization

The group maintains the strongest indicated level of risk-adjusted capital based on its BCAR strength. AM Best expects that Allied World will be able to remain in the strongest risk-adjusted capitalization range in 2024. The company's overall balance sheet strength assessment matches its BCAR assessment, which is also in the strongest range. Allied World has \$500 million in 4.35% senior notes due in 2025. These notes were issued by Allied World Assurance Company Holdings I, Ltd., a Bermuda-based affiliate of the parent company and rating unit, Allied World Assurance Company Holdings, Ltd. These notes were issued in 2015 and are guaranteed by the parent company.

## Balance Sheet Strength (Continued...)

| <b>Capital Generation Analysis</b>         | <b>2023<br/>USD (000)</b> | <b>2022<br/>USD (000)</b> | <b>2021<br/>USD (000)</b> | <b>2020<br/>USD (000)</b> | <b>2019<br/>USD (000)</b> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Beginning Capital and Surplus              | 4,594,800                 | 4,792,300                 | 4,377,400                 | 4,136,100                 | 3,581,800                 |
| Net Income after Non-Controlling Interests | 1,223,800                 | -4,700                    | 548,300                   | 279,800                   | 369,100                   |
| Currency Exchange Gains (Losses)           | 7,800                     | -3,500                    | -19,300                   | 28,700                    | 3,000                     |
| Change in Paid-In Capital                  | 300                       | -13,800                   | 3,500                     | -62,500                   | 187,800                   |
| Stockholder Dividends                      | 174,400                   | 164,900                   | 126,400                   | ...                       | ...                       |
| Other Changes in Capital and Surplus       | 17,700                    | -10,600                   | 8,800                     | -4,700                    | -5,600                    |
| Net Change in Capital and Surplus          | 1,075,200                 | -197,500                  | 414,900                   | 241,300                   | 554,300                   |
| Ending Capital and Surplus                 | 5,670,000                 | 4,594,800                 | 4,792,300                 | 4,377,400                 | 4,136,100                 |
| Net Change in Capital and Surplus (%)      | 23.4                      | -4.1                      | 9.5                       | 5.8                       | 15.5                      |

Source: BestLink® - Best's Financial Suite

| <b>Liquidity Analysis</b>              | <b>2023<br/>USD (000)</b> | <b>2022<br/>USD (000)</b> | <b>2021<br/>USD (000)</b> | <b>2020<br/>USD (000)</b> | <b>2019<br/>USD (000)</b> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Net Operating Cash Flow                | 1,286,800                 | 1,408,100                 | 1,518,400                 | 773,100                   | 261,300                   |
| Liquid Assets to Total Liabilities (%) | 61.5                      | 63.8                      | 67.4                      | 66.3                      | 66.6                      |

Source: BestLink® - Best's Financial Suite

## Asset Liability Management - Investments

Allied World maintains a diversified investment strategy with a long-term value-oriented approach combined with a high-quality, liquid strategy for fixed income issues, which provides adequate liquidity for the prompt payment of claims. The investment portfolio consists primarily of investment-grade, fixed-maturity securities of short-to medium-term duration. The liquidity profile of the majority of the group's portfolio helps moderate the risk associated with its equity investment strategy. The company's long-tail casualty business combined with higher interest rates led to an increase in the duration of its fixed income portfolio last year.

| <b>Composition of Cash and Invested Assets</b> | <b>2023<br/>USD (000)</b> | <b>2022<br/>USD (000)</b> | <b>2021<br/>USD (000)</b> | <b>2020<br/>USD (000)</b> | <b>2019<br/>USD (000)</b> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total Cash and Invested Assets                 | 13,332,700                | 11,572,200                | 10,802,600                | 9,144,700                 | 8,252,600                 |
| Composition Percentages (%):                   |                           |                           |                           |                           |                           |
| Unaffiliated:                                  |                           |                           |                           |                           |                           |
| Cash and Short Term Investments                | 4.9                       | 10.2                      | 19.8                      | 8.1                       | 11.5                      |
| Bonds  | 65.7                      | 65.6                      | 54.7                      | 69.6                      | 65.6                      |
| Stocks   | 13.6                      | 12.3                      | 14.5                      | 11.2                      | 12.7                      |
| Other Invested Assets                          | 15.8                      | 11.9                      | 11.0                      | 11.0                      | 10.1                      |
| Total Unaffiliated Cash and Invested Assets    | 100.0                     | 100.0                     | 100.0                     | 100.0                     | 100.0                     |
| Total Cash and Invested Assets                 | 100.0                     | 100.0                     | 100.0                     | 100.0                     | 100.0                     |

Source: BestLink® - Best's Financial Suite

## Reserve Adequacy

The group's loss reserve balance has been subject to some variability in development over the past five years, with 2019, 2021 and 2022 showing prior year net adverse reserve development while recording net favorable reserve development in 2020, and no reserve development in 2023. The adverse development in 2019, 2021 and 2022 was 1.9, 0.5 and 0.7 points on the combined ratio for the related calendar years. Allied World's current reserve position is considered adequate. Additionally, Allied World's reserves are annually reviewed by a independent third-party actuarial firm and reserve levels are above the central estimate. Since its inception in 2001 until the end of 2023, Allied World recorded a total of \$2.2 billion in net favorable reserve developments. IBNR has increased to 73% of outstanding reserves as of December 31, 2023.

## Balance Sheet Strength (Continued...)

### Holding Company Assessment

Allied World Assurance Holdings I (AMB# 51237) is an intermediate Bermuda holding company, which holds long term debt that is guaranteed by its parent, Allied World Assurance Holdings Ltd (AMB# 58218), which is an intermediate holding company in the Fairfax Financial organization structure.

Fairfax maintains supportive financial leverage as well as favorable liquidity, with cash and short-term investments readily available to support its insurance operations.

#### Financial Leverage Summary - Holding Company 058218 Allied World Assurance Company Holdings, Ltd.

|                                       |      |
|---------------------------------------|------|
| Financial Leverage Ratio (%)          | 8.10 |
| Adjusted Financial Leverage Ratio (%) | 8.10 |
| Interest Coverage (x)                 | 8.90 |

| Holding Company Analytics              | 2023<br>USD (000) | 2022<br>USD (000) | 2021<br>USD (000) | 2020<br>USD (000) | 2019<br>USD (000) |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt to Capital and Surplus (%)        | 9.2               | 11.4              | 11.0              | 12.6              | 13.3              |
| Liquid Assets to Total Liabilities (%) | 61.5              | 63.8              | 67.4              | 66.3              | 66.6              |
| Interest Expense                       | 23,900            | 23,900            | 24,800            | 28,500            | 31,800            |

Source: BestLink® - Best's Financial Suite

### Operating Performance

Operating performance has continuously improved over the past five years, as Allied World increased its focus in casualty and specialty lines while continuing to manage its exposure to property catastrophe business. Investments have fluctuated mostly due to net realized and unrealized gains and losses in both fixed income and equity investments, and in 2023 the portfolio significantly recovered from losses from the previous year.

Allied World's results continue to benefit from significantly improved global market conditions in most of its primary commercial casualty and property business lines as well as its assumed reinsurance operation. Despite the reserve strengthening from casualty and professional lines affecting 2015-2019 accident years, reserving remains conservative and overall net prior year reserve development was null in 2023.

Property and casualty segments have benefited in the last five years from sizable rate increases and tightening of terms and conditions.

In prior years, the group had generated a lower investment yield relative to its peers due its investment allocation, which included both a high-quality, lower-yielding short-term fixed income portfolio and a portfolio of equities and other invested assets managed for long term accretion to capital. The equity and other invested asset strategy has historically produced generally positive, albeit volatile, contributions to surplus. In 2022 and 2023, Allied World was able to adjust its fixed income portfolio to take advantage of rising interest rates, increasing its allocation to longer duration fixed income investments at higher coupons resulting in materially improved net investment income and aligning the group's investment yield with AM Best's strong operating performance benchmark.

At the end of the 2023, Allied World's \$13,333 million investment portfolio was allocated in the following way: 43% U.S. government issues, 23% corporate bonds, 14% equities, 8% mortgage loans, 5% cash and equivalents, 4% private equity funds, and 3% other private securities. For the projected years, investment portfolio composition is assumed to remain proportionally constant over time.

In terms of credit ratings of the fixed income portfolio, 98% was allocated to investment grade securities, with 78% rated AA and above, 59% have maturities of five to ten years, and 30% have maturities of one to five years. Duration increased to 4.3 years in 2023 from 2.1 years in 2022.

The investment portfolio is managed by Hamblin Watsa Investment Counsel Ltd. ("Hamblin Watsa"), which is the investment management subsidiary of Fairfax, the group's ultimate parent.



## Operating Performance (Continued...)

| Financial Performance Summary                | 2023<br>USD (000) | 2022<br>USD (000) | 2021<br>USD (000) | 2020<br>USD (000) | 2019<br>USD (000) |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Pre-Tax Income                               | 1,273,500         | 57,500            | 652,100           | 316,700           | 388,800           |
| Net Income (after Non-Controlling Interests) | 1,223,800         | -4,700            | 548,300           | 279,800           | 369,100           |

Source: BestLink® - Best's Financial Suite

| Operating and Performance Ratios (%) | 2023 | 2022 | 2021 | 2020 | 2019 |
|--------------------------------------|------|------|------|------|------|
| Overall Performance:                 |      |      |      |      |      |
| Return on Assets                     | 5.5  | ...  | 3.1  | 1.8  | 2.5  |
| Return on Capital and Surplus        | 23.8 | -0.1 | 12.0 | 6.6  | 9.6  |
| Non-Life Performance:                |      |      |      |      |      |
| Loss and LAE Ratio                   | 67.5 | 70.4 | 71.8 | 70.8 | 70.4 |
| Expense Ratio                        | 22.2 | 20.5 | 21.9 | 24.9 | 27.3 |
| Combined Ratio                       | 89.7 | 90.9 | 93.6 | 95.7 | 97.7 |

Source: BestLink® - Best's Financial Suite

## Business Profile

Allied World has established itself as a specialty insurance and reinsurance group that underwrites a diversified portfolio of property and casualty insurance and reinsurance lines of business. The group writes direct property and casualty insurance as well as assumed reinsurance through operations in the United States, Australia, Bermuda, Canada, United Kingdom, Hong Kong, Ireland, Labuan, Singapore, Switzerland, and its Lloyd's Syndicate 2232. Allied World Assurance Company Holdings Limited is domiciled in Bermuda. Fairfax Financial Holdings, Ltd. is the ultimate parent of the group.

Management monitors the performance of its underwriting operations based on the geographic location of the group's offices, the markets and customers served, and the type of accounts written. The group's two operating segments are Insurance and Reinsurance. The Insurance Segment includes the group's North America and Global Markets operations. The North America operation includes the group's direct specialty insurance operations in the United States, Bermuda, and Canada. The Bermuda office, which is among the top direct writers in Bermuda, underwrites primarily larger, Fortune 1000 casualty and property risks for accounts domiciled in North America, while the U.S. and Canada operations generally write small- and middle-market, accounts including public entities, private companies, and non-profit organizations. The North America operation has established branch offices in Atlanta, Bermuda, Boston, Chicago, Costa Mesa (CA), Dallas, Farmington (CT), Houston, Los Angeles, Miami, Nashville, New York City, Philadelphia, San Francisco, and Toronto. Allied World is a lead U.S. market across several casualty lines including D&O, Cyber, and Excess Casualty as well having large property, healthcare liability and program operations.

The Global Markets operation includes the group's direct insurance business outside of North America operating primarily out of Europe, Asia, and Australia and includes Lloyd's Stamp capacity in excess of \$600 million. Allied World has a significant global footprint, particularly in professional lines and UK commercial lines as well as being a leading commercial insurer in both Singapore and Hong Kong. The European offices focus on mid-sized to large European and multi-national companies and continue diversifying into products for small and middle-market accounts. The Asia-Pacific offices also underwrite a variety of professional liability, general casualty, and healthcare liability products. In June 2010, the company formed Syndicate 2232 at Lloyd's of London. The syndicate offers product lines, which include international property, general casualty, and professional liability lines targeted at key territories in Europe, Latin America and the Asia-Pacific region.

The Reinsurance Segment includes the group's operations in the United States, Bermuda, United Kingdom, Switzerland, and Singapore. This segment currently writes reinsurance on a treaty basis, targeting several niche reinsurance markets, including property coverages, general casualty, professional liability, and specialty lines. The group's U.S. operations operate out of New York City and focus on general casualty, professional liability, property coverages, and specialty lines including marine, aerospace, and crop. The group's Bermuda operation focuses on property catastrophe, property treaty, and specialty casualty coverages. The group operates an office in Zug, Switzerland, that offers property, general casualty and professional liability products throughout Europe. Syndicate 2232 also offers international treaty reinsurance capabilities to the group's Asia and Latin America operations. The group operates in Asia with its Singapore office which serves as the company's hub for all classes of treaty reinsurance for the region. The group also has a Miami office underwriting treaty business in Latin America and the Caribbean. Responsibility and accountability for the results of underwriting operations are assigned by major line of business within each of the operating platforms.

## Business Profile (Continued...)

The group markets its insurance and reinsurance products worldwide through selected third-party intermediaries. Direct insurance policies are written through various intermediaries, including excess and surplus lines wholesalers and regional and national retail brokerage firms. Reinsurance is mostly placed through a group of globally known reinsurance brokers although the group continues to build relationships with smaller distribution partners.

In recent years, Allied World has exited certain businesses which were not meeting risk-return targets or producing volatility in results, which includes high-net-worth personal insurance.

Allied World holds leading positions in several lines of business, as well as its leading position within Fairfax. In addition to being a leading U.S. excess casualty and Bermuda direct market, Allied World is a Top 15 US Surplus Lines Writer, Top 10 US Cyber Writer, Top 10 US D&O Writer, Top 40 Global Reinsurer, , also writing \$1.3 billion Europe and Asia-Pacific, with significant direct Property, Healthcare Liability, Environmental, Programs and Defense Base Act Business.

Within Fairfax insurance companies, Allied World represented 22% of the total GPW in 2023, and was the largest (re)insurance company in the group. Allied World also represented 32% of the total Fairfax's underwriting profit in 2023, a record in the group. At the end of 2023, Allied World's total assets represented 16% of Fairfax's total assets. Additionally, in the last five years, Allied World was the largest company in the Fairfax group by total gross premiums written and by total underwriting income.

The company diversifies its business by geography, underwriting US Direct, Bermuda Direct, Europe & Asia Direct and Global Reinsurance, by product line, with 26 global offices, and by distribution network, with no dependence on large brokers. Allied World's direct business in Bermuda focuses for Fortune 1000-sized companies. Allied World had 1,631 employees at the end of 2023.

| <b>Geographical Breakdown of Gross Premiums Written</b> | <b>2023<br/>USD (000)</b> | <b>2022<br/>USD (000)</b> | <b>2021<br/>USD (000)</b> | <b>2020<br/>USD (000)</b> | <b>2019<br/>USD (000)</b> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Other Asia  | 540,900                   | 501,900                   | 462,000                   | 419,600                   | 400,400                   |
| Total Asia  | 540,900                   | 501,900                   | 462,000                   | 419,600                   | 400,400                   |
| Other Europe  | 1,019,500                 | 891,900                   | 776,500                   | 578,600                   | 418,600                   |
| Total Europe  | 1,019,500                 | 891,900                   | 776,500                   | 578,600                   | 418,600                   |
| Canada  | 173,400                   | 164,800                   | 158,900                   | 101,100                   | 55,000                    |
| United States   | 4,241,900                 | 3,984,400                 | 3,542,400                 | 2,808,400                 | 2,340,900                 |
| Total North America                                     | 4,415,300                 | 4,149,200                 | 3,701,300                 | 2,909,500                 | 2,395,900                 |
| Bermuda   | 926,800                   | 1,000,900                 | 912,100                   | 773,000                   | 645,400                   |
| Total Caribbean   | 926,800                   | 1,000,900                 | 912,100                   | 773,000                   | 645,400                   |
| Total World-Wide  | 6,902,500                 | 6,543,900                 | 5,851,900                 | 4,680,700                 | 3,860,300                 |

Source: BestLink® - Best's Financial Suite

## Enterprise Risk Management

Allied World maintains a comprehensive risk management program, which is viewed as appropriate for the complexity of its operations. Allied World's enterprise risk management ("ERM") consists of numerous formalized processes and controls that have been designed by senior management, with oversight by the Board of Directors, and implemented by employees across the organization. Allied World's economic capital model is a key element to the company's risk management process along with the group's risk register which aggregates, measures and tracks the company's key risks along with associated risk mitigation controls and the responsible risk owners. The company's ERM supports the firm-wide decision-making process by aiming to provide reliable, and timely risk information. The risk governance structure, based on the three lines of defense model, includes committees comprised of senior underwriting, actuarial, finance, legal, investment and operations staff that identify, monitor and help manage each of these risks. The management-based Risk Management Committee, chaired by the Chief Risk Officer, focuses primarily on identifying correlations among the primary categories of risk, developing metrics to assess the overall risk position, performing semi-annual risk assessments and continually reviewing risk factors that may impact the organization. This risk governance structure is complemented by the company's internal audit department and independent third-party reviews.

Insurance companies in Bermuda are regulated by the Insurance Division of the Bermuda Monetary Authority. The Insurance Act provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin, which for a Class 4 insurer such as Allied World is the greatest of \$100 million, 50% of net premiums written or 15% of net losses and loss expense reserves.

**Enterprise Risk Management (Continued...)****Reinsurance Summary**

Reinsurance recoverables are due from FSR A and above reinsurers, with approximately 60% of the reinsurance recoverables having an AM Best Financial Strength Rating (FSR) of A+.

A new \$275 million cat bond was issued by 2001 CAT Re Ltd Allied World's vehicle in Bermuda, providing catastrophe protection for 3-year risk period through 12/31/2026. The cat bond uses index-based triggers, and the coverage is \$250 million in excess of \$275 million, 110% placed, with a total limit of \$275 million. Covered perils include PCS and PERILS on an occurrence basis.

**Environmental, Social & Governance**

AM Best views that the main ESG risk to Allied World is climate risk, with rising global temperatures contributing to higher frequency and severity of climate-related natural catastrophe events in the United States and Europe. The company has actively managed its exposure to climate-related events over time. Along with its managed catastrophe exposure, strong governance practices have helped to produce greater stability in results, and shock losses are in line with Allied World's risk appetite.

Allied World supports charities and community service projects with a primary focus on education, healthcare and addressing social challenges such as food insecurity and homelessness. Allied World also continued supporting and partnering with the institutions to promote environmentally sound infrastructure, as well as with a social mobility charity focused on supporting young people who face barriers in education and employment due to their socioeconomic situation.

## Financial Statements

|   | 12/31/2023        |              | 12/31/2022        |
|---|-------------------|--------------|-------------------|
|   | USD (000)         | %            | USD (000)         |
| <b>Balance Sheet</b>                                  |                   |              |                   |
| Cash and Short Term Investments                       | 656,000           | 2.7          | 1,178,600         |
| Bonds   | 8,756,800         | 36.6         | 7,594,100         |
| Equity Securities                                     | 1,817,100         | 7.6          | 1,419,600         |
| Other Invested Assets                                 | 2,102,800         | 8.8          | 1,379,900         |
| Total Cash and Invested Assets                        | 13,332,700        | 55.7         | 11,572,200        |
| Reinsurers' Share of Reserves                         | 5,666,800         | 23.7         | 5,108,300         |
| Debtors / Amounts Receivable                          | 2,647,800         | 11.1         | 1,650,300         |
| Other Assets  | 2,274,400         | 9.5          | 2,231,700         |
| <b>Total Assets</b>                                   | <b>23,921,700</b> | <b>100.0</b> | <b>20,562,500</b> |
| Gross Technical Reserves:                             |                   |              |                   |
| Unearned Premiums                                     | 3,777,600         | 15.8         | 3,485,800         |
| Non-Life Reserves                                     | 12,144,400        | 50.8         | 10,976,600        |
| Total Gross Technical Reserves                        | 15,922,000        | 66.6         | 14,462,400        |
| Debt / Borrowings                                     | 522,500           | 2.2          | 522,700           |
| Other Liabilities                                     | 1,807,200         | 7.6          | 982,600           |
| <b>Total Liabilities</b>                              | <b>18,251,700</b> | <b>76.3</b>  | <b>15,967,700</b> |
| Capital Stock   | 13,400            | 0.1          | 13,400            |
| Paid-in Capital                                       | 4,382,600         | 18.3         | 4,382,300         |
| Retained Earnings                                     | 1,257,000         | 5.2          | 207,700           |
| Other Capital and Surplus                             | 17,000            | 0.1          | -8,600            |
| <b>Total Capital and Surplus</b>                      | <b>5,670,000</b>  | <b>23.7</b>  | <b>4,594,800</b>  |
| <b>Total Liabilities, Mezzanine Items and Surplus</b> | <b>23,921,700</b> | <b>100.0</b> | <b>20,562,500</b> |

Source: BestLink® - Best's Financial Suite

AMB #: 058218 - Allied World Assurance Company Hldgs Ltd

|  |           |           |           | 12/31/2023 | 12/31/2022 |
|--|-----------|-----------|-----------|------------|------------|
|  | Non-Life  | Life      | Other     | Total      | Total      |
| Income Statement                                   | USD (000) | USD (000) | USD (000) | USD (000)  | USD (000)  |
| Gross premiums written                             | 6,902,500 | ...       | ...       | 6,902,500  | 6,543,900  |
| Net Premiums Earned                                | 4,583,200 | ...       | ...       | 4,583,200  | 4,198,000  |
| Net Investment Income                              | ...       | ...       | 467,300   | 467,300    | 215,600    |
| Net realized gains/(losses)                        | ...       | ...       | -154,500  | -154,500   | -49,100    |
| Net unrealized gains/(losses)                      | ...       | ...       | 579,100   | 579,100    | -408,600   |
| Non-operating revenue                              | ...       | ...       | ...       | ...        | 3,900      |
| Total Revenue                                      | 4,583,200 | ...       | 891,900   | 5,475,100  | 3,959,800  |
| Losses and Benefits                                | 3,095,600 | ...       | ...       | 3,095,600  | 2,956,400  |
| Net Operating Expense                              | 1,017,000 | ...       | 51,800    | 1,068,800  | 922,000    |
| Other Expense                                      | ...       | ...       | 13,300    | 13,300     | ...        |
| Total Losses, Benefits, and Expenses               | 4,112,600 | ...       | 65,100    | 4,177,700  | 3,878,400  |
| <b>Earnings before interest &amp; taxes (EBIT)</b> | 470,600   | ...       | 826,800   | 1,297,400  | 81,400     |
| Interest Expense                                   | ...       | ...       | ...       | 23,900     | 23,900     |
| <b>Income Taxes Incurred</b>                       | ...       | ...       | ...       | 49,700     | 62,200     |
| Net income before Non-Controlling interests        | ...       | ...       | ...       | 1,223,800  | -4,700     |
| Net income/(loss) from continuing operations       | ...       | ...       | ...       | 1,223,800  | -4,700     |
| <b>Net Income</b>                                  | ...       | ...       | ...       | 1,223,800  | -4,700     |

Source: BestLink® - Best's Financial Suite

|  | 12/31/2023 | 12/31/2022 |
|--|------------|------------|
| Statement of Cash Flows                                  | USD (000)  | USD (000)  |
| Net cash provided/(used) in Operating Activities         | 1,286,800  | 1,408,100  |
| Net cash provided/(used) in Investing Activities         | -1,610,300 | -2,158,500 |
| Net cash provided/(used) in Financing Activities         | -210,800   | -207,300   |
| Effect of Exchange Rates/Discontinued Operations on Cash | 11,700     | -5,300     |
| Total increase (decrease) in cash                        | -522,600   | -963,000   |
| Cash, beginning balance                                  | 1,178,600  | 2,141,600  |
| Cash, ending balance                                     | 656,000    | 1,178,600  |

Source: BestLink® - Best's Financial Suite

## Related Methodology and Criteria

[Best's Credit Rating Methodology, 01/18/2024](#)

[Catastrophe Analysis in AM Best Ratings, 02/08/2024](#)

[Available Capital and Insurance Holding Company Analysis, 01/18/2024](#)

[Scoring and Assessing Innovation, 02/27/2023](#)

[Understanding Global BCAR, 03/07/2024](#)



# BEST'S CREDIT REPORT

AMB #: 058218 - Allied World Assurance Company Hldgs Ltd

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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**COLCHESTER REINSURANCE LIMITED**  
**UNAUDITED BALANCE SHEET AS AT JUNE 30, 2024**  
**(EXPRESSED IN CANADIAN \$)**

|  |   | JUNE 30, 2024  | JUNE 30, 2023  |
|--|---|----------------|----------------|
| <b>ASSETS</b>                                    |   |                |                |
| Cash at bank - premier accounts                  |   | 288,586.27     | 413,213.26     |
| Cash & cash equivalents                          | 1 | 288,586.27     | 413,213.26     |
| Royal Bank of Canada-Investments                 | 2 | 30,973,654.09  | 29,132,463.02  |
| Accrued interest receivable                      | 3 | 154,463.02     | 169,218.76     |
| Insurance Balances Receivable                    |   | 0.00           | 0.00           |
| Provision for Losses Recoverable                 | 4 | 10,796,049.00  | 9,702,577.00   |
| Deferred Reinsurance Premiums                    | 5 | 0.00           | 0.00           |
| Prepaid expenses                                 | 6 | 8,477.00       | 8,391.00       |
|  |   | 41,932,643.11  | 39,012,649.78  |
| <b>TOTAL ASSETS</b>                              |   | 42,221,229.38  | 39,425,863.04  |
|  |   |                |                |
| Insurance balances payable                       |   | 0.00           | 0.00           |
| Accrued expenses                                 | 7 | 99,790.00      | 108,158.00     |
| Claims payable                                   |   | 724,794.27     | 46,981.83      |
|  |   | 824,584.27     | 155,139.83     |
| <b>RESERVES</b>                                  |   |                |                |
| Unearned Premium Reserve                         | 9 | 0.00           | 0.00           |
| Outstanding losses                               | 8 | 4,967,299.00   | 4,291,583.00   |
| Outstanding losses - I.B.N.R.                    | 8 | 16,763,946.00  | 15,084,336.00  |
|  |   | 21,731,245.00  | 19,375,919.00  |
| <b>SHAREHOLDERS EQUITY</b>                       |   |                |                |
| Share capital-common shares                      |   | 1,100.00       | 1,100.00       |
| Class A preference shares                        |   | 3,314,000.00   | 3,314,000.00   |
| Earned surplus at start of year                  |   | 18,745,130.04  | 19,303,723.30  |
| Net profit/(loss) for the period                 |   | (850,290.55)   | (558,593.26)   |
|  |   | 21,209,939.49  | 22,060,230.04  |
| Accum. Other Comprehensive Income                |   | (1,544,539.38) | (2,165,425.83) |
| <b>TOTAL SHAREHOLDERS EQUITY</b>                 |   | 19,665,400.11  | 19,894,804.21  |
|  |   |                |                |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b> |   | 42,221,229.38  | 39,425,863.04  |

**COLCHESTER REINSURANCE LIMITED**  
**UNAUDITED STATEMENT OF INCOME**  
**FOR THE PERIOD JULY 1 2023 TO JUNE 30, 2024**  
**(EXPRESSED IN CANADIAN \$)**

|  | MOVEMENT<br>DURING QTR | 12 MONTHS TO<br>JUNE 30, 2024 | 12 MONTHS TO<br>JUNE 30, 2023 |
|--|------------------------|-------------------------------|-------------------------------|
| <b>UNDERWRITING INCOME</b>                           |                        |                               |                               |
| Premiums written                                     | 0.00                   | 4,744,433.60                  | 3,603,874.00                  |
| Unearned premium transfer                            | 1,186,108.40           | 0.00                          | 0.00                          |
| <b>GROSS EARNED PREMIUMS</b>                         | <b>1,186,108.40</b>    | <b>4,744,433.60</b>           | <b>3,603,874.00</b>           |
| Reinsurers' ceded premiums                           | 0.00                   | (2,772,308.48)                | (2,764,463.04)                |
| Deferred ceded premiums                              | (693,077.13)           | 0.00                          | 0.00                          |
| Reinsurers' ceded premiums earned                    | (693,077.13)           | (2,772,308.48)                | (2,764,463.04)                |
|  | 493,031.27             | 1,972,125.12                  | 839,410.96                    |
| <b>TOTAL UNDERWRITING INCOME</b>                     | <b>493,031.27</b>      | <b>1,972,125.12</b>           | <b>839,410.96</b>             |
| <b>UNDERWRITING EXPENSES</b>                         |                        |                               |                               |
| Net losses paid                                      | 585,117.45             | 1,896,579.94                  | 7,605,658.32                  |
| Outstanding losses adjustment                        | (543,506.00)           | 675,716.00                    | (6,228,195.00)                |
| Transfer to IBNR                                     | 752,621.00             | 1,679,610.00                  | 1,461,850.00                  |
| Transfer to prov. for losses recoverable             | (326,469.00)           | (1,093,472.00)                | (1,597,732.00)                |
| <b>NET INCURRED LOSSES</b>                           | <b>467,763.45</b>      | <b>3,158,433.94</b>           | <b>1,241,581.32</b>           |
| <b>OTHER UNDERWRITING EXPENSES</b><br>(see schedule) | <b>22,144.00</b>       | <b>89,629.00</b>              | <b>85,362.00</b>              |
| <b>TOTAL UNDERWRITING EXPENSES</b>                   | <b>489,907.45</b>      | <b>3,248,062.94</b>           | <b>1,326,943.32</b>           |
| <b>UNDERWRITING PROFIT / (LOSS)</b>                  | <b>3,123.82</b>        | <b>(1,275,937.82)</b>         | <b>(487,532.36)</b>           |
| <b>GENERAL AND ADMIN EXPENSES</b><br>(see schedule)  | <b>61,774.70</b>       | <b>263,003.62</b>             | <b>258,982.06</b>             |
|  | <b>(58,650.88)</b>     | <b>(1,538,941.44)</b>         | <b>(746,514.42)</b>           |
| <b>INTEREST INCOME &amp; EXCEPTIONAL ITEMS</b>       |                        |                               |                               |
| Interest income                                      | 205,700.56             | 845,982.26                    | 977,939.39                    |
| Profit/(loss) on sale of invts                       | (37,600.08)            | (67,882.51)                   | (482,208.66)                  |
| Amortisation of investments                          | 7,607.06               | 33,622.59                     | (198,991.53)                  |
| Investment management fees                           | (20,142.09)            | (78,205.86)                   | (86,756.68)                   |
| Investment Custody Fees                              | (19,051.54)            | (44,865.59)                   | (22,061.36)                   |
|  | 136,513.91             | 688,650.89                    | 187,921.16                    |
| <b>NET PROFIT/(LOSS) BEFORE TAX</b>                  | <b>77,863.03</b>       | <b>(850,290.55)</b>           | <b>(558,593.26)</b>           |
| <b>INCOME TAX</b>                                    | <b>0.00</b>            | <b>0.00</b>                   | <b>0.00</b>                   |
| <b>DIVIDEND PAID</b>                                 | <b>0.00</b>            | <b>0.00</b>                   | <b>0.00</b>                   |
| <b>NET PROFIT/(LOSS) AFTER TAX</b>                   | <b>77,863.03</b>       | <b>(850,290.55)</b>           | <b>(558,593.26)</b>           |



**COLCHESTER REINSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**1. CASH ON DEPOSIT**

|  |                          |
|--|--------------------------|
| Royal Bank - Canadian Dollar Call Account    | 96,948.17                |
| Royal Bank - Premier Canadian Dollar Account | 191,638.10               |
|  | <b><u>288,586.27</u></b> |

**2. INVESTMENTS**

|                             |                             |
|-----------------------------|-----------------------------|
| Investment at cost          | 32,910,303.81               |
| Amortization                | (392,110.34)                |
| Portfolio at amortized cost | <b><u>32,518,193.47</u></b> |
| Unrealized gain / (loss)    | (1,544,539.38)              |
| Portfolio at market value   | <b><u>30,973,654.09</u></b> |

**3. ACCRUED INTEREST RECEIVABLE**

|                   |                          |
|-------------------|--------------------------|
| Investments - RBC | 154,463.02               |
|                   | <b><u>154,463.02</u></b> |

**4. PROVISION FOR LOSS RECOVERABLES (DISCOUNTED)**

**Canadian Lawyers Liability Assurance Society**

| U/W Year  | CASE RESERVES      | IBNR                        | TOTAL                       |
|-----------|--------------------|-----------------------------|-----------------------------|
| 2004/2005 | 0.00               | 0.00                        | 0.00                        |
| 2005/2006 | 0.00               | 0.00                        | 0.00                        |
| 2006/2007 | 0.00               | 0.00                        | 0.00                        |
| 2007/2008 | 0.00               | 0.00                        | 0.00                        |
| 2008/2009 | 0.00               | 0.00                        | 0.00                        |
| 2009/2010 | 0.00               | 0.00                        | 0.00                        |
| 2010/2011 | 0.00               | 0.00                        | 0.00                        |
| 2011/2012 | 0.00               | 0.00                        | 0.00                        |
| 2012/2013 | 0.00               | 0.00                        | 0.00                        |
| 2013/2014 | 0.00               | 417,081.00                  | 417,081.00                  |
| 2014/2015 | 0.00               | 20,650.00                   | 20,650.00                   |
| 2015/2016 | 0.00               | 229,745.00                  | 229,745.00                  |
| 2016/2017 | 0.00               | 68,006.00                   | 68,006.00                   |
| 2017/2018 | 0.00               | 123,833.00                  | 123,833.00                  |
| 2018/2019 | 0.00               | 326,713.00                  | 326,713.00                  |
| 2019/2020 | 0.00               | 973,710.00                  | 973,710.00                  |
| 2020/2021 | 0.00               | 1,220,495.00                | 1,220,495.00                |
| 2021/2022 | 0.00               | 2,017,246.00                | 2,017,246.00                |
| 2022/2023 | 0.00               | 2,458,289.00                | 2,458,289.00                |
| 2023/2024 | 0.00               | 2,940,281.00                | 2,940,281.00                |
|           | <b><u>0.00</u></b> | <b><u>10,796,049.00</u></b> | <b><u>10,796,049.00</u></b> |

**COLCHESTER REINSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**5. DEFERRED REINSURANCE PREMIUMS**

|                                  |                       |             |
|----------------------------------|-----------------------|-------------|
| Reinsurers' Premium to be earned | (\$2,772,308.48/12*0) | 0.00        |
|                                  |                       | <b>0.00</b> |

**6. PREPAID EXPENSES**

|                       |                 |                 |
|-----------------------|-----------------|-----------------|
| Annual Government Tax | US\$12,500 p.a. | 8,477.00        |
|                       |                 | <b>8,477.00</b> |

**7. ACCOUNTS PAYABLE/ACCRUED EXPENSES**

|                         |                  |
|-------------------------|------------------|
| Audit fees              | 26,761.00        |
| Investment Fees         | 20,142.00        |
| Investment Custody Fees | 7,774.00         |
| Brokerage Commission    | 22,144.00        |
| Actuarial Fees          | 4,500.00         |
| Director's Fees         | 16,420.00        |
| Consultancy Fee - Tax   | 2,049.00         |
|                         | <b>99,790.00</b> |

**8. OUTSTANDING LOSSES (DISCOUNTED)**

**Canadian Lawyers Liability Assurance Society**

| U/W Year  | CASE RESERVES       | IBNR                 | TOTAL                |
|-----------|---------------------|----------------------|----------------------|
| 2004/2005 | 0.00                | 0.00                 | 0.00                 |
| 2005/2006 | 0.00                | 0.00                 | 0.00                 |
| 2006/2007 | 0.00                | 0.00                 | 0.00                 |
| 2007/2008 | 0.00                | 0.00                 | 0.00                 |
| 2008/2009 | 0.00                | 0.00                 | 0.00                 |
| 2009/2010 | 0.00                | 0.00                 | 0.00                 |
| 2010/2011 | 0.00                | 0.00                 | 0.00                 |
| 2011/2012 | 0.00                | 0.00                 | 0.00                 |
| 2012/2013 | 0.00                | 0.00                 | 0.00                 |
| 2013/2014 | 1,351,345           | 82,544.00            | 1,433,889.00         |
| 2014/2015 | 5,000               | 31,869.00            | 36,869.00            |
| 2015/2016 | 898,162             | 108,108.00           | 1,006,270.00         |
| 2016/2017 | 56,292              | 105,531.00           | 161,823.00           |
| 2017/2018 | 0.00                | 177,421.00           | 177,421.00           |
| 2018/2019 | 0.00                | 478,024.00           | 478,024.00           |
| 2019/2020 | 1,265,000.00        | 1,183,492.00         | 2,448,492.00         |
| 2020/2021 | 1,391,500.00        | 1,869,829.00         | 3,261,329.00         |
| 2021/2022 | 0.00                | 3,457,144.00         | 3,457,144.00         |
| 2022/2023 | 0.00                | 4,248,082.00         | 4,248,082.00         |
| 2023/2024 | 0.00                | 5,021,902.00         | 5,021,902.00         |
|           | <b>4,967,299.00</b> | <b>16,763,946.00</b> | <b>21,731,245.00</b> |

**9. UNEARNED PREMIUM RESERVE**

|          |                       |             |
|----------|-----------------------|-------------|
| Premiums | (\$4,744,433.60/12*0) | 0.00        |
|          |                       | <b>0.00</b> |

**COLCHESTER REINSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**10. LOSS/EQUITY RATIO**

|                    |               |
|--------------------|---------------|
| Loss Reserves      | 21,731,245.00 |
| Shareholder Equity | 21,209,939.49 |
| Ratio              | <b>102%</b>   |

An actuarial report is required to be submitted to the Supervisor of Insurance when the Loss Reserve/Equity Ratio exceeds 200%.

**11. MARGIN OF SOLVENCY**

Assets must exceed liabilities by:

- (1) (US\$125,000 in the first year of operation)
- (2) (US\$125,000, if premium Income of the previous year < US\$750,000)
- (3) (20% of premium income of the previous year, if premium income > US\$750,000 but < US\$5,000,000)
- (4) (US\$1,000,000 + 1/10 of premium income of the previous year, if premium income > US\$5,000,000)

|   |                      |
|---|----------------------|
| Premiums Earned                                     | 839,410.96           |
| Minimum Solvency Margin re (2) above                | 165,462.50           |
| Total Assets  | 42,221,229.38        |
| Less: Non-admitted Assets                           |                      |
| Long Term Investments                               | 0.00                 |
| Prepayments   | 8,477.00             |
| Total Admitted Assets                               | 42,212,752.38        |
| Total Liabilities                                   | 22,555,829.27        |
| Solvency Margin (Excess of Assets over Liabilities) | 19,656,923.11        |
| <b>Excess over Minimum Solvency Margin</b>          | <b>19,491,460.61</b> |

## Best's Credit Rating Effective Date

July 24, 2024

## Analytical Contacts

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## Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

## Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

## SCOR SE

**AMB #:** 086155 | **AIIN #:** AA-1320158

**Associated Ultimate Parent:** AMB # 085027 - SCOR SE

## Best's Credit Ratings - for the Rating Unit Members

### Financial Strength Rating (FSR)

|                                |
|--------------------------------|
| <b>A u</b>                     |
| <b>Excellent</b>               |
| Implication: <b>Developing</b> |
| Action: <b>Under Review</b>    |

### Issuer Credit Rating (ICR)

|                                |
|--------------------------------|
| <b>a+ u</b>                    |
| <b>Excellent</b>               |
| Implication: <b>Developing</b> |
| Action: <b>Under Review</b>    |

u Denotes Under Review Best's Credit Rating

## Assessment Descriptors

| Assessment Descriptor      | Rating                |
|----------------------------|-----------------------|
| Balance Sheet Strength     | <b>Very Strong</b>    |
| Operating Performance      | <b>Adequate</b>       |
| Business Profile           | <b>Very Favorable</b> |
| Enterprise Risk Management | <b>Appropriate</b>    |

## Rating Unit - Members

**Rating Unit:** SCOR SE | **AMB #:** 086155

| AMB #  | Rating Unit Members           |
|--------|-------------------------------|
| 002837 | General Security Indemn Co AZ |
| 002665 | General Security National Ins |
| 085445 | SCOR Canada Reinsurance Co    |
| 006555 | SCOR Global Life Americas Re  |
| 060212 | SCOR Global Life Re Co of DE  |

| AMB #  | Rating Unit Members         |
|--------|-----------------------------|
| 009189 | SCOR Global Life USA Re Co  |
| 088684 | SCOR Reins Asia-Pacific Pte |
| 003599 | SCOR Reinsurance Company    |
| 085027 | SCOR SE                     |
| 085448 | SCOR UK Company Limited     |

## Under Review Rationale

The ratings have been placed under review with developing implications following the publication by SCOR of an update on its second quarter of 2024 and full year 2024 results on July 15, 2024.

As part of its ongoing review of its life & health (L&H) reserving assumptions, SCOR announced that there will be negative adjustments to its life insurance service result and contractual service margin (CSM) for the second quarter of 2024 with implications for the full year result.

AM Best expects the ratings to remain under review with developing implications until SCOR's reserving review has been finalised, the new strategic plan for L&H business is disclosed in December 2024, and until AM Best completes its assessment of the impacts on the rating fundamentals of SCOR.

The following report commentary and financial exhibits contained in the Best's Credit Report pertain to the previous rating event and have not been updated with this Under Review rating event. To view the most current financial information available, please refer to the [Best's Financial Report](#).

## Rating Rationale

### Balance Sheet Strength: Very Strong

- Balance sheet strength underpinned by a very strong level of consolidated risk-adjusted capitalisation at year-end 2022, as measured by Best's Capital Adequacy Ratio (BCAR). BCAR is expected to be maintained at least at the very strong level prospectively.
- A partially offsetting factor is SCOR's reliance on soft capital components, which include hybrid debt, value of in-force life business and a contingent capital facility.
- The assessment also considers the group's conservative and highly liquid investment portfolio, good asset/liability management and financial flexibility.
- Robust retrocession programme in place utilising a combination of traditional retrocession structures and collateralised solutions.

### Operating Performance: Adequate

- SCOR's operating performance is supported by adequate underwriting and solid investment activities over the business cycle. SCOR's 2023 net income reverted to profitability after a loss in 2022.
- Earnings diversification between non-life and life operations moderates volatility in overall technical results.
- The group's technical performance improved in 2023 benefitting from the remedial actions implemented to improve underwriting performance, as well as from positive pricing momentum across most reinsurance segments.

### Business Profile: Very Favorable

- Top-tier global life and property/casualty reinsurer supported by a strong brand and reputation.
- Excellent diversification by line of business, product type and geography, with strong competitive positions in key reinsurance markets.
- The group's internationally recognised franchise, long-standing client relationships and technical expertise help SCOR to effectively manage local and global reinsurance market cycles.
- The group is expected to benefit from improved reinsurance market conditions, while executing its stated objective to reduce earnings volatility.

### Enterprise Risk Management: Appropriate

- SCOR's risk management framework is considered to be developed and embedded across the group, with a sophisticated approach to risk identification, quantification and mitigation. The group's risk management capabilities are in line with its risk profile.

- Dynamic and sophisticated group internal capital model in place; continuously updated to accurately reflect the evolving risk universe as SCOR implements its strategic plan.
- Major risks are statistically quantified using advanced modelling techniques and tools, demonstrating a highly developed risk culture required to support the complex risk profile of global operations.

## Rating Drivers

- Negative rating pressure could arise from a weakening in balance sheet strength fundamentals, such as deterioration in risk-adjusted capitalisation, financial leverage or quality of capital.
- Negative rating pressure could arise as a result of deterioration in operating performance metrics below those commensurate with the adequate assessment.
- Positive rating pressure could arise from sustained strong operating performance.
- Negative rating pressure could arise from a weakening in business profile metrics.

## Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

### Best's Capital Adequacy Ratio (BCAR) Scores (%)

| Confidence Level | 95.0 | 99.0 | 99.5 | 99.6 |
|------------------|------|------|------|------|
| BCAR Score       | 53.4 | 34.8 | 27.4 | 24.6 |

Source: Best's Capital Adequacy Ratio Model - Global

| Key Financial Indicators  | 2022<br>EUR (000) | 2021<br>EUR (000) | 2020<br>EUR (000) | 2019<br>EUR (000) | 2018<br>EUR (000) |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Premiums Written:     |                   |                   |                   |                   |                   |
| Life                      | 7,748,000         | 7,331,000         | 8,316,000         | 8,348,000         | 8,437,000         |
| Non-Life                  | 8,225,000         | 7,010,000         | 6,264,000         | 6,095,000         | 5,342,000         |
| Composite                 | 15,973,000        | 14,341,000        | 14,580,000        | 14,443,000        | 13,779,000        |
| Net Income                | -302,000          | 456,000           | 230,000           | 422,000           | 322,000           |
| Total Assets              | 55,331,000        | 51,518,000        | 46,217,000        | 46,878,000        | 44,383,000        |
| Total Capital and Surplus | 5,133,000         | 6,402,000         | 6,177,000         | 6,374,000         | 5,828,000         |

Source: BestLink® - Best's Financial Suite

| Key Financial Indicators & Ratios               | 2022<br>EUR (000) | 2021<br>EUR (000) | 2020<br>EUR (000) | 2019<br>EUR (000) | 2018<br>EUR (000) | Weighted<br>5-Year<br>Average |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|
| Profitability:                                  |                   |                   |                   |                   |                   |                               |
| Balance on Life Technical Account               | 770,000           | 495,000           | 268,000           | 365,000           | 293,000           | ...                           |
| Balance on Non-Life Technical Account           | -1,117,000        | -113,000          | -97,000           | -22,000           | -11,000           | ...                           |
| Net Income Return on Revenue (%)                | -1.9              | 3.1               | 1.5               | 2.9               | 2.3               | 1.5                           |
| Net Income Return on Capital and Surplus (%)    | -5.2              | 7.3               | 3.7               | 6.9               | 5.3               | 3.7                           |
| Non-Life Combined Ratio (%)                     | 113.8             | 100.9             | 100.3             | 98.7              | 99.0              | 103.3                         |
| Net Investment Yield (%)                        | 2.6               | 2.8               | 2.3               | 2.7               | 2.5               | 2.6                           |
| Leverage:                                       |                   |                   |                   |                   |                   |                               |
| Net Premiums Written to Capital and Surplus (%) | 313.3             | 224.6             | 236.9             | 227.5             | 237.6             | ...                           |

Source: BestLink® - Best's Financial Suite

## Credit Analysis

### Balance Sheet Strength

The Best's Capital Adequacy Ratio (BCAR) scores presented under the "Best's Capital Adequacy Ratio Summary" section of this report are based on year-end 2022 audited financial statements presented under IFRS 4.

## Balance Sheet Strength (Continued...)

### Capitalisation

SCOR is considered to have a balance sheet strength assessment of very strong, underpinned by consolidated risk-adjusted capitalisation (as measured by BCAR) at the very strong level for year-end 2022. Prior to 2022, BCAR scores were at the strongest level. The decreased to the very strong level reflects lower available capital in 2022 tied to the loss reported for the year, combined with changes in the market value of investments, primarily in the form of unrealised losses on the group's fixed income portfolio. AM Best partly reverses this loss in available capital, as SCOR is not expected to be forced to realise the losses. AM Best expects risk-adjusted capitalisation to remain at least at the very strong level prospectively, supported by moderate underwriting leverage, a conservative investment portfolio and a comprehensive retrocession programme.

A partially offsetting factor to SCOR's balance sheet strength is the group's reliance on soft capital components, which include hybrid debt, value of in-force life business and a contingent capital facility, which are given partial equity credit in the BCAR model. As the group has a conservative investment portfolio, capital requirements in the BCAR are largely driven by underwriting activities (premium and reserving risks).

Consistent with other European re/insurance groups, SCOR's balance sheet is supported by capital qualifying subordinated debt issuances. As at year-end 2022, SCOR had EUR 2.64 billion of subordinated debt in issue. In addition, the group has a further EUR 168 million of other financial debt and EUR 490 million of operating debt obligations relating to real estate financing.

SCOR's liquidity position benefits from a contingent capital facility, which provides up to EUR 300 million of cover. The subscription commitment is provided by a major international bank, with the protection triggered by catastrophe events (covering both non-life and life portfolios).

As per SCOR's calculations, the financial leverage ratio was 32.4% as at year-end 2022 under IFRS 4. This compares with a threshold of approximately 25.0% under IFRS 4 as detailed in the group's strategic plan: "Quantum Leap", which was in force until September 2023. The increase in the leverage ratio compared with 2021 (27.8% as calculated by SCOR as per year end 2021) is mainly driven by a decline in shareholders' equity as a result of the loss reported for the year combined with changes in the market value of investments going through OCI. Since September 2023, a new strategic plan is in place ("Forward 2026") with a target of 20% leverage under IFRS 17. Note that this new target gives full credit for the CSM as capital in the leverage calculations. Leverage under IFRS 17 at year-end 2023 amounted to 21.2% as calculated by SCOR (compared to 21.6% as per year-end 2022 restated under IFRS 17).

Allowing for debt obligations on real estate financing as operational leverage and for equity credit on subordinated debt, AM Best calculated adjusted debt leverage ratios at year-end 2022 based on total capital and tangible capital are 16.3% and 22.8% respectively. These adjusted financial leverage ratios are supportive of the balance sheet strength assessment.

The group's shareholder distributions have principally been through cash dividend payments. In 2022 and 2023, SCOR paid a dividend totaling EUR 321 million and EUR 254 million, respectively, (EUR 1.80 per share in 2022 and EUR 1.4 in 2023) relating to the prior fiscal years. The group plans to distribute a dividend of EUR 1.8 per share in 2024 for the 2023 year (subject to the approval of the shareholder Annual General Meeting). The group's dividend policy as deployed in the "Forward 2026" plan is to maintain a minimum pay-out EUR 1.8 per share going forward. When considering what dividend to pay, the group first ensures projected solvency remains within the optimal range and estimates and allocates capital to support future accretive growth.

| Capital Generation Analysis               | 2022<br>EUR (000) | 2021<br>EUR (000) | 2020<br>EUR (000) | 2019<br>EUR (000) | 2018<br>EUR (000) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Capital and Surplus             | 6,402,000         | 6,177,000         | 6,374,000         | 5,828,000         | 6,225,000         |
| Net Income                                | -302,000          | 456,000           | 230,000           | 422,000           | 322,000           |
| Net Unrealized Capital Gains (Losses)     | -930,000          | -250,000          | 101,000           | 359,000           | -301,000          |
| Currency Exchange Gains (Losses)          | 300,000           | 482,000           | -523,000          | 126,000           | 145,000           |
| Change in Equalisation and Other Reserves | 140,000           | -153,000          | 11,000            | 284,000           | -159,000          |
| Net Change in Paid-In Capital and Surplus | -203,000          | 1,000             | -17,000           | -239,000          | -27,000           |
| Stockholder Dividends                     | -323,000          | -336,000          | ...               | -327,000          | -314,000          |
| Other Changes in Capital and Surplus      | 49,000            | 25,000            | 1,000             | -79,000           | -63,000           |
| Net Change in Capital and Surplus         | -1,269,000        | 225,000           | -197,000          | 546,000           | -397,000          |
| Ending Capital and Surplus                | 5,133,000         | 6,402,000         | 6,177,000         | 6,374,000         | 5,828,000         |
| Net Change in Capital and Surplus (%)     | -19.8             | 3.6               | -3.1              | 9.4               | -6.4              |

Source: BestLink® - Best's Financial Suite

## Balance Sheet Strength (Continued...)

| Liquidity Analysis (%)                 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------|------|------|------|------|
| Liquid Assets to Total Liabilities     | 41.7 | 50.8 | 53.9 | 53.2 | 51.8 |
| Total Investments to Total Liabilities | 49.2 | 56.1 | 59.9 | 58.4 | 57.1 |

Source: BestLink® - Best's Financial Suite

## Asset Liability Management - Investments

SCOR maintains a conservative asset allocation, both in terms of instruments (fixed income versus equity and alternative investments) and credit risk (investment grade government and corporate bonds versus lower-rated bonds).

SCOR has demonstrated active management of its investment portfolio in response to both economic and political instability in global markets over recent years.

In line with its previous strategic plan to increase the financial contribution of investments to operating performance, the group has completed the rebalancing of its portfolio to increase the proportion of assets allocated to corporate bonds, and simultaneously lowered the proportion of cash and short-term investments. As at year-end 2022, the duration of invested assets stood at 3.2 years.

SCOR is viewed to have an effective liquidity management policy in place and maintains excellent liquidity in order to cover its short-term liabilities as they fall due. As at year-end 2023, more than 75% of the group's invested assets were held in asset classes deemed to be "highly" or "very" liquid in nature (principally cash and well-rated fixed income securities). The highly liquid portfolio enables the group to quickly seize market opportunities when they arise.

| Composition of Cash and Invested Assets         | 2022<br>EUR (000) | 2021<br>EUR (000) | 2020<br>EUR (000) | 2019<br>EUR (000) | 2018<br>EUR (000) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Cash and Invested Assets                  | 24,686,000        | 25,294,000        | 24,001,000        | 23,661,000        | 22,029,000        |
| Cash (%)  | 7.4               | 8.2               | 7.5               | 6.1               | 5.3               |
| Bonds (%)                                       | 76.2              | 78.3              | 73.3              | 77.1              | 77.6              |
| Equity Securities (%)                           | 1.2               | 4.1               | 9.1               | 7.9               | 7.7               |
| Real Estate, Mortgages and Loans (%)            | 2.8               | 2.5               | 8.8               | 7.7               | 8.7               |
| Other Invested Assets (%)                       | 12.3              | 6.9               | 1.2               | 1.2               | 0.6               |
| Total Cash and Unaffiliated Invested Assets (%) | 100.0             | 100.0             | 99.9              | 99.9              | 100.0             |
| Investments in Affiliates (%)                   | ...               | ...               | 0.1               | 0.1               | ...               |
| Total Cash and Invested Assets (%)              | 100.0             | 100.0             | 100.0             | 100.0             | 100.0             |

Source: BestLink® - Best's Financial Suite

## Reserve Adequacy

SCOR's board of directors is comfortable regarding the level of reserve prudence and sufficiency as a result of various reviews conducted by different lines of defense. These include divisional reserving, group reserving, external auditors, and local external reviews where regulation requires this. In addition, an ad-hoc external review was conducted in 2023, covering 92.2% of the gross held P&C reserves, which confirmed that SCOR's P&C claims reserves are greater than the best estimate.

While SCOR historically aimed to maintain technical reserves at the actuarial best estimate, the group decided to build up conservatism in its reserve with the "Forward 2026" strategic plan and target the higher end of the best estimate range.

## Operating Performance

SCOR's operating performance is assessed as adequate. In 2023, SCOR generated a consolidated net income of EUR 812 million (under IFRS 17) compared with a loss of EUR 301 million in 2022 and a profit of EUR 456 million in 2021 (both years under IFRS 4).

The group's technical performance benefits from its mix of business and the balance of earnings between non-life and life underwriting activities, although in 2022, life profits only partially offset the non-life losses. Investment income has been robust through the low-interest rate period and improved in 2023.



**Operating Performance (Continued...)**

## Underwriting performance - life operations

The performance of SCOR's life business has typically accounted for most of combined technical earnings over the last years.

SCOR's life operations generated an insurance service result of EUR 589 million in 2023 (under IFRS 17), compared to a restated insurance service margin of EUR -316 million (under IFRS 17) in 2022 (both calculated by SCOR). Under IFRS 4, technical life margin reached 14.5% in 2022 compared with 10.3% in 2021, 5.8% in 2020 and 7.5% in 2019 (as calculated by SCOR). In 2022, the technical result amounted to EUR 1.1 billion compared with EUR 756 million in 2021. Note that 2021, included the positive one-off impact of the retrocession agreement with Covéa totaling EUR 313 million.

In 2023, SCOR's life and health CSM benefited from new business generation, mostly emanating from protection products. In 2022, the solid operating profitability of the segment was improved as a result of the well-performing in-force portfolio, as well as a robust flow of profitable new business driven by the development of the franchise in various key markets and products lines like protection products mainly in Asia-Pacific and in specific markets in EMEA. The net technical result as per year end 2022 includes EUR 325 million in claims caused by the Covid-19 pandemic (net of retrocession), of which EUR 290 million relates to the life reinsurance business in the United States and EUR 35 million relates to all other markets.

Given that SCOR's life reinsurance portfolio is focused solely on biometric risks, there has been no material impact on life underwriting profitability stemming from the difficult investment market conditions in recent years.

## Underwriting performance - non-life operations

The group has delivered a five-year average combined ratio of 103.3% for the five-year period ending in 2022 (as calculated by AM Best). The group reported combined ratios above the 100% mark in three of the past five years, mainly due to significant natural catastrophe and man-made losses. SCOR defines a natural catastrophe as a natural event involving several risks and causing net losses equal to or exceeding EUR 3 million. SCOR has an annual 10% natural catastrophe (nat cat) budget.

At year-end 2023, the combined ratio under IFRS 17 was 85% (discounted, with a 8.5 percentage point discount effect) compared to 113.8% under IFRS 4 in 2022. Natural catastrophes remained under budget with a 7.3% natural catastrophe ratio (for a budget of 10%) compared to 12.8% in 2022 (for a budget of 8%). The better results follow management actions to lower exposures to natural catastrophe as well as a more benign year in terms of natural catastrophe in 2023 (unlike 2022 which had been impacted by events such as Hurricane Ian). The group also benefited from positive reserve development on mature natural catastrophe events in 2023 (mainly Hurricane Ian).

SCOR's combined ratio movement year-over-year demonstrates the level of volatility from catastrophe activity inherent in its portfolio of business. The group is actively pursuing a reduction of their catastrophe exposure to be in line with the 10% natural catastrophe budget.

## Investment results

SCOR Global Investments (SGI) is the division in charge of asset management at SCOR. Within SGI, SCOR Investment Partners (SIP) is the asset management company in charge of managing the investment portfolio of the group in certain jurisdictions. SIP also provides third-party asset management services to a niche client base. Third-party assets under management amounted to EUR 5.9 billion as at year-end 2022 and provide the group with a relatively stable, non-risk bearing, revenue stream in the form of investment management fees.

The performance of the group's own investment portfolio continues to be robust, despite the historically low interest rate environment until 2022 and the global economic and political instability seen over recent years. The group's net investment return (including realised/unrealised gains and losses) demonstrated a gradually increasing trend between 2013 and 2017 when it peaked at 3.5%, largely driven by a continuing increase in the income yield, and subsequently declining over the past years to c.2%-3%. The reinvestment yield rose once again in 2022 due to the rise in interest rates. The reinvestment yield was 4.9% at the end of December 2022, up from 2.1% at the end of 2021. As per year-end 2023, the reinvestment yield was 4.5%.

In May 2019, SIP signed an agreement to acquire 100% of the capital of Coriolis Capital Limited (Coriolis Capital), a fund manager in the Insurance-Linked Securities (ILS) field, investing in catastrophe bonds, collateralised reinsurance and climate derivatives. SCOR completed the acquisition of Coriolis Capital in September 2019. With this acquisition, SCOR IP is expanding its capacity in the ILS market, reaching an aggregate sum of USD 3.2 billion of assets under management as per year-end 2022 and operating in both Paris and London.

## Operating Performance (Continued...)

| Financial Performance Summary              | 2022<br>EUR (000) | 2021<br>EUR (000) | 2020<br>EUR (000) | 2019<br>EUR (000) | 2018<br>EUR (000) |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Pre-Tax Income                             | -116,000          | 663,000           | 336,000           | 569,000           | 497,000           |
| Net Income after Non-Controlling Interests | -301,000          | 456,000           | 226,000           | 422,000           | 322,000           |

Source: BestLink® - Best's Financial Suite

| Operating and Performance Ratios (%) | 2022  | 2021  | 2020  | 2019 | 2018 |
|--------------------------------------|-------|-------|-------|------|------|
| Overall Performance:                 |       |       |       |      |      |
| Return on Assets                     | -0.6  | 0.9   | 0.5   | 0.9  | 0.7  |
| Return on Capital and Surplus        | -5.2  | 7.3   | 3.7   | 6.9  | 5.3  |
| Non-Life Performance:                |       |       |       |      |      |
| Loss and LAE Ratio                   | 84.1  | 72.0  | 70.2  | 68.1 | 66.5 |
| Expense Ratio                        | 29.6  | 28.9  | 30.2  | 30.6 | 32.5 |
| Non-Life Combined Ratio              | 113.8 | 100.9 | 100.3 | 98.7 | 99.0 |

Source: BestLink® - Best's Financial Suite

## Business Profile

SCOR has a strong franchise as a top tier global reinsurer, occupying a top-5 market ranking in many of its target reinsurance markets. The group's internationally recognised franchise, long-standing client relationships and technical expertise help SCOR manage local and global reinsurance market cycles. The group is well-positioned to benefit from improved reinsurance market conditions, while executing on its stated objective to reduce earnings volatility.

The group writes a broadly balanced portfolio between life and non-life business, and operations are well diversified by both line of business and geography. In 2022, SCOR is the sixth largest international reinsurance group ranked by gross written premium (GWP), having written EUR 19.7 billion of GWP (2021: EUR 17.6 billion).

GWP increased by EUR 2.1 billion, or 12.1% in 2022, compared to one year prior, which is the most significant growth recorded in the past five years. The growth was driven by the non-life segment, with a 21.7% growth. The life segment grew by 3.7%. The group has grown steadily over recent years (compound annual growth rate of c.6% between 2018 and 2022).

In 2023, the group saw an insurance revenue of EUR 15.9 billion in 2023 under IFRS 17, stable compared to a restated insurance revenue under IFRS 17 of 15.9 billion in 2022. The group also communicated on its level of GWP for 2023 which indicated that premiums contracted by 1.8% (at current exchange rate) to EUR 15.4 billion compared to 2022.

The group's non-life reinsurance business comprises a range of proportional and non-proportional lines, while life reinsurance is focused on biometric risks. SCOR has achieved its market footprint through a combination of organic growth and acquisitions. The acquisition of Generali USA Life Reassurance Company in 2013 marks one of SCOR's largest transactions, which immediately granted the group the leading position in US life reinsurance. Since then, SCOR's overall reinsurance portfolio has historically been weighted toward life business, albeit the weight of both life and non-life activities is trending towards the 50% since 2022 (49% of GWP relate to life in 2022 vs. 60% of GWP in 2018). The group aims at keeping an equal split between life and non-life activities going forward. The group's life portfolio is skewed toward the US market, in-line with global demand.

In September 2023, SCOR announced its new strategic plan, "Forward 2026". SCOR's business profile strategy is to grow its economic value while enhancing its capabilities. The strategic plan's targets an annual economic value growth of 9% per annum over the plan period as well as a targeted solvency ratio in the 185% to 220% range. As per year-end 2023, economic value growth reached 8.6% and solvency ratio was 209%, at the higher end of the target.

The strategic plan additionally focuses on building on business opportunities in line with the current hard reinsurance market as well as diversifying the group's portfolios with an equal share between life and non-life activities. The group also aims at leveraging its market position in its core life and non-life markets around the globe. In order to succeed, the group aims at making its risk and capital management evolve and develop non-standard business segments.

In 2022, SCOR generated approximately 37% of its gross written premiums in Europe, Middle East and Africa (EMEA) (2021: 36%), with significant market positions in France, Germany, Spain and Italy, 44% of its gross written premiums in the Americas (2021: 45%) and 18% in Asia (2021: 19%).

## Business Profile (Continued...)

Traditionally, SCOR's non-life operations have been focused on Europe. However, the group continues to enhance its international footprint. The group has seen large losses emanating from catastrophic events in recent years and decided to reduce its climate sensitive exposures in order to reduce volatility on its earnings. Certain lines such as US casualty are also being closely monitored. In Specialty Insurance, SCOR aims to take advantage of market hardening by leveraging its global underwriting platform (incl. its wholly-owned Lloyd's syndicate SCOR Channel), and to pursue its geographical and line of business diversification through partnerships both in life and non-life.

SCOR has substantially strengthened its profile and market position in the global life reinsurance market over the past decade, principally via the acquisition of Transamerica Re's US life portfolio in 2011 and Generali USA Life Reassurance Company in 2013. In January 2018, SCOR completed the acquisition of a small French mutual reinsurer, MutRe S.A., and the entity was successfully integrated into SCOR's infrastructure and processes by the end of the second quarter of 2018. The acquisition of MutRe enabled SCOR to strengthen its life & health reinsurance offering to the French mutual insurance industry. Despite these acquisitions, SCOR's life business has also grown organically, with GWP increasing from EUR 6.4 billion in 2014 to EUR 9.7 billion in 2022. The group's profile continues to benefit from its size and scale.

SCOR's life operations remain solely focused on biometric risks, and in 2022, protection business (which includes mortality, disability, long-term care, critical illness, medical and personal accident) accounted for 85% of the group's total life GWP, financial solutions for 6% and longevity for 9%.

Whilst SCOR has historically demonstrated an appetite for large acquisitions, prospective merger and acquisition activity is expected to relate primarily to smaller companies/portfolios of business. Given SCOR's planned organic growth, any major prospective acquisitions will likely have a significant impact on capital adequacy.

| Geographical Breakdown of Gross Premium Written | 2022<br>EUR (000) | 2021<br>EUR (000) | 2020<br>EUR (000) | 2019<br>EUR (000) | 2018<br>EUR (000) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Other Asia                                      | 3,608,000         | 3,294,000         | 2,888,000         | 2,667,000         | 2,835,000         |
| Total Asia                                      | 3,608,000         | 3,294,000         | 2,888,000         | 2,667,000         | 2,835,000         |
| Other Europe                                    | 7,368,000         | 6,351,000         | 5,459,000         | 6,180,000         | 5,995,000         |
| Total Europe                                    | 7,368,000         | 6,351,000         | 5,459,000         | 6,180,000         | 5,995,000         |
| United States                                   | 8,756,000         | 7,955,000         | 8,021,000         | 7,494,000         | 6,428,000         |
| Total North America                             | 8,756,000         | 7,955,000         | 8,021,000         | 7,494,000         | 6,428,000         |
| Total   | 19,732,000        | 17,600,000        | 16,368,000        | 16,341,000        | 15,258,000        |

Source: BestLink® - Best's Financial Suite

## Enterprise Risk Management

SCOR is viewed to have an appropriate enterprise risk management (ERM) framework in place. The group is deemed to have a sophisticated approach to risk identification, quantification and mitigation. Risk management is cascaded top-down, with both senior management and the board of directors steering SCOR's risk appetite and profile. SCOR's ERM framework, along with its capital management and strategic planning, are considered to be fully embedded and consistently integrated throughout the group. The group's risk management capabilities are in line with its risk profile.

SCOR's internal capital model (ICM) is at the core of the group's risk management approach. SCOR has implemented a highly sophisticated and fully integrated ICM, having obtained approval for Solvency II capital requirement calculation purposes in December 2015 from the Autorité de Contrôle Prudentiel et de Résolution (the French regulator) and the Central Bank of Ireland (Irish regulator). The company utilises its model for strategic decision-making purposes as well as for monitoring and managing day-to-day business operations.

The group has well-defined capital management policies and Solvency II coverage thresholds in place, including associated management actions intended to support the maintenance of appropriate capital adequacy. SCOR also runs a number of stress test simulations and scenario analyses on its capital position. The company's latest strategic plan has been formulated in conjunction with the capital model outputs.

The nature of SCOR's non-life operations leads to the group being inherently exposed to global natural and man-made catastrophe risks. To manage and mitigate these risks, the group has developed a suite of internal tools that complement third-party catastrophe

**Enterprise Risk Management (Continued...)**

modelling, enabling SCOR to effectively monitor accumulation and aggregation of exposures. Considering SCOR's focus on biometric risks, its life portfolio is exposed to pandemic risk and to the risk of adverse long-term mortality trends. SCOR actively controls and monitors its tail exposure according to its risk appetite framework. The group protects its economic value from major catastrophic or pandemic losses through its use of conventional retrocession cover and capital markets.

**Reinsurance Summary**

In order to manage its risk tolerances effectively, SCOR maintains a sophisticated capital protection programme consisting of traditional retrocession and collateralised solutions. Traditional retrocession is placed with a wide range of well-rated retrocessionaires, with exposure to non-rated retrocession counterparties typically being highly collateralised. Capital markets are accessed via insurance linked securities (ILS) and catastrophe bonds (CAT bonds).

With regard to non-life natural catastrophe events, the group mainly buys cover to protect itself against the following perils: North American hurricane & US/Canadian quake (NAHU/EQ), European windstorm (EUWS) and Japanese quake and windstorm.

In May 2023, SCOR has successfully sponsored a new catastrophe bond, Atlas Capital Reinsurance 2023 DAC, which will provide the group with a multi-year risk transfer capacity of USD 75 million to protect itself against NAHU/EQ, as well as EUWS. The risk period for Atlas Capital DAC Series 2023-1 will run from 1 June 2023, to 31 May 2026.

In June 2022, SCOR has successfully sponsored a new catastrophe bond, Atlas Capital Reinsurance 2022 DAC, which will provide the group with a multi-year risk transfer capacity of USD 240 million to protect itself against NAHU/EQ, as well as EUWS. The risk period for Atlas Capital Reinsurance 2022 will run from 1 June 2022 to 31 May 2025.

In May 2020, SCOR successfully sponsored a new catastrophe bond, Atlas Capital Reinsurance 2020 DAC, which provides the group with multi-year risk transfer capacity of USD 200 million to protect itself against NAHU/EQ. The risk period for Atlas 2020 runs from 30 April 2020 to 31 May 2024.

In addition, the group purchases retrocession to protect its life operations against pandemic and catastrophe events such as terror; attachment points are low to ensure low earnings volatility. Also, the group has purchased excess of loss coverage to limit its per life retention exposure. A retrocession structure is also in place in order to mitigate adverse developments that may affect SCOR's longevity portfolio.

**Environmental, Social & Governance**

AM Best considers SCOR's exposure to environmental, social, and corporate governance (ESG) risks to be material but manageable. As a diversified global non-life and life reinsurer, writing effectively all personal, commercial and specialty lines of business on a worldwide basis, ESG is a meaningful consideration with respect to SCOR's global operational and credit profile.

SCOR has a robust and sophisticated process for managing its ESG-related risks. AM Best believes that the group carefully monitors its product segments and international markets in which it participates - both as an underwriter and investor - in order to actively manage its enterprise-wide exposure to a diverse array of ESG-related exposures.

Through its non-life segment, SCOR's underwriting operations are exposed to global climate-related risk, most notably to natural weather-related catastrophes, with natural catastrophe events representing some of the largest loss events in recent years. In order to manage weather-related risks, the group takes advantage of its sophisticated risk modelling tools in order to identify and measure its aggregate exposures. SCOR mitigates its exposure by setting limits for natural catastrophe risks and by utilising traditional retrocession and alternative risk transfer, such as catastrophe bonds.

Furthermore, the group has demonstrated that it has the financial wherewithal to absorb elevated natural catastrophe losses, given the size of its absolute capital base and ability to replenish capital, as needed.

Through its substantial liability book of business, SCOR is also exposed to ESG-related litigation trends and reputational risk. These risks are managed through SCOR's reserving and underwriting processes and practices, albeit with some reserve strengthening being experienced in recent periods on the US casualty portfolios.

## Enterprise Risk Management (Continued...)

SCOR has also integrated ESG-related criteria into its investment policy, which includes negative screening and reflects various sustainable investment criteria. ESG considerations are well embedded in the group's investment process, which should limit the exposure to stranded assets in the longer run.

## Financial Statements

|                                       | 12/31/2022        |              | 12/31/2022        |
|---------------------------------------|-------------------|--------------|-------------------|
| Balance Sheet                         | EUR (000)         | %            | USD (000)         |
| Cash and Short Term Investments       | 1,830,000         | 3.3          | 1,953,928         |
| Bonds                                 | 18,816,000        | 34.0         | 20,090,220        |
| Equity Securities                     | 295,000           | 0.5          | 314,977           |
| Other Invested Assets                 | 3,745,000         | 6.8          | 3,998,611         |
| <b>Total Cash and Invested Assets</b> | <b>24,686,000</b> | <b>44.6</b>  | <b>26,357,736</b> |
| Reinsurers' Share of Reserves         | 5,654,000         | 10.2         | 6,036,889         |
| Debtors / Amounts Receivable          | 10,039,000        | 18.1         | 10,718,841        |
| Other Assets                          | 14,952,000        | 27.0         | 15,964,549        |
| <b>Total Assets</b>                   | <b>55,331,000</b> | <b>100.0</b> | <b>59,078,015</b> |
| Unearned Premiums                     | 4,342,000         | 7.8          | 4,636,040         |
| Non-Life - Outstanding Claims         | 20,146,000        | 36.4         | 21,510,287        |
| Life - Outstanding Claims             | 8,101,000         | 14.6         | 8,649,600         |
| Life - Long Term Business             | 6,331,000         | 11.4         | 6,759,735         |
| Total Gross Technical Reserves        | 38,920,000        | 70.3         | 41,555,662        |
| Debt / Borrowings                     | 2,635,000         | 4.8          | 2,813,442         |
| Other Liabilities                     | 8,643,000         | 15.6         | 9,228,304         |
| <b>Total Liabilities</b>              | <b>50,198,000</b> | <b>90.7</b>  | <b>53,597,409</b> |
| Capital Stock                         | 1,878,000         | 3.4          | 2,005,178         |
| Retained Earnings                     | 4,134,000         | 7.5          | 4,413,954         |
| Other Capital and Surplus             | -913,000          | -1.7         | -974,828          |
| Non-Controlling Interests             | 34,000            | 0.1          | 36,302            |
| <b>Total Capital and Surplus</b>      | <b>5,133,000</b>  | <b>9.3</b>   | <b>5,480,607</b>  |
| <b>Total Liabilities and Surplus</b>  | <b>55,331,000</b> | <b>100.0</b> | <b>59,078,015</b> |

Source: BestLink® - Best's Financial Suite

|  | Non-Life          | Life             | Other          | 12/31/2022         | 12/31/2022         |
|--|-------------------|------------------|----------------|--------------------|--------------------|
| Income Statement                                   | EUR (000)         | EUR (000)        | EUR (000)      | Total<br>EUR (000) | Total<br>USD (000) |
| Gross Premiums Written                             | 10,017,000        | 9,715,000        | ...            | 19,732,000         | 21,068,251         |
| Net Premiums Earned                                | 7,767,000         | 7,700,000        | ...            | 15,467,000         | 16,514,425         |
| Net Investment Income                              | ...               | 261,000          | 393,000        | 654,000            | 698,289            |
| Realized capital gains/(losses)                    | ...               | -7,000           | -51,000        | -58,000            | -61,928            |
| Other Income                                       | 3,000             | ...              | ...            | 3,000              | 3,203              |
| <b>Total Revenue</b>                               | <b>7,770,000</b>  | <b>7,954,000</b> | <b>342,000</b> | <b>16,066,000</b>  | <b>17,153,990</b>  |
| Benefits And Claims                                | 6,535,000         | 5,533,000        | ...            | 12,068,000         | 12,885,245         |
| Net Operating And Other Expenses                   | 2,352,000         | 1,651,000        | 111,000        | 4,114,000          | 4,392,600          |
| Total Benefits, Claims And Expenses                | 8,887,000         | 7,184,000        | 111,000        | 16,182,000         | 17,277,845         |
| <b>Pre-Tax Income</b>                              | <b>-1,117,000</b> | <b>770,000</b>   | <b>231,000</b> | <b>-116,000</b>    | <b>-123,856</b>    |
| Income Taxes Incurred                              | ...               | ...              | ...            | 186,000            | 198,596            |
| <b>Net Income before Non-Controlling Interests</b> | <b>...</b>        | <b>...</b>       | <b>...</b>     | <b>-302,000</b>    | <b>-322,451</b>    |
| Non-Controlling Interests                          | ...               | ...              | ...            | -1,000             | -1,068             |
| <b>Net Income/(loss)</b>                           | <b>...</b>        | <b>...</b>       | <b>...</b>     | <b>-301,000</b>    | <b>-321,384</b>    |

Source: BestLink® - Best's Financial Suite



## Related Methodology and Criteria

[Best's Credit Rating Methodology, 01/18/2024](#)

[Catastrophe Analysis in AM Best Ratings, 02/08/2024](#)

[Available Capital and Insurance Holding Company Analysis, 01/18/2024](#)

[Scoring and Assessing Innovation, 02/27/2023](#)

[Understanding BCAR for US and Canadian Life/Health Insurers, 06/27/2024](#)

[Understanding Global BCAR, 03/07/2024](#)

## Additional Rating Types

AM Best assigns Best's Issue Credit Ratings. Refer to the profile page to view current Issue Ratings for [SCOR SE \(AMB#085027\)](#)

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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