

ASCOT UNDERWRITING GROUP LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



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Company Information

Directors	A L Brooks H R Jones-Bak P Patel K M Wilson
Company Secretary	E H Guyatt
Independent auditors	Deloitte LLP Statutory Auditor Hill House 1 Little New Street London EC4A 3TR
Company bankers	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN
Registered office	20 Fenchurch Street London England EC3M 3BY
Registered number	10360031

Strategic report for the year ended 31 December 2021

The directors present their strategic report on the Company for the year ended 31 December 2021.

Principal activity and review of business

Ascot Underwriting Group Limited ("the Company" or "AUGL") is a holding company for Ascot Underwriting Holdings Limited ("AUHL"), Ascot Corporate Name Limited ("ACNL"), Ascot Employees Corporate Member Limited ("AECM") and Ascot Underwriting Limited ("AUL"), and its indirect subsidiaries Ascot Insurance Services Limited ("AISL") and Ascot Underwriting Asia (Private Limited) ("AUAL").

AUGL is a UK entity which was incorporated on 5 September 2016 and operates as a holding company for AUHL, ACNL, AUL and AECM. AUHL operates as a service company by incurring expenses on behalf of and recharging to other companies within the UK Group (being Ascot Underwriting Group Limited and its subsidiaries). ACNL and AECM are UK based companies acting as limited liability corporate members of the Society of Lloyd's ("Lloyd's"), providing underwriting capacity to both Syndicate 1414 ("the Syndicate") and Syndicate 1796 which has capital provided by Parsyl Syndicate Limited, a company outside of the Ascot Group. Following the closure and distribution of the 2016 year of account, AECM distributed its remaining net assets to AUGL with the intent of being maintained as dormant by the Directors for 2022 onwards. AUL trades as a managing agent for Syndicate 1414. AISL and AUAL are wholly owned subsidiaries of AUL that act as service companies of Syndicate 1414. During the year the Company received \$5,868,840 of dividends in total from UK subsidiaries AUHL, AUL and AECM.

Results and performance

The results of the Company for the year, as set out on pages 17 to 26, show a profit on ordinary activities before taxation of \$1,712k (2020: profit of \$31,618k). The Company has made a profit due to the receipt of \$5,868k (2020: \$38,253k) of dividends from underlying subsidiaries. The tax credit is \$777k (2020: credit of \$1,247k) leaving a total profit for the financial year of \$2,489k (2020: profit of \$32,865k). The total shareholders' funds of the Company at the end of the year are \$376,076k (2020: \$373,587k).

Key performance indicators

	2021	2020
	\$'000	\$'000
Net assets	376,075	373,587

The Company is primarily a holding company; it does not generate income from active trade, and primary source of income is dividend income from underlying subsidiaries. As a holding company the performance of its subsidiaries, notably ACNL, are the key performance indicators providing the Company with a source of income via dividends in the event of profitable subsidiaries.

Future outlook

The Company continues to be considered a going concern, as it can evidence a strong net asset position and ability to meet the financial obligations due for at least twelve months from the signing of the accounts. The Company expects to continue in its capacity as a holding company for the UK group for the foreseeable future.

Principal risks and uncertainties

The risks set out below are considered to be the principal risks for the Company. The Board of Directors is ultimately responsible for Risk Management. All aspects of the Risk Management Framework have been approved by the Board of Directors. The comments below represent only an overview of the key risks and of the controls to mitigate these risks.

Group risk – the risk that the activities of companies within the UK Group have an adverse impact on each other. The key risks considered are sharing of resources (including financial, labour and infrastructure) and brand damage from negative publicity. These are mitigated through clear governance structures, financial monitoring (where applicable), communication between entities across the group as well as a coordinated marketing and communications strategy.

Liquidity risk – the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost. The only significant liquidity requirement of AUGL is the ability to service the Eurobond facility, which was relisted via inception of a new facility on 18th November 2021, for a further five years. The Company has sufficient cash reserves to settle the interest on the loan as it arises.

Operational risk – the risk is the subsidiaries of the Company cannot trade due to the office infrastructure or people being unavailable. To counter the impact of this the subsidiaries maintain various contingency plans e.g. disaster recovery sites and backup to mitigate the impact of this risk.

Strategic report for the year ended 31 December 2021 (continued)**Environmental, Social and Governance, Diversity and Inclusion, Climate change and Transitions risks**

Environment – The Board of AUGL (“Ascot” or “the Board”) recognises the importance of establishing an environmental, social and governance (“ESG”) philosophy that best serves our stakeholders and shareholders.

Ascot recognises the need to address the impact of climate change on global communities. We have summarised the annual results of the Ascot carbon emissions report in the Streamlined Energy and Carbon Reporting (“SECR”) report in the Directors’ Report.

In addition to understanding our operational carbon footprint, we have also confirmed our commitment towards a future where the insurance sector can better support global efforts in addressing climate change, by aligning ourselves with the Lloyd’s market ESG principles, including reviewing our asset portfolio with an ESG focus to determine the potential for adjustments.

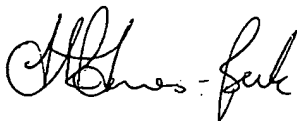
Social - Ascot endeavours not only to be a good corporate citizen and trusted insurer, but also a respected employer that prioritises the importance of staff wellbeing and success. For more detail and examples of how Ascot has supported staff through 2021, and other social initiatives, see our section 172 statement.

Governance - Ascot is committed to fostering and promoting responsible corporate governance and transparency. Strong governance practices underpin our commitment to ethics and integrity, board diversity and stakeholder engagement across all facets of the business. Oversight and discussion of ESG related items takes place across all committees of the governance framework with notable developments escalated to the Risk Committee, Executive Committee and ultimately, the Board. The structure is further supported by an Ascot Group Sustainability Steering Committee which has a more focused remit on ESG matters with specific workstreams responsible for aiding strategic decision making on ESG aspects of underwriting, operations, investments, social governance and communications.

Diversity and Inclusion - The Board continues to place emphasis on ensuring diversity in its broadest sense within the Company. It is committed to maintaining female Board and Executive level representation in line with targets that have been set across the Lloyd’s market and actively monitors the development of diversity in senior management roles.

Climate change and transition to renewable energy – As a global insurer the impact of climate change is fundamental to our business as we are witnessing a higher frequency and severity in natural catastrophes and extreme weather events, and Ascot endeavor to ensure the continued mitigation of our carbon footprint. To this end, the Syndicate has embedded ESG principles within the infrastructure of its underwriting and investment operations to ensure the day to day business is aligned with the ambition to reduce Ascot’s greenhouse gas emissions.

The strategic report was approved at a meeting of the Board of Directors and signed on its behalf by:



H R Jones-Bak
Director
14 March 2022

Section 172 Statement

The directors are fully aware of their responsibilities to promote the success of the Company in accordance with s172 of the Companies Act and have acted in accordance with these responsibilities during the year. In respect to this disclosure the Board has identified that its key stakeholders are the Ascot UK workforce, our group shareholder (Canada Pension Plan Investment Board ("CPP Investments")), customers, brokers, regulators and suppliers. The Board considers and discusses information from across the organisation to assist in understanding the effect of Ascot's operations and the interests and views of our key stakeholders. It reviews strategy, financial and operational performance as well as information covering areas such as key risks and legal and regulatory compliance. This information is provided to the Board through reports circulated in advance of each Board meeting and through in-person presentations. Regarding our responsibilities to our key stakeholders the directors, individually and as a whole, have considered and acted in respect of:

The likely consequences of any decision in the long term

The directors have performed a review of the business and have considered the future outlook of the Company within the strategic report. Furthermore, our annual planning cycle is designed to ensure a long-term beneficial impact on the Ascot group, taking into account the strategic direction of the group, and overall profitability. In recent years, targeted underwriting actions have been taken by the Syndicate to improve stability of results and overall profitability; – this includes continuous performance monitoring and the non-renewal of consistently underperforming accounts. The directors have also focused on areas of expansion and opportunity, evident with the announcement during the year of the new Space insurance, UK Casualty Binders and expanded UK Cargo underwriting teams. We continue to operate our business within a structured control environment, ensuring ongoing compliance with all regulatory matters.

The interests of the employees working for the Ascot UK group

The directors strive to make Ascot an enjoyable and rewarding place to work, and periodically carry out employee surveys to ensure the level of staff engagement is on track with expectations. Employees are also encouraged to participate in the market-wide Lloyd's Culture Survey. Any areas of concern or issues highlighted are discussed at board level and appropriate action plans agreed. Furthermore, Ascot holds at least quarterly town hall meetings for all staff to discuss the Ascot group results, updates to Ascot's strategy, and opportunities and challenges that are being seen across the market. These regular meetings ensure Ascot staff are well informed and aligned to Ascot's core strategy, helping to keep standards and engagement at the expected level.

Although the pandemic restrictions were lifted by the UK Government during 2021, the well-being of our staff has continued to be paramount. The HR department has been proactive in ensuring all staff have access to mental well-being support, including a partnership with Campaign Against Living Miserably ('CALM') and the appointment of local Mental Health Champions in the UK who have received mental health first aid training. In recognition of Mental Health Awareness month, mental health awareness webinars were provided to all staff. A hybrid working policy has been introduced and implemented, designed to promote a positive work life balance, and increased flexibility has again been provided for staff to carry over untaken annual leave into 2022.

Ascot's commitment to maintaining an inclusive culture is enhanced by the formation of the Ascot Culture Council in 2021 to ensure that our employees help shape, reinforce and contribute to our culture. A series of roundtables were held in the year with all UK employees invited, with a focus on achieving wider input and feedback on Ascot culture and continuously shaping the Ascot culture strategy so it aligns with corporate objectives. Through the work supported by the Culture Council, Ascot is establishing an Employee Recognition and Mentorship Program in addition to establishing a Diversity Equality & Inclusion Advisory Council, as well as overseeing our charitable giving committees.

The need to foster the UK group's business relationships with suppliers, customers and others

Ascot strives to have a client-centric approach to business and is constantly reviewing how we engage with our customers to ensure we are able to transact as seamlessly and dynamically as possible. This includes reviewing the products on offer, the distribution channels used and ensuring the claims response time is among best in class within the London market, which is evidenced by our response times consistently being faster than the average for the market throughout 2021.

An initiative for Ascot through 2021 and beyond is fostering the "One Ascot" approach to business across the globe, whereby all staff members are encouraged to consider how we can better serve clients with our offerings available in other jurisdictions. Our internal digital strategy is focused on ensuring that all systems and processes are aligned to allow frictionless trade and reporting across regions giving our customers access to products that may have otherwise been difficult to service.

Section 172 Statement (continued)

The UK group has a robust accounts payable function that ensures suppliers are paid well within standard credit terms, with payments made weekly once invoices have been approved for settlement. Recent improvements to the underlying technology means that the approval process is automated, with staff able to approve invoices via mobile/email apps. This improved process means it is very rare for a legitimate invoice to be overdue for payment and ensures a good working relationship is maintained with our suppliers.

The impact of the UK group's operations on the community and the environment

Ascot has an active charity committee, which meets regularly to assess ongoing charitable partnerships, and other ways in which the UK group is able to support the local community. This has included continued support for staff raising money for charities close to them and donations to charities by service company AUHL on behalf of the UK group of companies. The directors continue to consider the impact the UK group has on the environment and this will become an increasing area of focus over time. Staff are encouraged to take advantage of the cycle to work scheme and to limit the amount of printing in the office; processes can be conducted entirely digitally whilst ensuring controls are operating effectively with the appropriate audit trail. Ascot successfully implemented a hybrid working policy for employees once lockdown restrictions were lifted by the UK Government and this has significantly reduced the footfall and emissions incurred by employees previously travelling daily to the office.

AUL continues to be the managing agent for Syndicate 1796; supporting the Global Health Risk Facility (GHRF) at Lloyd's providing insurance and risk mitigation services for the storage and transit of life-saving medical supplies, including temperature-sensitive Covid-19 vaccines. Ascot are proud to be part of this initiative, which is improving the supply chains of vital vaccines and medicines to some of the poorest countries in the world, where previously the biggest obstacle has been the safe transit and storage of said medicines.

The desirability of the UK group maintaining a reputation for high standards of business conduct

This is a core value of Ascot and every member of staff is expected to act with professionalism and integrity, which is reiterated within job descriptions, the staff handbook and the annual appraisal process. In order to ensure proper structures are in place to deliver these high standards of business conduct, the directors have put in place relevant committees and sub-committees that report to the Board for key areas of the business, including (but not limited to) Underwriting Management Committee, Risk Committee, Operations Committee, Executive Committee.

We have transparent communication and ongoing engagement with our key regulators facilitated through the compliance team and certain members of the executive team. Any significant regulatory matters are reported to the Board.

There is a clear policy in place for Whistleblowing ensuring employees are empowered to raise concerns in confidence and without fear of unfair treatment. The Risk Committee Chair, an Independent Non-Executive Director, is the Whistleblowing champion for the Company and the Risk Committee as a whole ensures that the processes in place are adequate; this includes the provision of an external whistleblowing hotline service.

The need to act fairly between members of Group

Ascot Group is privately owned by CPP Investments, with other minority investors being employees or former employees of Ascot. The Board of AUL includes CPP Investments appointed members who engage in all strategic and operational decisions.

Directors' report for the year ended 31 December 2021

The directors present their report and audited Company financial statements for the year ended 31 December 2021.

Future outlook

This has been discussed in the Strategic Report.

Results and performance

This has been discussed in the Strategic Report.

Dividends

During the year the Company received \$5,868,840 of dividends (2020: \$38,252,775) in total from UK subsidiaries consisting of £3,150,000 from AUL (2020: £nil), £23,171 from AECM (2020: \$3,371,859 and £6,736,000) and £1,000,000 from AUHL (2020: \$7,500,000 and £8,500,000). There are no proposed dividends by the Company post the date of this report.

Directors

The directors and officers who held office during the year and up to the date of this report are listed below.

A L Brooks
H R Jones-Bak
P Patel
K M Wilson

Company Secretary

E H Guyatt

Principal risks and uncertainties

This has been discussed in the Strategic Report.

Charitable Donations

No donations were made for charitable purposes during the year (2021: \$nil). No donations were made for political purposes during the year (2020: \$nil).

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' report for the year ended 31 December 2021 (continued)**Statement of directors' responsibilities (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to the auditors

So far as each person who was a director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors of the Company and the Company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors.

Streamlined Energy and Carbon Reporting

Ascot Group is committed to complying with relevant environmental legislation to improve transparency and auditability of emissions. As part of this commitment, this section of our Director's Report discloses our operational energy consumption and carbon footprint in line with the UK government's Streamlined Energy and Carbon Reporting (SECR) initiative. The data included in this section covers this financial year and the previous one (January to December; 2020 and 2021).

Methodology

The emissions included in this report are calculated following the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach. Emissions factors are sourced from the UK Government GHG Conversion Factors for Company Reporting. Ascot Group is not responsible for any transport; therefore, this report covers emissions across Scope 1 and Scope 2:

- a. **Scope 1** – Direct emissions from natural gas
- b. **Scope 2** – Indirect emissions from electricity

The operation of our offices at 20 Fenchurch Street represent our main sources of GHG emissions. In order to better reflect the environmental benefit of purchasing renewable energy and in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) guidelines, we report our emissions from electricity in two ways: 'market-based' and 'location-based' methods. Market-based emissions reflect the type of electricity purchased/ consumed, which may be different from the average national generation mix. For our offices at 20 Fenchurch Street for the reporting year we sourced 100% renewable electricity. The metrics that Ascot Group uses for normalising emissions for annual comparison is tCO₂e per £M of revenue and full-time employees (FTE)

UK annual energy and carbon

Due to the nature of our business, multiple reporting entities occupy the same office space and are jointly responsible for energy consumed. For SECR purposes, Ascot Group have estimated entity-specific UK energy consumption and GHG emissions based on the proportion of each entity's employee headcount within that space. The following tables summarise the entity-specific energy consumption and subsequent emissions.

As shown in Table 1 and 2, Ascot Group had a reduction in both total energy and emissions compared to the previous year. Energy consumption decreased by 16% in 2021 compared to 2020. Table 2 shows a 26% decrease in emissions (market-based) due to electricity supplied from Renewable Energy Guarantee of Origin (REGO) accredited source. The intensity ratio, included in Table 3, also showed a reduction when comparing 2020 and 2021.

Directors' report for the year ended 31 December 2021 (continued)

Table 1: Annual energy consumption

Energy	Unit	2021*	2020
Electricity	MWh	468	539
Gas	MWh	133	188
Total	MWh	601	727

*Energy data for September - December 2021 was estimated based on the energy consumption from the three months prior.

Table 2: Annual tCO₂e emissions

Greenhouse Gas (GHG) Emissions	Unit	2021	2020
Scope 1 – Direct	tCO ₂ e	24	35
Scope 2 (location based) – Indirect	tCO ₂ e	99	126
Scope 2 (market based) – Indirect*	tCO ₂ e	0	0
Total (Location)	tCO₂e	123	161
Total (Market)	tCO₂e	24	35

*Electricity supplied by Total Gas & Power; 100% renewable supplied from REGO accredited source.

Table 3: tCO₂e vs normalisation metric

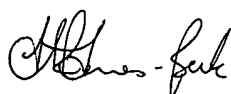
Intensity Ratio	Unit	2021	2020
Market-based	tCO ₂ e/£M	0.023	0.042
Market-based	tCO ₂ e/FTE	0.109	0.167
Location-based	tCO ₂ e/£M	0.119	0.194
Location-based	tCO ₂ e/FTE	0.552	0.774

Energy efficiency measures

In 2021, the building management team at 20 Fenchurch Street completed the following energy efficiency projects:

- High energy use system review and setpoint analysis completed. Boiler system has had Flow and Return and alarm setpoints reviewed and amended, automatic boiler staging is being monitored to ensure that it is meeting the building requirements during Core Hours and backing off the minimum Outside of Core Hours.
- Chiller system reviewed with specialist from JCI, working for most optimum performance for the whole Chiller and Condenser system. Condenser 'Range' and 'Approach' have been monitored, changes to the Cooling Tower condenser water return temperature will be adjusted to maximise performance and minimal energy use.
- Asset IQ, OOH power peaks identified, on site changes have been carried out, OOH Plant Extension periods recorded, details being issued for inclusion in the IQ reports.
- Cooling Towers operating under Variable Approach temperature control which has resulted in multiple towers reducing operating times and to meet the condenser water temperature.
- Energy Saving monthly meeting started up with Operations team and Client attendance to review energy options and reduction targets and scheduled prior to the Green Group quarterly meeting. Initial target to reduce OOH lighting controls as this is visibly during Winter months, along with main plant operations.

The directors' report and the section 172 statement were approved at a meeting of the Board of Directors and signed on its behalf by:



H R Jones-Bak
Director
14 March 2022

Independent auditor's report to the members of Ascot Underwriting Group Limited**Report on the audit of the financial statements****1. Opinion**

In our opinion the financial statements of Ascot Underwriting Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position ;
- the statement of changes in equity;
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion..

3. Summary of our audit approach.

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none"> • Investment in subsidiaries
Materiality	The materiality that we used in the current year was \$11.2m which was determined on the basis of 3% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included our assessment of the entity's:

- Financial results – we considered the company's and the company's subsidiaries' profitability, net asset position and cash flow in 2021 and the extent to which these supported management's going concern assessment
- Assumptions used in forecasts – we assessed assumptions used in forecasts, including forecast premiums written and claims, against our understanding of the business and the market in which the company and its subsidiaries operates.
- Accuracy of previous forecasts – we assessed the accuracy of historical forecasts via comparison to actuals

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)**4. Conclusions relating to going concern (continued)**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Investments in subsidiaries

Key audit matter description	<p>The company has investments in subsidiaries of \$507m as at 31 December 2021, stated at cost, and reviewed annually for impairment. These investments comprise investments in Ascot Underwriting Holdings Limited, Ascot Employees Corporate Member Limited, Ascot Corporate Name Limited, and Ascot Underwriting Limited and are highly material to the company as they account for 97% of total assets.</p> <p>An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. If there is no indication of impairment, it is not necessary to estimate the recoverable amount.</p> <p>Judgement is required by management to assess both whether the sources of information available to them shows indications of impairment, and also whether this assessment should be made at the individual asset level, or at a cash-generating unit level.</p> <p>This assessment is required to take into consideration a range of external and internal sources of information as required by FRS 102 Section 27. Management did not identify any impairment indicators as at 31 December 2021.</p> <p>As such, we considered this a key audit matter.</p> <p>Further details are included within the strategic report on pages 3 to 4 and note 10 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of relevant controls related to the assessment of impairment of the investment in subsidiaries balance.</p> <p>We obtained management's assessment of whether impairment indicators existed at the balance sheet date, and the details of the assets and cash generating units at which this assessment was made.</p> <p>We evaluated this assessment against the requirements of FRS 102, to assess whether management had considered all the required elements from the standard. We assessed whether the judgements made by management were justified and reasonable by considering these against the performance of the wider Ascot group and its position within the Lloyd's market.</p>
Key observations	<p>Based on the work performed we concluded that the valuation of investments in subsidiaries is appropriate.</p>

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

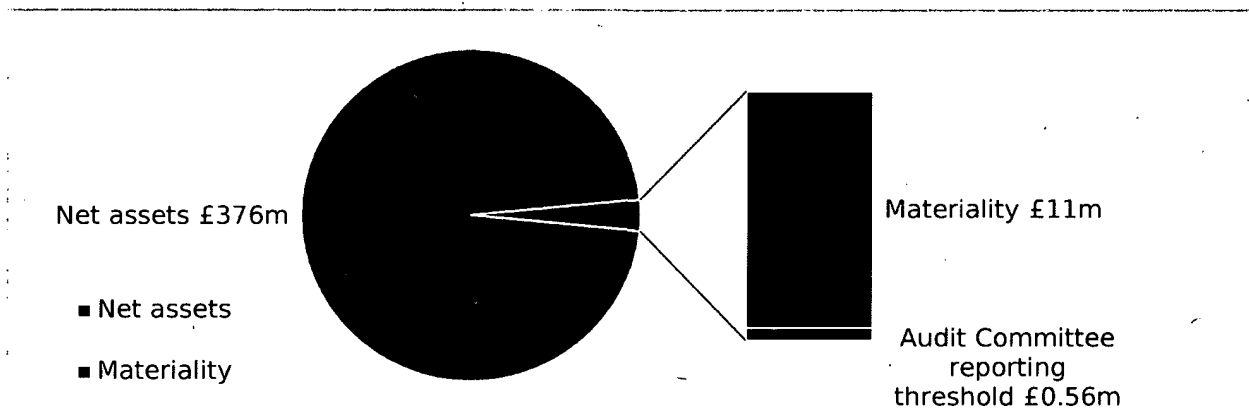
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	\$11.2m (2020: \$11.2m)
Basis for determining materiality	3% of net assets (2020: 2% of net assets)
Rationale for the benchmark applied	We determined materiality based on net assets. The company's ultimate parent Canada Pension Plan Investment Board (CPPIB) is a well-capitalised investor with a long investment horizon. We consider net assets to be of most concern to the key users (CPPIB) of Ascot Underwriting Group Limited's financial statements with respect to performance. We have chosen net assets as a benchmark as this is more reflective of performance by also showing the debt position of the holding company, which impacts valuation from CPPIB's perspective.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Company's overall control environment and the relatively low complexity of balances
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3 Error reporting threshold

We agreed with the Board of Directors that we would report to them all audit differences in excess of \$0.56m (2020: \$0.56m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)**7. An overview of the scope of our audit****7.1 Scoping**

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2 Our consideration of the control environment

The only key IT system relevant to the control environment is SunGL (general ledger system), and the related IT environmental and controls. We took an IT controls reliance approach and performed testing of key IT systems relevant to the audit. Work performed included testing of the joiners and leavers process, user access controls, change management controls and password controls. Our testing noted no significant deficiencies of IT controls, with all deficiencies identified being fully mitigated. As such, we were able to rely on these controls as part of our audit.

We planned to rely on controls with relation to expenses and payroll, cash and investments and the financial statement close process. We obtained an understanding of relevant controls for each of these areas, and took a triennial approach to operating effectiveness testing, performing operating effectiveness testing where required under this approach. We did not identify any deficiencies in these controls through our testing. As such, we were able to rely on these controls as part of our audit.

7.3 Our consideration of climate-related risks

We obtained management's action plan to embed their approach to managing climate-related financial risks within their organisation.

We have assessed and challenged management's assertions via a review of the nature of Ascot's business and their potential exposures to climate risk.

For the financial year ended 31 December 2021, management have assessed that there are no material climate related risks impacting upon the Ascot financial statements as at this year end. We concur with this conclusion and have assessed whether the climate change disclosures in the annual report were consistent with our understanding of the business and the financial statements.

7.4 Other Information

The other information comprises the information included in the annual, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

8. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)**9. Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

10. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

10.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006 and Corporation Tax Act 2010.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Lloyd's of London Acts and Byelaws and regulatory solvency requirements.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)**10.2 Audit response to risks identified**

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Lloyd's and the PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements**11. Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. Matters on which we are required to report by exception**12.1 Adequacy of explanations received and accounting records**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Adam Ely FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 March 2022

**Statement of Comprehensive Income
for the year ended 31 December 2021**

	Note	2021 \$'000	2020 \$'000
Turnover		—	—
Gross profit		—	—
Administrative expenses		(110)	154
Operating (loss)/ profit	3	<u>(110)</u>	<u>154</u>
Interest receivable and similar income	6	3	6
Income from shares in group undertakings	7	5,869	38,253
Interest payable and similar charges	8	(4,050)	(6,795)
Profit on ordinary activities before taxation		<u>1,712</u>	<u>31,618</u>
Tax on profit on ordinary activities	9	777	1,247
Profit for the financial year		<u>2,489</u>	<u>32,865</u>

All operations are continuing.

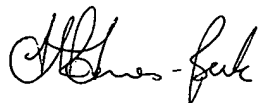
The notes on pages 20 to 26 form an integral part of these financial statements.

**Statement of Financial Position
as at 31 December 2021**

	Note	2021 \$'000	2020 \$'000
Investment in subsidiaries	10	506,727	506,727
Total fixed assets		506,727	506,727
Investments	11	16,105	14,250
Debtors	12	4	1,375
Cash at bank		101	90
Deferred tax asset	13	1,271	1,235
Total current assets		17,481	16,950
Creditors: amounts falling due within one year	14	(51)	(150,090)
Net current assets		17,430	(133,140)
Total assets less current liabilities		524,157	373,587
Creditors: amounts falling due after one year	15	(148,082)	—
Net assets		376,075	373,587
Called up share capital	16	306	306
Share Premium	16	355,685	355,685
Profit and loss account		20,084	17,596
Total Shareholders' funds		376,075	373,587

The notes on pages 20 to 26 form an integral part of these financial statements.

The financial statements on pages 17 to 26 were approved at a meeting of the Board of Directors and signed on its behalf by:



H R Jones-Bak
Director
14 March 2022



P Patel
Director
14 March 2022

**Statement of Changes in Equity
for the year ended 31 December 2021**

	Called-up Share Capital	Share Premium	Profit and Loss Account	Total
Note	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2020	306	355,685	(15,269)	340,722
Total comprehensive profit attributed to shareholders	—	—	32,865	32,865
Balances as at 31 December 2020	306	355,685	17,595	373,587
Balance as at 1 January 2021	306	355,685	17,595	373,586
Total comprehensive profit attributed to shareholders	—	—	2,489	2,489
Balances as at 31 December 2021	306	355,685	20,084	376,075

Notes to the financial statements for the year ended 31 December 2021**1. Statement of compliance**

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, which includes Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

2. Summary of significant accounting policies

Ascot Underwriting Group Limited acts primarily as a private holding company limited by its shares and is incorporated in the United Kingdom. The address of its registered office is 20 Fenchurch Street, London EC3M 3BY. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of presentation

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006, and reflect the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI2008/410'), the accounting policies as set out below, and in accordance with applicable accounting standards in the United Kingdom (FRS 102). In selecting appropriate accounting policies and the disclosures needed to help users to understand the accounting policies adopted and how they have been consistently applied, consideration has been given to the provision of FRS 102.

The Company's result is included within the consolidated financial statements of ABL. Consequently the Company has taken advantage of section 401(2) of the Companies Act 2006, which exempts an intermediate parent company that is a subsidiary of a parent not established under the law of an EEA State from the requirement to prepare consolidated financial statements if it is included in the consolidated financial statements of a larger group drawn in a manner equivalent to the consolidated financial statements produced in accordance with the provisions of the Seventh Directive. As such, the financial statements contain information about AUGL as an individual company and do not contain consolidated financial information.

Under FRS 102 paragraph 1.11 and 1.12 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent company Ascot Group Limited ("AGL") publishes consolidated financial statements which include the affairs of this company. The consolidated financial statements of Ascot group, within which this company's affairs are included are publicly available (see note 18).

Going Concern

In arriving at a determination of going concern, the directors consider a number of risks, taking into account the economic, regulatory and environmental considerations as referenced in the Strategic Report;

- a. **Group risk** – the risk that the activities of companies within the UK Group have an adverse impact on each other.
- b. **Liquidity risk** – the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost.
- c. **Operational risk** – the risk is the subsidiaries of the Company cannot trade due to the office infrastructure or people being unavailable.

The Company has concluded that it continues to be a going concern after taking into account the above risks, as it can evidence strong net asset position and ability to meet the financial obligations due for at least twelve months from the signing of the accounts.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Currently the only critical accounting judgement for AUGL is in relation to the assessment for impairment to the investments held in AUHL, AUL, AECM and ACNL. The Company has taken the view that these investments continue to pertain to the same cash generating unit ("CGU") as concluded by a 2020 third party assessment of investments in affiliates held, and as such consider impairment at the CGU level accordingly, rather than at the individual entity level. The Company is satisfied that this approach is in line with FRS 102 section 27 (Impairment of assets) due to the inter-dependence of each subsidiary on future group cashflows, forecasted profit and operational reliance within the UK group, including future potential growth strategies.

Notes to the financial statements for the year ended 31 December 2021 (continued)***Critical accounting judgements and estimation uncertainty (continued)***

For each reporting period, the Company considers whether the investment in subsidiaries is impaired. This requires consideration of numerous indicators of impairment from both internal and external sources, upon which the Company makes a judgement based on all known facts and future plans. Where an indication of impairment is identified the estimation of recoverable amount requires estimation of the recoverable value of the single CGU described above. This requires estimation of the future cash flows of the UK group and also selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

Key accounting policies***Dividends***

Income from shares in group undertakings represents dividend income received from subsidiary operations. Interim dividends are recognised when paid and final dividends are recognised as when they are approved by members passing a written resolution.

Expenditure

The Company retains expenses which are incurred directly in relation to the running of the Company, for example audit fees. Following the closure and distribution of the 2016 year of account, AECM distributed its remaining net assets to AUGL with the intent of being maintained as dormant by the Directors for 2022 onwards. AUGL, in its capacity as parent company to the subsidiary, is incurring the income and expenses on behalf of AECM for 2021 onwards.

Interest receivable and payable

Interest is recognised in the financial statements in the period to which it relates.

Taxation

Current and deferred income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on an undiscounted basis for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Current and deferred income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. Deferred income tax is recognised on an undiscounted basis for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Current and deferred income taxes are recognised as income or expense in statement of comprehensive income. The expense is charged or credited to operations based upon amounts payable or recoverable as a result of taxable operations for the current year. Where there are losses in the UK in any one year they can be carried back for one year or carried forward indefinitely to be offset against profits arising.

Investment in subsidiaries and other financial investments

Investments in subsidiary undertakings and other investments are stated at cost and are reviewed for impairment on an annual basis for any indicators that the carrying value should be impaired.

Foreign currencies

The Company's functional currency is US Dollars. All income and expenses denominated in foreign currencies during the period are translated into US Dollars at the average rates of exchange during the year. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the statement of financial position date. Exchange differences arising from these transactions are recorded as a gain or loss in the statement of comprehensive income.

Financial assets and liabilities

When financial assets and liabilities are payable or recoverable in more than one year, they are initially recognised at cost and subsequently re-measured at amortised cost using the effective interest rate method. The interest rate used is generally that as stated in the loan agreement (if applicable) or a standard market rate for a similar product. The unwinding of the associated discount is subsequently recognised in the Statement of Comprehensive Income. Financial assets and liabilities payable or receivable in less than one year are recognised at cost, and deemed to be at present value.

Notes to the financial statements for the year ended 31 December 2021 (continued)

2. Cash flow statement

The Company is consolidated into the financial statements of Ascot Group Limited ("AGL") (see note 18). Consequently, the Company has taken advantage of the exemption from preparing a statement of cash flows under the terms of FRS 102.1.11, 1.12 and 1.13 which state that a qualifying entity is entitled to do so.

3. Operating profit

Operating profit is stated after charging:

	2021 \$'000	2020 \$'000
Auditor's remuneration	37	45
Tax fees / (credit)	14	(2)
Foreign exchange loss/ (gain)	29	(258)

Auditor's remuneration relates purely to the audit of the statutory financial statements.

Following the closure and distribution of the 2016 year of account, AECM distributed its remaining net assets to AUGL with the intent of being maintained as dormant by the Directors for 2022 onwards. AUGL, in its capacity as parent company to the subsidiary, is incurring the income and expenses on behalf of AECM for 2021 onwards. During 2021, £14.2k net expenses of AECM were incurred by AUGL, consisting largely of tax and audit fees.

4. Staff costs

There are no employees. All staff are employed by other companies in the Ascot Group.

5. Directors' Remuneration

Aggregate directors' emoluments charged to the Company, or its subsidiaries, or paid for the benefit of the Company for the four remunerated directors are as follows:

	2021 \$'000	2020 \$'000
Directors' emoluments	1,054	682
Other pension costs	105	68
Other benefits	23	14
Bonus and LTIP awards	1,408	234
	<u>2,590</u>	<u>998</u>

The highest paid director for the year ended 31 December 2021 received \$1,153,910 of remuneration in the year (2020: \$463,483). During the year no directors exercised share options resulting in a gain of \$nil (2020: \$nil).

6. Interest receivable and similar income

Interest receivable relates to amounts earned from the Company's held money market accounts, accrued income and interest earned on cash held during the year.

7. Income from shares in group undertakings

During the year the Company received \$5,868,840 of dividends in total from UK subsidiaries AUL (£3,150,000), AUHL (£1,000,000) and AECM (£23,171).

Notes to the financial statements for the year ended 31 December 2021 (continued)

8. Interest payable and similar charges

	2021	2020
	\$'000	\$'000
Amounts accrued on interest bearing loans	5,968	6,483
Loan discounting	(1,918)	312
	<u>4,050</u>	<u>6,795</u>

For further detail on the loan discount please refer to note 15 - Creditors: amounts falling due after one year.

9. Tax on profit on ordinary activities

a) Analysis of charge in the year

The tax charge comprises:

	2021	2020
	\$'000	\$'000
Current Tax on profit on ordinary activities:		
UK Corporation tax	—	—
Adjustments in respect of prior years	741	1,285
Current tax on income for the year	<u>741</u>	<u>1,285</u>
Deferred taxation:		
Deferred tax – origination and reversal of timing differences	777	1,384
Valuation Allowance	—	(137)
Adjustments in respect of prior years	(741)	(1,285)
Tax Credit	<u>777</u>	<u>1,247</u>

b) Factors affecting tax charge for the year

The standard rate of Corporation Tax in the UK is 19.00% (2020: 19.00%). Accordingly, the Company's profits for this accounting period are taxed at a rate of 19.00% (2020: 19.00%). The current tax assessed for the year is lower (2020: lower) than the standard rate of Corporation Tax in the UK for 2021 of 19.00% (2020: 19.00%). The differences are explained below:

	2021	2020
	\$'000	\$'000
Profit on ordinary activities before taxation	1,712	31,618
Profit on ordinary activities before tax multiplied by the standard rate of UK corporation tax of 19.00% (2020: 19.00%)	(325)	(6,007)
Income/ (expenses) not deductible for tax purposes:		
Dividends	1,115	7,268
Legal and professional	(5)	(1)
Foreign exchange gain/ (loss) on capital transaction	(4)	(26)
Tax rate differences	—	150
Adjustments to tax charge in respect of prior years	—	—
Increase in valuation allowance	—	(137)
Tax credit for the period	<u>781</u>	<u>1,247</u>

Notes to the financial statements for the year ended 31 December 2021 (continued)

10. Investment in subsidiaries

The related undertakings of Ascot Underwriting Group Limited at 31 December 2021:

Subsidiary undertaking	Principal Activity	Registered Address	Class	Percentage
Ascot Underwriting Holdings Limited	Holding Company	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Employees Corporate Member Limited	Corporate Member of Lloyd's	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Corporate Name Limited	Corporate Member of Lloyd's	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Underwriting Limited	Managing Agent	20 Fenchurch Street, London, UK	Ordinary	100%

Indirect related undertakings as at 31 December 2021 were:

Subsidiary undertaking	Principal Activity	Registered Address	Class	Percentage
Ascot Insurance Services Limited	Service Company	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Underwriting Asia (Private Limited)	Service Company	Capita Green, 138 Market Street, Singapore	Ordinary	100%

Investment in subsidiary undertakings:

Cost	2021 \$'000	2020 \$'000
Ascot Corporate Name Limited	239,539	239,539
Ascot Employees Corporate Member Limited	10,840	10,840
Ascot Underwriting Holdings Limited	255,845	255,845
Ascot Underwriting Limited	503	503
At Year End	506,727	506,727

11. Investments

Included within the investments balance within current assets is \$16,105k of Invesco money market short term investments (2020: \$14,250k).

12. Debtors

	2021 \$'000	2020 \$'000
Amounts due from subsidiaries	4	1,373
Accrued Income	—	1
Other Debtors	—	1
	4	1,375

Amounts due from subsidiaries do not have any applicable terms and conditions applied and will be settled within one year.

Notes to the financial statements for the year ended 31 December 2021 (continued)

13. Deferred tax asset

Deferred tax is provided as follows:

	2021	2020
	\$'000	\$'000
At 1 January	1,235	1,273
Deferred tax credit to other comprehensive income	36	99
Less: valuation allowance	—	(137)
At 31 December	<u>1,271</u>	<u>1,235</u>

The closing deferred tax balance comprise:

	2021	2020
	\$'000	\$'000
Trading losses	<u>1,271</u>	<u>1,235</u>
	<u>1,271</u>	<u>1,235</u>

The calculation of the deferred tax assets and liabilities is based on corporation tax rates, as at the balance sheet date, for the financial years in which the timing difference is expected to reverse. The net deferred tax asset expected to reverse in 2022 is \$568k (2020: \$269k). A valuation allowance has been set up against the pre-2017 losses as they are not expected to be utilised in future years.

14. Creditors: amounts falling due within one year

	2021	2020
	\$'000	\$'000
Loan notes issued to immediate parent	—	150,000
Amounts due to subsidiaries	—	6
Accruals and deferred income	51	84
	<u>51</u>	<u>150,090</u>

The loan notes issued to immediate parent are no longer falling due after within one year (see note 15) as following the relisting of the loan notes on 18 November 2021, the final maturity date of the notes is 18 November 2026.

15. Creditors: amounts falling due after one year

	2021	2020
	\$'000	\$'000
Loan notes issued to immediate parent	(148,082)	—
	<u>(148,082)</u>	<u>—</u>

A resolution was passed by the board of AUGL on 17 November 2016 to create up to 200,000,000 loan notes with a value of \$1 per note. The loan notes were issued on 18 November 2016 and 150,000,000 were taken up by the Company's parent, Ascot Bermuda Limited ("ABL"). Interest on the notes accrues on a days basis of a 360-day year. In anticipation of maturation of the original loan facility, the Board passed a resolution on 17 June 2021 to relist the loan notes via inception of a new facility on 18th November 2021, for a further five years.

The issuer (AUGL) will pay interest on the principal amount of each note at a rate of 3.35% per annum, with any interest accrued but unsettled at the period end being added to the principal. The final maturity date of the notes is 18 November 2026 at which point AUGL shall either redeem the notes via a capital contribution with their parent company, or enter into a new loan agreement with ABL. The \$150m loan note instrument issued by AUGL is held by ABL is listed on the Bermuda Stock Exchange.

The balance of the financial liability at the end of the year has been measured at amortised cost using the effective interest rate method (loan rate of 3.35%); this has giving rise to a discount being credited to the statement of comprehensive income of \$1,917,517 (2020: expense of \$312,149).

Notes to the financial statements for the year ended 31 December 2021 (continued)

16. Share capital and other reserves

	2021	2020
	\$	\$
Authorised	305,992	305,992
Allotted and fully paid	305,992	305,992

The capital consists of 305,992,274 ordinary shares of \$0.001 each. The entire issued share capital of the Company is owned by ABL.

	2021	2021	2021	2020	2020	2020
	Share Capital	Share Premium	Retained Earnings	Share Capital	Share Premium	Retained Earnings
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	306	355,685	17,596	306	355,685	(15,269)
Gain for the period	—	—	2,489	—	—	32,865
Balance at 31 December	306	355,685	20,085	306	355,685	17,596

17. Related party transactions

The only related parties that have transacted with Ascot Underwriting Group Limited are companies within the Ascot group of companies.

The Company has taken advantage of exemptions under FRS 102 Section 33 to not disclose inter-group transactions as the Company is a wholly-owned subsidiary of ABL and AGL. Copies of the Ascot Group Limited consolidated financial statements can be obtained from the Company Secretary, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda.

Following the closure and distribution of the 2016 year of account, AECM distributed its remaining net assets to AUGL with the intent of being maintained as dormant by the Directors for 2022 onwards. AUGL, in its capacity as parent company to the subsidiary, is incurring the income and expenses on behalf of AECM for 2021 onwards. During 2021, £14.2k net expenses of AECM were incurred by AUGL, consisting largely of tax and audit fees.

At the statement of financial position date, outstanding amounts due to AUHL were \$nil (2020: \$5,724) in respect of expenses incurred on the Company's behalf. Outstanding amounts due to subsidiary AECM were \$135 (2020: \$nil). Amounts owed from Ascot Insurance Holdings Limited in respect of group relief was \$4,099 (2020: \$nil).

During the year the Company recharged tax losses of \$nil (2020: \$1,372,967) to ACNL. At the statement of financial position date, outstanding amounts due from ACNL were \$nil (2020: \$1,372,967).

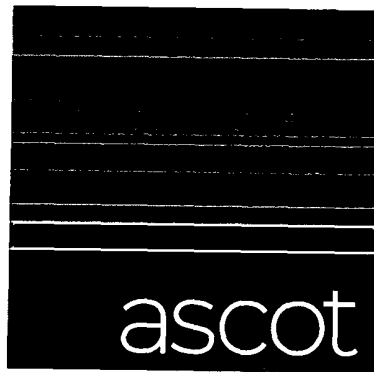
A resolution was passed by the board of AUGL on 17 November 2016 to create up to 200,000,000 loan notes with a value of \$1 per note. The loan notes were issued on 18 November 2016 and 150,000,000 were taken up by the Company's parent, ABL. In anticipation of maturation of the original loan facility, the Board passed a resolution on 17 June 2021 to re-list the loan notes via inception of a new facility on 18th November 2021, for a further five years. At the statement of financial position date, outstanding amounts payable in respect of the \$150m loan note were \$148,082,483, including accrued and outstanding interest.

Other than those mentioned above and in the relevant disclosure notes, there are no other material related party transactions during the year.

18. Ultimate controlling party

The Company's immediate parent undertaking is ABL. Copies of ABL financial statements can be obtained from the Company Secretary, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda.

The intermediate parent undertaking, largest and smallest group to consolidate these financial statements AGL. Copies of the AGL consolidated financial statements can be obtained from the registered company address from the Company Secretary, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda. The ultimate parent undertaking and controlling party is Canada Pension Plan Investment Board, incorporated in Canada with a registered address of: 1 Queen Street East, Suite 2500, Toronto ON M5C 2W5, Canada.



Ascot Group Limited

2021 Annual Report

Filed by Ascot Underwriting Group Limited (company number 10360031) to take advantage of the exemption under s401 of the Companies Act 2006.

Group Strategic Report for the year ended December 31, 2021

Principal activity and review of business

Ascot Group Limited ("AGL" or "the Company") was incorporated in Bermuda on September 8, 2016. AGL is the parent company of the Ascot group of companies ("the Group") and acts primarily as the holding company of Ascot Bermuda Limited ("Ascot Bermuda").

Ascot Bermuda was incorporated in Bermuda on September 8, 2016 and operates as a Class 3B insurance and reinsurance company regulated by the Bermuda Monetary Authority providing third party insurance and reinsurance and also quota share reinsurance to Syndicate 1414 ("the Syndicate") and Ascot Corporate Name Limited ("ACNL"). Ascot Bermuda is also the holding company of Ascot Underwriting Group Limited ("AUGL") and Ascot Insurance Holdings Limited ("AIHL").

AUGL operates as a holding company for a number of entities including ACNL, a UK based company providing underwriting capacity as the corporate member of Syndicate 1414 at Lloyd's.

AIHL operates as a holding company for Ethos Specialty Insurance Services LLC ("Ethos"), a managing general underwriter, as well as for Ascot Insurance Company ("AIC") and Ascot Specialty Insurance Company ("ASIC") which write admitted and non-admitted business in the United States. In 2021, AIC acquired AmFed National Insurance Company, a Mississippi workers' compensation insurance company, and Boston Indemnity Company, a U.S. Treasury-listed, insurance carrier, which was renamed to Ascot Surety & Casualty Company following the acquisition.

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

Results and Performance

For the year ended December 31, 2021, AGL reported a net loss after tax of \$29.7 million compared to net income of \$149.7 million for the year ended December 31, 2020. The year ended December 31, 2021 was impacted by catastrophe loss activity principally in the UK and Bermuda operations which was partially offset by the impact of growth in net premiums written. Additionally there were net unrealized and realized losses on the fixed maturity investment portfolio of \$67.4 million as a result of the rising interest rate environment.

Key Performance Indicators

The key performance indicators used by the Company are as follows:

	2021	2020
	(in thousands of U.S. dollars)	
Gross premiums written	2,836,195	1,818,862
Net premiums earned	1,576,094	1,024,381
Investment income	44,125	45,106
Operating income ¹	55,230	108,225
Combined ratio ²	97.4 %	92.9 %

¹ Operating income is defined as net income before tax excluding amortization of intangible assets, amortization of Value of Business Acquired ("VOBA"), net foreign exchange gains (losses) and net realized and unrealized gains (losses) on investments.

² The combined ratio is defined as net losses and loss adjustment expenses, acquisition costs (excluding amortization of VOBA) and general and administrative expenses (excluding expenses associated with letter of credit facilities and Ethos general and administrative expenses) divided by net premiums earned.

Future outlook

AGL has four underwriting platforms that give comprehensive access to key commercial specialty markets in Lloyd's, Bermuda and the U.S. allowing substantial flexibility in capital deployment. The Syndicate will continue to leverage its quality underwriting teams and resulting market reputation and brand to profit from improved market conditions. Bermuda is continuing its growth in casualty lines. AIC and ASIC commenced underwriting operations in the U.S. in 2019 and have begun to provide diversification to AGL through their casualty orientated lines of business. The U.S. operations have expanded their product offerings through acquisitions in 2021. Ethos continues to grow its premiums under management both through scaling existing programs and identifying new program opportunities.

Principal risks and uncertainties

The risks set out below are considered to be the principal risks for AGL. The risks of the Group are managed through the Risk Management Framework. Responsibility for the oversight of risk lies with the Executive Management of AGL and the various committees across the Group as part of the governance structure.

An overview of the key risks and some of the key controls designed to mitigate these risks are as follows:

Insurance risk - this is the risk arising from the uncertainty in the likelihood, magnitude and timing of insured losses. Management of insurance risk includes a peer review process, as well as detailed reporting to underwriting committees which includes aggregation management, review of profitability measures and Key Risk Indicators.

Credit risk - this risk represents the potential for loss of assets via the inability of a third party to pay amounts owing when they become due. The largest risk is the non-performance of the Group's reinsurers. This is managed by monitoring the security rating of reinsurers the Group is willing to trade with and includes the management of the concentration of credit risk, whether by counterparty, industry or rating. Other credit risks relate to investments. These risks are managed by maintaining holdings in investment grade securities.

Operational risk - this risk represents the potential loss from inadequate or failed internal processes, people and systems, or from external events. To counter the impact of this the Group maintains contingency plans e.g. disaster recovery sites and backup to mitigate the impact of this risk. In addition the Group has implemented controls in its defense against cyber risk.

Liquidity risk - this risk is that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Group is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modeled on a regular basis using actuarial techniques.

Group risk - this is the risk of one part of the corporate group causing damage to the other AGL entities via its actions. The damage may be caused by action taken that is directly targeted at the Company, or indirectly as a result of group activities in other entities.

Currency risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group principally maintains four separate currency funds: Sterling, Euros, United States dollars and Canadian dollars. The Group seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency, subject to regulatory funding requirements.

Market risk - this represents the potential loss in value or earnings arising from changes in the values at which assets and liabilities may be traded as a result of external market and economic factors. The Group manages this risk by setting investment guidelines and monitoring performance.

In light of the global pandemic, referred to as Covid-19 (Coronavirus disease, "Covid-19", is an infectious disease caused by a coronavirus and declared a global pandemic by the World Health Organisation "WHO" in 2020), the Company has considered whether there are any additional risks or uncertainties, other than those considered above that would be relevant to the Group's business as a result of the far reaching impact of Covid-19. No additional risks or uncertainties have been determined that would have a material impact to the Company. The Company has also considered whether any new mitigating controls are required as a result of this event and there are none.

Dividends

The Company did not pay or receive any dividends during the years ended December 31, 2021 and 2020.

Directors

The directors of AGL who held office during the year ended December 31, 2021 and up to March 23, 2022, the date of issuance of these financial statements are below:

Neill Currie (Chairman)	Appointed June 21, 2017
Samuel Blaichman	Appointed May 26, 2021
Andrew Brooks	Appointed April 4, 2017
Katherine Chung	Appointed December 5, 2017
Sir Richard Dearlove	Appointed September 1, 2017
Thomas Kalvik	Appointed November 15, 2016
Joseph Roberts	Appointed October 2, 2017
Susan Sutherland	Appointed August 17, 2017
Murray Wallace	Appointed December 5, 2017
Nicolas McKee	Resigned April 30, 2021

In addition, the following alternate directors have been appointed:

Joseph Roberts	Alternate director for Sir Richard Dearlove, Neill Currie, Thomas Kalvik, Susan Sutherland and Murray Wallace	Appointed September 24, 2020
Michael Grayston	Alternate director for Andrew Brooks and Katherine Chung	Appointed September 25, 2020

Charitable donations

During the year ended December 31, 2021, the Group made donations for charitable purposes of \$317,105 (\$224,738 for the year ended December 31, 2020). No donations were made for political purposes.

Independent Auditors

Deloitte Ltd. have been appointed independent auditors for the attached financial statements.



Ascot Group Limited

Consolidated Audited Financial Statements

December 31, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Ascot Group Limited

Opinion

We have audited the accompanying consolidated financial statements of Ascot Group Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations, changes in shareholders' equity and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibilities for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more. Deloitte Ltd. is an affiliate of DCB Holding Ltd., a member firm of Deloitte Touche Tohmatsu Limited.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

March 23, 2022

ASCOT GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
	(in thousands U.S dollars)	
ASSETS		
Fixed maturities, at fair value (amortized cost: 2021 - \$2,916,792; 2020 - \$2,284,390)	\$ 2,903,702	\$ 2,340,602
Other investments, at fair value	127,084	69,191
Short term investments, at cost and fair value	98,446	54,204
Total investments	3,129,232	2,463,997
Cash and cash equivalents	478,767	537,959
Accrued investment income	12,101	10,982
Premiums receivable	915,289	556,801
Deferred tax assets	23,540	20,267
Prepaid reinsurance premiums	348,317	197,334
Reinsurance recoverable on paid losses	35,115	33,663
Reinsurance recoverable on unpaid losses	760,565	336,751
Deferred acquisition costs	247,917	153,840
Goodwill	69,551	69,551
Intangible assets	172,431	170,457
Other assets	71,843	74,804
TOTAL ASSETS	6,264,668	4,626,406
LIABILITIES		
Reserve for loss and loss adjustment expenses	2,219,296	1,270,139
Unearned premiums	1,449,317	885,486
Insurance and reinsurance balances payable	251,282	142,983
Deferred tax liabilities	58,663	47,484
Payable for securities purchased	—	16,000
Debt	395,160	394,597
Other liabilities	178,474	122,526
TOTAL LIABILITIES	4,552,192	2,879,215
SHAREHOLDERS' EQUITY		
Common shares	276	297
Additional paid-in capital	1,970,636	1,975,449
Treasury shares	(250,000)	(250,000)
Accumulated other comprehensive income	4,420	4,611
Retained (deficit) earnings	(12,856)	16,834
TOTAL SHAREHOLDERS' EQUITY	1,712,476	1,747,191
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 6,264,668	\$ 4,626,406

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
	(in thousands U.S. dollars)	
REVENUES		
Gross premiums written	\$ 2,836,195	\$ 1,818,862
Reinsurance premiums ceded	(854,608)	(519,048)
Net premiums written	1,981,587	1,299,814
Earned premiums	2,282,796	1,432,238
Earned premiums ceded	(706,702)	(407,857)
Net premiums earned	1,576,094	1,024,381
Net investment income	44,125	45,106
Net realized and unrealized (losses) gains on investments	(67,355)	43,941
Other income	28,401	21,562
TOTAL REVENUES	1,581,265	1,134,990
LOSSES AND EXPENSES		
Net incurred losses and loss adjustment expenses	980,042	550,782
Acquisition costs	323,907	221,791
General and administrative expenses	271,878	209,601
Interest expense	17,563	708
Amortization of intangible assets	6,609	6,467
Net foreign exchange losses (gains)	5,714	(9,679)
TOTAL LOSSES AND EXPENSES	1,605,713	979,670
(LOSS) INCOME BEFORE TAXES	(24,448)	155,320
Income tax expense	(5,242)	(5,617)
NET (LOSS) INCOME	\$ (29,690)	\$ 149,703
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	(191)	(197)
Total other comprehensive income (loss), net of tax	(191)	(197)
COMPREHENSIVE (LOSS) INCOME	\$ (29,881)	\$ 149,506

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
	(in thousands U.S. dollars)	
COMMON SHARES		
Balance at beginning of year	\$ 297	\$ 297
Common shares repurchased	(21)	—
Balance at end of year	276	297
ADDITIONAL PAID IN CAPITAL		
Balance at beginning of year	1,975,449	1,968,276
Common shares issued	750	—
Common shares repurchased	(18,564)	—
Treasury shares reissued	—	(2,421)
Share based compensation	13,001	9,594
Balance at end of year	1,970,636	1,975,449
TREASURY SHARES		
Balance at beginning of year	(250,000)	(250,045)
Treasury shares reissued	—	2,421
Shares repurchased	—	(2,376)
Balance at end of year	(250,000)	(250,000)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of year	4,611	4,808
Foreign currency translation adjustment	(191)	(197)
Balance at end of year	4,420	4,611
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	16,834	(132,869)
Net (loss) income	(29,690)	149,703
Balance at end of year	(12,856)	16,834
TOTAL SHAREHOLDERS' EQUITY	\$ 1,712,476	\$ 1,747,191

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASHFLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
	(in thousands U.S. dollars)	
CASHFLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (29,690)	\$ 149,703
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized and unrealized losses (gains) on investments	67,355	(43,941)
Amortization of fixed maturities	11,030	3,097
Amortization of intangible assets	6,609	6,467
Depreciation of fixed assets	4,461	3,567
Share-based compensation expense	13,001	9,594
Changes in:		
Accrued investment income	(772)	(669)
Premiums receivable	(350,248)	(215,095)
Reinsurance recoverables	(389,310)	34,221
Deferred acquisition costs	(94,077)	(59,232)
Prepaid reinsurance premiums	(147,904)	(111,423)
Reserve for loss and loss adjustment expenses	890,589	187,641
Unearned premiums	553,396	386,626
Insurance and reinsurance balances payable	106,580	60,594
Other items, net	64,954	50,036
Net cash provided by operating activities	705,974	461,186
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed maturities	(1,375,110)	(1,177,923)
Proceeds from sale of fixed maturities	380,009	348,567
Proceeds from maturities and redemptions of fixed maturities	405,514	285,411
Purchases of short term investments	(89,378)	(4,914)
Proceeds from sale and maturities of short term investments	46,715	59,979
Purchases of other investments	(67,957)	(16,000)
Acquisition of subsidiary, net of cash acquired	(45,011)	—
Net cash used in investing activities	(745,218)	(504,880)
CASHFLOW FROM FINANCING ACTIVITIES		
Net issuance and repurchase of common shares	(17,835)	(2,291)
Issuance of debt, net of expenses	—	394,597
Net cash (used in) provided by financing activities	(17,835)	392,306
Effect of exchange rate changes on foreign currency cash and cash equivalents	(2,113)	5,351
(Decrease) increase in cash and cash equivalents	(59,192)	353,963
Cash and cash equivalents - beginning of year	537,959	183,996
Cash and cash equivalents - end of year	\$ 478,767	\$ 537,959
Supplemental disclosures of cash flow information:		
Income taxes (refund) paid	(5,040)	4,095
Interest paid	17,000	—

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of U.S. dollars, except share data)

1. History and principal operations

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

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

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

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

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

2. Significant accounting policies

Basis of Presentation and Consolidation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the results of operations and the financial position of AGL and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the consolidated financial statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include:

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

ASCOT GROUP LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of U.S. dollars, except share data)

Significant accounting policies are as follows:

Investments and investment income

Fixed maturity securities

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

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

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

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

Other investments

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

Short term investments

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

Equity method investments

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

Net investment income

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

ASCOT GROUP LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of U.S. dollars, except share data)

Cash and Cash Equivalents

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

Premiums

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

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

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

Acquisition costs

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

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

Losses and loss adjustment expenses

Reserve for losses and loss expenses represents an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for insured and reinsured events that have occurred at or before the balance sheet date. The balance reflects both claims that have been reported ("case reserves") and claims that have been incurred but not yet reported ("IBNR"). These amounts are reduced for estimated amounts of salvage and subrogation recoveries.

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

ASCOT GROUP LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of U.S. dollars, except share data)

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

Reinsurance

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

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

Reinsurance recoverable is presented net of a provision for uncollectible amounts, reflecting the amount the Company believes will ultimately not be recovered due to reinsurer insolvency, contractual disputes and/or some other reason.

The estimates of reinsurance recoverable and the associated provision require management's judgment. Any adjustments to amounts recognized in prior periods are reported in net losses and loss expenses in the consolidated statements of income for the period when the adjustments were identified.

Foreign exchange

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

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

Share based compensation

The Company has granted restricted stock awards, restricted stock units and performance stock options to certain employees. The compensation expense for these awards is recognized in the financial statements over the requisite service period based on their grant date fair values. The Company has elected to recognize forfeitures as they occur rather than estimating service-based forfeitures over the requisite service period.

Treasury shares

Common shares repurchased by the Company and not subsequently cancelled are classified as treasury shares and are recorded at cost. This results in a reduction of shareholders' equity in the consolidated balance sheets. The Company uses the average cost method to determine the cost of shares reissued from treasury.

Goodwill and other intangible assets

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

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goodwill, generally consist of distribution channels, syndicate capacity, value of business acquired ("VOBA") and insurance licenses.

The Company assesses goodwill and indefinite life intangible assets for potential impairment during the fourth quarter each year. Such events or circumstances may include an economic downturn in a geographic market or a change in the assessment of future operations.

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

Income taxes

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

Other income

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

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

Recently issued accounting standards not yet adopted

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous guidance. The effective date of ASU 2016-02 has been delayed by the issuance of ASU 2020-05 and is now effective for non-public companies for annual periods beginning after December 15, 2021. Early application is permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of income and comprehensive income and balance sheet.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 modifies the recognition of credit losses by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires

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consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is applicable to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Company's invested assets are measured at fair value through net income, and therefore those invested assets would not be impacted by the adoption of ASU 2016-13. The Company has other financial assets, such as reinsurance recoverables, that could be impacted by the adoption of ASU 2016-13. The effective date of ASU 2016-13 has been delayed by the issuance of ASU 2019-10 and is now effective for non-public companies for annual periods beginning after December 15, 2022. The Company is currently evaluating the impact of this guidance.

3. Investments

The amortized cost, gross unrealized gains and losses and fair value of fixed maturity investments as of December 31, 2021 are as follows:

	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
U.S. government and government agency securities	\$ 115,968	\$ 446	\$ (806)	\$ 115,608
Non-U.S. government and government agency securities	183,868	676	(1,630)	182,914
Municipal securities	208,807	3,030	(1,857)	209,980
Corporate securities	1,588,691	12,799	(20,285)	1,581,205
Asset-backed securities	380,282	1,583	(1,742)	380,123
Mortgage-backed securities	37,928	769	(93)	38,604
Residential mortgage-backed securities	401,248	1,737	(7,717)	395,268
Total fixed maturity securities	2,916,792	21,040	(34,130)	2,903,702
Short term investments	98,446	—	—	98,446
	<u>\$3,015,238</u>	<u>\$ 21,040</u>	<u>\$ (34,130)</u>	<u>\$ 3,002,148</u>

The amortized cost, gross unrealized gains and losses and fair value of fixed maturity investments as of December 31, 2020 are as follows:

	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
U.S. government and government agency securities	\$ 150,188	\$ 2,647	\$ (5)	\$ 152,830
Non-U.S. government and government agency securities	99,681	2,256	(47)	101,890
Municipal securities	146,130	5,779	(4)	151,905
Corporate securities	1,277,116	37,108	(352)	1,313,872
Asset-backed securities	219,445	3,495	(871)	222,069
Mortgage-backed securities	22,263	1,139	(253)	23,149
Residential mortgage-backed securities	369,567	5,431	(111)	374,887
Total fixed maturity securities	2,284,390	57,855	(1,643)	2,340,602
Short term investments	54,204	—	—	54,204
	<u>\$2,338,594</u>	<u>\$ 57,855</u>	<u>\$ (1,643)</u>	<u>\$ 2,394,806</u>

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

	December 31, 2021	
	Amortized cost	Fair value
Due in one year or less	\$ 200,010	\$ 201,289
Due after one year through five years	1,389,877	1,385,924
Due after five years through ten years	435,679	432,089
Due after ten years	71,768	70,405
Asset-backed securities	380,282	380,123
Mortgage-backed securities	37,928	38,604
Residential mortgage-backed securities	401,248	395,268
Total fixed maturity securities	\$ 2,916,792	\$ 2,903,702

Realized and unrealized investment gains (losses)

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

	December 31, 2021		
	Realized gains	Realized losses	Net realized gains (losses)
Fixed maturity securities	\$ 3,803	\$ (1,108)	\$ 2,695
Short term investments	—	(706)	(706)
	3,803	(1,814)	1,989
Net unrealized losses			(69,344)
			<u>\$ (67,355)</u>

	December 31, 2020		
	Realized gains	Realized losses	Net realized gains (losses)
Fixed maturity securities	\$ 7,261	\$ (115)	\$ 7,146
Short term investments	323	—	323
	7,584	(115)	7,469
Net unrealized gains			36,472
			<u>\$ 43,941</u>

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Net Investment Income

Net investment income for the years ended December 31, 2021 and 2020 was derived from the following sources:

	2021	2020
Fixed maturity securities	\$ 43,107	\$ 42,392
Other investments	2,377	2,163
Short term investments	935	1,490
Cash and cash equivalents	626	1,046
Total gross investment income	47,045	47,091
Investment expenses	(2,920)	(1,985)
Net investment income	\$ 44,125	\$ 45,106

Restricted cash and investments

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

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

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The restricted cash and investments held on the Company's consolidated balance sheet as of December 31, 2021 and 2020 were as follows:

December 31, 2021				
	Cash and cash equiv.	Short term investments	Fixed maturities	Other investments
Deposited at Lloyd's for FAL	\$ 488	\$ —	\$ 398,933	\$ 72,225
Other Lloyd's and overseas regulatory requirements	24,002	55,255	540,977	—
Deposits for U.S insurance regulators	1,711	—	18,061	—
Collateral pledged for letters of credit	3,079	—	138,055	—
Collateral pledged for insurance and reinsurance transactions	5,995	—	166,552	—
Fiduciary cash	47,837	—	—	—
	<u>\$ 83,112</u>	<u>\$ 55,255</u>	<u>\$ 1,262,578</u>	<u>\$ 72,225</u>

December 31, 2020				
	Cash and cash equiv.	Short term investments	Fixed maturities	Other investments
Deposited at Lloyd's for FAL	\$ 24,206	\$ —	\$ 392,004	\$ 69,191
Other Lloyd's and overseas regulatory requirements	22,484	46,983	554,185	—
Deposits for U.S insurance regulators	309	—	5,781	—
Collateral pledged for letters of credit	168	—	43,183	—
Collateral pledged for insurance and reinsurance transactions	3,014	—	26,233	—
Fiduciary cash	29,092	—	—	—
	<u>\$ 79,273</u>	<u>\$ 46,983</u>	<u>\$ 1,021,386</u>	<u>\$ 69,191</u>

4. Fair value measurement

Fair value hierarchy

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

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Company's own judgments about assumptions that market participants might use.

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

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

Valuation techniques

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

Fixed maturities

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

U.S. government and government agency securities

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

Non-U.S. government and government agency securities

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

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Municipal securities

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

Corporate securities

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

Asset-backed securities ("ABS")

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

Mortgage-backed and residential mortgage-backed securities

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

Short-Term Investments

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

Other Investments

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

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The tables below present the financial instruments measured at fair value on a recurring basis at December 31, 2021 and 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair value based on NAV practical expedient	Total
2021					
U.S. government and government agency securities	\$ 96,202	\$ 19,406	\$ —	\$ —	\$ 115,608
Non-U.S. government and government agency securities	—	182,914	—	—	182,914
Municipal securities	—	209,980	—	—	209,980
Corporate securities	—	1,566,771	14,434	—	1,581,205
Asset-backed securities	—	380,123	—	—	380,123
Mortgage-backed securities	—	38,604	—	—	38,604
Residential mortgage-backed securities	—	395,268	—	—	395,268
Total fixed maturity securities	96,202	2,793,066	14,434	—	2,903,702
Short term investments	30,000	68,446	—	—	98,446
Other investments	—	—	5,770	121,314	127,084
	<u>\$ 126,202</u>	<u>\$ 2,861,512</u>	<u>\$ 20,204</u>	<u>\$ 121,314</u>	<u>\$ 3,129,232</u>

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair value based on NAV practical expedient	Total
2020					
U.S. government and government agency securities	\$ 134,925	\$ 17,905	\$ —	\$ —	\$ 152,830
Non-U.S. government and government agency securities	—	101,890	—	—	101,890
Municipal securities	—	151,905	—	—	151,905
Corporate securities	—	1,298,763	15,109	—	1,313,872
Asset-backed securities	—	222,069	—	—	222,069
Mortgage-backed securities	—	23,149	—	—	23,149
Residential mortgage-backed securities	—	374,887	—	—	374,887
Total fixed maturity securities	134,925	2,190,568	15,109	—	2,340,602
Short term investments	—	54,204	—	—	54,204
Other investments	—	—	—	69,191	69,191
	<u>\$ 134,925</u>	<u>\$ 2,244,772</u>	<u>\$ 15,109</u>	<u>\$ 69,191</u>	<u>\$ 2,463,997</u>

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

	2021	2020
Balance beginning at January 1	\$ 15,109	\$ —
Purchases	7,000	—
Transfers in (out)	—	14,991
Unrealized gains (losses)		
- Included in Net investment income	(1,230)	—
- Included in Net realized and unrealized gains (losses) on investments	(559)	116
Foreign exchange gains (losses)	(116)	2
Ending balance at December 31	<u>\$ 20,204</u>	<u>\$ 15,109</u>

Measuring fair value using Net Asset Valuations

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

December 31, 2021	Fair value	Unfunded Commitments	Redemption Frequency
Senior secured credit funds	\$ 104,348	\$ —	See below
Hedge funds	10,009	—	See below
Private debt funds	6,957	8,069	See below
	<u>\$ 121,314</u>	<u>\$ 8,069</u>	

Senior secured credit funds

At December 31, 2021, the Company had \$104,348 principally invested in senior secured credit funds. The Company can redeem its investments in senior secured credit funds on a monthly basis.

Hedge funds

At December 31, 2021, the Company had \$10,009 of investments in hedge funds that are primarily focused on U.S. public and private equity opportunities which are generally redeemable at the option of the shareholder.

Private debt funds

At December 31, 2021, the Company had \$6,957 invested in closed end funds which invest primarily in loans. The Company has no right to redeem its investment in these funds. It is estimated that the majority of the underlying assets in these closed end funds will liquidate after 4-8 years from inception of the applicable fund.

Financial instruments disclosed, but not carried, at fair value

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

The carrying values of cash and cash equivalents and accrued investment income approximated their fair values at December 31, 2021 and 2020, due to their respective short maturities. As these financial instruments are not actively traded, their fair values are classified as Level 2.

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Debt

Included on the Company's consolidated balance sheet at December 31, 2021 and 2020 were debt obligations of \$400,000, net of unamortized debt issuance expenses of \$4,840 (2020 - \$5,403). As at December 31, 2021 the fair value of the Company's debt obligations was \$411,000 (2020 - \$400,000).

5. Business combinations

On October 31, 2021, AIC acquired AmFed National Insurance Company and its wholly owned subsidiaries (together "AmFed"). AmFed, based in Ridgeland, Mississippi, is a Mississippi based workers' compensation insurance company with additional licenses in 15 Southeastern and Midwestern states. The purchase price was \$51,525.

The fair value of the assets acquired and liabilities assumed and the allocation of the purchase price on the acquisition date are summarized in the following table:

Total purchase price	\$ 51,525
Assets	
Investments	53,617
Cash and cash equivalents	13,432
Premium receivable	8,224
Reinsurance recoverables on unpaid losses	34,315
Indefinite lived intangible assets - U.S. licenses	3,200
Definite life intangible assets	2,722
Other assets acquired	11,654
Total assets acquired	127,164
Liabilities	
Reserve for loss and loss adjustment expenses	58,063
Unearned premiums	10,332
Other liabilities assumed	7,244
Total liabilities assumed	\$ 75,639

The purchase price was allocated to the assets acquired and liabilities assumed based on estimated fair values at the acquisition date and no goodwill was recognized.

On October 4, 2021, AIC acquired Boston Indemnity Company, a U.S. Treasury-listed insurance carrier licensed in 46 states and the District of Columbia. Subsequent to the acquisition, the Company's name was changed to Ascot Surety & Casualty Company ("ASC"). The purchase price paid was \$11,349 and the transaction was accounted for as an asset acquisition.

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6. Goodwill and intangible assets

Goodwill and intangible assets as of December 31, 2021 and 2020 are as follows:

	Goodwill		Intangible assets		Goodwill & Intangible assets
	Gross	Gross	Amortization	Total	Total
Balances as of December 31, 2019	\$ 69,551	\$ 238,218	\$ (61,294)	\$ 176,924	\$ 246,475
Acquired during year	—	—	—	—	—
Amortization	—	—	(6,467)	(6,467)	(6,467)
Balance as of December 31, 2020	69,551	238,218	(67,761)	170,457	240,008
Acquired during year	—	8,583	—	8,583	8,583
Amortization	—	—	(6,609)	(6,609)	(6,609)
Balance as of December 31, 2021	\$ 69,551	\$ 246,801	\$ (74,370)	\$ 172,431	\$ 241,982

The gross carrying value and accumulated amortization by major category of intangible assets as of December 31, 2021 is shown below:

	Gross carrying value	Accumulated amortization	Total
Lloyd's Syndicate capacity	\$ 94,000	\$ —	\$ 94,000
U.S. licenses	15,254	—	15,254
Indefinite life	109,254	—	109,254
Customer relationships and distribution network	95,702	(33,468)	62,234
VOBA	41,845	(40,902)	943
Definite life	137,547	(74,370)	63,177
Total intangible assets	\$ 246,801	\$ (74,370)	\$ 172,431

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The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2020 is shown below:

	Gross carrying value	Accumulated amortization	Total
Lloyd's Syndicate capacity	\$ 94,000	\$ —	\$ 94,000
U.S. licenses	8,402	—	8,402
Indefinite life	102,402	—	102,402
Customer relationships and distribution network	95,000	(26,945)	68,055
VOBA	40,816	(40,816)	—
Definite life	135,816	(67,761)	68,055
Total intangible assets	\$ 238,218	\$ (67,761)	\$ 170,457

The remaining useful life of intangible assets with finite lives ranges from 2 to 10 years with a weighted average remaining amortization period of 9.4 years. Expected amortization of the intangible assets is shown below:

	Other intangible assets
2022	\$ 7,110
2023	7,050
2024	6,621
2025	6,621
2026 and thereafter	35,775
Total remaining amortization expense - definite life	63,177
Indefinite life	109,254
Total	\$ 172,431

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

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

The business combinations and asset acquisitions which occurred during the year ended December 31, 2021 are described in Note 5, Business combinations.

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

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7. Reserves for loss and loss adjustment expenses

Reserving Methodology

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

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

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

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

Case reserves

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

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

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

IBNR reserves

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

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

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Attritional losses

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

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

- Expected Loss Ratio Method. The Expected Loss Ratio method multiplies premiums by an expected loss ratio to produce ultimate loss estimates for an underwriting year. Expected loss ratios are generally based on an analysis of historical loss experience to date, industry data or pricing information. This method is insensitive to actual incurred losses for the accident year or underwriting year in question and is, therefore, often useful in the early stages of development when very few losses have been incurred.
- Loss Development Method. This method assumes that the losses incurred/paid for each underwriting year at a particular development stage follow a relatively similar pattern. It assumes that on average, every accident or underwriting year will display the same percentage of ultimate losses incurred/paid at the same point in time after the inception of that year. The percentages incurred/paid are established through analyzing the historical loss development data and/or external benchmark information.
- Bornhuetter-Ferguson Method. These methods are a weighted average of the Expected Loss Ratio and the Loss Development Method. The weighting between the two methods depends on the maturity of the business. This means that for the more recent years a greater weight is placed on the Expected Loss Ratio Method, while for the more mature years a greater weight is placed on the Loss Development Method. These methods avoid some of the distortions that could result from a large development factor being applied to a small base of paid or reported losses to calculate ultimate losses.

Known catastrophe events

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

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

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

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

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

IBNR reserves have also been established for exposure to claims associated with the Covid-19 pandemic which have not yet been reported to the Company. Similar to the loss reserves estimated for other known catastrophe events, the loss reserves are estimated by management in collaboration with actuaries, claim handlers and underwriters. The judgment required in determining these reserves is increased due to the uncertainty associated with the potential extent and duration of the pandemic. The analysis is based on several sources of information including:

- the nature and duration of the pandemic;
- the response of government bodies including legislative, regulatory or judicial actions and social influences that could alter the interpretation of the Company's contracts;
- the coverage provided under the Company's contracts;
- the coverage provided by the Company's ceded reinsurance; and
- the evaluation of the loss and impact of loss mitigation actions.

The Company continues to monitor the appropriateness of its assumptions as new information comes to light and adjustments are made to the estimate of ultimate losses related to the Covid-19 pandemic if there are developments that are different from previous expectations. Adjustments are recorded in the period in which they are identified.

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

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Reserve Roll-Forward

The following table presents a reconciliation of the beginning and ending gross reserve for losses and loss expenses and net reserve for losses and loss expenses for the years ended December 31, 2021 and 2020:

	2021	2020
Gross reserves for losses and loss adjustment expenses, beginning of year	\$ 1,270,139	\$ 1,082,498
Less: reinsurance recoverable balances, beginning of year	336,751	384,244
Net reserves for losses and loss adjustment expenses, beginning of year	933,388	698,254
Increase in reserve for net losses and loss adjustment expense from acquisitions	23,748	—
Increase in net losses and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	923,707	491,780
Prior years	56,335	59,002
Total incurred losses and loss adjustment expenses	980,042	550,782
Less: net losses and loss adjustment expenses paid in respect of losses occurring in:		
Current year	151,873	84,847
Prior years	321,597	236,120
Total net paid losses	473,470	320,967
Net foreign currency on loss and loss adjustment expenses	(4,977)	5,319
Net reserve for losses and loss adjustment expenses, end of year	1,458,731	933,388
Plus reinsurance recoverable balances, end of year	760,565	336,751
Gross reserve for losses and loss adjustment expenses, end of year	<u>\$ 2,219,296</u>	<u>\$ 1,270,139</u>

For the year ended December 31, 2021, the Company recorded net unfavorable prior years reserve development primarily related to 2020 accident year catastrophe events, principally Hurricane Laura, and 2011 accident year catastrophe events, principally the earthquake in Christchurch, New Zealand.

For the year ended December 31, 2020, the Company recorded net unfavorable prior years reserve development primarily related to 2018 accident year wildfire catastrophe events.

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Net incurred and paid claims development tables by accident year

The following information presents the incurred and paid claims information as of December 31, 2021, net of reinsurance, as well as cumulative claim frequency and total IBNR reserves by accident year. The information about incurred and paid claims development presented for the years ended December 31, 2012 to December 31, 2020 is presented as supplementary information.

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

Consolidated

Incurred claims and allocated loss adjustment expenses, net of reinsurance

Accident Year	Unaudited										As of December 31, 2021	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR	Cum. No. of Reported Claims
2012	207,764	249,980	237,500	233,377	235,334	227,965	223,196	218,585	217,115	219,263	(302)	10,940
2013		246,989	276,659	278,320	271,372	265,700	260,238	258,137	256,926	257,630	83	12,539
2014			242,755	269,515	268,880	260,001	256,698	249,360	249,234	248,898	1,253	14,145
2015				263,314	303,116	301,987	293,814	286,962	285,096	285,054	3,816	15,355
2016					260,435	295,112	285,173	289,288	296,029	303,538	8,898	19,443
2017						402,031	370,770	356,020	362,748	360,731	15,017	24,792
2018							359,027	432,726	477,043	484,628	27,913	30,545
2019								322,280	327,038	344,878	72,674	67,513
2020									487,853	496,124	168,731	89,402
2021										924,569	666,728	62,746
										\$3,925,313	\$964,811	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

Accident Year	Unaudited									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	49,959	118,590	145,299	169,421	188,456	199,558	207,520	210,277	210,404	211,158
2013		61,286	158,666	218,881	236,908	246,551	249,923	252,804	253,094	253,634
2014			76,089	162,214	202,933	220,297	229,288	236,872	239,776	242,396
2015				61,297	173,483	217,976	236,792	253,613	262,928	267,637
2016					66,597	169,000	220,381	233,143	254,105	267,988
2017						(15,037)	196,601	260,310	301,332	321,629
2018							68,150	232,992	326,519	385,631
2019								59,280	125,225	177,362
2020									85,695	239,040
2021										144,788
										\$ 2,511,263

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The following table reconciles the net reserve for losses and loss expenses derived from the incurred and paid loss development triangles to the reserve for losses and loss expenses in the consolidated balance sheet as of December 31, 2021:

	December 31, 2021
Total incurred claims and allocated loss and loss adjustment expenses, net of reinsurance	\$ 3,925,313
Less: Cumulative paid claims and loss adjustment expenses, net of reinsurance	(2,511,261)
All outstanding liabilities before 2012, net of reinsurance	22,044
Unallocated claims adjustment expenses	22,635
	<u>\$ 1,458,731</u>

Property Treaty

Incurred claims and allocated loss adjustment expenses, net of reinsurance

Accident Year	Unaudited										As of December 31, 2021	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR	Cum. No. of Reported Claims
2012	88,161	59,473	54,094	36,355	41,968	38,470	34,878	29,733	29,331	28,195	5,071	432
2013		45,862	44,140	48,453	45,495	44,225	42,458	42,098	41,970	42,275	4	215
2014			37,928	34,335	31,559	31,411	31,930	31,946	31,979	31,828	27	261
2015				26,348	26,722	30,155	28,488	26,774	25,811	25,734	49	159
2016					27,400	29,119	24,159	23,630	23,433	25,082	672	227
2017						104,052	89,411	70,452	73,646	71,097	11,734	456
2018							83,232	151,467	192,754	194,801	(4,950)	383
2019								42,211	31,271	39,080	6,411	159
2020									117,318	132,365	23,611	157
2021										231,222	150,299	120
										<u>\$ 821,679</u>	<u>\$ 192,928</u>	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

Accident Year	Unaudited									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	21,384	31,949	27,093	18,099	21,445	18,506	23,193	24,757	24,578	24,630
2013		2,571	17,769	39,151	42,673	42,345	41,657	41,942	41,892	41,990
2014			16,109	24,936	27,226	28,060	29,399	30,044	30,024	30,104
2015				2,568	7,802	13,045	16,137	18,834	22,723	22,920
2016					1,936	13,200	21,860	24,968	26,117	26,749
2017						(67,775)	36,397	51,279	73,485	72,236
2018							29,963	70,515	116,188	123,684
2019								3,769	10,208	17,868
2020									31,029	85,068
2021										62,730
										<u>\$507,979</u>

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Property

Incurred claims and allocated loss adjustment expenses, net of reinsurance

Accident Year	Unaudited										As of December 31, 2021	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR	Cum. No. of Reported Claims
2012	69,332	66,818	88,676	92,485	89,666	90,463	89,299	89,787	89,128	89,105	(3,787)	5,959
2013		80,069	103,319	102,588	103,662	101,610	99,156	97,877	97,258	97,375	(122)	7,127
2014			95,312	121,513	121,461	120,337	119,895	116,955	117,528	117,420	44	6,531
2015				96,745	117,836	116,623	113,895	114,143	113,350	111,861	231	6,082
2016					102,576	121,986	113,653	115,471	119,302	122,311	(987)	8,273
2017						116,242	106,030	106,365	105,578	104,154	(5,655)	8,193
2018							50,745	60,609	60,358	62,224	5,830	6,232
2019								57,539	62,300	64,380	6,938	4,061
2020									96,187	99,058	3,277	3,911
2021										93,507	53,107	1,485
										\$ 961,395	\$ 58,876	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

Accident Year	Unaudited									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	17,443	43,807	57,769	70,257	77,780	86,913	87,220	87,919	88,047	88,298
2013		18,651	54,420	77,485	85,370	92,317	94,419	94,958	95,268	95,938
2014			33,139	76,531	99,787	109,427	112,584	115,919	116,993	117,748
2015				32,849	82,461	99,637	106,427	112,152	113,208	112,807
2016					28,580	83,723	98,602	105,838	113,741	118,771
2017						17,784	82,808	101,703	101,575	101,742
2018							7,809	61,143	71,000	74,952
2019								12,454	28,459	37,363
2020									24,985	65,170
2021										22,645
										\$ 835,434

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Marine & Energy

Incurred claims and allocated loss adjustment expenses, net of reinsurance

Accident Year	Unaudited										As of December 31, 2021	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR	Cum. No. of Reported Claims
2012	47,982	99,747	90,586	100,462	101,565	96,898	96,893	96,954	96,551	99,872	(1,581)	4,509
2013		114,272	126,236	125,012	120,145	118,400	117,367	116,743	116,365	116,410	10	4,951
2014			95,119	97,999	98,581	93,843	92,533	88,729	88,190	87,550	(281)	5,900
2015				118,765	130,019	124,623	123,160	119,392	117,108	117,703	85	6,368
2016					93,401	98,490	97,119	97,261	96,042	96,838	1,587	7,030
2017						124,918	110,571	112,460	113,247	113,016	(4,053)	9,810
2018							119,464	109,167	111,640	115,525	5,219	8,265
2019								118,184	125,652	134,850	12,914	4,876
2020									105,016	96,882	19,114	3,141
2021										148,279	68,708	2,256
										\$1,126,925	\$101,722	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

Accident Year	Unaudited									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	11,031	42,611	60,137	80,700	87,082	91,976	94,947	95,444	95,622	96,073
2013		40,024	86,395	101,828	108,438	111,376	113,267	114,985	114,969	114,672
2014			26,783	58,481	72,269	78,696	82,359	84,263	84,881	85,809
2015				25,367	80,565	99,651	106,502	110,775	112,219	113,965
2016					35,267	64,974	85,496	78,512	82,191	84,900
2017						32,221	67,037	86,797	93,075	104,829
2018							27,745	81,429	104,441	113,385
2019								39,274	69,079	87,561
2020									21,364	57,457
2021										39,510
										\$898,161

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Casualty

Incurred claims and allocated loss adjustment expenses, net of reinsurance

Accident Year	Unaudited										As of December 31, 2021	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR	Cum. No. of Reported Claims
2012	—	—	—	—	—	—	—	—	—	—	—	—
2013		17	2,191	1,922	1,741	1,151	956	1,119	1,030	1,268	187	226
2014			11,941	13,662	15,513	12,679	10,634	10,045	9,862	10,444	1,468	1,433
2015				20,102	26,928	28,912	26,915	25,323	27,512	28,481	3,440	2,718
2016					34,359	40,068	44,427	46,843	51,019	52,625	7,588	3,399
2017						48,989	54,784	54,940	56,339	56,014	12,409	5,421
2018							95,713	104,139	102,743	101,375	24,293	14,673
2019								94,029	95,606	92,872	43,255	57,633
2020									157,945	156,925	118,891	81,441
2021										443,670	388,015	58,612
										\$ 943,674	\$599,546	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

Accident Year	Unaudited									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	—	—	—	—	—	—	—	—	—	—
2013		—	19	80	88	174	242	582	627	695
2014			58	646	2,013	2,475	3,288	4,984	6,215	7,072
2015				340	2,320	4,382	6,464	10,570	13,495	16,661
2016					456	5,078	11,026	19,145	26,797	31,917
2017						1,671	6,042	13,820	23,252	30,471
2018							1,222	13,526	24,689	61,586
2019								2,365	12,669	26,913
2020									5,491	26,596
2021										19,191
										\$221,102

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Political Risk, Terror and Personal Accident

Incurred claims and allocated loss adjustment expenses, net of reinsurance

Accident Year	Unaudited											As of December 31, 2021	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total IBNR	Cum. No. of Reported Claims	
2012	2,289	23,942	4,143	4,075	2,135	2,133	2,126	2,110	2,105	2,091	(5)	40	
2013		6,768	773	345	329	314	302	300	303	302	4	20	
2014			2,454	2,006	1,766	1,731	1,705	1,684	1,675	1,656	(5)	20	
2015				1,354	1,610	1,674	1,356	1,330	1,316	1,275	12	28	
2016					2,698	5,448	5,815	6,083	6,234	6,682	39	514	
2017						7,830	9,973	11,803	13,938	16,449	581	912	
2018							9,873	7,345	9,548	10,702	(2,480)	992	
2019								10,318	12,209	13,697	3,155	784	
2020									11,387	10,894	3,838	752	
2021										7,891	6,599	273	
										\$ 71,639	\$ 11,738		

Cumulative paid claims and loss adjustment expenses, net of reinsurance

Accident Year	Unaudited										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
2012	101	223	301	365	2,148	2,164	2,161	2,157	2,157	2,157	
2013		39	63	337	339	339	339	338	338	338	
2014			—	1,621	1,639	1,639	1,659	1,661	1,664	1,664	
2015				173	334	1,262	1,262	1,281	1,284	1,285	
2016					358	2,026	3,399	4,681	5,260	5,650	
2017							4,317	6,710	9,946	12,349	
2018							1,410	6,379	10,201	12,023	
2019								1,418	4,811	7,657	
2020									2,825	4,749	
2021										711	
										\$ 48,583	

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8. Reinsurance

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

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

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

(a) Effects of reinsurance on premiums written and earned

The effects of reinsurance on premiums written and earned and on losses and loss adjustment expenses is as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Net premiums written		
Direct	\$ 1,656,413	\$ 1,110,861
Assumed	1,179,782	708,001
Ceded	(854,608)	(519,048)
Net premiums written	1,981,587	1,299,814
Net premiums earned		
Direct	1,408,028	857,040
Assumed	874,768	575,198
Ceded	(706,702)	(407,857)
Net premiums earned	1,576,094	1,024,381
Losses and loss adjustment expenses		
Gross losses and loss adjustment expenses incurred	1,531,859	663,318
Losses and loss adjustment expense recoveries	(551,817)	(112,536)
Net incurred losses and loss adjustment expenses	\$ 980,042	\$ 550,782

(b) Credit risk

The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers. As of December 31, 2021, 78.6% of reinsurance recoverables were from reinsurers rated A- or better, 18.8% from unrated reinsurers all of which is collateralized and 2.5% from unrated reinsurers on an uncollateralized basis. The uncollateralized recoverable from unrated reinsurers principally relates to a recoverable from the Mississippi Workers' Compensation Assigned Risk Pool.

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As of December 31, 2020, 81.5% of reinsurance recoverables were from reinsurers rated A- or better, 18.2% was from unrated reinsurers all of which is collateralized and 0.3% from unrated reinsurers on an uncollateralized basis.

Reserves for reinsurance recoverables deemed uncollectible are based on an estimate of the amount of the reinsurance recoverable balance that will ultimately not be recovered due to reinsurer insolvency, contractual dispute or some other reason. The valuation of the reserve for uncollectible reinsurance includes a review of the credit ratings of the reinsurance recoverable by reinsurer on a continuous basis with any resulting adjustments recorded in earnings in the period that collection issues are identified. As of December 31, 2021 and 2020, the reserves for reinsurance recoverables deemed uncollectible was \$2,064 and \$1,380, respectively.

9. Financing arrangements

Debt Facilities

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

The following table sets forth the scheduled maturity of the Company's debt obligations reflected on its consolidated balance sheet at December 31, 2021:

2022	\$	—
2023		—
2024		—
2025		—
2026		—
After 2025		400,000
Unamortized debt issuance expenses		(4,840)
	\$	<u>395,160</u>

Letter of Credit Facilities

On November 4, 2020, Ascot Bermuda and the Company (as Guarantor) entered into an unsecured \$250,000 letter of credit facility (the "FAL LOC Facility") with ING Bank N.V. London Branch and The Bank of Nova Scotia, London Branch. The facility may be collateralized at the option of Ascot Bermuda. Under the terms of the FAL LOC Facility, letters of credit to a maximum aggregate amount of \$250,000 are available for issuance. These letters of credit will be used to provide Funds at Lloyd's to support the underwriting capacity provided by ACNL to the Syndicate for the 2021 and 2022 years of account and any prior open years of account for the Syndicate. The FAL LOC Facility is subject to certain covenants, including the requirement to maintain a minimum consolidated tangible net worth and a maximum leverage ratio, as defined in the FAL LOC Facility Documents. Obligations under the FAL LOC Facility include contingent reimbursement obligations for outstanding letters of credit and fees. In the event of default, the Banks may exercise certain remedies, including the exercise of control over pledged collateral and the termination of the availability of the FAL LOC Facility. This facility replaced the unsecured \$250,000 letter of credit facility entered into on November 2, 2018

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by Ascot Bermuda and the Company (as Guarantor) with Lloyds Bank plc, ING Bank N.V. London Branch and The Bank of Nova Scotia, London Branch.

On December 20, 2018, Ascot Bermuda and the Company (as Guarantor) entered into an uncommitted secured letter of credit facility with Wells Fargo Bank, National Association (the "Wells Fargo LOC Facility"). On May 19, 2021 the terms of the Wells Fargo LOC Facility were amended to increase the maximum aggregate amount of letters of credits which are available for issuance from \$50,000 to \$150,000. The Wells Fargo LOC Facility is subject to certain covenants, including the requirement to maintain a minimum level of collateral in the form of cash and fixed maturity securities. Obligations under the Wells Fargo LOC Facility include contingent reimbursement obligations for outstanding letters of credit and fees. In the event of default, the Banks may exercise certain remedies, including the exercise of control over pledged collateral and the termination of the availability of the Wells Fargo LOC Facility.

On December 21, 2021, Ascot Bermuda and the Company (as Guarantor) entered into an uncommitted letter of credit facility with The Bank of Nova Scotia (the "Nova Scotia LOC Facility"). The facility may be collateralized at the option of Ascot Bermuda. Under the terms of the Nova Scotia LOC Facility, letters of credit to a maximum aggregate amount of \$25,000 are available for issuance. The Nova Scotia LOC Facility is subject to certain covenants, including the requirement to maintain a minimum consolidated tangible net worth and a maximum leverage ratio, as defined in the Nova Scotia LOC Facility Documents.

At December 31, 2021, Ascot Bermuda had \$250,000 letters of credit outstanding under the FAL LOC Facility, \$100,191 outstanding under the Wells Fargo LOC Facility and \$977 outstanding under the Nova Scotia LOC Facility. Ascot Bermuda was in compliance with covenants for all facilities at December 31, 2021.

10. Commitments and contingencies

a) Concentrations of credit risk

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

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

Cash and investments

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

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

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

At December 31, 2021, the Company was in compliance with these limits.

Reinsurance recoverable balances

See Note 8. Reinsurance for information with respect to reinsurance recoverables.

Premiums receivable balances

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

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

These contractual rights contribute to the mitigation of credit risk, as does the monitoring of aged receivable balances. In light of these mitigating factors, and considering that a significant portion of premium balances receivable are not currently due based on the terms of the underlying contracts, the Company does not utilize specific credit quality indicators to monitor its premium balances receivable balance. At December 31, 2021, the reserve for uncollectible premium balances receivable was \$868 (December 31, 2020 \$nil).

b) Brokers

The Company produces its business through brokers and direct relationships with insurance companies. During the years ended December 31, 2021 and 2020, the following brokers were used to generate greater than 10% of the Company's consolidated gross premiums written:

Broker	% of Gross Premiums Written	
	2021	2020
Marsh & McLennan Companies	18.5 %	18.7 %
Aon companies	17.6 %	20.5 %
Willis Towers Watson	16.5 %	12.1 %

c) Lease commitments

The Company leases office space under operating leases which expire at various dates. The Company renews and enters into new leases in the ordinary course of business, as required. Total rent expense with respect to these operating leases for the year ended December 31, 2021 was \$6,000 (2020: \$5,561).

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

2022	\$	6,963
2023		5,973
2024		6,005
2025		6,061
2026		5,987
Later years		11,588
Total minimum future lease commitments	\$	42,577

d) Litigation

The Company is subject to litigation and arbitration in the normal course of its business. These lawsuits and arbitrations principally involve claims on policies of insurance and contracts of reinsurance and are typical for the Company and for the property and casualty insurance and reinsurance industry in general. Such legal proceedings are considered in connection with the Company's loss and loss expense reserves. In addition to litigation relating to insurance and reinsurance claims, the Company and its subsidiaries are subject to lawsuits in the normal course of business. The status of any such legal actions is actively monitored by management. If management believed, based on available information, that an adverse outcome upon resolution of a given legal action was probable and the amount of that adverse outcome was reasonable to estimate, a loss would be recognized and a related liability recorded. No such liabilities were recorded by the Company as of December 31, 2021 and 2020.

11. Share capital

(a) Authorized and issued

The issued shares as of December 31, 2021 by each class of ordinary share capital was as follows:

	Issued	Nominal value	Issued and Paid (US\$)
Class A	1,895,863,158	0.0001	\$ 189,586
Class B1	60,909,644	0.0001	6,091
Class B2	800,000	0.1000	80,000
Class C1	45	0.0001	—
Class C2	47	0.0001	—
	<u>1,957,572,894</u>		<u>\$ 275,677</u>

As of December 31, 2021 and 2020, the authorized share capital of the Company was \$2,500,000.

Class A shares have both economic and voting rights. Class B1 shares have economic rights but no voting rights. Class B2 shares have economic rights and voting rights subject to a maximum voting percentage of 5% in total. Class C1 shares have no economic or voting rights, other than the right to vote on Director appointments. Class C2 shares have no economic or voting rights, other than the right to vote on Director appointments.

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The following table is a summary of changes in Class B1, Class B2 and Class C2 common shares issued and outstanding:

	2021	2020
Class B1		
Issued and outstanding shares - January 1	75,244,225	73,094,254
Issued and outstanding shares held in treasury - January 1	—	130,330
Total issued and outstanding shares - January 1	75,244,225	73,224,584
Issuance of shares	656,914	—
Issuance of shares from treasury	—	26,881
Repurchase of shares and held in treasury	—	(1,374,504)
Repurchase of shares and cancelled	(15,436,411)	(1,088,427)
Issuance of restricted stock awards	444,916	3,108,068
Issuance of restricted stock awards from treasury	—	1,477,953
Issued and outstanding shares - December 31	60,909,644	75,244,225
Issued and outstanding shares held in treasury - December 31	—	—
Total issued and outstanding shares - December 31	60,909,644	75,244,225
Class B2		
Issued and outstanding shares - January 1	1,000,000	1,000,000
Repurchase of shares and cancelled	(200,000)	—
Issued and outstanding shares - December 31	800,000	1,000,000
Class C2		
Issued and outstanding shares - January 1	55	55
Repurchase of shares and cancelled	(8)	—
Issued and outstanding shares - December 31	47	55

There were no changes in the number of Class A and Class C1 common shares issued and outstanding during the years ended December 31, 2021 and 2020. The issued and outstanding Class A shares held in treasury as of December 31, 2021 and 2020 were as follows:

	2021	2020
Class A		
Issued and outstanding shares	1,635,174,942	1,635,174,942
Issued and outstanding shares held in treasury	260,688,216	260,688,216
Total issued and outstanding shares	1,895,863,158	1,895,863,158

(b) Dividends

The Company did not declare any dividends during the years ended December 31, 2021 and 2020.

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12. Retirement plans

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

For the year ended December 31, 2021, the Company's total pension expenses were \$5,973 (2020: \$6,235) for the above retirement benefits.

13. Share based compensation

Restricted shares and restricted share units

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

Activity with respect to restricted share awards for the years ended December 31, 2021 and 2020 was as follows:

	Restricted shares	Weighted average grant date fair value
Restricted shares outstanding as of December 31, 2019	6,459,799	\$ 0.925
Restricted shares issued	4,586,021	0.930
Restricted shares vested	(2,579,938)	0.914
Restricted shares forfeited	(150,000)	0.891
Restricted shares outstanding as of December 31, 2020	8,315,882	0.929
Restricted shares issued	444,916	1.180
Restricted shares vested	(3,568,646)	0.929
Restricted shares forfeited	—	—
Restricted shares outstanding as of December 31, 2021	5,192,152	\$ 0.951

Activity with respect to restricted share units for the years ended December 31, 2021 and 2020 was as follows:

	Restricted share units	Weighted average grant date fair value
Restricted share units outstanding as of December 31, 2019	5,879,041	\$ 0.959
Restricted share units issued	8,530,107	0.930
Restricted share units vested	—	—
Restricted share units forfeited	(602,679)	0.946
Restricted share units outstanding as of December 31, 2020	13,806,469	0.942
Restricted share units issued	3,160,532	1.180
Restricted share units vested	(762,559)	0.946
Restricted share units forfeited	(508,371)	0.944
Restricted share units outstanding as of December 31, 2021	15,696,071	\$ 0.989

The share based compensation expense related to restricted stock awards and restricted stock units recorded in general and administrative expenses in the statement of income and comprehensive income was \$7,826 for the year ended December 31, 2021 (2020: \$6,504).

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Performance share options

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

The expense recognized during the year ended December 31, 2021 related to options was \$5,179 (2020: \$2,976) recorded in general and administrative expenses in the statement of income and comprehensive income.

The expense recognized was based on the grant date fair value of options issued which was estimated using a Monte Carlo simulation model with the weighted average assumptions detailed below.

	2021	2020
Expected term	8.4 years	8.6 years
Expected dividend yield	— %	— %
Expected volatility	26.9 %	26.6 %
Risk-free interest rate	1.7 %	0.7 %
Post vesting restrictions discount	10.0 %	10.0 %

Activity with respect to options for the years ended December 31, 2021 and 2020 was as follows:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Range of exercise prices
Options outstanding as of January 1, 2020	25,591,706	0.959	9 years	0.959
Options issued	30,973,941	0.930		
Options forfeited	(2,385,619)	0.945		
Options outstanding as of December 31, 2020	54,180,028	0.943	8.6 years	\$0.930 - \$0.959
Options exercisable at December 31, 2020	—			
Options issued	35,732,963	1.180		
Options vested	(127,000)	0.959		
Options forfeited	(1,890,320)	0.995		
Options outstanding as of December 31, 2021	87,895,671	\$ 1.036	8.1 years	\$0.93 - \$1.18
Options exercisable at December 31, 2021	—			

14. Taxation

(a) Bermuda

Under current Bermuda law, AGL and its Bermuda subsidiaries are exempt from all Bermuda income, withholding and capital gains taxes. At the present time, no such taxes are levied in Bermuda. In the event that such taxes are imposed, Ascot Bermuda would be exempt until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act 1966, and Amended Act of 1987.

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(b) United Kingdom

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

The Company's U.K. operating companies are taxed at the U.K. corporate tax rate of 19%. In 2021, the UK enacted Finance Act 2021 which increases the U.K. corporate tax rate from 19% to 25% on April 1, 2023. The remeasurement of the Company's U.K. deferred tax assets and liabilities on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases at the higher enacted U.K. corporate tax rate resulting in additional tax expense of \$8,001 during the year ended December 31, 2021.

(c) United States

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

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

(d) Others

The Company is subject to income taxation in other jurisdictions than those stated above, but the impact of the other jurisdictions is not material to the provision for income taxes for the years ended December 31, 2021 and 2020.

The components of the provision for income taxes attributable to operations consist of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Current tax expense (benefit):		
United Kingdom	\$ (3,119)	\$ (5,079)
U.S. Federal	(670)	(88)
U.S. State & local	1,126	3,561
Other	(1)	17
Total	(2,664)	(1,589)
Deferred tax expense (benefit):		
United Kingdom	6,873	7,211
U.S. Federal	1,027	—
U.S. State & local	—	—
Other	6	(5)
Total	7,906	7,206
Income tax expense	\$ 5,242	\$ 5,617

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Deferred income taxes reflect the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Significant components of the deferred tax assets and liabilities were as follows as of December 31, 2021 and 2020:

	2021	2020
Deferred tax assets:		
Loss carryforwards	\$ 17,386	\$ 18,965
Deferred underwriting loss	6,637	10,800
Accrued expenses	6,931	4,651
Unearned premium reserve	7,316	3,525
Loss reserve discounting	3,031	583
Stock based compensation	2,940	1,333
Other temporary differences	3,458	1,204
Total deferred tax assets	47,699	41,061
Valuation allowance	(24,159)	(20,794)
Deferred tax assets, net of valuation allowance	23,540	20,267
Deferred tax liabilities		
Intangible assets	(41,220)	(32,555)
Equalization provision reserves	(1,846)	(5,808)
Deferred underwriting loss	(13,981)	—
Profit commissions	—	(5,540)
Investments	(42)	(1,062)
Other temporary differences	(1,574)	(2,519)
Total deferred tax liabilities	(58,663)	(47,484)
Net deferred tax liabilities	\$ (35,123)	\$ (27,217)

As of December 31, 2021, the Company had net operating losses of \$35,534 that can be used to offset future taxable income in the Company's U.S subsidiaries. The Company's ability to use the majority of these losses expires between the years 2024 and 2041. As of December 31, 2021, the Company had net operating losses of \$45,716 that can be used indefinitely to offset future taxable income in the Company's U.K. subsidiaries.

As of December 31, 2021, the Company has provided a valuation allowance of \$24,159 (\$20,794 as at December 31, 2020) to reduce certain deferred tax assets in the Company's U.S. operations to an amount that management expects will more likely than not be realized.

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The expected tax provision computed on pre-tax income at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. A reconciliation of income before tax expense by taxing jurisdiction to the expected income tax provision by taxing jurisdiction and consolidated weighted average effective income tax rate is as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Income (loss) before tax expense by taxing jurisdiction		
Bermuda	\$ 17,815	\$ 188,636
United Kingdom	35,605	7,019
United States	(77,330)	(40,243)
Singapore	(22)	(93)
Canada	(516)	1
Consolidated income before tax	\$ (24,448)	\$ 155,320

Statutory tax rates

Bermuda	— %	— %
United Kingdom	19 %	19 %
United States	21 %	21 %
Singapore	17 %	17 %
Canada	27 %	27 %

Expected income tax expense (benefit) by taxing jurisdiction		
Bermuda	\$ —	\$ —
United Kingdom	6,765	1,334
United States	(16,239)	(8,451)
Singapore	(4)	(16)
Canada	(137)	—
Consolidated	\$ (9,615)	\$ (7,134)
Consolidated weighted average effective income tax rate	39.3 %	(4.6)%

A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate is as follows for the years ended December 31, 2021 and 2020:

	2021	%	2020	%
Expected income tax (benefit) expense at weighted average rate	\$ (9,615)	39.3 %	(7,134)	(4.6) %
Change in tax rate	8,001	(32.7) %	—	— %
Change in valuation allowance	3,365	(13.8) %	8,993	5.8 %
Elimination of intercompany transaction	6,011	(24.6) %	—	— %
Prior year adjustments	(4,045)	16.5 %	(1,939)	(1.2) %
Foreign tax	(15)	0.1 %	1,556	1.0 %
Disallowed deductions	410	(1.7) %	190	0.1 %
State and local taxes	889	(3.6) %	2,882	1.9 %
Other	241	(1.0) %	1,069	0.7 %
Income tax expense	\$ 5,242	(21.4) %	5,617	3.6 %

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During 2021 and 2020, the Company had no unrecognized benefits from uncertain tax positions. The Company does not anticipate any significant changes in the amount of unrecognized tax benefits during the next 12 months. Interest and penalties related to unrecognized tax benefits will be included in income tax expense.

The Company's U.K. corporation tax returns for certain subsidiaries for the 2020 and 2021 fiscal years are open for examination by the U.K. tax authorities.

The U.S. corporation tax returns for fiscal years 2018 to 2020 are open for examination by the U.S. tax authorities.

15. Statutory financial information

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

Bermuda

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

As of December 31, 2021, the required statutory capital and surplus was \$881,147 and the available statutory capital and surplus was \$2,017,889. As of December 31, 2020, the required statutory capital and surplus was \$741,264 and the available statutory capital and surplus was \$1,972,764. As of December 31, 2021, Ascot Bermuda is restricted from paying a dividend due to availability of statutory surplus. As of December 31, 2021 the maximum capital distribution Ascot Bermuda could pay without regulatory approval is \$303,114 (\$306,000 as of December 31, 2020).

United States

The required statutory capital and surplus of the Company's U.S. insurance subsidiaries, AIC, ASIC, AmFed and ASC is determined using the risk-based capital formula ("RBC"), which is the National Association of Insurance Commissioners' ("NAIC") method of measuring the minimum capital appropriate for a U.S. reporting entity to support its overall business operations in consideration of its size and risk profile. If a company falls below the authorized control level as determined under the RBC, the NAIC is authorized to take whatever regulatory actions may be considered necessary to protect policyholders and creditors. The maximum dividend that may be paid by the Company's U.S. insurance subsidiaries is restricted by the regulatory requirements of the domiciliary states. Generally, the maximum dividend that may be paid by each of the Company's U.S. insurance subsidiaries is limited to unassigned surplus (statutory equivalent of retained earnings) and may also be limited to statutory net income, net investment income or 10% of total statutory capital and surplus. At December 31, 2021, for AIC (which owns ASIC, AmFed and ASC) the

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required statutory capital and surplus was \$55,888 and the actual statutory capital and surplus was \$240,124. At December 31, 2020, the required statutory capital and surplus of AIC was \$28,619 and the actual statutory capital and surplus was \$107,271. As of December 31, 2021 and 2020 the maximum dividend that could be paid without regulatory approval was nil.

Lloyd's

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

FAL may be satisfied by cash, certain investments and letters of credit provided by approved banks. As of December 31, 2021 fixed maturities and other fixed income investments with a fair value of \$471,158 (2020: \$461,195) and cash of \$488 (2020: \$24,206), respectively, were restricted to satisfy FAL requirements. In addition, as of December 31, 2021 a letter of credit facility of \$250,000 supported the FAL requirements (2020: \$250,000).

16. Related party transactions

Canro Re Limited

Canro Re Limited ("Canro Re"), a Bermuda-domiciled special purpose insurer ("SPI") was formed to provide reinsurance capacity to subsidiaries of Ascot, namely Ascot Bermuda and Syndicate 1414, through reinsurance agreements which will be collateralized and funded by Canro Re through the issuance of non-voting redeemable preference shares to investors. As of December 31, 2021 and 2020, the sole investor of the preference shares issued by Canro Re was CPP Investment Board PMI-2 Inc., CPP Investment Board PMI-2 Inc. is a related party of the Company.

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

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

Canro Re commenced underwriting operations on January 1, 2020. For the year ended December 31, 2021, the Company recorded \$41,247 of ceded premiums written to Canro Re and \$52,438 of losses and loss adjustment expense recoveries. As of December 31, 2021, the company had a reinsurance recoverable on unpaid losses of \$53,715 due from Canro Re and \$15,438 of reinsurance balances payable due to Canro Re.

For the year ended December 31, 2020, the Company recorded \$33,053 of ceded premiums written to Canro Re. As of December 31, 2020, the Company had a reinsurance balances payable of \$9,672 due to Canro Re.

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17. Subsequent events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2021 through March 23, 2022, the date the financial statements were available to be issued, and concluded that there are no subsequent events requiring recognition or disclosure