

R&Q Insurance Holdings Ltd

Results for the half year ended 30 June 2023

Accredited grows pre-tax operating profit; Legacy Reserves Under Management exceed \$1 billion; Legacy results impacted by adverse reserve development

29 September 2023

R&Q Insurance Holdings Ltd (AIM: RQIH) (“R&Q” or the “Group”), the leading non-life global specialty insurance company focusing on the Program Management (“Accredited”) and Legacy Insurance (“R&Q Legacy”) businesses, today announces its results for the half year ended 30 June 2023.

H1 2023 Financial Highlights

Accredited

- Gross Written Premium (“GWP”) of \$1.1 billion (H1 2022: \$0.8 billion, a 34% increase)
- Fee Income of \$46.2 million (H1 2022: \$39.1 million, an 18% increase)
- Pre-Tax Operating Profit of \$28.6 million (H1 2022: \$15.4 million, an 86% increase)
- Pre-Tax Operating Profit Margin of 57.0% (H1 2022: 43.6%, a 13.4 percentage point increase)

R&Q Legacy

- Completed MSA Safety transaction involving non-insurance liabilities in an otherwise seasonally quiet market with Gross Reserves Acquired of \$695.0 million (H1 2022: \$5.3 million)
- Reserves Under Management of \$1.1 billion (30 June 2022: \$0.4 billion, a 172% increase)
- Fee Income of \$9.7 million (H1 2022: \$8.8 million, a 10% increase), with MSA Safety carrying a lower fee than Gibson Re on Reserves Under Management due to no tail risk exposure
- Pre-Tax Operating Loss before adverse reserve development of \$24.2 million and a loss of \$64.2 million including \$40.0 million of adverse reserve development primarily from older transactions in Lloyd’s

Group

- Total Fee Income of \$55.9 million (H1 2022: \$47.9 million, a 17% increase)
- Pre-Tax Operating Loss of \$18 million prior to R&Q Legacy adverse development and a loss of \$58.0 million including the \$40.0 million of R&Q Legacy adverse reserve development

Non-Recurring Items

- Non-cash income of \$1.8 million primarily associated with net unrealised investment gains net of fair market value impact on legacy reserves
- Extraordinary cash income of \$4.1 million

Operational Highlights

- Continued focus on cost control with R&Q Legacy Fixed Operating Expenses decreasing 8% year-over-year
- Operational improvement program in full flight with ~\$20 million of the planned total \$20 – \$25 million investment deployed since 2021, with the remainder to be incurred in H2 2023
- Investment in automation and technology processes is expected to generate significant productivity efficiencies by end of 2024

Outlook

- Focus remains on the separation of R&Q Legacy and Accredited
 - Advanced discussions regarding the potential sale of Accredited as announced on 22nd September
- Post period end, Accredited approved five programs with ~\$227 million in annualised GWP
- R&Q Legacy has three deals in advanced stages with over \$100 million in reserves and an identified pipeline of ~\$800 million in reserves

Summary Financial Performance (see Notes for definitions)

(\$m, except where noted)

H1 2023

H1 2022*

% Change

Accredited

Gross Written Premium	1.1b	0.8b	34%
Fee Income ¹	46.2	39.1	18%
Pre-Tax Operating Profit	28.6	15.4	86%
Pre-Tax Operating Profit Margin	57.0%	43.6%	13.4 pp

R&Q Legacy

Gross Reserves Acquired ²	695.0	5.3	NM
Reserves Under Management	1.1b	0.4b	172%
Fee Income	9.7	8.8	10%
Pre-Tax Operating Loss	(64.2)	(26.7)	140%

Corporate / Other

Net Unallocated Expenses	(6.5)	(6.7)	(3%)
Interest Expense	(15.9)	(14.2)	12%
Minority Stake in Tradesman ³	--	5.2	(100%)

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Fee Income	55.9	47.9	17%
Pre-Tax Operating Loss	(58.0)	(27.0)	115%
US GAAP Loss After Tax	(53.1)	(2.2)	NM
Operating Loss per Share ⁴	(13.9)¢	(8.9)¢	56%

* Restated for change to US GAAP effective in 2023 for comparison purposes

William Spiegel, Chief Executive Officer of R&Q, commented:

“As we said in our 2022 full year results announcement, R&Q is undergoing a multi-year operational turnaround aimed at creating a stronger, sustainable and more efficient business. We are well underway with this program and continued to make good progress in the first half of 2023. A key part of this is to become a simpler and more focused company with a more appropriate capital structure. Separating the ownership of R&Q Legacy and Accredited is an important step in accomplishing this and, as announced on 22 September 2023, we are in advanced discussions with a party regarding the potential sale of Accredited.

Both Accredited and R&Q Legacy have delivered well against their respective strategic objectives in the first half of 2023. Accredited successfully grew GWP, Fee Income and Pre-Tax Operating Profit and continues to be a leading trans-Atlantic program manager, with five further programs approved post this reporting period. R&Q Legacy now has Reserves Under Management in excess of \$1 billion, most notably executing its first corporate liabilities transaction through the formation of our joint venture with Obra to manage the non-insurance legacy exposures of MSA Safety. While H1 is seasonally quieter, R&Q Legacy continues to have an active pipeline with three deals in advanced stages and over \$800 million in reserves identified as opportunities. We remain laser-focused on expense discipline in R&Q Legacy and have reduced Fixed Operating Expenses by 8% year-over-year.

As we detailed when we set out our plan to transition R&Q Legacy to a more capital efficient recurring fee-based model, our earnings needed go through a valley as we implemented this strategy. While we are pleased with how R&Q Legacy is executing against its strategy, we are disappointed to have witnessed further adverse reserve development. Excluding this, we would have reported a Group Pre-Tax Operating Loss of \$18 million, an improvement on last year’s equivalent, that highlights Accredited’s continued profitable growth and R&Q Legacy’s increased fee income and strong expense management. We are focused on trying to minimize future reserve volatility as well as driving improved underlying performance of the Group through better automation and expense management.

Looking ahead, we continue to focus on maximizing value for our shareholders and other stakeholders. Both of our businesses have bright futures, and our strategic objective is to give each the footing it needs to pursue its business model with confidence.”

Enquiries to:

¹ Excludes minority stakes in MGAs

² Gross of cessions to Gibson Re

³ Moved to Corporate/Other due to sale of 40% stake in Tradesman in H1 2023

⁴ On a fully diluted basis and using a 10% margin tax rate

R&Q Insurance Holdings Ltd.

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Notes to financials

Pre-Tax Operating Profit is a measure of how the Group's core businesses performed adjusted for Unearned Program Fee Income, fair market value impact associated with change in discount rate on Legacy Insurance reserves, net realised and unrealised investment gains on fixed income assets and non-core, non-recurring costs.

Operating EPS represents Pre-Tax Operating Profit adjusted for the marginal tax rate, divided by the average number of diluted shares outstanding in the period.

Gross Operating Income represents Pre-Tax Operating Profit before Fixed Operating Expenses and Interest Expense

Fee Income represents Program Fee Income and Fee Income on Reserves Under Management.

Program Fee Income represents the full fee income from insurance policies already bound including Unearned Program Fee Income, regardless of the length of the underlying policy period. We believe Program Fee Income is a more appropriate measure of the revenue of the business during periods of high growth, due to a larger than normal gap between written and earned premium.

Unearned Program Fee Income represents the portion of Program Fee Income that has not yet been earned on a US GAAP basis.

Underwriting Income represents net premium earned less net claims costs, acquisition expenses, claims management costs, premium taxes / levies, licensing fees and the cost of excess of loss coverage to protect the balance sheet.

Investment Income represents income on the investment portfolio excluding net realised and unrealised investment gains on fixed income assets.

Fixed Operating Expenses include employment, legal, accommodation, information technology, Lloyd's syndicate, and other fixed expenses of ongoing operations, excluding non-core and exceptional items.

Pre-Tax Operating Profit Margin is R&Q's profit margin on Gross Operating Income.

Gross Reserves Acquired represent Legacy Insurance reserves and non-insurance liabilities acquired gross of reinsurance to Gibson Re.

Reserves Under Management represent insurance reserves ceded to Gibson Re and non-insurance liabilities for which R&Q earns annual recurring fees.

Chief Financial Officer Review

We are pleased to report our financial results for the six months ending 30 June 2023, which is the first period we have reported our financial results in accordance with US GAAP. US GAAP has a number of

differences from IFRS, namely fair market value measurement of legacy gross and ceded reserves including a risk margin, as well as the recognition of unallocated loss adjustment expenses and current expected credit losses (CECL) on reinsurance recoverables. Neither US GAAP nor other accounting standards such as IFRS 17, recognise Day-1 gains in legacy insurance transactions.

Group

Our Key Performance Indicators ("KPIs") measure the economics of the business and adjust US GAAP results to include fully written Program Fee Income and exclude the impact on fair market value of R&Q Legacy reserves due to changes in discount rates, net realised and unrealised investment gains and losses on fixed income assets, non-core expenses and exceptional items.

Our Pre-Tax Operating Loss of \$58.0 million was primarily due to adverse reserve development in R&Q Legacy reserves of \$40 million. One of our strategic objectives is to grow our Fee Income, which was \$55.9 million, a 17% increase compared to H1 2022. Net Asset Value was \$252.2 million, a 5% increase compared to year-end 2022, primarily as a result of our \$55 million capital raise of preferred equity being partially offset by adverse reserve development in R&Q Legacy. On a fully diluted basis, our Operating Loss Per Share was 13.9 cents and our Net Asset Value Per Share was 67.3 cents.

Our US GAAP Loss After Tax was \$53.0 million impacted by \$1.8 million of non-cash income and \$4.1 million of extraordinary cash income before tax. Non-cash income included net unrealised and realised investment gains on fixed income assets of \$3.3 million net of the impact on fair market value of R&Q Legacy reserves of \$1.5 million due to changes in discount rates. Extraordinary cash income included a \$25.4 million gain on the sale of our 40% minority stake in Tradesman Program Managers net of an \$11.1 million charge associated with an older transaction in Lloyd's that had carried a debtor on its books since 2017, which was subsequently written off upon reconciliation, \$3.7 million in automation spend which should yield meaningful productivity savings starting in 2024, \$3.0 million in senior management retention compensation associated with the separation of Accredited and R&Q Legacy and the pending strategic options with 3rd parties and \$3.5 million in other extraordinary items. On a fully diluted basis, our US GAAP Loss Per Share was 14.2 cents.

Accredited

Accredited continued to grow rapidly in H1 2023. Our Gross Written Premium was \$1.1 billion, a 34% increase compared to H1 2022. Our results demonstrate the benefits of scale as we earned a Pre-Tax Operating Profit of \$28.6 million, an 86% increase compared to H1 2022, representing a 57.0% margin on Gross Operating Income, an increase of 13.4 percentage points compared to H1 2022. Accredited's Pre-Tax Operating Profit excludes our minority 40% stake in Tradesman Program Managers, which was sold in H1 2023 and has been included in Corporate and Other.

The primary driver of Pre-Tax Operating Profit is Fee Income. Fee Income was \$46.2 million, an 18% increase compared to H1 2022. We expect Fee Income to generally grow in line with Gross Written Premium, however it is impacted by select programs with minimum fixed fees until such programs build to scale. Underwriting Income represents our c.7% retention of Program Insurance risk. Our Underwriting result was approximately breakeven primarily due to the purchase of excess of loss reinsurance in order to minimise any balance sheet volatility as well as a provision for CECL on reinsurance recoverables. Our Investment Income was \$4.7 million, a 370% increase compared to H1 2022 associated with higher reinvestment rates. Finally, Fixed Operating Expenses were \$21.6 million, a 9% increase compared to H1 2022 due to the expansion of our staff and a higher allocation of corporate expenses.

R&Q Legacy

R&Q Legacy concluded one transaction during the period, MSA Safety, which included non-insurance liabilities of \$695 million, in an otherwise seasonally quiet period for legacy insurance transactions. At 30 June 2023, we had Reserves Under Management of \$1.1 billion, a 172% increase compared to 30 June 2022, and during H1 2023 we reported Fee Income of \$9.7 million, a 10% increase compared to H1 2022. MSA Safety carries a lower fee on Reserves Under Management than that of our sidecar, Gibson Re due to no tail risk exposure. We expect Fee Income to become the predominant driver of Pre-Tax Operating Profit once we fully deploy capital in Gibson Re. Our Pre-Tax Operating Loss was \$62.2 million, which included \$40 million of adverse reserve development (included in Underwriting Income), primarily from older transactions including Lloyd's, where we have experienced higher than expected claim volume emanating from a COVID-related backlog of filings and higher than expected claims severity. Our Investment Income was \$16.4 million, a 144% increase compared to H1 2022 driven by higher reinvestment yields. Finally,

Fixed Operating Expenses were \$35.6 million, an 8% decrease compared to H1 2022 due to expense control.

Corporate and other

Our Corporate and Other segment includes unallocated operating expenses and interest costs. Unallocated operating expenses were \$6.5 million, a 3% decrease compared to H1 2022 primarily driven by higher allocations to the two business segments. Interest expense was \$15.9 million, a 12% increase compared to H1 2022 associated with higher interest rates on floating rate debt. We have reallocated the \$5.2 million of earnings in H1 2022 from our 40% minority stake in Tradesman from Accredited segment earnings to Corporate and Other due to the sale of this stake in H1 2023.

Cash and investments

Our Cash and Investments at 30 June 2023, excluding funds withheld, was \$1.5 billion. We produced a book yield, which excludes net realised and unrealised gains on fixed income assets, of 2.8%, an increase of 80 bps compared to H1 2022, due to the higher interest rate environment.

We maintain a conservative, liquid investment portfolio so that we can produce consistent cash flows to meet our liability obligations, while also earning a reasonable risk-adjusted return. 96% of our portfolio was invested in cash, money market funds, and fixed income investments. Of our fixed income investments, 98% were rated investment-grade. After cash, which comprised 24% of our portfolio, our largest allocations were to corporate bonds (41%), government and municipal securities (20%), asset-backed securities (12%) and equities (3%). We have maintained a duration in our portfolio of 3 years, shorter than that of our liabilities of 6 years.

During H1 2023, our investment portfolio had cumulative unrealised net investment losses of \$104 million, which are included in our US GAAP results. Given the high credit quality of our investment portfolio and the primarily casualty-focused retained liabilities, we do not expect to realise these mark-to-market losses other than to rebalance the portfolio for more attractive reinvestment opportunities, and hence do not include such movement in our Pre-Tax Operating Profit.

Capital and liquidity

In June 2023, we raised \$55 million of preferred equity, which was used to capitalise R&Q Legacy in order to provide reinsurance coverage to Accredited under the legal separation that was required to maintain the AM Best rating as well as for general corporate purposes. As a result, our Group Solvency ratio at 30 June 2023 was 169%, which is above our target level of 150%. Our total debt at 30 June 2023 was \$333.3 million, which includes a bank facility as well as subordinated notes. In addition, we have \$188.8 million of unsecured letters of credit that provide security on assumed reinsurance of legacy exposures, which are guaranteed by the Group.

**R&Q Insurance
Holdings Ltd**

Group Consolidated
Financials

Period Ending 30
June 2023

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R&Q Insurance Holdings Ltd

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2023	31 December 2022
ASSETS		\$m	\$m
Short-term investments (at fair value)	5	151.2	113.3
Fixed maturities (at fair value)	5	1,184.5	1,408.8
Debt and fixed maturity securities	5	1,335.7	1,522.1
Equities (at fair value)	5	17.7	22.0
Equity method investments		17.2	22.4
Other investments (at fair value)	5	48.8	32.6
Total Investments		1,419.4	1,599.1
Cash and cash equivalents		200.5	187.9
Restricted cash and cash equivalents		64.4	133.3
Reinsurance recoverables on paid and unpaid losses (net of allowance for expected credit losses 30 June 2023: \$13.9m, 31 December 2022: \$10.1m)	7	1,355.1	1,044.7
Reinsurance recoverables on paid and unpaid losses, at fair value	7	577.5	633.3
Prepaid reinsurance premiums		1,041.6	982.4
Funds withheld receivable		42.6	49.6
Deferred acquisition costs		289.3	229.3
Insurance related and other receivables		845.1	894.7
Goodwill and intangible assets		11.5	11.5
Current and deferred tax assets	6	32.2	39.6
Other assets		22.6	5.9
TOTAL ASSETS		5,901.8	5,811.3
LIABILITIES			
Reserve for losses and loss adjustment expenses	8	1,482.8	1,133.1
Reserve for losses and loss adjustment expenses, at fair value	8	1,287.8	1,481.5
Unearned premium reserve		1,114.9	1,034.9
Funds withheld payable		212.3	268.6
Insurance related and other payables	10	1,218.5	1,308.8
Debt obligations	11	333.3	344.9
TOTAL LIABILITIES		5,649.6	5,571.8
SHAREHOLDERS' EQUITY			
Common shares (par value 2p each, 377,395,235 issued and 374,572,864 outstanding)	12	10.0	10.0
Preference shares	12	55.0	-
Additional paid-in-capital	12	402.5	402.5
Accumulated other comprehensive income	12	(47.1)	(57.9)
Accumulated deficit		(168.2)	(115.1)
TOTAL SHAREHOLDERS' EQUITY		252.2	239.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,901.8	5,811.3

The accounting policies and accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

R&Q Insurance Holdings Ltd

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Note	Six months ended 30 June 2023	Six months ended 30 June 2022
		\$m	\$m
REVENUES			
Gross premiums written		1,088.8	807.3
Written premiums ceded to reinsurers		(992.1)	(740.1)
Net premiums written		96.7	67.2
Change in gross provision for unearned premiums		(51.6)	(255.8)
Change in provision for unearned premiums, reinsurers' share		36.4	222.1
Increase in unearned premiums		(15.2)	(33.7)
Net premiums earned		81.5	33.5
Fees and other income		55.9	33.4
Net investment income	5	22.0	8.8
Net realised and unrealised gains (losses)	5	3.3	(100.0)
Gain on disposal of associate		25.4	-
TOTAL REVENUES		188.0	(24.3)
EXPENSES			
Net incurred losses and loss adjustment expenses		(120.3)	95.8
Operating expenses		(105.9)	(71.5)
Interest expense		(15.9)	(14.3)
Net foreign exchange gains		1.9	7.9
Impairment and amortisation of intangible assets		-	(0.1)
TOTAL EXPENSES		(240.1)	17.8
LOSS BEFORE INCOME TAXES		(52.1)	(6.5)
Income tax charge	6	(1.0)	(0.9)
Earnings from equity method investments		-	5.2
NET LOSS ATTRIBUTABLE TO R&Q ORDINARY SHAREHOLDERS		(53.1)	(2.2)
Loss per ordinary share attributable to R&Q Insurance Holdings Ltd:	9	(14.2)	(0.8)
Basic and diluted:			
Net loss per ordinary share (in cents)	9	(14.2)	(0.8)
Weighted average ordinary shares outstanding:			
Basic and diluted		374.8	271.6

R&Q Insurance Holdings Ltd

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 30 June 2023	Six Months Ended 30 June 2022
	\$m	\$m
NET LOSS FROM OPERATIONS	(53.1)	(2.2)
<i>Other comprehensive income (loss), net of income taxes:</i>		
Change in currency translation adjustment	3.6	(34.0)
Increase in defined benefit pension liability	-	(0.7)
Total other comprehensive loss	(49.5)	(36.9)
Attributable to:		
Shareholders of the parent	(49.5)	(36.9)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(49.5)	(36.9)

The accounting policies and accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

R&Q Insurance Holdings Ltd

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	30 June 2023	30 June 2022
	\$m	\$m
Common shares		
Opening balance	10.0	7.5
Issue of shares (transaction with owners)	-	0.7
Closing balance	10.0	8.2
Additional paid-in capital		
Opening balance	402.5	281.0
Issue of shares (transaction with owners)	-	34.5
Closing balance	402.5	315.5
Preference shares		
Issue of shares	55.0	-
Closing balance	55.0	-
Accumulated other comprehensive loss income		
Opening balance	(58.0)	(24.5)
Cumulative translation adjustment	10.9	(44.3)
Pension scheme actuarial losses	-	(1.0)
Deferred tax on pension scheme actuarial losses	-	0.2
Closing balance	(47.1)	(69.6)
Retained earnings		
Opening balance	(115.1)	11.3
Net loss for the period	(53.1)	(2.2)
Closing balance	(168.2)	9.1
Total shareholders' equity	252.2	263.2

R&Q Insurance Holdings Ltd

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Six Months Ended 30 June 2023	Six Months Ended 30 June 2022
CASH FLOWS FROM OPERATING ACTIVITIES	Note	\$m	\$m
Net loss		(53.1)	(2.2)
Amortisation of intangibles		-	7.9
Realised losses on sale of investments		6.5	12.0
Unrealised (gains) losses on investments		(9.8)	88.0
Interest paid		20.3	14.3
Earnings from equity method investments		(0.9)	(5.2)
Changes in operating assets and liabilities:			
Reinsurance recoverables on paid and unpaid losses (net of allowance)		(310.4)	(188.0)
Reinsurance recoverables on paid and unpaid losses, at fair value		55.8	(30.8)
Prepaid reinsurance premiums		(59.2)	(186.3)
Funds withheld receivable		7.0	3.4
Deferred acquisition costs		(60.0)	(74.2)
Insurance related and other receivables		49.6	71.2
Current and deferred tax assets		7.4	3.7
Other assets		(16.7)	1.3
Reserve for losses and loss adjustment expenses		349.7	203.5
Reserve for losses and loss adjustment expenses, at fair value		(193.7)	(115.6)
Unearned premium reserve		80.0	216.7
Funds withheld payable		(56.3)	(0.4)
Insurance related and other payables		(90.3)	154.9
Net cash from (used in) operating activities		(274.1)	174.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale, distribution, and maturity of securities at fair value		431.8	487.6
Sale of equities		5.7	6.4
Sale of other investments		1.9	7.2
Acquisition of debt securities, net of cash acquired		(239.3)	(492.2)
Acquisition of equity securities, net of cash acquired		(2.0)	(16.9)
Acquisition of other investments, net of cash acquired		(14.1)	(7.1)
Net cash from (used in) investing activities		183.9	(15.0)
CASH FLOWS FROM FINANCING ACTIVITIES			
Debt obligations repayment		(11.6)	(13.9)
Interest paid		(20.3)	(14.3)
Receipt from issuance of shares		-	35.2
Preference shares issued		55.0	-
Net cash from financing activities		30.4	7.0
Effect of foreign exchange		10.8	(45.1)
Net (decrease) increase in cash, restricted cash and cash equivalents		(56.3)	121.0
Cash, restricted cash and cash equivalent, beginning of the period		321.2	245.3
Cash, restricted cash and cash equivalent, end of the period		264.9	366.3
Reconciliation of cash and restricted cash reported in the consolidated balance sheet			
Cash and cash equivalents		200.5	152.9
Restricted cash and cash equivalents		64.4	213.4
Total cash, restricted cash and cash equivalents		264.9	366.3

The accounting policies and accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

R&Q Insurance Holdings Ltd. (the "Company") is incorporated in Bermuda and listed on AIM, a sub-market of the London Stock Exchange. The Company and its subsidiaries (together forming the "Group") carry on business worldwide in two segments: Program Management, also known as Accredited, where the Group provides program capacity to managing general agents ("MGAs") and Legacy Insurance, where the Group provides run-off solutions to the non-life insurance market.

The Condensed Consolidated Financial Statements have been prepared using accounting policies consistent with US GAAP and the unaudited figures have been presented for the six months ended 30 June 2023 and 30 June 2023, as well as the full year ending 31 December 2022. Previous financial statements for the Group were presented on an IFRS basis and a reconciliation of Equity from IFRS as presented at 31 December 2022 to USGAAP at 31 December 2022 is set out below.

The Condensed Consolidated Financial Statements were approved by the Board of Directors on 28th September 2023.

Reconciliation of IFRS equity to US GAAP equity	31 Dec 2022
	\$m
IFRS Equity	185.2
Valuation differences attributable to:	
Reinsurance recoverables on paid and unpaid losses	9.5
Reserve for losses and loss adjustment expenses	(21.1)
Net reserves for losses and loss adjustment expenses	(a) (11.6)
Reinsurance recoverables on paid and unpaid losses, at fair value	(42.4)
Reserve for losses and loss adjustment expenses, at fair value	182.8
Net reserves for losses and loss adjustment expenses, at fair value	(b) 140.4
Goodwill and intangible assets	(c) (59.4)
Deferred acquisition costs	(d) (1.4)
Insurance related and other payables	(e) (3.6)
Deferred tax asset	(f) (10.1)
Subtotal	54.3
US GAAP Equity	239.5

(a) This reflects recognition of Unallocated Loss Adjustment Expenses - ULAE (Net: \$1.5m) and recognition of allowance for current expected credit losses (CECL) on Recoverables on unpaid losses (\$10.1m)

(b) This reflects an increase in net loss reserve (Net: \$ 29.3m) due to not recognising Day 1 Gains formerly allowed under IFRS and recognition of ULAE (Net: \$35.2m) which are offset by fair value adjustments (Net: \$204.9).

(c) This reflects derecognition of intangible assets recognised under IFRS.

(d) This reflects write off of internal deferred acquisition costs that were permitted to be held on the balance sheet under IFRS.

(e) This reflects an accrual for 2022 discretionary bonuses paid in 2023 to non-director senior management. Accrual of discretionary bonuses is not permitted under IFRS.

(f) This represents the impact on deferred tax arising from the US GAAP adjustments caused by the change in accounting basis.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these Condensed Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a. *Nature of operations and basis of consolidation*

The Company is a holding company owning subsidiaries engaged in Program Management and Legacy Insurance. Further information regarding the Group's reportable business segments is contained in Note 3. Information concerning business acquisitions completed over the past three years appears in Note 2. The accompanying Condensed Consolidated Financial Statements include the accounts of the Company consolidated with the accounts of all subsidiaries and affiliates in which the Group holds a controlling financial interest as of the financial statement date. Normally a controlling financial interest reflects ownership of majority of the voting interests. Intercompany accounts and transactions have been eliminated. The Company consolidates entities in which it has a controlling financial interest based on either the variable interest entity (VIE) or voting interest model. The Company is required to first apply the VIE model to determine whether it holds a variable interest in an entity, and if so, whether the entity is a VIE. If the Company determines it does not hold a variable interest in a VIE, it then applies the voting interest model. Under the voting interest model, the Company consolidates an entity when it holds a majority voting interest in an entity. The Company accounts for investments in which it has significant influence but not a controlling financial interest using the equity method of accounting.

b. *Use of estimates in preparation of financial statements*

The Group prepares its Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States ("US GAAP") which requires it to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the period.

Estimates of unpaid losses and loss adjustment expenses are subject to considerable estimation error due to the inherent uncertainty in projecting ultimate claim costs. In addition, estimates and assumptions associated with the determination of the fair value of certain financial instruments and evaluation of goodwill and identifiable intangible assets for impairment require considerable judgment. Actual results may differ from the estimates used in preparing the Group's Condensed Consolidated Financial Statements.

The estimation of unpaid claim liabilities at any given point in time is subject to a high degree of uncertainty for a number of reasons. A significant amount of time can elapse between the assumption of risk, the occurrence of a loss event, the reporting of the event to an insurance or reinsurance company and the ultimate payment of the claim for the loss event. Certain estimates for unpaid claim liabilities involve considerable uncertainty due to significant coverage litigation and it can be unclear whether past claims experience will be representative of future claims experience.

Significant items subject to such estimates and assumptions include estimated transaction price, including variable consideration, of the Group's revenue contracts; the useful lives of fixed assets; allowances for doubtful accounts; deferred tax assets, fixed assets, investments, notes receivable, lease liabilities and right-of-use assets, share-based compensation, reserves for employee benefit obligations, environmental liabilities, income tax uncertainties, and other contingencies.

c. *Cash, restricted cash and cash equivalents*

The Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include certificates of deposit with an initial term of less than three months.

Restricted cash consists of funds that are contractually restricted as to usage or withdrawal due to a contractual agreement such as cash placed as collateral. The Group has presented restricted cash separately from cash and cash equivalents in the Condensed Consolidated Balance Sheet.

d. **Short-term investments and fixed maturity investments**

Short-term investments comprise investments with a maturity greater than three months and up to one year from the date of purchase. Fixed maturities comprise investments with a maturity of greater than one year from the date of purchase.

Fixed maturities consist of U.S. Treasury, corporate debt, and equity securities. Fair value election made by the Group requires all investment securities being carried at fair value. Any change in the fair value of investment securities is reflected in profit and loss. Short-term investments comprise investments with original maturity greater than three months up to one year from the date of purchase. Fixed maturities comprise investments with a maturity of greater than one year from the date of purchase.

f. **Goodwill and intangible assets**

Goodwill represents the excess of the purchase price over the estimated fair value of net assets acquired in a business combination. The Group tests goodwill for impairment when there is a triggering event (e.g. a deterioration in general economic conditions or in the environment in which the Company operates).

When impairment indicators are identified, the Group compares the reporting unit's fair value to its carrying amount, including goodwill. An impairment loss is recognised as the difference, if any, between the reporting unit's carrying amount and its fair value, to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

Amortisation is charged to operating expenses in the Condensed Consolidated Statement of Income as follows:

Purchased IT software	3 – 5 years, on a straight-line basis
Other	Useful life, which may be indefinite

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Condensed Consolidated Statement of Income to reduce the carrying amount to the recoverable amount.

Intangible assets are tested for impairment annually, or more frequently when there is a triggering event. The Group first performs a qualitative assessment by evaluating all relevant events and circumstances to determine if it is more likely than not that the indefinite intangible assets are impaired; this includes considering any potential effect on significant inputs to determining the fair value of the indefinite-lived intangible assets. When it is more likely than not that an indefinite-lived intangible asset is impaired, then the Group calculates the fair value of the intangible asset and performs a quantitative impairment test.

US insurance authorisation licences

US state insurance authorisation licences acquired in business combinations are recognised initially at their fair value. The asset is not amortised, as the Directors consider that economic benefits will accrue to the Group over an indefinite period due to the long-term stability of the US insurance market. The licences are tested annually for impairment. This assumption is reviewed annually to determine whether the asset continues to have an indefinite life. Costs of acquiring new licences are recognised in the year of acquisition.

g. **Fair value measurements**

The Group uses valuation approaches that maximise the use of observable inputs and minimise the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorised in one of the following levels (see note 4, Fair Value):

Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

h. Fair value option

Under the Fair Value Option Subsections of FASB ASC Subtopic 825-10, Financial Instruments the Group has chosen the irrevocable option to report certain financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in income. Any changes in the fair value of liabilities resulting from changes in the instrument-specific credit risk would be reported in other comprehensive income.

j. Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Recoveries of environmental remediation costs from third parties that are probable of realisation are separately recorded as assets and are not offset against the related environmental liability.

Accruals for estimated losses from environmental remediation obligations generally are recognised no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of expected future expenditure for environment remediation obligations are not discounted to their present value.

k. Premiums and insurance/reinsurance recoverables

Premiums written are earned on a pro-rata basis over the period the coverage is provided. Reinsurance premiums are recorded at the inception of the policy, based upon contractual terms and, for certain business, estimated based on underlying contracts or from information provided by insureds and/or brokers. Changes in reinsurance premium estimates are expected and may result in adjustments in future periods. Any subsequent differences arising on such estimates are recorded as premiums written in the period in which they are earned. Unearned premium reserves represent the unexpired portion of policy premiums. For retrospectively rated contracts as well as those contracts whose written premium amounts are recorded based on premium estimates at inception, changes to accrued premiums arising from changes to these estimates are reflected as changes in premiums receivable where appropriate. Insurance premiums receivables are reported net of an allowance for expected credit losses as appropriate. The allowance is based upon the Group's ongoing review of amounts outstanding, historical loss data, including delinquencies and write-offs, current and forecasted economic conditions and other relevant factors. However, the credit risk on insurance premiums receivable is substantially reduced where the Group can cancel the underlying policy if the policyholder does not pay the related premium. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liability for losses and loss adjustment expenses. The Group reports reinsurance recoverables on paid and unpaid losses net of an allowance for expected credit losses.

Acquisition costs, which represent commission and other related direct underwriting expenses, are deferred over the period in which the related premiums are earned. Acquisition costs recognised during the period are recorded in operating expenses in the Condensed Consolidated Statement of Income. Deferred acquisition costs ("DAC"), included on the Condensed Consolidated Balance Sheet, are limited to their estimated realisable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income.

Reinsurance coverage is used to limit the Group's individual and aggregate exposures to risks of losses arising from contracts of insurance or reinsurance. Reinsurance premiums ceded to reinsurers are recorded and earned in a manner consistent with that of the original contracts or policies written and the terms of the reinsurance agreements. Reinsurance arrangements do not relieve the insurer of its primary obligation to the policyholder.

I. *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credits carried forward to future periods. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date. The Group recognises the effect of income tax positions only if those positions are more likely than not to be sustained. Recognised income tax positions are measured at the largest amount which has a greater than 50% likelihood of being realised. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

m. *Other assets*

Other assets primarily consist of prepaid assets, fixed assets and leased assets.

n. *Current expected credit losses (CECL)*

US GAAP requires an entity to measure and record credit risk that affects the collectability of reinsurance receivables.

- 1) An allowance for credit losses – i.e. losses due to the credit risk of each reinsurer are recognised and estimated under the expected credit loss model.
- 2) A separate valuation allowance for the remaining risks – e.g., dispute risk, litigation risk – is recognised if the loss associated with those risks is probable and can be reasonably estimated.

Reinsurance recoverables are reviewed for impairment on a quarterly basis and are presented net of an allowance for expected credit losses. A case-specific allowance for expected credit losses against reinsurance recoverables that the Group deems unlikely to be collected in full, is estimated based on the Group's analysis of amounts due, historical delinquencies and write-offs. In addition, a default analysis is used to estimate an allowance for expected credit losses on the remainder of the reinsurance recoverables balance. The principal components of the default analysis are reinsurance recoverables by reinsurer and default factors applied to estimate uncollectible amounts based on reinsurers' credit ratings and the length of collection periods. The default factors are based on a model developed by a major rating agency. The default analysis considers both current and forecasted economic conditions in the determination of the credit loss allowance.

o. *Post retirement plans*

The Group makes contributions to defined contribution schemes and a defined benefit scheme.

The pension cost in respect of the defined contribution schemes represents the amounts payable by the Group for the year. The funds of the schemes are administered by trustees and are separate from the Group. The Group's liability is limited to the amount of the contributions.

The defined benefit scheme is funded by contributions from a subsidiary company and its assets are held in a separate Trustee administered fund.

Pension scheme assets are measured at market value, and liabilities are measured using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability.

Current service cost, net interest income or cost and any curtailments/settlements are charged to the Condensed Consolidated Statement of Income. The present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets is recognised and disclosed separately as a net pension liability in the Condensed Consolidated Balance Sheet. Surpluses are only recognised up to the aggregate of any cumulative unrecognised net actuarial gains and past service costs, and the present value of any economic benefits available in the form of any refunds or reductions in future contributions.

p. **Earnings per share**

Basic earnings per share is based on the weighted average number of ordinary shares outstanding and excludes potentially dilutive securities such as restricted shares, restricted share units, warrants, options and convertible securities.

Diluted earnings per share is based on the weighted average number of ordinary and ordinary share equivalents outstanding calculated using the treasury stock method for all potentially dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted earnings per share.

q. **Claims**

These include the cost of claims and related expenses paid in the year, together with changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries. These are shown as net claims provisions (increase)/release in the Condensed Consolidated Statement of income.

r. **Provisions**

Provisions, other than insurance provisions, are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

s. **Interest expense**

Interest expense comprise interest payable and are recognised in the Condensed Consolidated Statement of Income in line with the effective interest rate on liabilities.

t. **Funds withheld**

The funds withheld receivable reflects deposits with ceding undertakings and the funds withheld payable reflects deposits withheld from reinsurers that would otherwise have been remitted to them. The funds withheld are credited with investment income and losses paid are deducted. The net investment returns from both inwards and outwards funds withheld are recognised in net investment income.

u. **Losses and loss adjusting expenses (LAE)**

The liability for losses and LAE includes reserves for unpaid reported losses and losses incurred but not reported ("IBNR"). The Group establishes reserves for unpaid reported losses and LAE based on reports from brokers, ceding companies and insureds and these represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified. The reserves for IBNR are established based on actuarially determined estimates of ultimate losses and LAE. Inherent in the estimate of ultimate losses and LAE are expected trends in claim severity and frequency, historical loss experience, industry statistics and other factors which may vary significantly as claims are settled.

These estimates are reviewed regularly and are subject to the impact of future changes in the factors noted above as well as economic conditions including the impact of inflation, legal and judicial developments, and other projections. Any subsequent remeasurement of the Group's reserves are recorded in income in the period in which they become known and reflected as part of the net increase or reduction in the estimates of ultimate losses included within net incurred losses and LAE in the Condensed Consolidated Statement of Income.

3. Segmental information

The Group's segments represent the level at which financial information is reported to the Board, being the chief operating decision maker. The reportable segments are as follows: -

- Program Management – delegates underwriting authority to MGAs to provide program capacity through its licensed platforms in the US and Europe
- Legacy Insurance – acquires legacy portfolios and manages the run-off of claims reserves
- Corporate / Other – primarily includes the holding company costs and interest expense on debt.

Segmental results for the six months ended 30 June 2023

	Note	Program Management \$m	Legacy Insurance \$m	Corporate / Other \$m	Total \$m
Underwriting income	(i)	(0.7)	(54.7)	—	(55.4)
Fee income	(ii)	46.2	9.7	—	55.9
Investment income	(iii)	4.7	16.4	0.9	22.0
Gross operating income	(iv)	50.2	(28.6)	0.9	22.5
Fixed operating expenses	(v)	(21.6)	(35.6)	(7.4)	(64.6)
Interest expense		—	—	(15.9)	(15.9)
Pre-tax operating profit/(loss)	(vi)	28.6	(64.2)	(22.4)	(58.0)
Unearned program fee income	(vii)				0.0
Change in fair market value of liabilities	(viii)				(1.5)
Net unrealised and realised gains	(ix)				3.3
Non-core and exceptional items	(x)				4.1
Loss before tax					(52.1)

Segmental results for the six months ended 30 June 2022

	Note	Program Management \$m	Legacy Insurance \$m	Corporate / Other \$m	Total \$m
Underwriting income	(i)	(4.8)	(3.4)	—	(8.2)
Fee income	(ii)	39.1	8.8	—	47.8
Investment income	(iii)	1.0	6.7	0.0	7.7
Gross operating income	(iv)	35.3	12.1	0.0	47.4
Fixed operating expenses	(v)	(19.9)	(38.8)	(6.7)	(65.4)
Minority stake in Tradesman	(xi)	—	—	5.2	5.2
Interest expense		—	—	(14.2)	(14.2)
Pre-tax operating profit/(loss)	(vi)	15.5	(26.7)	(14.2)	(27.0)
Unearned program fee income	(vii)				(14.9)
Change in FMV of liabilities	(viii)				102.2
Net unrealised and realised losses	(ix)				(100.0)
Non-core and exceptional items	(x)				(13.0)
Loss before tax					(1.3)

The above key performance indicators used by management measure the economics of the business and adjust US GAAP results to include fully written Program Fee Income and exclude non-cash intangible assets created from acquisitions in Legacy Insurance, net realised and unrealised investment gains on fixed income and lease-based assets, foreign currency translation reserves, non-core expenses and exceptional items.

Notes:

- (i) Underwriting income represents Legacy Insurance reserve development / savings, net of claims costs and brokerage commissions. Underwriting income also includes Program Management retained earned premiums, net of claims costs, acquisition costs, claims handling expenses, premium taxes / levies and associated movement in CECL.
- (ii) Fee income comprises program fee income from insurance policies already bound (written), regardless of the amount of premium earned in the financial period.
- (iii) Investment income represents income arising on the investment portfolio excluding net realised and unrealised investment gains or losses on fixed income and lease-based assets.
- (iv) Gross operating income represents pre-tax operating profit before fixed operating expenses (v) and interest expense.
- (v) Fixed operating expenses include employment, legal, accommodation, information technology, Lloyd's Syndicate and other fixed expenses of ongoing operations, excluding non-core and exceptional items.
- (vi) Pre-tax operating profit is a measure of how the Group's core businesses perform adjusted for unearned program fee income (vii), fair market value movement in Legacy reserves and net realised and unrealised investment gains on fixed income and lease-based assets.

- (vii) Unearned program fee income represents the portion of program fee income (ii) which has not yet been earned on an GAAP basis.
- (viii) Movement in fair market value of liabilities relates to changes in discount rate on legacy insurance reserves and associated risk margin.
- (ix) Realised and unrealised net investment gains comprise movement in fixed income assets held at fair market value as a result of changes in interest rates as well as any realised investment net gains as a result of selling underlying fixed income securities.
- (x) Non-core and exceptional items comprise the results of entities which are considered non-core and one-off or exceptional income and expenditure.
- (xi) Represents 40% minority stake in Tradesman Program Managers, which was sold in the first six months of 2023 and reported under Corporate and other segment.

No income from any one client included within the fee income generated more than 10% of the total external income.

4. Fair value

(a) Fair value hierarchy

Fair value hierarchy is defined in Note 2(g). At 30 June 2023, the Group classified its financial instruments measured at fair value on a recurring basis in the following valuation hierarchy:

Fair value measurements at reporting date				
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total 30 June 2023
	\$m	\$m	\$m	\$m
Equities	17.7	-	-	17.7
Short-term and Fixed maturity investments:				
<i>U.S. government and agency</i>	266.8	10.1	-	276.9
<i>U.K. government</i>	-	53.5	-	53.5
<i>Corporate</i>	-	741.9	-	741.9
<i>Municipal</i>	-	7.5	-	7.5
<i>Other government</i>	-	65.6	-	65.6
<i>Structured products</i>	-	190.3	-	190.3
Other investments	-	-	48.8	48.8
Total investment securities	284.5	1,068.9	48.8	1,402.2
Purchased reinsurance receivables	-	-	3.3	3.3
Total	284.5	1068.9	52.1	1,405.5

The Group uses independent pricing sources such as Refinitiv amongst others to assist in determining the fair value of its investments; however, management is ultimately responsible for all fair values presented in the Group's financial statements. This includes responsibility for monitoring the fair value process, ensuring objective and reliable valuation practices, and pricing of assets and liabilities and use of pricing sources. The Group analyses and reviews the information and prices received from these sources to ensure that the prices provided represent a reasonable estimate of fair value. These fair value measurements maximise the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Group's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Group

based on the best information available in the circumstances, including expected cash flows and appropriately risk adjusted discount rates, available observable and unobservable inputs.

Equity securities with readily determinable fair values are measured using quoted market prices at the reporting date multiplied by the quantity held. The fair values for all securities in the **short-term and fixed maturity investments** are obtained or validated from independent pricing services either directly or through service providers or investment managers.

(b) Level 3 financial instruments:

At 30 June 2023, the Group holds Level 3 financial instruments of \$3.3m, which includes purchased reinsurance recoverables. The fair values of these investments are estimated using detailed models, where applicable. Due to significant unobservable inputs in these valuations, the Group classifies its fair values as Level 3 within the fair value hierarchy.

The following table provides a summary of quantitative information regarding the significant unobservable inputs used in determining the fair value of other investments measured at fair value on a recurring basis under the Level 3 classification at 30 June 2023:

Level 3 Financial Instruments				
	<u>Fair Value (\$m)</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range (years)</u>
Purchased reinsurance receivables	3.3	DCF	Discount factor used	2
Total – Level 3 investments	3.3			

The following tables present changes in assets and liabilities classified in Level 3 (significant unobservable inputs) of the fair value hierarchy during the periods ended 30 June 2023 and 30 June 2022:

	30 June 2023	30 June 2022
	\$m	\$m
Opening balance	6.6	6.4
Total net gains recognised in the Condensed Consolidated Statement of Income	-	0.2
Disposals	(3.3)	-
Exchange adjustments	—	-
Closing balance	3.3	6.6

Legacy Insurance segment:

The fair value option has been elected to value the reserves for unpaid losses and loss adjustment expenses for the Legacy Insurance segment. The building block approach has been used to estimate the fair value. The first building block involves estimating the expected nominal liabilities and their associated cash flows. The second building block is the amount of discount that should be associated with those expected liabilities, reflecting the characteristics of the liability except for the insurance risk. The third building block involves calculating a risk margin to reflect the compensation a third party would need to take on those liabilities at the financial statement date.

Insurance contracts – fair value option

The following table presents a reconciliation of the beginning and ending balances for all insurance contracts measured at fair value on a recurring basis using Level 3 inputs during the period ended 30 June 2023:

	Liability for losses and LAE	Reinsurance recoverables on unpaid losses	Net
	\$m	\$m	\$m
Fair value at 1 January 2023	1,481.5	633.4	848.1
De-consolidation of subsidiary	(133.2)	(12.5)	(120.7)
Incurred losses and LAE			-
Change in estimates of ultimate losses	(4.1)	(39.0)	34.9
Change in fair value	98.6	76.2	22.4
Total incurred losses and LAE	94.6	37.3	57.3
Losses paid	(152.8)	(79.6)	(73.2)
Effect of exchange rate movements	(2.2)	(1.0)	(1.2)
Fair value at 30 June 2023	1,287.8	577.5	710.3

The following table presents the components of the net change in fair value for the period ended 30 June 2023:

Changes in fair value due to changes in:	30 June 2023 \$m
Duration	(45.2)
Yield	7.0
Risk cost of capital	15.8
Change in fair value	(22.4)

Below is a summary of the quantitative information regarding the significant observable and unobservable inputs used in the internal model to determine fair value on a recurring basis as of 30 June 2023:

Valuation Technique/Source	Unobservable (U) and Observable (O) Inputs	30 June 2023
Internal determination	Yield (O)	A-rated corporate bond yield including illiquidity premium
Internal determination	Credit Spread for non-performance risk (U)	0.2%
Bermuda Monetary Authority	Risk Cost of Capital (U)	6%
Internal determination	Duration (U)	4.95 years

The fair value of the liability for losses and LAE and reinsurance recoverables on paid and unpaid losses may increase or decrease due to changes in the corporate bond rate, the credit spread for non-performance risk, the risk cost of capital, the weighted average cost of capital and the estimated payment pattern as described below:

- An increase in the yield rate or credit spread for non-performance risk would result in a decrease in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses. Conversely, a decrease in the corporate bond rate or credit spread for non-performance risk would result in an increase in the fair value of the liability for losses and LAE and reinsurance recoverables on paid and unpaid losses.

- An increase in the weighted average cost of capital would result in an increase in the fair value of the liability for losses and LAE and reinsurance recoverables on paid and unpaid losses. Conversely, a decrease in the weighted average cost of capital would result in a decrease in the fair value of the liability for losses and LAE and reinsurance recoverables on paid and unpaid losses.
- An increase in the risk cost of capital would result in an increase in the fair value of the liability for losses and LAE and reinsurance recoverables on paid and unpaid losses. Conversely, a decrease in the risk cost of capital would result in a decrease in the fair value of the liability for losses and LAE and reinsurance recoverables on paid and unpaid losses.
- The duration of the liability and recoverable is adjusted every period to reflect actual net payments during the period and expected future payments. An acceleration of the estimated payment pattern, a decrease in duration, would result in an increase in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses. Conversely, a deceleration of the estimated payment pattern, an increase in duration, would result in a decrease in the fair value of the liability for losses and LAE and reinsurance recoverables on paid and unpaid losses.

In addition, the estimate of the capital required to support the liabilities is based upon current industry standards for capital adequacy. If the required capital per unit of risk increases, then the fair value of the liability for losses and LAE and reinsurance recoverables on paid and unpaid losses would increase. Conversely, a decrease in required capital would result in a decrease in the fair value of the liability for losses and LAE and reinsurance recoverables on paid and unpaid losses.

(c) Financial instruments disclosed, but not carried, at fair value

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

As at 30 June 2023, the carrying values of cash and cash equivalents (including restricted amounts), accrued investment income, reinsurance balances receivable, loan to related party and certain other assets and liabilities approximate their fair values due to their inherent short duration. As these financial instruments are not actively traded, the fair values of these financial instruments are classified as Level 2.

The investments made by direct lending entities are carried at cost less impairment, if any, which approximates fair value. The fair value estimates of these investments are not based on observable market data and, as a result, have been categorised as Level 3.

The fair values of the Group's long-term debt (as defined in "Note 11 – Debt Obligations ") is measured at carrying value which approximates to its fair value. Debt issued by the Group and its subsidiary, R&Q Re (Bermuda) Ltd, is floating rate debt and as the credit quality has remained the same since issuance, the carrying value broadly reflects the fair values of these instruments. Variable rate plus the margin is reflective of the term of the debt and also whether it is subordinate or not.

	30 June 2023 \$m	31 December 2022 \$m
Amounts owed to credit institutions	<u>333.3</u>	<u>344.9</u>

5. Investments

The Group holds the following investment securities measured at fair value:

- i. Equity and other investments, carried at fair value; and
- ii. Portfolio of short-term and fixed maturities investments carried at fair value.

Equities and other investments

Equity investments include publicly traded common and preferred stocks, exchange-traded funds and privately held common and preferred stocks carried at fair value.

The following table summarises the Group's equity investments as at 30 June 2023 and 31 December 2022:

	<u>30 June 2023</u>	<u>31 December 2022</u>
	<u>\$m</u>	<u>\$m</u>
Publicly traded equity investments in common and preferred stocks	17.7	22.0
Cash based investment funds	48.8	32.5
	<u>66.5</u>	<u>54.6</u>

Short term and fixed maturities investments

The fair values of the underlying asset categories comprising short-term and fixed maturities investments were as follows as at 30 June 2023 and 31 December 2022:

	<u>30 June 2023</u>			<u>31 December 2022</u>		
	\$m	\$m	\$m	\$m	\$m	\$m
	Short term investments	Fixed maturities	Total	Short term investments	Fixed maturities	Total
U.S. government and agency	100.9	176.1	277.0	82.0	224.7	306.6
U.K. government	25.9	27.6	53.5	3.6	39.6	43.2
Other government	12.6	53.0	65.6	15.8	81.0	96.9
Municipal	-	7.5	7.5			
Corporate	3.0	728.8	731.8	6.1	762.4	768.5
Certificate of deposit	8.8	1.2	10.0	5.8	0.4	6.2
Structured products	-	190.3	190.3	-	300.6	300.7
	<u>151.2</u>	<u>1,184.5</u>	<u>1,335.7</u>	<u>113.3</u>	<u>1,408.8</u>	<u>1,522.1</u>

Contractual maturities

The contractual maturities of the Group's short-term and fixed maturity investments, classified as trading and the investments included are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Fair value
	\$m
One year or less	63.9
More than one year through two years	54.2
More than two years through five years	121.4
More than five years through ten years	258.8
More than ten years	637.0
Asset backed securities	175.3
Mortgage-Backed Securities & Others	25.1
	1,335.7

Credit Ratings	Fair value	AAA	AA rated	A rated	BBB	Non-	Not
						investment	rated
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
U.S. government and agency	266.8	266.8	-	-	-	-	-
U.K. government	53.5	-	53.5	-	-	-	-
Other government	65.6	45.6	16.2	0.5	2.8	0.5	-
Corporate	741.9	11.9	47.6	372.4	284.9	23.0	2.1
Municipal	7.5	1.3	5.6	0.5	-	-	-
Asset backed securities	175.3	20.5	44.7	73.7	36.3	0.1	-
Mortgage-backed securities & others	25.2	11.9	1.3	5.0	5.4	1.6	0
	1,335.7	358.0	169.0	452.1	329.4	25.2	2.1

Net investment income

Major categories of net investment income for the period ended 30 June 2023 and 30 June 2022 are summarised as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	\$m	\$m
Gross investment income	23.8	10.2
Less: investment expense	(1.8)	(1.4)
Net investment income	22.0	8.8
Net realised gains (losses) on sale:		
Total net realised losses on sale	(6.4)	(12.4)
Total net unrealised gains/(losses)	9.7	(87.6)

The Group uses trust accounts to collateralise business with its (re)insurance counterparties and is also required to maintain investments and cash and cash equivalents on deposit with regulatory authorities and Lloyd's to support its (re)insurance operations. The investments and cash and cash equivalents on deposit are available to settle (re)insurance liabilities. Collateral generally takes the form of assets held in trust, letters of credit or funds held. The assets in trust as collateral are mostly cash and highly rated fixed maturities. The fair values of these restricted assets were as follows at 30 June 2023 and 31 December 2022:

	30 June 2023	31 December 2022
	\$m	\$m
Fixed income securities – restricted investments	815.9	942.4
Cash based investment funds – restricted investments	5.2	9.4
Equities – restricted investments	38.9	20.8
Restricted cash and cash equivalents	64.4	133.3
Restricted assets – third party agreements	924.4	1,105.9

6. Income tax – current and deferred taxes

Income tax is charged to net income or in some cases to accumulated other comprehensive income based on applicable local tax laws and rates in the reporting period. The Group recognised an income tax expense of \$1.0m for the six months ended 30 June 2023, compared to an income tax expense of \$0.9m for the same period in 2022. The overall tax rate is derived from calculating prevailing tax rates in the taxable jurisdictions in which the Group operates restricted through the tax credits available to the Group for losses incurred in some jurisdictions.

7. Reinsurance

The following tables analyse the total Reinsurance recoverables on paid and unpaid losses:

As at 30 June 2023

	Program Management	Legacy Insurance	Total
	\$m	\$m	\$m
Recoverable from reinsurers on unpaid:			
Undiscounted claims provisions and IBNR	1,342.9	693.7	2,036.6
CECL	(13.9)	-	(13.9)
ULAE	26.1	-	26.1
Fair value adjustments - fair value option	-	(116.2)	(116.2)
Total	1,355.1	577.5	1,932.6
Reconciliation to Condensed Consolidated Balance Sheet:			
Reinsurance recoverables on paid and unpaid losses	1,355.1	-	1,355.1
Reinsurance recoverables on paid and unpaid losses - fair value option	-	577.5	577.5
Total	1,355.1	577.5	1,932.6

As at 31 December 2022

	Program Management	Legacy Insurance	Total
	\$m	\$m	\$m
Recoverable from reinsurers on unpaid:			
Undiscounted claims provisions and IBNR	1,035.1	825.7	1,860.8
CECL	(10.1)	-	(10.1)
ULAE	19.7	-	19.7
Fair value adjustments - fair value option	-	(192.4)	(192.4)
Total	<u>1,044.7</u>	<u>633.3</u>	<u>1,678.0</u>
Reconciliation to Condensed Consolidated Balance Sheet:			
Reinsurance recoverables on paid and unpaid losses	1,044.7	-	1,044.7
Reinsurance recoverables on paid and unpaid losses - fair value option	-	633.3	633.3
Total	<u>1,044.7</u>	<u>633.3</u>	<u>1,678.0</u>

The fair value adjustments, determined on acquisition of (re)insurance subsidiaries, are based on the estimated timing of loss and LAE recoveries and an assumed interest rate equivalent to a risk-free rate for securities with similar duration to the acquired reinsurance balances recoverable on paid and unpaid losses plus a spread for credit risk, and are amortised over the estimated recovery period, as adjusted for accelerations in timing of payments because of commutation settlements. The determination of the fair value adjustments on the retroactive reinsurance contracts for which the Group has elected to use the fair value option is described in Note 4 - "Fair value".

For Program Management, the Group carries reinsurance recoverables at amortised cost and for Legacy Insurance the Group carries reinsurance recoverables at fair value for better matching of the timing of gain/loss recognition on retroactive assumed and retroactive ceded reserves.

8. Reserve for losses and loss adjustment expenses

The liability for losses and LAE, also referred to as loss reserves, represents the Group's gross estimates before reinsurance for unpaid reported losses and includes IBNR for the Legacy and Program segments using a variety of actuarial methods. The Group recognises an asset for the portion of the liability that it expects to recover from reinsurers. LAE reserves include allocated loss adjustment expenses ("ALAE"), and unallocated loss adjustment expenses ("ULAE"). ALAE are linked to the settlement of an individual claim or loss, whereas ULAE are based on the estimate of future costs to administer the claims. IBNR represents reserves for loss and LAE that have been incurred but not yet reported. This includes amounts for unreported claims, development on known claims and reopened claims.

The Group's loss reserves cover multiple lines of business, including casualty, workers' compensation, motor and other non-life lines of business.

The following tables summarise the liability for losses and LAE by segment and for the Group's other activities.

At 30 June 2023	<u>Program Mgt</u>	<u>Legacy Ins</u>	<u>Total</u>
	\$m	\$m	\$m
Undiscounted reserves	1,454.5	1,566.6	3,021.1
Fair value adjustments - fair value option	-	(308.5)	(308.5)
ULAE	28.3	29.8	58.1
Total	<u>1,482.8</u>	<u>1,287.8</u>	<u>2,770.7</u>
Reconciliation to Condensed Consolidated Balance Sheet:			
Reserve for loss and loss adjustment expenses	1,482.8	-	1,482.8
Reserve for loss and loss adjustment expenses, at fair value	-	1,287.8	1,287.8
Total	<u>1,482.8</u>	<u>1,287.8</u>	<u>2,770.7</u>
31 December 2022	<u>Program Mgt</u>	<u>Legacy Ins</u>	<u>Total</u>
	\$m	\$m	\$m
Undiscounted Reserves	1,112.0	1,853.4	2,965.4
Fair value adjustments - fair value option	-	(407.1)	(407.1)
ULAE	21.1	35.2	56.3
Total	<u>1,133.1</u>	<u>1,481.5</u>	<u>2,614.6</u>
Reconciliation to Condensed Consolidated Balance Sheet:			
Reserve for loss and loss adjustment expenses	1,133.1	-	1,133.1
Reserve for loss and loss adjustment expenses, at fair value	-	1,481.5	1,133.1
Total	<u>1,133.1</u>	<u>1,481.5</u>	<u>2,614.6</u>

The table below provides a consolidated reconciliation of the beginning and ending liability for losses and LAE.

	<u>30 June 2023</u>	<u>30 June 2022</u>
	\$m	\$m
Loss and loss adjustment expenses as at 1 January	2,614.6	2,331.7
Less: reinsurance recoverables	<u>(1,678.0)</u>	<u>(1,262.6)</u>
Net balance as at 1 January	936.6	1,069.2
Net incurred losses and LAE:		
Current period	41.7	13.0
Prior periods	<u>78.6</u>	<u>(108.8)</u>
Total net incurred losses and LAE	120.3	(95.8)
Net paid losses:		
Current period	(13.0)	(20.6)
Prior periods	<u>(92.8)</u>	<u>(146.8)</u>
Total net paid losses	(105.8)	(167.4)
Effect of exchange rate movement	7.6	7.0
(Acquisition)Disposal of reserves	<u>(120.7)</u>	<u>142.5</u>
Net balance as at 30 June	838.0	955.5
Add back: reinsurance recoverables (2)	<u>1,932.6</u>	<u>1,464.1</u>
Loss and loss adjustment expenses as at 30 June	<u><u>2,770.6</u></u>	<u><u>2,419.6</u></u>

Assumptions, changes in assumptions and sensitivity

The assumptions used in the estimation of provisions relating to insurance contracts are intended to result in provisions which are sufficient to settle the net liabilities from insurance contracts. The amounts presented above include estimates of future reinsurance recoveries expected to arise on the settlement of the gross insurance liabilities.

Provision is made at the period end date for the estimated ultimate cost of settling all claims incurred in respect of events and developments up to that date, whether reported or not.

The provisions carried by the Group for its insurance liabilities are calculated using a variety of actuarial techniques. The provisions are calculated and reviewed by the Group's internal actuarial team; in addition, the Group periodically commissions independent reviews by external actuaries. The use of external actuaries provides management with additional comfort that the Group's internally produced statistics and trends are consistent with observable market information and other published data. Provisions for outstanding claims and IBNR are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. Insurance companies and syndicates within the Group are covered by a variety of treaty, excess of loss and stop loss reinsurance programs.

The provisions disclosed in the Condensed Consolidated Financial Statements are sensitive to a variety of factors including:

- Settlement and commutation activity of third-party lead reinsurers
- Development in the status of settlement and commutation negotiations being entered into by the Group
- The financial strength of the Group's reinsurers and the risk that these entities could, in time, become insolvent or could otherwise default on payments
- Future cost inflation of legal and other advisors who assist the Group with the settlement of claims
- Changes in statute and legal precedent which could particularly impact provisions for asbestos, pollution and other latent exposures
- Arbitration awards and other legal precedents which could particularly impact upon the presentation of both inwards and outwards claims on the Group's exposure to major catastrophe losses.

9. Earnings per share

a. *Basic earnings per share*

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	\$m	\$m
Numerator: (in millions of U.S. dollars, except share data)		
Earnings per share attributable to ordinary shareholders:		
Net earnings attributable to ordinary shareholders	(53.1)	(2.2)
Denominator: (in millions of shares)		
Weighted-average ordinary shares outstanding — basic and diluted	374.8	276.3
Earnings per share attributable to ordinary shareholders:		
Basic and diluted:		
Net earnings per ordinary share	(14.2)	(0.8)

At June 30 2023, preference shares were excluded from diluted earnings per common share because they were anti-dilutive.

10. Insurance and other payables including structured liabilities

	30 June 2023	31 December 2022
	\$m	\$m
Structured liabilities	504.4	504.4
Structured settlements	(504.4)	(504.4)
	-	-
Insurance related and other payables	1,218.5	1,531.9

No new structured settlement arrangements have been entered into during the year. Some group subsidiaries have paid for annuities from third party life insurance companies for the benefit of certain claimants. The subsidiary company retains the credit risk in the unlikely event that the life insurance company defaults on its obligations to pay the annuity amounts. In the event that any of these life insurance companies were unable to meet their obligations to these annuitants, any remaining liability may fall upon the respective insurance company subsidiaries. The Directors believe that, having regard to the quality of the security of the life insurance companies together with the reinsurance available to the relevant Group insurance companies, the possibility of a material liability arising in this way is very unlikely. The life companies will settle the liability directly with the claimants and no cash will flow through the Group. These annuities have been shown as reducing the insurance companies' liabilities to reflect the substance of the transactions and to ensure that the disclosure of the balances does not detract from the users' ability to understand the Group's future cash flows.

The carrying amounts disclosed above reasonably approximate their fair values at the period end date.

11. Debt obligations and credit facilities

The total amounts owed to credit institutions at 30 June 2023 was \$333.3m (31 December 2022: \$344.9m).

The Group has issued the following debt:

Issuer	Principal	Rate	Maturity
R&Q Insurance Holdings Ltd.	\$70,000k	6.35% above USD LIBOR*	2028
R&Q Insurance Holdings Ltd.	\$125,000k	6.75% above USD LIBOR**	2033
Accredited Insurance (Europe) Limited	€20,000k	6.7% above EURIBOR	2025
Accredited Insurance (Europe) Limited	€5,000k	6.7% above EURIBOR	2027
R&Q Re (Bermuda) Limited	\$20,000k	7.75% above USD LIBOR	2023
Revolving Credit Facility	£59,327k	Variable	Revolving
Bank Term Loan	£12,500k	SONIA - 5 NCCR LAG	2024

* USD LIBOR Capped at 3.65% through December 2023

** USD LIBOR capped at 2%

The Group's subsidiary, Accredited Holding Corporation, provides a full and unconditional guarantee for the payment of principal, interest and any other amounts due in respect of the \$70.0m Notes issued by R&Q Insurance Holdings Ltd.

12. Shareholders' equity

At 30 June 2023, the allotted, called up and fully paid share capital of the Company is 377,395,235 ordinary shares of 2p each (30 June 2022: 302,636,880 ordinary shares). Number of outstanding shares (voting shares) on 30 June 2023 was 374,572,864.

(a) Common stock

Holders of common stock are entitled to one vote per share, and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders. The holders have no pre-emptive or other subscription rights, and there are no redemption or sinking fund provisions with respect to such shares. Common stock is subordinate to the preferred stock with respect to dividend rights and rights upon liquidation, winding up and dissolution of the Company.

(b) Preference shares

In June 2023, the Group issued \$55 million of non-voting, perpetual preferred equity issued through Randall & Quilter PS Holdings Inc., an indirect wholly owned subsidiary of R&Q, to investment funds affiliated with one of its largest shareholders, Scopia Capital Management ("Scopia"). The preferred stock will, in certain circumstances, be exchangeable at Scopia's election into new ordinary shares of R&Q at 60.98 pence (representing a 10% premium to the 20-day volume weighted average price prior to the date of the Agreement).

13. Commitments, guarantees and contingencies

There are uncertainties inherent in assessing outstanding claims reserves in the ordinary course. The Group's insurance contract provisions include a provision for costs only in respect of a potential accumulation of claims from a single policyholder in the Group's Legacy business. The claims involve multiple uncertainties including questions relating to liability, coverage, incidence, quantum and other legal and technical issues. Management has concluded that it is not possible to measure the appropriate reserve for these claims with sufficient reliability.

Based on the documentation made available to date, and expert opinion and legal advice, management believes that it is not probable that any significant amount, other than costs, will be payable to settle the claim; however, the ultimate cost of the claims could be materially higher. In the circumstances, management has concluded that it is not currently appropriate to recognise any estimate of the possible outcome but to disclose the position as a contingent liability.

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(a) Concentration of credit risk exposures

The Group believes that there are no significant concentrations of credit risk associated with its cash and cash equivalents, fixed maturity investments, or other investments. Cash and investments are managed pursuant to guidelines that follow prudent standards of diversification and liquidity and limit the allowable holdings of a single issue and issuers. The Group is also subject to custodial credit risk on its investments, which is managed by diversifying the holdings amongst large financial institutions that are highly regulated.

The Group manages the concentration of credit risk in its investment portfolio through issuer and sector exposure limitations and believes it bears minimal credit risk in its cash on deposit.

The Group's investment portfolio is managed following prudent standards of diversification and a prudent investment philosophy. The Group is not exposed to any significant credit concentration risk on its investments, except for debt securities issued by the U.S. government and government sponsored enterprises, and other highly rated non-U.S. sovereign governments' and supranational organisations' securities. At 30 June 2023, other than the U.S. government and U.S. government sponsored enterprises, the Group's fixed maturity investment portfolio did not contain exposure to any non-U.S. sovereign government or any other issuer that accounted for more than 10% of the Group's shareholders' equity.

The Group has exposure to credit risk on certain of its assets pledged to ceding companies under insurance contracts. In addition, the Group is potentially exposed should any insurance intermediaries be unable to fulfil their contractual obligations with respect to payments of balances owed to and by the Group. Credit risk exists in relation to (re)insurance recoverables on paid and unpaid losses. The Group remains liable to the extent that counterparties do not meet their contractual obligations and, therefore, the Group evaluates and monitors concentration of credit risk among its (re)insurers. The Group is also subject to credit risk in relation to funds held by reinsured companies. Under funds withheld arrangements, the reinsured company has retained funds that would otherwise have been remitted to the group subsidiaries. The funds may be placed into trust or subject to other security arrangements.

(b) Legal proceedings

The Group is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Group's consolidated financial position, results of operations, or liquidity.

(c) Guarantees

The Group has provided a guarantee of \$0.8m to Institute of London Underwriters. The Group's subsidiary, Accredited Holding Corporation provides a full and unconditional guarantee for the payment of principal, interest and any other amounts due in respect of the \$70.0m Notes issued by R&Q Insurance Holdings Ltd. The Group has entered into a guarantee agreement and a debenture arrangement with its bankers, along with several of its subsidiaries, in respect of the Group term loan facilities. The total liability to the banks at 30 June 2023 was \$118.2m (2022: \$103.0m). The Group also gives various other guarantees in the ordinary course of business.

14. Business combinations

Business combinations

During the six months ended 30 June 2023, the Group did not acquire any run-off portfolio business and also did not acquire any non-insurance legacy businesses.

On 24 February 2023, the Group's subsidiary, R&Q Reinsurance Company, entered into liquidation pursuant to a court order with the Pennsylvania Department of Insurance and thus this subsidiary has been deconsolidated from the Group's financial statements for the period ending 30 June 2023. The deconsolidation of the entity has no material impact to the income and the net equity value of the group on a US GAAP basis.

15. Related Party Transactions

Transactions with subsidiaries

Transactions between the Group's wholly owned subsidiary undertakings, which are related parties, have been eliminated on consolidation and accordingly not disclosed.

Transactions with Directors

The following Director was entitled to the following distributions during the six months ended 30 June 2023 and the twelve months ended 31 December 2022:

	Six Months ended 30 June 2023	31 December 2022
	\$m	\$m
W L Spiegel	2.3	-

In January 2023, 5,178,524 restricted ordinary shares vested. These shares were awarded to William Spiegel in January 2020 in accordance with his remuneration package, together with 235,387 Ordinary Shares, issued as part of the Company's bonus share distribution. To fund tax liabilities arising from the vesting William Spiegel sold 2,822,371 Ordinary Shares which, in accordance with the share award agreement, have been purchased by the Company and are held in Treasury.

Transactions with the equity-method investee

On 10 September 2022 the Group invested in the New York-based Managing General Agent TPM Holdings USA, LLC, ('Tradesman') and Tradesman was treated as the equity method investment. The Group generated income of \$0.9m in the six months ended 30 June 2023 (\$5.4m six months ended 30 June 2022) from this investment. On 23 February 2023, the Group sold its entire 40% minority holding for a consideration of \$47m and made a gain on sale of \$25.4m

Joint venture

The Group acquired, through a newly formed joint venture with Obra Capital, Inc. ("Obra"), an entity that holds product liability claims relating to coal dust, asbestos, silica, and other exposures of MSA Safety Incorporated ("MSA Safety"). MSA Safety contributed approximately \$341 million in cash to the joint venture, in addition to related insurance assets, and the joint venture shareholders contributed \$35 million.

The Group provides claims and management services and Obra provides investment management services to the joint venture. The Group owns 49% of the joint venture, and accounts for its interest under equity method.

16. Subsequent events

Jerome Lande was appointed as a Non-Executive Director of the Company on 17 July 2023. Jerome is an experienced board member with over 20 years of leadership experience as an investor. He currently serves as Managing Partner and Deputy CIO at Scopia Capital Management.

The Group has completed a legal reorganisation by separating its Program Management business, Accredited, and its Legacy Insurance business. The Group continues to consider strategic transactions with third parties with respect to a potential sale of Accredited.

The Group has evaluated subsequent events from the balance sheet date. Aside from the above events, the Group has determined that there are no other items to disclose.