



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Report on Reinsurance Security

Date: October 2023



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1. REINSURANCE SECURITY CONSIDERATIONS

1.1 Status Update

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

1.2 Reinsurance Security

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

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

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

1.3 Level I Monitoring

Level I monitoring of CLLAS reinsurance consists of the following:

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

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

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

1.4 Level II Monitoring Triggers

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

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

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

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

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

1.5 Level II Monitoring

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

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

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

1.6 Cyber Program Review

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

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

2. LEVEL II MONITORING

2.1 Reinsurers Requiring Level II Monitoring

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

Level II Monitoring Triggers

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

Level II Monitoring Requirement

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

* Relied upon MS Amlin's parent company financials, MS Amlin AG., for which CLLAS' liabilities represent only 0.11% of the total Assets. Given the additional security provided by at Lloyd's, we are not triggering Level II Monitoring for the Syndicate on the basis that the central fund at Lloyd's would easily reduce the test result below the monitoring threshold.

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

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

2.2 Allied World Assurance Company Limited (“AWAC”)

General

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

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

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

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

Stock Performance

The following is the 5-year stock performance as of October 3, 2023, for Fairfax Financial Holdings (ticker: FFH, Toronto Stock Exchange) with the S&P/TSX Composite Index for comparison.



AM Best Report Highlights

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

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

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

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

Financial Highlights

- Net Premium Written increased from USD 3,907,800 in 2021 to USD 4,456,100 in 2022.
- Income for the year, after taxation, was USD 279,800,000, in 2020, USD 548,300,000 in 2021 and in 2022 was USD -4,700,000.
- Overall, the company's combined ratio decreased from 93.6% to 90.9%.

Outlook

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

A.M. Best report was updated on May 3, 2023.

2.3 Colchester Reinsurance Limited (“Colchester”)

General

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

Stock Performance

Colchester is not publicly traded.

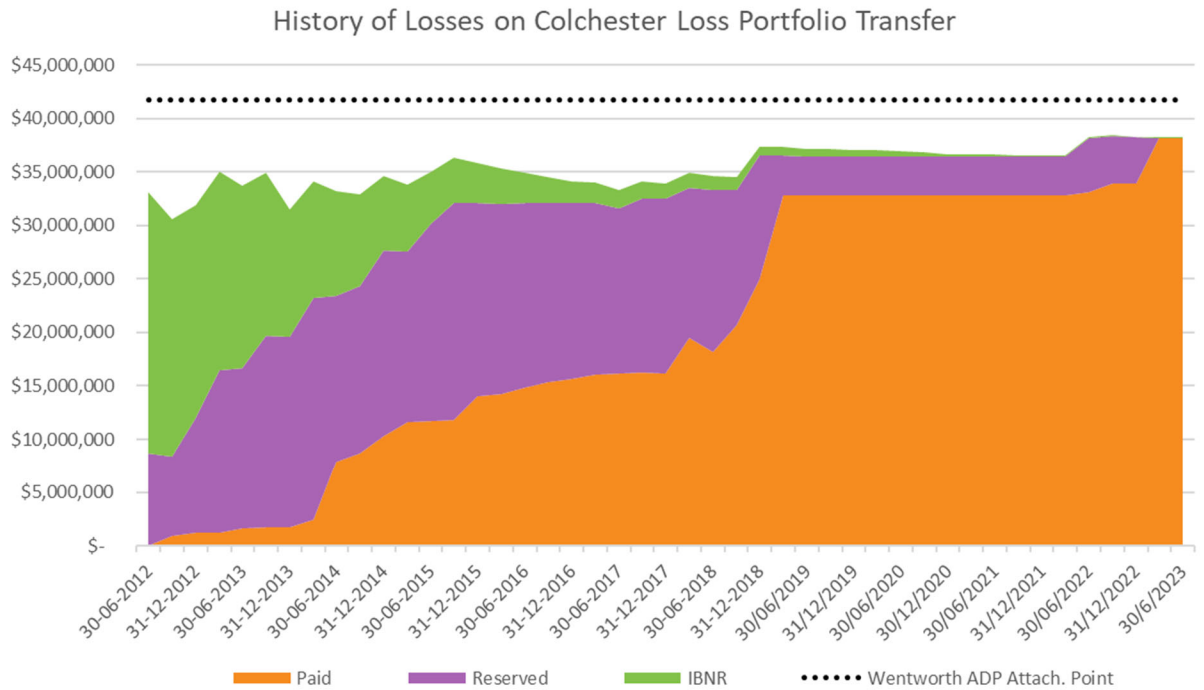
Highlights of A.M. Best Report

Colchester is not rated by any ratings agencies.

Financial Highlights

Please see Appendix I for a copy of the most recent draft financial statements (as of June 30, 2023). The following are some of the highlights from these financials:

- Total Equity decreased from \$22,618,823 in 2022 to \$22,060,230 in 2023
- Income for the year, after taxation, increased from (\$1,616,431) in 2022 to (\$558,593) in 2023
 - Reinsurance premiums written and earned increased from \$3,231,090 in 2022 to \$3,603,874 in 2023
 - Retrocession premiums increased from \$2,434,609 in 2022 to \$2,764,463 in 2023
- Colchester has been deliberately distributing surplus via premium reductions and losses are expected to emerge over time as a result
- All the assets supporting the claims liabilities of Colchester are held in trust in a custodial account in favour of CLLAS, subject to a reinsurance security agreement as outlined by the Office of the Superintendent of Financial Institutions (Canadian federal regulator) and approved by the Alberta Superintendent of Insurance (the regulator in CLLAS’ home jurisdiction)
- On June 30, 2012, Colchester and CLLAS affected a Loss Portfolio Transfer, which transferred approximately \$33.1 million of CLLAS’ liabilities to Colchester for all prior years of account. Since that time, those liabilities have remained relatively stable, as can be seen in the chart below. Colchester also purchased 10% quota share adverse development retrocession protection on the Loss Portfolio, which attaches at \$41.7 million, also shown below as a dotted line for reference.



2.4 Westfield Insurance (“Westfield”)

General

Westfield, which began as Ohio Farmer Mutual Company in 1848, is a leading U.S.-based property and casualty insurance company with \$87.5 billion in GAAP assets, providing commercial and personal property and casualty insurance as well as contract and surety bonds in the US. The company also provides specialty lines of insurance in the US and global specialty market. Westfield Group consists of eleven multi-property and casualty companies that exist together in a pool, the largest of which is Westfield Insurance Company.

In 2021, the group established Westfield Select Insurance Company in order to write admitted specialty business. The group expanded its capacity to service this market through its acquisition of Lloyd’s of London Syndicate 1200 from Argo. Westfield Insurance officially acquired Lloyd’s of London Syndicate 1200 on February 3, 2023.

Stock Performance

N/A

Highlights of A.M. Best Report

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

- Current financial strength rating is A (Excellent) Stable from A.M. Best
- The group’s 5-year average combined ratio slightly under-performs the commercial casualty composite. For 2022, the combined ratio was 107.5%, compared with 103.1% for 2021, and 100.7% for 2020. Higher combined ratios is due elevated commission expenses compared to peers and conservative reserving philosophy, and some significant catastrophe weather-related losses. Favourable growth of net written premium in recent periods supported by improvements in pricing, expansion of products and surplus lines market opportunities.
- Over the most recent five-year period the group has reported solid surplus growth, growing to \$3.0B in 2021 from \$2.3B in 2017.
- From the 2019 to 2021 period, total return measures are favourable, supported by strong investment results and capital gains within a diversified portfolio.
- The group maintain the “strongest” level of risk-adjusted capitalization. The absolute level of capital is high at \$2.7 billion at Q3 2022, liquidity remains strong and leverage measures are moderate.

Note: Westfield Syndicate benefits from dedicated capital, as well as funds held by Lloyd’s on its behalf, which further strengthen the syndicates position relative to the parent.



Financial Highlights

- Total cash and invested assets were \$5,010,068 in 2021 and increased to \$5,038,368 in 2022, (both representing a 9-month period).
- Policy holders' Surplus was USD \$2,721,012,000 as of September 2022, and at year-end in 2021 was \$3,033,154,000
- Net Income for the year, after taxation, was USD (\$38,354,000) for a 9-month period in 2022 compared to \$259,206,000 at 2021 year-end. The 9-month 2022 results were driven primarily by a decrease in net underwriting income.



Actuaries and Insurance Management Advisors

September 23, 2014

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

Dear Nick,

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

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

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

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

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

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

Yours sincerely,

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

Joseph D. Tontini
Consultant



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Nicholas J. Leblovic
Chairman
Canadian Lawyers Liability Assurance Society
Suite 2900
250 Yonge Street
Toronto
Ontario M5B 2L7
Canada

5th June 2009

Dear Nick

**CLLAS Reinsurance Programme
Renewal effective 1st July 2009**

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

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

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

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

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

Yours sincerely

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

Mark Popple
Director – Professional Risks

Encl.

CLLAS Reinsurance

A.M Best Ratings over a 5 year period
October 2023

Appendix C

Reinsurers	Registered Status	AMB#		2019	2020	2021	2022	2023
Lloyd's	Registered	85202	Rating	A	A	A	A	A
			Outlook	Stable	Stable	Stable	Stable	Positive
Aspen Re	Registered	14149	Rating	A	A	A	A	A
			Outlook	Stable	Stable	Stable	Stable	Stable
Hannover Rueck	Registered	85070	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (UK)	Registered	03126	Rating	A+	A+	A+	A+	A++
			Outlook	Stable	Stable	Stable	Stable	Stable
Arch Insurance Company (Canada Branch)	Registered	66513	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Allied World Assurance Company Ltd.	Unregistered	84808	Rating	A	A	A	A	A
			Outlook	Stable	Stable	Stable	Stable	Stable
CRC (Bermuda) Reinsurance Ltd.	Unregistered		Rating	N/A	N/A	N/A	N/A	N/A
			Outlook	N/A	N/A	N/A	N/A	N/A
RSA Insurance Group (Intact Financial Corporation is the Parent company)	Registered	85662	Rating	N/A	N/A	N/A	A	A
			Outlook	N/A	N/A	N/A	Stable	Stable
SCOR Canada Reinsurance Company	Registered	85445	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Negative	Stable
Swiss Reinsurance Company Ltd. (Canada Branch)	Registered	91982	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Toa Reinsurance Company of America	Registered	85179	Rating	A	A	A	A	A
			Outlook	Stable	Stable	Stable	Stable	Stable
Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)	Registered	58309	Rating	N/A	N/A	N/A	N/A	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (Canada)	Registered	03126	Rating	A+	A+	A+	A+	A++
			Outlook	Stable	Stable	Stable	Stable	Stable
Colchester Reinsurance Ltd.	Unregistered		Rating	N/A	N/A	N/A	N/A	N/A
			Outlook	N/A	N/A	N/A	N/A	N/A
Munich Re	Registered	85011	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Argo Group Operating Subsidiaries (Formerly AMA 1200 Parent)	Registered	91791	Rating	A	A	A-	A-	A-
			Outlook	Stable	Stable	Stable	Stable	Stable
Axis Reinsurance Company	Registered	12557	Rating	A+	A	A	A	A
			Outlook	Negative	Stable	Stable	Stable	Stable
Continental Casualty Company (CNA)	Registered	02128	Rating	A	A	A	A	A
			Outlook	Stable	Stable	Stable	Stable	Stable
Allianz Global Risks	Registered	00407	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Westfield Insurance (AMA 1200 Parent)	Registered	02382	Rating	N/A	N/A	N/A	N/A	A
			Outlook	N/A	N/A	N/A	N/A	Stable
CNA Canada	Registered	86301	Rating	N/A	N/A	N/A	N/A	N/A
			Outlook	N/A	N/A	N/A	N/A	N/A

CLLAS Reinsurance

S&P Ratings over a 5 year period

October 2023

Appendix C

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

Insurer Financial Ratings

CLLAS Canadian Excess Program

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

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

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

Insurer Financial Ratings

CLLAS International Program

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

CLLAS Reinsurance

Top 25 Reinsurers by % of Current Liability
ALL YEARS

Appendix D

Lev. II	Name	Jurisdiction	Reg'd?	LAYERS											TOTAL	All-time Percent of Total	Prev. Year Percent of Total	Move- ment?
				\$.975MM XS	\$4/\$49MM XS	\$7.5MM XS	\$12.5MM XS	\$10MM XS	\$30/60MM XS	\$20MM XS	\$10-60MM XS	\$15-50MM XS	\$60MM XS	\$30/60MM XS				
				\$.025MM	\$1MM	\$5MM	\$12.5MM	\$25MM	\$65MM	\$140MM	\$160MM	\$50MM	\$100MM	\$250MM				
	Underwriters at Lloyd's	London	Yes	0	44,736,050	35,093	0	0	72,765	0	135,024	0	0	2,488	44,981,420	57.7%	50.7%	Up
➔	Colchester	Barbados	No	0	19,923,325	0	0	0	0	0	25,634	195,560	0	981	20,145,500	25.9%	20.6%	Up
➔	AMA 1200 (Now Westfield)	Lloyd's	Yes	0	16,621,557	0	0	0	30	0	0	0	0	0	16,621,587	21.3%	18.1%	Up
	AML 2001	Lloyd's	Yes	0	9,036,646	0	0	0	0	0	0	0	0	0	9,036,646	11.6%	9.5%	Up
	AUL 1274	Lloyd's	Yes	0	6,629,273	0	0	0	0	0	0	0	0	0	6,629,273	8.5%	7.0%	Up
	Hannover (Combined)	Combined	Yes	0	6,018,329	0	0	0	0	0	0	0	0	0	6,018,329	7.7%	2.9%	Up
	Argenta 2121 (Now Casper)	Lloyd's	Yes	0	6,018,329	0	0	0	0	0	0	0	0	0	6,018,329	7.7%	2.9%	Up
	AXIS Re	Canada	Yes	0	4,558,916	0	0	0	0	0	13,999	0	0	0 #	4,572,915	5.9%	4.8%	Up
	Allianz Global Risks	London	Yes	0	4,142,384	0	0	0	0	0	0	0	0	0	4,142,384	5.3%	5.9%	Down
	PPI 9969	Lloyd's	Yes	0	2,580,177	0	0	0	0	0	861	0	0	0	2,581,039	3.3%	3.7%	Down
	Vibe 5678	Lloyd's	Yes	0	2,454,985	0	0	0	0	0	0	0	0	0	2,454,985	3.2%	5.8%	Down
	AGD 2526	Lloyd's	Yes	0	872,482	0	0	0	0	0	184	0	0	0	872,666	1.1%	1.1%	Up
	CNA (Combined)	Combined	Mixed	0	698,609	0	0	0	0	0	0	0	0	0	698,609	0.9%	1.0%	Down
	CNA Canada	Canada	Yes	0	696,543	0	0	0	0	0	0	0	0	0	696,543	0.9%	1.0%	Down
	Hamilton (Combined)	Combined	Yes	0	269,330	0	0	0	6,518	0	14,993	0	0	270	291,111	0.4%	0.7%	Down
	Swiss Re (Combined)	Combined	Mixed	0	0	0	0	0	46,741	0	34,696	96,406	41,746	196	219,786	0.3%	0.5%	Down
	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	0	0	0	46,733	0	34,650	96,406	41,746	196	219,732	0.3%	0.5%	Down
	Hamilton 3334	Lloyd's	Yes	0	216,340	0	0	0	324	0	810	0	0	0	217,474	0.3%	0.5%	Down
	Barbican 1955	Lloyd's	Yes	0	130,965	0	0	0	44	0	105	0	0	0	131,115	0.2%	0.1%	Up
	Acappella 2014	Lloyd's	Yes	0	109,210	0	0	0	1,114	0	6,991	0	0	0	117,314	0.2%	0.1%	Up
	PEM 4000	Lloyd's	Yes	0	52,989	0	0	0	6,194	0	14,183	0	0	270	73,637	0.1%	0.2%	Down
	MKL 3000	Lloyd's	Yes	0	0	0	0	0	12,399	0	35,175	0	0	0	47,574	0.1%	0.1%	Down
	BRT 2987	Lloyd's	Yes	0	0	0	0	0	30,183	0	12,846	0	0	0	43,029	0.1%	0.1%	Down
	AFB 623/2623	Lloyd's	Yes	0	0	30,964	0	0	5,626	0	0	0	0	325	36,915	0.0%	1.2%	Down
	Gerling Global Re	Canada	Yes	0	0	0	0	0	5,309	0	27,779	0	0	0	33,088	0.0%	0.0%	Down
Total Current Liabilities				2,900,597	74,139,204	137,620	0	0	133,546	0	280,158	291,967	41,746	3,925	77,928,763			
Proportional Reinsurance:																		
	London			0	48,878,434	68,810	0	0	72,765	0	135,024	0		2,488	49,157,520	63.1%	57.9%	Up
	Canada			0	5,260,970	20,643	0	0	52,374	0	99,389	96,406		456	5,530,238	7.1%	7.3%	Down
	Bermuda			0	0	6,881	0	0	8,407	0	20,111	0		0	35,399	0.0%	0.3%	Down
	Barbados			0	19,923,325	0	0	0	0	0	25,634	195,560		981	20,145,500	25.9%	20.6%	Up
	Total			0	74,062,728	96,334	0	0	133,546	0	280,158	291,967		3,925	74,868,658	96.1%	86.1%	Up
	CLLAS Proportional Retention			2,900,597	76,476	41,286	0	0	0	0	0	0	0	0	3,018,359	3.9%	13.9%	Down
➔	Colchester Loss Portfolio Transfer & Stop Loss			2,438	76,476	41,286	0	0	0	0	0	0	0	0	120,200	0.2%	10.4%	Down
	CLLAS Net Retention														2,898,159	3.7%	3.5%	Up

CLLAS Reinsurance

Appendix E

Reinsurers by % of Current Liability

PRIOR YEAR (2021/2022)

Lev. II	Name	Jurisdiction	Reg'd?	LAYERS							TOTAL	Percent of Total	Prev. Year Percent of Total	Movement?
				\$.975MM XS	\$49MM XS	\$30/60MM XS	\$10-60MM XS	\$15-50MM XS	\$60MM XS	\$30/60MM XS				
				\$.025MM	\$1MM	\$65MM	\$160MM	\$50MM	\$60MM	\$250MM				
	Underwriters at Lloyd's	London	Yes	0	2,426,137	4,849	5,917	0	0	532	2,437,435	59.6%	57.8%	Up
➔	Colchester	Barbados	No	0	1,213,068	0	1,153	17,443	0	210	1,231,873	30.1%	31.8%	Down
➔	AMA 1200 (Now Westfield)	Lloyd's	Yes	0	880,453	0	0	0	0	0	880,453	21.5%	20.6%	Up
	Hannover (Combined)	Combined	Yes	0	586,969	0	0	0	0	0	586,969	14.4%	14.4%	Up
	Argenta 2121 (Now Casper)	Lloyd's	Yes	0	586,969	0	0	0	0	0	586,969	14.4%	14.4%	Up
	AML 2001	Lloyd's	Yes	0	567,403	0	0	0	0	0	567,403	13.9%	12.9%	Up
	AUL 1274	Lloyd's	Yes	0	391,312	0	0	0	0	0	391,312	9.6%	9.6%	Up
	AXIS Re	Canada	Yes	0	273,919	0	576	0	0	0	274,495	6.7%	6.7%	Down
	Swiss Re (Combined)	Combined	Mixed	0	0	3,086	1,056	0	3,196	42	7,379	0.2%	0.4%	Down
	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	3,086	1,056	0	3,196	42	7,379	0.2%	0.4%	Down
	MKL 3000	Lloyd's	Yes	0	0	1,226	1,642	0	0	0	2,868	0.1%	0.1%	Down
	Canopus 4444	Lloyd's	Yes	0	0	818	1,095	0	0	69	1,982	0.0%	0.1%	Down
	BRT 2987	Lloyd's	Yes	0	0	1,469	479	0	0	0	1,948	0.0%	0.1%	Down
	Gerling Global Re	Canada	Yes	0	0	353	1,153	0	0	0	1,505	0.0%	0.0%	Down
➔	AWAC	Bermuda	No	0	0	529	807	0	0	0	1,336	0.0%	0.0%	Down
	Hamilton (Combined)	Combined	Yes	0	0	436	640	0	0	58	1,134	0.0%	0.0%	Down
	PEM 4000	Lloyd's	Yes	0	0	436	640	0	0	58	1,134	0.0%	0.0%	Down
	FDY 435	Lloyd's	Yes	0	0	491	549	0	0	0	1,040	0.0%	0.0%	Down
	Sampo (Fronted by Trisura)	Canada	Yes	0	0	0	864	0	0	55	920	0.0%	0.0%	Down
	Mosaic	Lloyd's	Yes	0	0	0	821	0	0	35	855	0.0%	0.0%	Down
	Probitas 1492	Lloyd's	Yes	0	0	0	692	0	0	116	807	0.0%	0.0%	Down
	AFB 623/2623	Lloyd's	Yes	0	0	409	0	0	0	69	478	0.0%	0.0%	Up
	Starr	Lloyd's	Yes	0	0	0	0	0	0	116	116	0.0%	0.0%	Up
	W/R/B	Lloyd's	Yes	0	0	0	0	0	0	69	69	0.0%	0.0%	Up

Total Current Liabilities

132,509 3,913,124 8,817 11,525 17,443 3,196 839 4,087,452

Proportional Reinsurance:

London	0	2,426,137	4,849	5,917	0	0	532	2,437,435	59.6%	57.8%	Up
Canada	0	273,919	3,439	3,649	0	3,196	97	284,299	7.0%	7.2%	Down
Bermuda	0	0	529	807	0	0	0	1,336	0.0%	0.0%	Down
Barbados	0	1,213,068	0	1,153	17,443	0	210	1,231,873	30.1%	31.8%	Down
Total	0	3,913,124	8,817	11,525	17,443	3,196	839	3,954,943	96.8%	96.8%	Down

CLLAS Proportional Retention

132,509 0 0 0 0 0 0 132,509 3.2% 3.2% Up

➔ Colchester Aggregate

n/a n/a n/a

CLLAS Net Retention

132,509 3.2% 0.0% Up

CLLAS Reinsurance

Appendix F

Reinsurers by % of Single Claim Exposure

CURRENT YEAR (2022/2023)

Lev. II	Name	Jurisdiction	Reg'd?	LAYERS							TOTAL	Percent of Total	Prev. Year Percent of Total	Move-ment?
				\$975MM XS	\$49MM XS	\$30/60MM XS	\$10-60MM XS	\$15-50MM XS	\$60MM XS	\$30/60MM XS				
				\$025MM	\$1MM	\$65MM	\$160MM	\$50MM	\$60MM	\$250MM				
	Underwriters at Lloyd's	London	Yes	0	30,380,000	16,500,000	30,804,000	0	0	19,017,000	96,701,000	55.1%	54.5%	Up
➔	Colchester	Barbados	No	0	15,190,000	0	6,000,000	2,500,000	0	7,500,000	31,190,000	17.8%	18.3%	Down
	Swiss Re (Combined)	Combined	Mixed	0	0	10,500,000	5,496,000	0	3,000,000	1,500,000	20,496,000	11.7%	11.7%	Unchanged
	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	10,500,000	5,496,000	0	3,000,000	1,500,000	20,496,000	11.7%	11.7%	Unchanged
	MKL 3000	Lloyd's	Yes	0	0	4,170,000	8,550,000	0	0	0	12,720,000	7.2%	6.4%	Up
➔	AMA 1200 (Now Westfield)	Lloyd's	Yes	0	11,025,000	0	0	0	0	0	11,025,000	6.3%	0.0%	Up
	Canopus 4444	Lloyd's	Yes	0	0	2,784,000	5,700,000	0	0	2,481,000	10,965,000	6.2%	5.9%	Up
	Probitas 1492	Lloyd's	Yes	0	0	0	3,600,000	0	0	4,134,000	7,734,000	4.4%	4.4%	Unchanged
	BRT 2987	Lloyd's	Yes	0	0	4,998,000	2,496,000	0	0	0	7,494,000	4.3%	6.0%	Down
	Hannover (Combined)	Combined	Yes	0	7,350,000	0	0	0	0	0	7,350,000	4.2%	4.2%	Unchanged
	Argenta 2121 (Now Casper)	Lloyd's	Yes	0	7,350,000	0	0	0	0	0	7,350,000	4.2%	0.0%	Up
	Gerling Global Re	Canada	Yes	0	0	1,200,000	6,000,000	0	0	0	7,200,000	4.1%	4.1%	Unchanged
	AML 2001	Lloyd's	Yes	0	7,105,000	0	0	0	0	0	7,105,000	4.0%	3.8%	Up
	Hamilton (Combined)	Combined	Yes	0	0	1,485,000	3,330,000	0	0	2,067,000	6,882,000	3.9%	3.9%	Unchanged
	PEM 4000	Lloyd's	Yes	0	0	1,485,000	3,330,000	0	0	2,067,000	6,882,000	3.9%	3.9%	Unchanged
	Sampo (Fronted by Trisura)	Canada	Yes	0	0	0	4,500,000	0	0	1,983,000	6,483,000	3.7%	3.7%	Unchanged
	AXIS Re	Canada	Yes	0	3,430,000	0	3,000,000	0	0	0	6,430,000	3.7%	3.7%	Unchanged
➔	AWAC	Bermuda	No	0	0	1,800,000	4,200,000	0	0	0	6,000,000	3.4%	3.4%	Unchanged
	Mosaic	Lloyd's	Yes	0	0	0	4,272,000	0	0	1,239,000	5,511,000	3.1%	2.9%	Up
	AUL 1274	Lloyd's	Yes	0	4,900,000	0	0	0	0	0	4,900,000	2.8%	2.8%	Unchanged
	FDY 435	Lloyd's	Yes	0	0	1,671,000	2,856,000	0	0	0	4,527,000	2.6%	2.3%	Up
	Starr	Lloyd's	Yes	0	0	0	0	0	0	4,134,000	4,134,000	2.4%	1.4%	Up
	AFB 623/2623	Lloyd's	Yes	0	0	1,392,000	0	0	0	2,481,000	3,873,000	2.2%	2.2%	Up
	W/R/B	Lloyd's	Yes	0	0	0	0	0	0	2,481,000	2,481,000	1.4%	2.4%	Down

Maximum Exposure Any One Claim

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

Proportional Reinsurance:

London	0	30,380,000	16,500,000	30,804,000	0	0	19,017,000	96,701,000	55.1%	54.5%	Up
Canada	0	3,430,000	11,700,000	18,996,000	0	3,000,000	3,483,000	40,609,000	23.1%	23.1%	Unchanged
Bermuda	0	0	1,800,000	4,200,000	0	0	0	6,000,000	3.4%	3.4%	Unchanged
Barbados	0	15,190,000	0	6,000,000	2,500,000	0	7,500,000	31,190,000	17.8%	18.3%	Down
Total	0	49,000,000	30,000,000	60,000,000	2,500,000	3,000,000	30,000,000	174,500,000	99.4%	99.4%	Unchanged

CLLAS Proportional Retention

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

Colchester Aggregate

n/a n/a n/a

CLLAS Net Retention

975,000 0.6% 0.0% Up

CLLAS Reinsurance

Reinsurers by % of Single Claim Exposure

CURRENT YEAR (2022/2023)

Appendix F-PF

Lev. II	Name	Jurisdiction	Reg'd?	LAYERS							US\$30MM* (\$39MM)	TOTAL	Percent of Total
				\$.975MM	\$49MM	\$30/60MM	\$10-60MM	\$15-50MM	\$60MM	\$30/60MM			
				XS \$.025MM	XS \$1MM	XS \$65MM	XS \$160MM	XS \$50MM	XS \$100MM	XS \$250MM			
	Underwriters at Lloyd's	London	Yes	0	30,380,000	16,500,000	30,804,000	0	0	19,017,000	6,630,000	103,331,000	32.4%
	Colchester	Barbados	No	0	15,190,000	0	6,000,000	0	0	7,500,000	0	28,690,000	9.0%
	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	10,500,000	5,496,000	0	0	1,500,000	0	17,496,000	5.5%
	Swiss Re (Combined)	Combined	Mixed	0	0	10,500,000	5,496,000	0	0	1,500,000	0	17,496,000	5.5%
	Victor Insurance (PF)	Canada	Yes	0	0	0	0	5,000,000	12,000,000	0	0	17,000,000	5.3%
	Markel (Combined)	Combined	Yes	0	0	4,170,000	8,550,000	0	0	0	3,900,000	16,620,000	5.2%
	Royal & Sun Alliance Co. of Canada (PF)	Canada	Yes	0	0	0	0	10,000,000	5,700,000	0	0	15,700,000	4.9%
	Travelers Insurance Company of Canada (PF)	Canada	Yes	0	0	0	0	5,000,000	9,900,000	0	0	14,900,000	4.7%
	MKL 3000	Lloyd's	Yes	0	0	4,170,000	8,550,000	0	0	0	0	12,720,000	4.0%
	AXA XL (PF)	Canada	Yes	0	0	0	0	5,000,000	0	0	6,435,000	11,435,000	3.6%
	AMA 1200 (Now Westfield)	Lloyd's	Yes	0	11,025,000	0	0	0	0	0	0	11,025,000	3.5%
	Canopus 4444	Lloyd's	Yes	0	0	2,784,000	5,700,000	0	0	2,481,000	0	10,965,000	3.4%
	Liberty International Canada (PF)	Canada	Yes	0	0	0	0	10,000,000	0	0	0	10,000,000	3.1%
	The Sovereign General Insurance Company (PF)	Canada	Yes	0	0	0	0	0	9,900,000	0	0	9,900,000	3.1%
	QBE Insurance Group (PF)	Canada	Yes	0	0	0	0	5,000,000	4,800,000	0	0	9,800,000	3.1%
	CNA (US)	US	Yes	0	0	0	0	0	0	0	7,800,000	7,800,000	2.4%
	Northbridge Insurance Company (PF)	Canada	Yes	0	0	0	0	2,500,000	6,000,000	0	0	8,500,000	2.7%
	Tokio Marine Canada (PF)	Canada	Yes	0	0	0	0	5,000,000	3,000,000	0	0	8,000,000	2.5%
	Berkshire (PF)	US	Yes	0	0	0	0	0	0	0	7,800,000	7,800,000	2.4%
	Probitas 1492	Lloyd's	Yes	0	0	0	3,600,000	0	0	4,134,000	0	7,734,000	2.4%
	BRT 2987	Lloyd's	Yes	0	0	4,998,000	2,496,000	0	0	0	0	7,494,000	2.3%
	Hannover (Combined)	Combined	Yes	0	7,350,000	0	0	0	0	0	0	7,350,000	2.3%
	Argenta 2121 (Now Casper)	Lloyd's	Yes	0	7,350,000	0	0	0	0	0	0	7,350,000	2.3%
	Gerling Global Re	Canada	Yes	0	0	1,200,000	6,000,000	0	0	0	0	7,200,000	2.3%
	AML 2001	Lloyd's	Yes	0	7,105,000	0	0	0	0	0	0	7,105,000	2.2%
	Hamilton (Combined)	Combined	Yes	0	0	1,485,000	3,330,000	0	0	2,067,000	0	6,882,000	2.2%
	PEM 4000	Lloyd's	Yes	0	0	1,485,000	3,330,000	0	0	2,067,000	0	6,882,000	2.2%
	Sampo (Fronted by Trisura)	Canada	Yes	0	0	0	4,500,000	0	0	1,983,000	0	6,483,000	2.0%
	Aspen Re (PF)	Canada	Yes	0	0	0	0	0	0	0	6,435,000	6,435,000	2.0%
	AXIS Re	Canada	Yes	0	3,430,000	0	3,000,000	0	0	0	0	6,430,000	2.0%
	AWAC	Bermuda	No	0	0	1,800,000	4,200,000	0	0	0	0	6,000,000	1.9%
	Trisura Guarantee Insurance Company (PF)	Canada	Yes	0	0	0	0	0	5,700,000	0	0	5,700,000	1.8%
	Mosaic	Lloyd's	Yes	0	0	0	4,272,000	0	0	1,239,000	0	5,511,000	1.7%
	CLLAS	Canada	Yes	0	0	0	0	2,500,000	3,000,000	0	0	5,500,000	1.7%
	AUL 1274	Lloyd's	Yes	0	4,900,000	0	0	0	0	0	0	4,900,000	1.5%
	FDY 435	Lloyd's	Yes	0	0	1,671,000	2,856,000	0	0	0	0	4,527,000	1.4%
	Starr	Lloyd's	Yes	0	0	0	0	0	0	4,134,000	0	4,134,000	1.3%
	Markel (PF)	Canada	Yes	0	0	0	0	0	0	0	3,900,000	3,900,000	1.2%
	AFB 623/2623	Lloyd's	Yes	0	0	1,392,000	0	0	0	2,481,000	0	3,873,000	1.2%
	W/R/B	Lloyd's	Yes	0	0	0	0	0	0	2,481,000	0	2,481,000	0.8%

Maximum Exposure Any One Claim

975,000 49,000,000 30,000,000 60,000,000 50,000,000 60,000,000 30,000,000 39,000,000 318,975,000 32.4%

Proportional Reinsurance:

London 0 30,380,000 16,500,000 30,804,000 0 0 19,017,000 6,630,000 103,331,000 4.9%
Canada 0 3,430,000 11,700,000 18,996,000 50,000,000 60,000,000 3,483,000 16,770,000 164,379,000 1.9%
US 0 0 0 0 0 0 0 15,600,000 15,600,000 99.7%
Bermuda 0 0 1,800,000 4,200,000 0 0 0 0 6,000,000 0.3%
Barbados 0 15,190,000 0 6,000,000 0 0 7,500,000 0 28,690,000 0.3%
Total 0 49,000,000 30,000,000 60,000,000 50,000,000 60,000,000 30,000,000 39,000,000 318,000,000

CLLAS Proportional Retention

975,000 0 0 0 0 0 0 0 975,000 n/a

Colchester Aggregate

n/a

CURRENT YEAR (2022/2023)

CURRENT YEAR (2022/2023)

CURRENT YEAR (2022/2023)				LAYERS							US\$30MM* (\$39MM)	TOTAL	Percent of Total
Lev. II	Name	Jurisdiction	Reg'd?	\$975MM	\$49MM	\$30/60MM	\$10-60MM	\$15-50MM	\$60MM	\$30/60MM			
				XS	XS	XS	XS	XS	XS	XS			
				\$.025MM	\$1MM	\$65MM	\$160MM	\$50MM	\$100MM	\$250MM			
CLLAS Net Retention												975,000	

Best's Credit Rating Effective Date

July 27, 2023

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Information

[Best's Credit Rating Methodology](#)

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

[Market Segment Outlooks](#)

Financial Data Presented

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

Lloyd's

AMB #: 085202 | **AIIN #:** AA-1122000

Ultimate Parent: AMB # 051215 - Society of Lloyd's

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A
Excellent
Outlook: Positive
Action: Affirmed

Issuer Credit Rating (ICR)

a+
Excellent
Outlook: Positive
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Strong
Business Profile	Favorable
Enterprise Risk Management	Appropriate

Rating Unit - Members

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

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

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

Rating Rationale

Balance Sheet Strength: **Very Strong**

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

Operating Performance: **Strong**

- Lloyd's is expected to report strong operating performance across the underwriting cycle, taking into account potential volatility due to its catastrophe exposure.
- Improving market conditions as well as the robust performance oversight by the Corporation have materialised in measurable improvements in underwriting performance, as evidenced by the year-end 2022 combined ratio of 91.9%.
- The market's expense ratio has been considered relatively high compared to that of peers. However, this has decreased from 39.2% in 2018 to 34.4% in 2022 supported by top-line growth and specific actions taken by syndicates to reduce costs.
- The market's consolidated operating performance cannot be viewed as a leading indicator of its future balance sheet strength to the same extent as it is for other insurers. Earnings generated by the market do not directly build or erode Lloyd's capital base, as profits and losses are distributed to the market's capital providers when a year of account is closed. Lloyd's continues to demonstrate that it is able to retain and attract capital to the market.

Business Profile: **Favorable**

- Lloyd's has a strong position in the global general insurance and reinsurance markets as a leading writer of specialty property and casualty risks.
- Although Lloyd's syndicates operate as individual businesses, the collective size of the market allows them to compete with international groups under the Lloyd's brand.
- The markets in which Lloyd's operates are highly competitive. Lloyd's reliance on brokers to underwrite specialty and reinsurance business makes it vulnerable to price-based competition.
- The portfolio is well diversified but with some geographical bias towards North America and product bias towards commercial specialty lines products.
- Product risk is moderate to high. Higher-risk lines include reinsurance, energy, aviation, some marine business and a high proportion of the casualty and property business written. The majority of small commercial and consumer business, as well as some of the business written through coverholders, is lower risk.

Enterprise Risk Management: **Appropriate**

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

Outlook

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

Rating Drivers

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

Key Financial Indicators

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

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

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	75.0	61.8	55.8	53.6

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2022 GBP (000)	2021 GBP (000)	2020 GBP (000)	2019 GBP (000)	2018 GBP (000)
Net Premiums Written:					
Non-Life	34,570,000	28,439,000	25,826,000	25,659,000	25,681,000
Composite	34,570,000	28,439,000	25,826,000	25,659,000	25,681,000
Net Income	-769,000	2,277,000	-887,000	2,532,000	-1,001,000
Total Assets	161,530,000	138,155,000	128,304,000	119,878,000	118,008,000
Total Capital and Surplus	39,602,000	35,757,000	33,146,000	29,844,000	27,428,000

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2022 GBP (000)	2021 GBP (000)	2020 GBP (000)	2019 GBP (000)	2018 GBP (000)	Weighted 5-Year Average
Profitability:						
Balance on Non-Life Technical Account	2,641,000	1,741,000	-2,676,000	-538,000	-1,130,000	...
Net Income Return on Revenue (%)	-2.4	8.1	-3.2	8.9	-3.8	1.5
Net Income Return on Capital and Surplus (%)	-2.0	6.6	-2.8	8.8	-3.7	1.4
Non-Life Combined Ratio (%)	91.9	93.5	110.3	102.1	104.5	100.0
Net Investment Yield (%)	-0.5	1.8	2.2	3.5	1.4	1.6
Leverage:						
Net Premiums Written to Capital and Surplus (%)	87.3	79.5	77.9	86.0	93.6	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

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

Balance Sheet Strength (Continued...)

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

Balance sheet strength is supported by a strong Central Fund that is available, at the discretion of the Council of Lloyd's, to meet the policyholder obligations of all Lloyd's members. It is the existence of this partially mutualising link that is the basis for a market-level rating.

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

Capitalisation

The BCAR scores shown in this report are based on the 2022 year-end figures published in the Lloyd's annual report, which contains the audited financial results of Lloyd's and its members in proforma financial statements and includes the financial statements of the Society of Lloyd's (referred to in this report as the Society or the Corporation). The proforma financial statements include the aggregated accounts, which are based on the accounts of each Lloyd's syndicate, members' FAL, and the Society's financial statements.

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

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

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

During 2021, Lloyd's secured insurance for the Central Fund through a five-year, multi-layered cover, which will reimburse aggregate payments from the Central Fund that are in excess of GBP 600 million and up to GBP 1.25 billion. Cover is provided by international reinsurers of excellent credit quality. Furthermore, the first layer is supported by a specially created cell company, Constellation IC Limited, and financed by a global investment bank. The Central Fund insurance provides protection to the Central Fund, and therefore the market, against severe tail events.

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

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

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

Balance Sheet Strength (Continued...)

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

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

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

The MWSCR coverage ratio stood at 181% at year-end 2022 (2021: 177%) and the CSCR coverage ratio at 412% (2021: 388%). Lloyd's risk appetite for MWSCR coverage is a minimum of 125% and the CSCR coverage is a minimum of 200%. The MWSCR target is low relative to peers, but this should be seen in light of Lloyd's good financial flexibility and capital-setting process. The Lloyd's CSCR has improved materially in recent years, reflecting the reductions in the SCR primarily driven by the modelled benefits of the Central Fund insurance.

Lloyd's employs strict capital-setting criteria both at member level and centrally. Member-level capital is determined using syndicates' SCRs calibrated to correspond to a 99.5% VaR confidence level, provided on a one-year and -to-ultimate basis and calculated using syndicates' internal capital models. A 35% uplift is applied to the ultimate SCR to arrive at the FAL requirement. The stability in the market's solvency levels, as a result of the capital-setting process, is considered to be a strength for the balance sheet strength assessment.

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

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

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

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

In 2021, Lloyd's sponsored a new multi Insurance Special Purpose Vehicle (SPV), London Bridge Risk PCC Ltd. (LB1), which is a protected cell company, acting as a reinsurance risk transformation vehicle, onshore in the UK, to support the Lloyd's market and facilitate the participation of institutional investors in (re)insurance risk underwritten at Lloyd's. The SPV has been utilised twice since its inception.

In 2022, Lloyd's sponsored a second transformation vehicle; London Bridge 2 PCC Ltd (LB2). LB2 is different from the first SPV because it allows the issuance of both preference and/or debt securities to fund the reinsurance obligation of each cell. LB2 is different from the first SPV because it allows the issuance of both preference and/or debt securities to fund the reinsurance obligation of each cell. It also provides enhanced options for Lloyd's market participants to either raise corporate member capital to support underwriting plans; and/or transfer specific class(es) of business risk directly from syndicates, as part of the syndicate's outward reinsurance programs. In February 2023, LB2 was used for the first time. Importantly, the qualified investors that purchased the preference shares were all new investors in the Lloyd's market.

Balance Sheet Strength (Continued...)

Liquidity Analysis (%)	2022	2021	2020	2019	2018
Liquid Assets to Total Liabilities	68.1	69.8	70.7	69.9	67.5
Total Investments to Total Liabilities	78.6	82.0	84.0	81.3	78.6

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

The majority of Lloyd's investments are managed independently by the individual syndicates' managing agents, while the assets in the Lloyd's Central Fund are managed centrally by the Corporation. Although syndicates are able to define their own investment strategy, asset risk is generally low, with more than three quarters of the market's total investments held in bonds and cash/deposits or represented by LOCs.

Assets held by individual members are generally liquid, with the majority held in cash (which includes LOCs) and bonds. Exposure to shares and other variable yield securities accounted for circa 10% of invested assets in 2022. Lloyd's capital (FAL and the Central Fund) is largely matched in terms of currency to exposure.

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

An investment platform to pool assets across the market was launched in the second half of 2022. Lloyd's announced the appointment of Schroders Solutions as the platform investment advisor and Waystone as the platform operator in 2022. The initial platform fund, Lloyd's Private Impact Fund, was launched in Q1 2023 with additional funds to be launched over the remainder of the year. Should participation in the investment platform be in line with the Corporation's expectations this could lead to some meaningful enhancements in non-technical returns for members, particularly smaller managing agents. Through co-investment in private assets this is also a vehicle to support Lloyd's in achieving its Net-Zero commitments.

Composition of Cash and Invested Assets	2022 GBP (000)	2021 GBP (000)	2020 GBP (000)	2019 GBP (000)	2018 GBP (000)
Total Cash and Invested Assets	95,872,000	83,998,000	79,951,000	73,193,000	71,240,000
Cash (%)	12.8	13.0	13.1	13.2	15.3
Bonds (%)	63.7	60.6	59.7	60.4	58.5
Equity Securities (%)	10.1	11.4	11.3	12.4	12.0
Real Estate, Mortgages and Loans (%)	10.3	11.0	12.1	10.4	10.9
Other Invested Assets (%)	3.1	3.9	3.8	3.6	3.3
Total Cash and Unaffiliated Invested Assets (%)	100.0	100.0	100.0	100.0	100.0
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Robust oversight of reserves is provided by the Corporation. In AM Best's opinion, reserving in the Lloyd's market tends to be prudent, with the majority of market participants incorporating an explicit margin in reserves above actuarial best estimates. Reserve surpluses, which are not fungible across the market, vary significantly between syndicates. However, signing actuaries note that at year-end 2022, 85% of syndicates held UK GAAP reserves above the Statement of Actuarial Opinion best estimate.

Total prior-year reserve releases benefited the combined ratio by 3.6 percentage points (pp) in 2022, compared to a benefit of 2.1pp in the previous year. Releases were reported across all lines of business except for specialty reinsurance and casualty insurance. Strengthening across a number of casualty lines was due to both adverse experience and strengthening of reserving assumptions. In the current macro-economic environment, economic and social inflation are key areas of oversight for Lloyd's and enhanced data on inflation was collected to better understand syndicates' assumptions going into 2023.

Balance Sheet Strength (Continued...)

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

Operating Performance

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

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

For several years, the market's underwriting performance was below AM Best's expectations for a strong assessment, demonstrated by five-year (2018-2022) and 10-year (2013-2022) combined ratios of 100% and 98% respectively. However, remedial work undertaken by the market and robust performance oversight by the Corporation, as well as improving market conditions in more recent years, have supported measurable improvements in underlying performance, with the accident-year combined ratio (excluding major claims) falling in each year since 2017. In 2022, the overall combined ratio fell to 91.9% from 93.5% in the previous year.

The strong pricing environment has been maintained in 2023, which together with a greater focus on underwriting discipline and risk selection by the market, should support good underlying performance this year. However, AM Best notes that rate increases are necessary to offset the impact of claims inflation and a trend of higher catastrophe losses.

Underwriting performance is subject to volatility due to the nature of business underwritten and in 2022 major claims contributed 12.7% to the combined ratio (2021: 11.2%). Natural catastrophe losses included Hurricane Ian, Hurricane Fiona and Australian floods. In addition, losses from the conflict in Ukraine had a material impact on the year's result. There is significant uncertainty as to the magnitude of potential direct and second-order losses associated with the conflict, and as at year-end 2022 the IBNR component represented more than 90% of the loss.

The attritional loss ratio improved again in 2022, falling by 0.5pp to 48.4%, despite the market reserving 2.9% for inflation (in addition to any implicit allowance included in reserving methodologies). Actions taken to drive sustainable profitable performance, as well as several years of cumulative risk-adjusted rate increases across a number of lines, continue to have a positive impact on the market's underlying performance. Prior-year reserve releases reduced the loss ratio by 3.6pp, compared to 2.1pp in 2021. An improvement in the market's expense ratio to 34.4% from 35.5% was primarily driven by the favourable impact of foreign exchange movements and better pricing on premiums, as well as a reduction in the acquisition cost ratio given the market's changing business mix.

In 2022, the market reported net investment losses of GBP 3.1 billion (2021: GBP 948 million profit), representing a negative return of 3.5% on invested assets, which offset the underwriting profit of GBP 2.6 billion (2021: GBP 1.7 billion). The overall results was a loss before tax of GBP 769 million (2021: 2.3 billion profit).

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

Despite reporting underwriting losses in the years 2017 to 2020, the market has continued to attract new capital, with several new syndicates launching during 2022. AM Best notes that there have been also a number of syndicate closures since 2018, coinciding with the Lloyd's Decile 10 review and the winnowing out of weaker performing syndicates from the market as part of the Corporation's Performance Management Directorate (PMD) strategy.

Underwriting Performance:

Operating Performance (Continued...)

Underwriting performance is subject to volatility due to the market's exposure to catastrophe and other major losses. Major claims for the market were GBP 4.1 billion (net) in 2022 and added 12.7pp (2021: 11.2pp) to the calendar-year combined ratio, compared to the five-year (2018-2022) and ten-year (2013-2022) averages of 10.5pp and 9.4pp respectively (excluding the impact of COVID-19 losses). Favourable prior-year reserve movements reduced the combined ratio by 3.6pp, compared to 2.1pp in 2021. Positive development in property, energy, and marine, aviation & transport classes offset strengthening in casualty.

The market's attritional accident-year combined ratio (excluding major claims) improved from 84.4% in 2021 to 82.8% in 2022. This compares well to the 2017 position of 98.4% and has been supported by the remedial actions of the PMD team and the favourable rate environment.

The market's operating expense ratio is high compared to peers, often in the mid-to-high 30% ranges. However, the ratio has been steadily decreasing over the last 5 years, from 39.2% in 2018 to 34.4% in 2022, due in part to changes in mix of business and helped by better pricing.

Actions are being taken through the Future at Lloyd's initiative to reduce the cost of placing business at Lloyd's, the benefits of which should start to be realised over the short term.

Underwriting Performance by Line of Business:

Performance across key lines of business was mixed in 2022. Although natural catastrophe activity remained elevated, accident year combined ratios for property reinsurance and property insurance fell. The accident year combined ratio for casualty insurance fell, despite economic pressures, whereas the ratio for casualty reinsurance deteriorated. Specialty reinsurance and marine, aviation and transport (MAT) lines were negatively impacted by losses associated with the conflict in Ukraine. On a calendar year basis, loss ratios for most lines benefited from stronger favourable reserve development; although casualty insurance and specialty reinsurance saw modest reserve strengthening. Overall, the combined ratio improved to 91.9% (2021: 93.5%).

Reinsurance - The reinsurance book consists of property, casualty and specialty reinsurance. In 2022, the performance of the property book improved even though it was once again affected by high severity catastrophic events, most notably Hurricane Ian and convective storms in the US. Overall prior-year development was favourable due to reductions in ultimate claims for 2017 hurricanes and 2019 typhoons. The overall combined ratio for the casualty reinsurance book also improved, despite an increase in the accident-year ratio. Reserves developed favourably, reducing the ratio by 2.9pp (2021: 8.1pp of strengthening). Social and economic inflation are increasing uncertainty in casualty lines, which is driving tighter policy coverage and price strengthening particularly for distressed and high exposure business. There was a marked deterioration in specialty results during the year due to the impact of the conflict in Ukraine on marine reinsurance composite programmes, which provide coverages such as political violence, strikes, riots, war and civil commotion. Overall, the reinsurance book has returned an underwriting loss of GBP 421 million over the 2018-2022 period, driven primarily by significant losses in the property book (2022: GBP 636 million profit).

Property - The property book is diversified and global, made up of predominately excess and surplus lines business, with a weighting in favour of the industrial and commercial sectors. Business is written through the broker network with a significant proportion through coverholders. In 2022, the attritional loss ratio fell, but catastrophe losses continued to weigh on performance, with Hurricane Ian having the greatest impact. Results benefited from releases on reserves for recent nat cat events, as well as business interruption claims related to the COVID-19 pandemic. Overall, this class has returned an underwriting loss of GBP 1.9 billion over the 2018-2022 period (2022: GBP 538 million profit).

Casualty - The casualty book is dominated by general liability and professional liability, but also includes shorter tails lines such as accident and health and cyber. In 2022, the segment produced its first underwriting profit since 2014, reflecting the impact of multiple years of material price increases and a pronounced shift away from certain underperforming lines, exposures, and occupations. In particular, cyber lines have seen significant repricing, with capacity also becoming more restricted for certain segments. However, increases are now slowing across casualty lines, despite economic headwinds and elevated social inflation. Prior years deteriorated during 2022, due to a combination of adverse experience and strengthening of reserving assumptions. Overall, this class has returned an underwriting loss of GBP 742 million over the 2018-2022 period (2022: GBP 536 million profit).

Marine, Aviation, & Transport (MAT) - The marine book is well diversified and includes cargo, hull, marine liability, specie and fine art. In aviation, Lloyd's writes across all main business sectors including airline, aerospace, general aviation, space, and war. Results have improved significantly in recent years due to remediation efforts, including consecutive years of rate increases, as well as tightening of wordings and conditions. However, in 2022, accident-year performance was adversely impacted by losses related to the conflict in Ukraine, notably for aviation and marine war lines. Underwriting profit was dependent on reserve releases, which were reported for

Operating Performance (Continued...)

most lines of business, across attritional and large claims. Overall, the MAT book has returned an underwriting profit of GBP 316 million over the 2018-2022 period (2022: GBP 280 million profit).

Energy - The energy book consists of onshore and offshore property and liability business. This incorporates the oil and gas industry and the growing renewable energy sector. In 2022, premium volumes were affected by disruption caused by the Russia Ukraine conflict, subsequent sanctions against Russian companies, and an increase in energy production elsewhere. In addition, loss activity in the second half of the year had an impact on profitability. Overall, this class has returned an underwriting profit of GBP 387 million over the 2018-2022 period (2022: GBP 97 million profit).

Motor - Lloyd's motor market primarily covers international motor with a large proportion written in North America and with an increasing focus on property damage over liability risks. International motor has continued to see positive pricing trends, as well as a focus on increased deductibles and tightening of terms and conditions. Reserve releases driven by favourable claims experience against expectation for both UK and overseas motor, on both small and large injury claims, had a material positive impact on the combined ratio. Overall, this class has returned an underwriting profit of GBP 168 million over the 2018-2022 period (2022: GBP 62 million profit).

Investment Performance:

Investment returns (including gains/losses) for the market were on average 1.0% in the period 2018-2022, ranging from 4.9% to -3.5%. In 2022, interest rates rose rapidly as Central Banks sought to contain higher levels of inflation. Higher yields pushed down the price of bonds, and the consequent unrealised losses underpinned the market's investment loss of 3.5%. Looking forward, as the majority of the market's portfolio is invested in high quality short duration bonds, losses are expected to unwind as investments mature, and there should be the opportunity to invest in instruments with significantly higher returns. Nevertheless, AM Best notes that investment returns are likely to remain volatile, against a backdrop of challenging global macroeconomic conditions.

Performance on a Year of Account Basis:

The 2020 YOA closed at the end of 2022 with an overall profit of GBP 290 million (2019: GBP 953 million loss). The 2020 pure underwriting year was adversely impacted by losses from COVID-19 as well as a number of catastrophes, including hurricanes Laura and Sally. Releases from 2019 and prior years, which were reinsured to close at the end of 2021, bolstered the underwriting result. These releases amounted to GBP 816 million. The positive underwriting result was partly offset by investment losses.

Financial Performance Summary	2022 GBP (000)	2021 GBP (000)	2020 GBP (000)	2019 GBP (000)	2018 GBP (000)
Pre-Tax Income	-769,000	2,277,000	-887,000	2,532,000	-1,001,000
Net Income after Non-Controlling Interests	-769,000	2,277,000	-887,000	2,532,000	-1,001,000

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2022	2021	2020	2019	2018
Overall Performance:					
Return on Assets	-0.5	1.7	-0.7	2.1	-0.9
Return on Capital and Surplus	-2.0	6.6	-2.8	8.8	-3.7
Non-Life Performance:					
Loss and LAE Ratio	57.5	57.9	73.2	63.4	65.3
Expense Ratio	34.4	35.5	37.2	38.7	39.2
Non-Life Combined Ratio	91.9	93.5	110.3	102.1	104.5

Source: BestLink® - Best's Financial Suite

Business Profile

Lloyd's favourable business profile reflects its strong position in the global general insurance and reinsurance markets as a leading writer of specialty property and casualty risks. Its network of global licences is a key competitive strength. The portfolio is well diversified but with some geographical bias towards North America and product bias towards commercial specialty lines. Product risk is moderate to high. The markets in which Lloyd's operates are highly competitive. A reliance on brokers makes Lloyd's particularly vulnerable to price-based competition.

Business Profile (Continued...)**Market Position:**

Lloyd's occupies an excellent position in the global general insurance and reinsurance markets as a leading writer of specialty property and casualty risks. The market's position is particularly strong in non-life reinsurance, where Lloyd's was ranked as the 4th largest global non-life reinsurer based on 2021 gross written premiums (GWP). Lloyd's is also a market leader in marine insurance, and has a strong position in aviation, energy, and specialty property and casualty insurance.

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

While Lloyd's position remains excellent in its core markets, it should be noted that the level of competition in these markets is very high.

Product Diversification and Product Risk:

Lloyd's is a significant writer of catastrophe and reinsurance business and is also a leading player in its core marine, aviation, energy and specialty property and casualty markets. Insurance business accounted for 67% of premium revenue in 2022 (2021: 63%), and reinsurance accounted for the balance. This split has been relatively stable in recent years.

Overall GWP grew by 19.1% in 2022 to GBP 46.7 billion (2021: GBP 39.2 billion) due to a combination of risk-adjusted rate change, foreign exchange movement and exposure growth from the better performing syndicates.

The market is well diversified by line of business, although very little life business is written (<0.1% of GWP in 2022) and there is a bias towards commercial lines business over personal lines. Product risk is moderate-to-high, as the business that comes to Lloyd's is predominantly specialty business that requires expert underwriting. High product risk lines include reinsurance, energy, aviation, most marine business, and a high proportion of the casualty and property business written (although some of the property and casualty business written through coverholders is lower risk).

Reinsurance is the market's largest segment and accounted for 33% of GWP in 2022. Reinsurance business comprises of property, casualty and specialty reinsurance (primarily marine, aviation and energy reinsurance). Lloyd's is a leading player in the global reinsurance space, ranking as the 7th largest by reinsurance GWP based on 2021 premiums and the 4th largest when life premiums are excluded.

Casualty business is Lloyd's second largest segment in 2022, having previously been somewhat smaller than the direct property book. In 2022, casualty business accounted for 28% of GWP. The book has a focus towards the US, but the UK, Canada, and Australia are also significant markets. The main products written are general liability and professional indemnity. Accident and health business is also accounted for within this segment.

Property insurance business is now Lloyd's third largest segment, accounting for 26% of GWP in 2022. The property book is a global book but with some concentration towards US excess and surplus lines business. There is also a bias towards commercial risks with residential risks written being mainly on a non-standard basis. The book also includes terrorism, power generation, engineering and nuclear risks.

The remaining lines of marine, aviation, and transport (8%), energy (3%), motor (2%), and life (<0.1%) together accounted for approximately 14% of GWP in 2022. Lloyd's is a leader within the marine market, writing a diversified marine book, including cargo, hull, marine liability, specie and fine art. The energy book consists of onshore and offshore property and liability risks. The motor book is focused on the UK covering commercial and personal motor business (with a focus on niche personal risks). An international book is also written, with a focus on North America. Aviation business includes airlines, general aviation, space and war.

Geographical Diversification:

Lloyd's writes a global portfolio, albeit with some bias to North America, which accounted for over 50% of GWP in 2022. The remainder was split across the rest of Europe, UK, Central Asia and Asia Pacific, Other Americas and rest of the world. The market's network of licences provides syndicates with access to a wide international client base, which is of benefit in particular to the syndicates that are not part of global insurance groups.

Business Profile (Continued...)

Lloyd's US domiciled business consists primarily of reinsurance and surplus lines insurance, which can be written in all 50 states. Lloyd's participation in admitted US business (i.e. insurance business excluding surplus lines) is relatively modest. Lloyd's has admitted licences in Illinois, Kentucky and the US Virgin Islands and also writes non-surplus insurance business in lines exempt from surplus lines laws (principally marine, aviation and transport risks).

In Canada, Lloyd's writes primarily insurance business, with reinsurance business accounting for a smaller share. In order to comply with local regulations, all Canadian business is written in Canada.

Over the past 20 years, Lloyd's has built out its licence network considerably, to be able to write insurance and/or reinsurance business in Brazil, Mexico, Colombia, Dubai, China, Singapore, and India, as well as a number of smaller markets. This work was undertaken in response to the growth of local and regional (re)insurance hubs and the preference of clients to place business locally. More recently, the Corporation has prioritised the remediation of performance and market modernization over geographical growth.

In order to continue to access insurance business in the EU and wider European Economic Area (EEA) after the UK's exit from the EU and its single market (referred to as "Brexit"), Lloyd's has established an insurance company domiciled in Belgium. Lloyd's Insurance Company S.A. (Lloyd's Brussels) is a wholly owned subsidiary of The Society of Lloyd's. The entity is incorporated, capitalised and has received regulatory approval. It started writing business at 1 January 2019. On 25 November 2020, Lloyd's received final approval to transfer EEA non-life business written by Lloyd's between 1993 to 2020 to Lloyd's Brussels. For the year-ended 31 December 2022, Lloyd's Brussels wrote EUR 3.7 billion of premiums.

The unique Lloyd's structure subjects the market to regulatory event risk, as the risk of it losing its licence in a jurisdiction following regulatory changes are higher than for an insurance company. The licencing of Lloyd's often relies on unique solutions and agreements that reflect its structure. A mitigating factor is the significant expertise and experience of Lloyd's in dealing with regulatory and licence related issues.

Distribution Channels:

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

In addition, a significant part of Lloyd's business is distributed via coverholders (accounting for circa 30% of GWP), which write business on behalf of syndicates under the terms of a binding authority. Coverholders are important in bringing regional business to Lloyd's and providing the market with access to small and medium-sized risks. The growth in coverholder business in recent years has contributed to the higher expense ratio albeit this trend has been reversing given additional oversight from the PMD.

The Lloyd's distribution model is expensive, with business often passing through several distribution links before arriving at Lloyd's. Lloyd's reliance on brokers also makes the market vulnerable to price-based competition. Although Lloyd's overall is important to the large global brokers (as well as to the specialised London market brokers) the importance of individual syndicates is less. Overall, the Lloyd's distribution model is considered to place the Lloyd's market at a competitive disadvantage compared to the large global reinsurance groups, which have stronger individual positions with brokers as well as being able to distribute some of their business direct to cedants.

Modernisation Programme:

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

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

Some of the Blueprint's features - expected to be effective in 2024 - are the use of a core data record (CDR) for consistent data standards and an intelligent market reform contract (IMRC). Moreover, the newly established London Market Data Council agreed the scope and approach of the CDR and IMRC to standardise the data Lloyd's uses across the London market. Successful delivery of these much-needed modernisation initiatives should support the market to become better-equipped to meet evolving customer needs and realise future cost savings.

Business Profile (Continued...)

Failure to deliver on these initiatives successfully could reduce the confidence and support of the market in the Corporation's wider future at Lloyd's ambitions in the short-term. Over the longer-term, it may reduce the attractiveness of Lloyd's as capital providers choose more cost effective insurance hubs to operate in.

Corporate Overview:

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

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

Enterprise Risk Management

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

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

Under the Lloyd's Act 1982, the Council of Lloyd's (the Council) is responsible for the management and supervision of the market as the governing body of the Society. The key committees of the Council are the Audit Committee, the Market Supervision and Review Committee and the Risk Committee. The Risk Committee is responsible for the identification and management of Lloyd's key risks. From 1 January 2017, the Risk Committee became a non-executive committee, with members drawn from the Lloyd's Council. Lloyd's Chief Risk Officer, a position established in 2014, attends Council meetings.

The Council manages risks by setting and monitoring a risk appetite framework. The risk appetites are reviewed on a regular basis and may be updated as required. The framework includes 14 key risks and a number of underlying monitoring metrics. The risk appetites are structured under the three risk objective pillars of sustainability, solvency, and operational.

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

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

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

Lloyd's recognises that one of the greatest risks to the Central Fund is the market's exposure to natural catastrophes, albeit risks from non-natural catastrophe losses, such as cyber and liability, are growing. The catastrophe model component of Lloyd's internal capital model allows the Corporation to assess catastrophe risk across return periods and, in AM Best's opinion, has improved its ability to monitor the market's aggregate catastrophe exposure against a defined risk appetite. An enhancement noted in 2020, was the introduction of the Catastrophe Risk Oversight Framework, now a Principle within the RIO framework, which limits the exposure growth of syndicates with poor performance track records and catastrophe risk management capabilities. Due to the nature of business written, Lloyd's has significant exposure to catastrophe losses, making this aspect of risk management particularly important.

Enterprise Risk Management (Continued...)

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

Reinsurance Summary

Lloyd's use of reinsurance is relatively high when compared to other large specialty insurers and reinsurers. This is due to the nature of the market, which consists of small-to-medium sized business that independently purchase reinsurance. The market as a whole ceded 26% of its GWP in 2022. This amount includes reinsurance from syndicates to their related groups as well as reinsurance between individual Lloyd's syndicates.

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

Environmental, Social & Governance

As a writer of global commercial property policies, Lloyd's is exposed to the impacts of changing climate trends, namely the increased severity and frequency of natural catastrophe losses. The market uses reinsurance to manage climate risk and increased oversight by the Corporation has led to a reduction in those syndicates approved to write catastrophe-exposed business (based on their past performance). Catastrophe modelling and accumulations are managed to ensure that the market's exposure to natural catastrophes is maintained within its risk appetite.

Furthermore, to actively support the transition to a low-carbon economy, the Corporation published best practice directional guidance to the market on how to embed ESG frameworks and strategies across their operations, underwriting, and investments. As part of the 2023 business planning exercise, ESG strategies of all syndicates were reviewed by the Corporation. No mandated exclusions from certain industries have been required.

Lloyd's has a large book of US casualty business which is susceptible to adverse social inflation trends. AM Best defines social inflation as the rise in cost of current and future claims caused by higher court awards and legislated rises in claims payments driven by changing social behaviour. This has contributed to reserve strengthening of casualty provisions over the last several years and has been an area of focus by the Corporation's actuarial team who performed a thematic review of reserving practices across the market and shared their findings including recommendations on best practice. This has led to increased prudence, through the selection of higher loss picks, being noted across the market.

In recent years, Lloyd's has strengthened its position in the sector in terms of ESG leadership by becoming the leader of the SMI Insurance Task Force. The Corporation also established the Lloyd's ESG Committee of the Council, which is responsible for driving action and providing robust challenge across their environmental and social priorities and commitments. Despite this, Lloyd's has been the target of various climate activist campaigns, which could potentially damage the market's reputation over the short- and medium-term.

Financial Statements

	12/31/2022		12/31/2022
Balance Sheet	GBP (000)	%	USD (000)
Cash and Short Term Investments	12,289,000	7.6	14,822,500
Bonds	61,072,000	37.8	73,662,604
Equity Securities	9,638,000	6.0	11,624,970
Other Invested Assets	12,873,000	8.0	15,526,898
Total Cash and Invested Assets	95,872,000	59.4	115,636,972
Reinsurers' Share of Reserves	34,255,000	21.2	41,317,011
Debtors / Amounts Receivable	24,467,000	15.1	29,511,117
Other Assets	6,936,000	4.3	8,365,926
Total Assets	161,530,000	100.0	194,831,025
Unearned Premiums	23,228,000	14.4	28,016,684
Non-Life - Outstanding Claims	80,905,000	50.1	97,584,375
Total Gross Technical Reserves	104,133,000	64.5	125,601,059
Debt / Borrowings	906,000	0.6	1,092,781
Other Liabilities	16,889,000	10.5	20,370,836
Total Liabilities	121,928,000	75.5	147,064,676
Retained Earnings	-769,000	-0.5	-927,537
Other Capital and Surplus	40,371,000	25.0	48,693,885
Total Capital and Surplus	39,602,000	24.5	47,766,348
Total Liabilities and Surplus	161,530,000	100.0	194,831,025

Source: BestLink® - Best's Financial Suite
US \$ per Local Currency Unit 1.20616 = 1 British Pound (GBP)

	12/31/2022			12/31/2022
Income Statement	Non-Life GBP (000)	Life GBP (000)	Other GBP (000)	Total USD (000)
Gross Premiums Written	46,705,000	...	...	56,333,703
Net Premiums Earned	32,458,000	...	...	39,149,541
Net Investment Income	...	...	-429,000	-517,443
Realized capital gains / (losses)	...	...	-415,000	-500,556
Unrealized capital gains / (losses)	...	...	-2,284,000	-2,754,869
Total Revenue	32,458,000	...	-3,128,000	35,376,673
Benefits and Claims	18,655,000	...	...	22,500,915
Net Operating and Other Expense	11,162,000	...	282,000	13,803,295
Total Benefits, Claims and Expenses	29,817,000	...	282,000	36,304,210
Pre-Tax Income	2,641,000	...	-3,410,000	-927,537
Net Income before Non-Controlling Interests	...	...	...	-927,537
Net Income/(loss)	...	...	...	-927,537

Source: BestLink® - Best's Financial Suite
US \$ per Local Currency Unit 1.20616 = 1 British Pound (GBP)

Related Methodology and Criteria

[Best's Credit Rating Methodology, 11/13/2020](#)

[Catastrophe Analysis in A.M. Best Ratings, 03/10/2023](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)



BEST'S CREDIT REPORT

AMB #: 085202 - Lloyd's

[Rating Lloyd's Operations, 03/20/2023](#)

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

[Understanding Global BCAR, 07/06/2023](#)

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

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

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

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

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Best's Credit Rating Effective Date

May 03, 2023

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Information

[Best's Credit Rating Methodology](#)

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

[Market Segment Outlooks](#)

Financial Data Presented

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

Allied World Assurance Company Holdings, Ltd.

AMB #: 058218

Ultimate Parent: AMB # 058364 - Fairfax Financial Holdings Limited

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

a+
Excellent
Outlook: Stable
Action: Upgraded

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Unit - Members

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

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

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

Best's Credit Rating - for the Holding Company

Issuer Credit Rating (ICR)

bbb+	Outlook: Stable
Good	Action: Upgraded

Rating Rationale - for the Rating Unit Members

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

Balance Sheet Strength: **Strongest**

- Allied World Assurance Company Holdings, Limited (Allied World), currently maintains the strongest level of balance sheet strength, as measured by Best's Capital Adequacy Ratio (BCAR), supported by long-term favorable reserve development, diversified investment profile and controlled growth. Gross premium growth has been fueled by significant rate increases.
- Net unrealized investment losses offset favorable underwriting results due to the mark-to-market performance of Allied World's investment portfolio, which is managed by its ultimate parent, Fairfax Financial Holdings Limited (Fairfax), as high volatility in the markets and interest rate increases negatively affected Allied World's equity and fixed-income portfolios. Dividends to co-investors were increased in 2022, reducing surplus.
- Liquidity measures are sound and supported by short-term holdings, predominantly high-quality fixed-income securities and cash.
- Natural catastrophe exposure has been reduced, leading to lower probable maximum losses (PMLs). The reinsurance panel is structured with highly rated companies.
- Allied World guarantees the long-term debt of its subsidiary, Allied World Assurance Company Holdings I, Limited (Bermuda). Financial leverage and coverage measures are favorable.

Operating Performance: **Adequate**

- In the past five years, Allied World's underwriting performance has been steadily improving as it focuses on the commercial casualty business. Nonetheless, investment performance has been variable, with net realized and unrealized losses negatively affecting operating results; however, since these are accounting losses and investments can be held for longer, AM Best expects fixed income unrealized losses to recover over the course of the year.
- The group's underwriting performance is benefiting from significantly improved market conditions in most of its business segments. Allied World has also reduced exposure to natural catastrophes, which has decreased the volatility of its underwriting results, despite the continuing increase in frequency and severity of catastrophic events.
- Recent underwriting results have materially benefited from the company's expense ratio, which is significantly lower than peers and has recently improved as the group experienced gains of economies of scale, due to overall premium growth led by rate increases. AM Best will continue to monitor these improvements and assess their sustainability in the short to medium term.
- Allied World generates low investment yields relative to its industry segment due to the investment strategy, which includes high-quality, liquid, short-term bonds, while equities are managed for long-term accretion to capital and to increase compounding rates of return. Due to this strategy, equities have historically produced volatile and accretive contributions to surplus over an extended period of time.
- The investment portfolio is managed by Hamblin Watsa Investment Counsel Limited (Hamblin Watsa), which is the investment management subsidiary of Fairfax, the group's ultimate parent company.

Business Profile: **Neutral**

- Allied World is a specialty (re)insurance organization that underwrites a diversified portfolio of property, casualty, and specialty business.
- Growth in the group's insurance business in recent years has benefited from expanded branch networks as well as strong local broker relationships. Allied World has a successful track record of expansion in terms of geography with operations in the United States, Bermuda, Europe, and Asia-Pacific.
- About 80% of the group's gross premium is generated in North America. Direct insurance represents 78% of the gross premiums and global reinsurance 22%.
- Most of gross premium growth has been due to the hard market environment in (re)insurance; Allied World has increased the share of primary insurance in its total gross premium.

Enterprise Risk Management: **Appropriate**

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

Rating Lift/Drag

- The ratings include the implicit support available from its affiliation with Fairfax. As part of the Fairfax group, the insurance operations benefit from the favorable financial flexibility and significant levels of cash and marketable securities held at the ultimate holding company level. In addition, the members of the group benefit from shared resources including enterprise risk management, reinsurance, actuarial, talent, and investment management among other less quantifiable benefits such as best practices and capital management.

Outlook

- The stable rating outlooks reflect AM Best's expectation that the group's strongest level of balance sheet strength will continue to benefit from Fairfax's implicit support; an adequate level of operating performance; a diversified business profile, both geographically and by line of business; and by well-defined, effective enterprise risk management guidelines and controls.

Rating Drivers

- In the long term, the ratings could be positively affected by a continued expansion of the group's business profile and diversification.
- The ratings could be negatively impacted by a material increase in financial leverage of this intermediate holding company or at the ultimate parent level.
- A material, persistent decrease in the risk-adjusted capitalization, as measured by BCAR, could lead to negative rating actions.

Rating Rationale - for the Holding Company

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

Key Financial Indicators

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

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	57.0	36.2	27.7	25.1

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2022 USD (000)	2021 USD (000)	2020 USD (000)	2019 USD (000)	2018 USD (000)
Net Premium Written:					
Non-Life	4,456,100	3,907,800	3,017,600	2,519,000	2,368,800
Composite	4,456,100	3,907,800	3,017,600	2,519,000	2,368,800
Net Income	-4,700	548,300	279,800	369,100	-86,900
Total Assets	20,562,500	19,047,100	16,646,000	15,272,900	14,335,400
Total Capital and Surplus	4,594,800	4,792,300	4,377,400	4,136,100	3,581,800

Source: BestLink® - Best's Financial Suite

Key Financial Ratios (%)	2022 USD (000)	2021 USD (000)	2020 USD (000)	2019 USD (000)	2018 USD (000)	Weighted 5 Year Average
Profitability:						
Net Income Return on Revenue	-0.1	13.8	9.1	12.8	-3.8	6.8
Net Income Return on Capital and Surplus	-0.1	12.0	6.6	9.6	-2.9	5.2
Balance on Non-Life Technical Account	382,400	219,500	117,400	54,700	42,500	...
Non-Life Combined Ratio	90.9	93.6	95.7	97.7	98.1	94.6
Net Investment Yield	1.9	1.5	1.9	2.7	2.0	1.9
Leverage:						
Net Premium Written to Capital and Surplus	97.0	81.5	68.9	60.9	66.1	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Allied World Assurance Company Holdings's risk-adjusted capital is supportive of its premium growth, catastrophe loss exposure and current loss reserve position, which has shown some variability in recent accident years. The company also has long term debt with manageable interest coverage.

Loss reserve development has been variable over the past several accident years as a result of development on the group's commercial casualty business and property catastrophe losses. In recent years, the group has increased its catastrophe enterprise aggregate reinsurance protections, and reduced exposure to natural catastrophe lines which has reduced its PMLs.

Catastrophe losses in 2022 contributed 7.8 percentage points to Allied World's combined ratio in 2022. The main events causing losses were hurricane Ian, Australian floods, French hailstorms, winter storm Elliot, typhoon Nanmadol, and other catastrophe events. 2022 natural catastrophe losses are not considered either an earnings or a capital event, in terms of Allied World's risk-adjusted capitalization.

Capitalization

The group maintains the strongest indicated level of risk-adjusted capital based on its BCAR strength. AM Best expects that Allied World will be able to remain in the strongest risk-adjusted capitalization range in 2023. The company's overall balance sheet strength assessment matches its BCAR assessment and is also the strongest.

Balance Sheet Strength (Continued...)

Capital Generation Analysis	2022 USD (000)	2021 USD (000)	2020 USD (000)	2019 USD (000)	2018 USD (000)
Beginning Capital and Surplus	4,792,300	4,377,400	4,136,100	3,581,800	3,701,600
Net Income after Non-Controlling Interests	-4,700	548,300	279,800	369,100	-86,900
Currency Exchange Gains (Losses)	-14,100	-19,300	28,700	3,000	-5,300
Change in Paid-In Capital	-13,800	3,500	-62,500	187,800	-24,200
Stockholder Dividends	164,900	126,400	...	...	...
Other Changes in Capital and Surplus	...	8,800	-4,700	-5,600	-3,400
Net Change in Capital and Surplus	-197,500	414,900	241,300	554,300	-119,800
Ending Capital and Surplus	4,594,800	4,792,300	4,377,400	4,136,100	3,581,800
Net Change in Capital and Surplus (%)	-4.1	9.5	5.8	15.5	-3.2

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	2022 USD (000)	2021 USD (000)	2020 USD (000)	2019 USD (000)	2018 USD (000)
Net Operating Cash Flow	1,408,100	1,518,400	773,100	261,300	-270,000
Liquid Assets to Total Liabilities (%)	63.8	67.4	66.3	66.6	66.7

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

The company maintains a diversified investment strategy with a long-term value-oriented approach, which provides adequate liquidity for the prompt payment of claims. The investment portfolio consists primarily of investment-grade, fixed-maturity securities of short-to medium-term duration. The average duration of the portfolio is still short when compared with the company's casualty insurance focus. The short-term nature of the majority of the group's portfolio helps moderate the risk associated with its equity investment strategy. The company's long-tail casualty business combined with higher interest rates led to an increase in the duration of its fixed income portfolio.

Composition of Cash and Invested Assets	2022 USD (000)	2021 USD (000)	2020 USD (000)	2019 USD (000)	2018 USD (000)
Total Cash and Invested Assets	11,572,200	10,802,600	9,144,700	8,252,600	7,872,600
Composition Percentages (%):					
Unaffiliated:					
Cash and Short Term Investments	10.2	19.8	8.1	11.5	10.9
Bonds	65.6	54.7	69.6	65.6	69.5
Stocks	12.3	14.5	11.2	12.7	10.7
Other Invested Assets	11.9	11.0	11.0	10.1	9.0
Total Unaffiliated Cash and Invested Assets	100.0	100.0	100.0	100.0	100.0
Total Cash and Invested Assets	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

The group's loss reserve balance has been subject to some variability in development over the past five years, with 2019, 2021 and 2022 showing prior year adverse reserve development while recording favorable reserve development in 2018 and 2020. The adverse development in 2019, 2021 and 2022 was 1.9, 0.5 and 0.7 points on the combined ratio for the related calendar years. Fairfax purchased Allied World in 2017. Allied World's current reserve position is considered adequate. Additionally, Allied World's reserves are annually reviewed by a independent third-party actuarial firm and reserve levels are above the central estimate. Since its inception in 2001 until the end of 2022, Allied World recorded a total of \$2.3 billion in net favorable reserve developments. IBNR has increased to 70% of outstanding reserves as of December 31, 2022.

Balance Sheet Strength (Continued...)

Holding Company Assessment

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

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

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

Financial Leverage Ratio (%)	9.80
Adjusted Financial Leverage Ratio (%)	9.80
Interest Coverage (x)	2.90

Holding Company Analytics	2022 USD (000)	2021 USD (000)	2020 USD (000)	2019 USD (000)	2018 USD (000)
Debt to Capital and Surplus (%)	11.4	11.0	12.6	13.3	15.4
Liquid Assets to Total Liabilities (%)	63.8	67.4	66.3	66.6	66.7
Interest Expense	23,900	24,800	28,500	31,800	28,200

Source: BestLink® - Best's Financial Suite

Operating Performance

Operating performance has continuously improved over the past five years, as Allied World increased its focus in casualty and specialty lines and reduced its exposure in the property catastrophe business. Investments have fluctuated mostly due to net realized and unrealized gains and losses in both fixed income and equity investments.

Allied World's results continue to benefit from significantly improved global market conditions in most of its primary commercial casualty and property business lines as well as its assumed reinsurance operation. To a lesser extent, prior year adverse net reserve development is still present, due to the timing of natural catastrophe events in the recent past.

Casualty and property segments have benefited in 2019, 2020, 2021, and 2022 from sizable rate increases and tightening of terms and conditions.

The group had generated a lower investment yield relative to its peers due to the investment allocation, which includes both high-quality, lower-yielding short-term bonds and equities and other invested assets that have been managed for long term accretion to capital. While investment income and yield have been low as a result of the investment strategy, the equities and other assets have historically produced generally positive, albeit volatile, contributions to surplus. In 2022, Allied World was able to take advantage of raising interest rates, increasing its allocation to fixed income investments at higher coupons resulting in improved net investment income.

At the end of the 2022, Allied World's \$11 billion investment portfolio was allocated in the following way: 49% government bonds, 21% corporate bonds, 13% equities, 5% limited partnerships, 5% cash, deposits and money market funds, 4% loans, 3% equity method investments, and <1% real estate.

In terms of credit ratings of the fixed income portfolio, 96% was allocated to investment grade securities, with 81% AA and above.

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

Operating Performance (Continued...)

Financial Performance Summary	2022 USD (000)	2021 USD (000)	2020 USD (000)	2019 USD (000)	2018 USD (000)
Pre-Tax Income	57,500	652,100	316,700	388,800	-104,400
Net Income (after Non-Controlling Interests)	-4,700	548,300	279,800	369,100	-86,900

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2022	2021	2020	2019	2018
Overall Performance:					
Return on Assets	...	3.1	1.8	2.5	-0.6
Return on Capital and Surplus	-0.1	12.0	6.6	9.6	-2.9
Non-Life Performance:					
Loss and LAE Ratio	70.4	71.8	70.8	70.4	71.8
Expense Ratio	20.5	21.9	24.9	27.3	26.3
Combined Ratio	90.9	93.6	95.7	97.7	98.1

Source: BestLink® - Best's Financial Suite

Business Profile

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

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

The Global Markets operation includes the group's direct insurance business outside of North America operating primarily out of Europe, Asia, and Australia and includes Lloyd's Stamp capacity in excess of \$400 million. Allied World has a significant global footprint, particularly in professional lines and UK commercial lines as well as being a leading commercial insurer in both Singapore and Hong Kong. The European offices focus on mid-sized to large European and multi-national companies domiciled outside of North America and continue diversifying into products for small and middle-market accounts. The Asia-Pac offices also underwrite a variety of professional liability, general casualty, and healthcare liability products. In June 2010, the company formed Syndicate 2232 at Lloyd's of London. The syndicate offers product lines, which include international property, general casualty, and professional liability lines targeted at key territories in Europe, Latin America and the Asia-Pacific region.

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

Business Profile (Continued...)

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

The sale of Vault, which closed in the Q1 2021, represents an exit in the high-net-worth personal insurance in New York and Florida, which was not the focus of the group. Additionally, in recent years, Allied World has also exited certain businesses which were not meeting risk-return targets or producing volatility in results.

Geographical Breakdown of Gross Premiums Written	2022 USD (000)	2021 USD (000)	2020 USD (000)	2019 USD (000)	2018 USD (000)
Other Asia	501,900	462,000	419,600	400,400	379,400
Total Asia	501,900	462,000	419,600	400,400	379,400
Other Europe	891,900	776,500	578,600	418,600	371,900
Total Europe	891,900	776,500	578,600	418,600	371,900
Canada	164,800	158,900	101,100	55,000	30,800
United States	3,984,400	3,542,400	2,808,400	2,340,900	2,026,300
Total North America	4,149,200	3,701,300	2,909,500	2,395,900	2,057,100
Bermuda	1,000,900	912,100	773,000	645,400	560,500
Total Caribbean	1,000,900	912,100	773,000	645,400	560,500
Total World-Wide	6,543,900	5,851,900	4,680,700	3,860,300	3,368,900

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

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

Insurance companies in Bermuda are regulated by the Insurance Division of the Bermuda Monetary Authority. In Bermuda, there are no taxes on profits, income, dividends or capital gains. There is only a licensing fee which is dependent upon the level of authorized capital. Exempted companies are able to enter an agreement with the government whereby any such taxes imposed in the future would not be applicable until March 31, 2035. Allied World has entered into such an agreement with the Bermudian government. The Insurance Act provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin, which for a Class 4 insurer such as Allied World is the greatest of \$100 million, 50% of net premiums written or 15% of net losses and loss expense reserves.

Reinsurance Summary

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

A \$210 million cat bond was issued (the first by Allied World) by the vehicle 2001 CAT Re Ltd in Bermuda, providing catastrophe protection for 3-year risk period through 12/31/2023. The cat bond uses index-based triggers, and the coverage is \$210 million in

Enterprise Risk Management (Continued...)

excess of \$262 million with a \$30 million franchise deductible. Covered perils include North America hurricane and earthquakes, Europe windstorms, and severe U.S. convective storms.

This security actually works as an ILW, because there is an industry trigger which uses state/cresta/country-weighted industry loss index-based trigger provided by PCS and PERILS for the respective perils on an annual aggregate basis.

Environmental, Social & Governance

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

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

Rating Lift/Drag

Allied World benefits from its position as a member of the Fairfax group of companies. Allied World is a subsidiary of Fairfax, which is considered to be primarily engaged in insurance activities. The ratings include the implicit support available from its affiliation with Fairfax. As part of the Fairfax group, the insurance operations benefit from the favorable financial flexibility and significant levels of cash and marketable securities held at the ultimate holding company level. In addition, the members of the group benefit from shared resources including enterprise risk management, reinsurance, actuarial, talent, and investment management among other less quantifiable benefits such as best practices and capital management.

Financial Statements

	12/31/2022		12/31/2021
	USD (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	1,178,600	5.7	2,141,600
Bonds	7,594,100	36.9	5,906,700
Equity Securities	1,419,600	6.9	1,562,200
Other Invested Assets	1,379,900	6.7	1,192,100
Total Cash and Invested Assets	11,572,200	56.3	10,802,600
Reinsurers' Share of Reserves	5,108,300	24.8	4,637,300
Debtors / Amounts Receivable	1,648,400	8.0	1,345,900
Other Assets	2,233,600	10.9	2,261,300
Total Assets	20,562,500	100.0	19,047,100
Gross Technical Reserves:			
Unearned Premiums	3,485,800	17.0	3,150,000
Non-Life Reserves	10,976,600	53.4	9,548,600
Total Gross Technical Reserves	14,462,400	70.3	12,698,600
Debt / Borrowings	522,700	2.5	524,600
Other Liabilities	982,600	4.8	1,031,600
Total Liabilities	15,967,700	77.6	14,254,800
Capital Stock	13,400	0.1	13,400
Paid-in Capital	4,382,300	21.3	4,396,100
Retained Earnings	207,700	1.0	377,300
Other Capital and Surplus	-8,600	...	5,500
Total Capital and Surplus	4,594,800	22.4	4,792,300
Total Liabilities, Mezzanine Items and Surplus	20,562,500	100.0	19,047,100

Source: BestLink® - Best's Financial Suite

AMB #: 058218 - Allied World Assurance Company Hldgs Ltd

				12/31/2022	12/31/2021
	Non-Life	Life	Other	Total	Total
Income Statement	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
Gross premiums written	6,543,900	...	...	6,543,900	5,851,900
Net Premiums Earned	4,198,000	...	...	4,198,000	3,451,600
Net Investment Income	...	...	215,600	215,600	148,200
Net realized gains/(losses)	...	...	-49,100	-49,100	172,200
Net unrealized gains/(losses)	...	...	-408,600	-408,600	182,700
Other income	...	...	...	...	4,400
Non-operating revenue	...	...	3,900	3,900	10,200
Total Revenue	4,198,000	...	-238,200	3,959,800	3,969,300
Losses and Benefits	2,956,400	...	...	2,956,400	2,477,300
Net Operating Expense	859,200	...	62,800	922,000	815,100
Total Losses, Benefits, and Expenses	3,815,600	...	62,800	3,878,400	3,292,400
Earnings before interest & taxes (EBIT)	382,400	...	-301,000	81,400	676,900
Interest Expense	...	...	...	23,900	24,800
Income Taxes Incurred	...	...	...	62,200	103,800
Net income before Non-Controlling interests	...	...	...	-4,700	548,300
Net income/(loss) from continuing operations	...	...	...	-4,700	548,300
Net Income	...	...	...	-4,700	548,300

Source: BestLink® - Best's Financial Suite

	12/31/2022	12/31/2021
Statement of Cash Flows	USD (000)	USD (000)
Net cash provided/(used) in Operating Activities	1,408,100	1,518,400
Net cash provided/(used) in Investing Activities	-2,158,500	40,900
Net cash provided/(used) in Financing Activities	-207,300	-153,000
Effect of Exchange Rates/Discontinued Operations on Cash	-5,300	-5,700
Total increase (decrease) in cash	-963,000	1,400,600
Cash, beginning balance	2,141,600	741,000
Cash, ending balance	1,178,600	2,141,600

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

[Best's Credit Rating Methodology, 11/13/2020](#)

[Catastrophe Analysis in A.M. Best Ratings, 03/10/2023](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)

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

[Understanding Global BCAR, 06/30/2022](#)



BEST'S CREDIT REPORT

AMB #: 058218 - Allied World Assurance Company Hldgs Ltd

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

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

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

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

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COLCHESTER REINSURANCE LIMITED

PERIODIC REPORTING PACKAGE

FOR THE TWELVE MONTHS ENDED JUNE 30, 2023

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2. STATEMENTS OF INCOME & RETAINED EARNINGS

3. NOTES TO THE FINANCIAL STATEMENTS

PREPARED BY: AON INSURANCE MANAGERS (BARBADOS) LTD

ACCOUNT EXECUTIVE: LEANNE KNIGHT

COLCHESTER REINSURANCE LIMITED
UNAUDITED BALANCE SHEET AS AT JUNE 30, 2023
(EXPRESSED IN CANADIAN \$)

		JUNE 30, 2023	JUNE 30, 2022
ASSETS			
Cash at bank - premier accounts		413,213.26	1,480,717.13
Cash & cash equivalents	1	413,213.26	1,480,717.13
Royal Bank of Canada-Investments	2	29,132,463.02	34,690,025.19
Accrued interest receivable	3	169,218.76	205,381.95
Insurance Balances Receivable		0.00	0.00
Provision for Losses Recoverable	4	9,702,577.00	8,104,845.00
Deferred Reinsurance Premiums	5	0.00	0.00
Prepaid expenses	6	8,391.00	7,894.00
		39,012,649.78	43,008,146.14
TOTAL ASSETS		39,425,863.04	44,488,863.27
Insurance balances payable		0.00	0.00
Accrued expenses	7	108,158.00	105,869.00
Accounts payable		0.00	0.00
Claims payable		46,981.83	455,747.14
		155,139.83	561,616.14
RESERVES			
Unearned Premium Reserve	9	0.00	0.00
Outstanding losses	8	4,291,583.00	10,519,778.00
Outstanding losses - I.B.N.R.	8	15,084,336.00	13,622,486.00
		19,375,919.00	24,142,264.00
SHAREHOLDERS EQUITY			
Share capital-common shares		1,100.00	1,100.00
Class A preference shares		3,314,000.00	3,314,000.00
Earned surplus at start of year		19,303,723.30	20,920,154.64
Net profit/(loss) for the period		(558,593.26)	(1,616,431.34)
		22,060,230.04	22,618,823.30
Accum. Other Comprehensive Income		(2,165,425.83)	(2,833,840.17)
TOTAL SHAREHOLDERS EQUITY		19,894,804.21	19,784,983.13
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		39,425,863.04	44,488,863.27

COLCHESTER REINSURANCE LIMITED
UNAUDITED STATEMENT OF INCOME
FOR THE PERIOD JULY 1 2022 TO JUNE 30, 2023
(EXPRESSED IN CANADIAN \$)

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30, 2023	12 MONTHS TO JUNE 30, 2022
UNDERWRITING INCOME			
Premiums written	0.00	3,603,874.00	3,231,090.00
Unearned premium transfer	900,968.50	0.00	0.00
GROSS EARNED PREMIUMS	900,968.50	3,603,874.00	3,231,090.00
Reinsurers' ceded premiums	0.00	(2,764,463.04)	(2,434,608.81)
Deferred ceded premiums	(691,115.76)	0.00	0.00
Reinsurers' ceded premiums earned	(691,115.76)	(2,764,463.04)	(2,434,608.81)
	209,852.74	839,410.96	796,481.19
TOTAL UNDERWRITING INCOME	209,852.74	839,410.96	796,481.19
UNDERWRITING EXPENSES			
Net losses paid	28,043.51	7,605,658.32	833,984.55
Outstanding losses adjustment	(66,624.00)	(6,228,195.00)	1,503,865.00
Transfer to IBNR	269,853.00	1,461,850.00	1,084,598.00
Transfer to prov. for losses recoverable	(138,078.00)	(1,597,732.00)	(762,795.00)
NET INCURRED LOSSES	93,194.51	1,241,581.32	2,659,652.55
OTHER UNDERWRITING EXPENSES (see schedule)	21,090.00	85,362.00	81,112.00
TOTAL UNDERWRITING EXPENSES	114,284.51	1,326,943.32	2,740,764.55
UNDERWRITING PROFIT / (LOSS)	95,568.23	(487,532.36)	(1,944,283.36)
GENERAL AND ADMIN EXPENSES (see schedule)	69,667.76	258,982.06	243,486.93
	25,900.47	(746,514.42)	(2,187,770.29)
INTEREST INCOME & EXCEPTIONAL ITEMS			
Interest income	236,024.99	977,939.39	968,413.25
Profit/(loss) on sale of invts	(459,049.55)	(482,208.66)	(43,159.22)
Amortisation of investments	(53,661.12)	(198,991.53)	(239,382.65)
Investment management fees	(20,144.39)	(86,756.68)	(92,789.97)
Investment Custody Fees	(5,739.50)	(22,061.36)	(21,742.46)
	(302,569.57)	187,921.16	571,338.95
NET PROFIT/(LOSS) BEFORE TAX	(276,669.10)	(558,593.26)	(1,616,431.34)
INCOME TAX	0.00	0.00	0.00
DIVIDEND PAID	0.00	0.00	0.00
NET PROFIT/(LOSS) AFTER TAX	(276,669.10)	(558,593.26)	(1,616,431.34)

COLCHESTER REINSURANCE LIMITED

ANALYSIS OF EXPENSES AS AT JUNE 30, 2023 FOR THE PERIOD JULY 1 2022 TO JUNE 30, 2023

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30, 2023	12 MONTHS TO JUNE 30, 2022
UNDERWRITING EXPENSES			
Brokerage commission	21,090.00	85,362.00	81,112.00
	<u>21,090.00</u>	<u>85,362.00</u>	<u>81,112.00</u>
GENERAL & ADMIN EXPENSES			
Management fees	22,378.01	90,532.06	87,460.55
Directors fees	3,711.00	16,152.82	15,445.88
Audit fees	7,900.00	34,072.72	29,394.15
Compliance fees	2,879.80	16,380.69	0.00
Tax consultancy fees	505.00	2,501.33	1,595.86
Actuarial fees	11,569.08	41,505.16	45,756.32
Insurance Costs - D&O	6,375.00	25,500.00	25,500.00
Secretarial fees	8,411.55	8,411.55	14,968.35
Licence fees	4,196.00	16,285.35	15,897.56
Bank and L.O.C charges	837.72	4,159.93	4,016.73
Communication expenses	904.60	3,480.45	3,451.53
	<u>69,667.76</u>	<u>258,982.06</u>	<u>243,486.93</u>

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

1. CASH ON DEPOSIT

Royal Bank - Canadian Dollar Call Account	45,106.24
Royal Bank - Premier Canadian Dollar Account	368,107.02
	<u>413,213.26</u>

2. INVESTMENTS

Investment at cost	31,802,190.32
Amortization	(504,301.47)
Portfolio at amortized cost	<u>31,297,888.85</u>
Unrealized gain / (loss)	(2,165,425.83)
Portfolio at market value	<u>29,132,463.02</u>

3. ACCRUED INTEREST RECEIVABLE

Investments - RBC	169,218.76
	<u>169,218.76</u>

4. PROVISION FOR LOSS RECOVERABLES (DISCOUNTED)

Canadian Lawyers Liability Assurance Society

U/W Year	CASE RESERVES	IBNR	TOTAL
2004/2005	0.00	0.00	0.00
2005/2006	0.00	0.00	0.00
2006/2007	0.00	0.00	0.00
2007/2008	0.00	0.00	0.00
2008/2009	0.00	0.00	0.00
2009/2010	0.00	0.00	0.00
2010/2011	0.00	0.00	0.00
2011/2012	0.00	22,466.00	22,466.00
2012/2013	0.00	68,924.00	68,924.00
2013/2014	0.00	97,925.00	97,925.00
2014/2015	0.00	88,211.00	88,211.00
2015/2016	0.00	439,066.00	439,066.00
2016/2017	0.00	116,807.00	116,807.00
2017/2018	0.00	272,454.00	272,454.00
2018/2019	0.00	625,657.00	625,657.00
2019/2020	0.00	1,327,173.00	1,327,173.00
2020/2021	0.00	1,418,397.00	1,418,397.00
2021/2022	0.00	2,454,202.00	2,454,202.00
2022/2023	0.00	2,771,295.00	2,771,295.00
	<u>0.00</u>	<u>9,702,577.00</u>	<u>9,702,577.00</u>

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

5. DEFERRED REINSURANCE PREMIUMS

Reinsurers' Premium to be earned	(\$2,764,463.04*12/0)	0.00
		0.00

6. PREPAID EXPENSES

Annual Government Tax	US\$12,500 p.a.	8,391.00
		8,391.00

7. ACCOUNTS PAYABLE/ACCRUED EXPENSES

Audit fees	31,600.00
Investment Fees	20,252.00
Investment Custody Fees	5,740.00
Brokerage Commission	21,090.00
Actuarial Fees	11,569.00
Director's Fees	15,884.00
Consultancy Fee - Tax	2,023.00
	108,158.00

8. OUTSTANDING LOSSES (DISCOUNTED)

Canadian Lawyers Liability Assurance Society

U/W Year	CASE RESERVES	IBNR	TOTAL
2004/2005	0.00	0.00	0.00
2005/2006	0.00	0.00	0.00
2006/2007	0.00	0.00	0.00
2007/2008	43,021	3,714.00	46,735.00
2008/2009	-	0.00	0.00
2009/2010	-	0.00	0.00
2010/2011	59,253	3,805.00	63,058.00
2011/2012	-	77,702.00	77,702.00
2012/2013	-	129,584.00	129,584.00
2013/2014	1,157,603	206,368.00	1,363,971.00
2014/2015	5,000	135,034.00	140,034.00
2015/2016	1,815,077	195,475.00	2,010,552.00
2016/2017	61,629	177,998.00	239,627.00
2017/2018	-	390,258.00	390,258.00
2018/2019	-	915,195.00	915,195.00
2019/2020	1,150,000	1,698,907.00	2,848,907.00
2020/2021	-	2,157,500.00	2,157,500.00
2021/2022	-	4,205,041.00	4,205,041.00
2022/2023	-	4,787,755.00	4,787,755.00
	4,291,583.00	15,084,336.00	19,375,919.00

9. UNEARNED PREMIUM RESERVE

Premiums	(\$3,603,874/12*0)	0.00
		0.00

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

10. LOSS/EQUITY RATIO

Loss Reserves	19,375,919.00
Shareholder Equity	22,060,230.04
Ratio	88%

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

11. MARGIN OF SOLVENCY

Assets must exceed liabilities by:

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

Premiums Earned	796,481.00
Minimum Solvency Margin re (2) above	160,887.50
Total Assets	39,425,863.04
Less: Non-admitted Assets	
Long Term Investments	0.00
Prepayments	8,391.00
Total Admitted Assets	39,417,472.04
Total Liabilities	19,531,058.83
Solvency Margin (Excess of Assets over Liabilities)	19,886,413.21
Excess over Minimum Solvency Margin	<u>19,725,525.71</u>

COLCHESTER REINSURANCE LIMITED
UNDERWRITING ANALYSIS AS AT JUNE 30, 2023
FOR THE PERIOD APRIL 1, 2023 TO JUNE 30, 2023

	Inward Reinsurance of CLLAS EOL 49Mx1M-33%	Inward Reinsurance of CLLAS Agg. Stop Loss 50Mx50M-5%	Inward Reinsurance of CLLAS ADD 50 to 89-011 60Mx160M-10%	Inward Reinsurance of CLLAS Excess Layers 60M/60Mx250M-25%	Inward Reinsurance of CLLAS Excess Layers 30M/60Mx250M-25%	Outward Retro. of Colchester EOL 5Mx4M-33%	Outward Retro. of Colchester EOL 40Mx10M-23%	Outward Retro. of Colchester Agg. Stop Loss 15Mx3M-100%	Outward Retro. of Colchester EOL 30Mx20M-10%	Outward Retro. of Colchester EOL 50Mx50M-5%	Outward Retro. of Colchester Excess Layers 60Mx160M-100%	Outward Retro. of Colchester Excess Layers 30Mx250M-25%	Total
Limits													
Policy No.													
	CLLAS00122	CLLAS00422	ADD 52 to 89-011	CLLAS00222	CLLAS000622	C226010 - CLLAS000120	C226020 - CLLAS000120	C226016	C221059	C221016	C226008	C221064	
Policy Period	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	1-Jul-22 to 30-Jun-23	
Premiums Written													-
Trfd from Unearned Prem. Reserve	801,912.00	24,796.50	24,574.75	28,237.75	21,447.50								900,968.50
Premiums Earned	801,912.00	24,796.50	24,574.75	28,237.75	21,447.50								900,968.50
Reinsurance Premiums Ceded													-
Trfd from Deferred Reins. Prem.			-			(139,577.21)	(269,718.70)	(116,875.00)	(91,874.95)	(24,796.58)	(26,825.89)	(21,447.44)	(691,115.76)
Reinsurance Premiums Earned			-			(139,577.21)	(269,718.70)	(116,875.00)	(91,874.95)	(24,796.58)	(26,825.89)	(21,447.44)	(691,115.76)
Net Premiums Earned													209,852.74

App. 1a

COLCHESTER REINSURANCE LIMITED
UNDERWRITING ANALYSIS AS AT JUNE 30, 2023
FOR THE PERIOD JULY 1, 2022 TO JUNE 30, 2023

	Inward Reinsurance of CLLAS EOL 49Mx1M-33%	Inward Reinsurance of CLLAS Agg. Stop Loss 50Mx50M-5%	Inward Reinsurance of CLLAS ADD 50 to 89-011	Inward Reinsurance of CLLAS Excess Layers 60Mx160M-10%	Inward Reinsurance of CLLAS Excess Layers 60M/60Mx250M-25	Outward Retro. of Colchester EOL 5Mx4M-33%	Outward Retro. of Colchester EOL 40Mx10M-23%	Outward Retro. of Colchester Agg. Stop Loss 15Mx3M-100%	Outward Retro. of Colchester EOL 30Mx20M-10%	Outward Retro. of Colchester EOL 50Mx50M-5%	Outward Retro. of Colchester Excess Layers 60Mx160M-100%	Outward Retro. of Colchester Excess Layers 30Mx250M-25%	Total
Limits													
Policy No.													
Policy Period	CLLAS00122 1-Jul-22 to 30-Jun-23	CLLAS00422 1-Jul-22 to 30-Jun-23	ADD 52 to 89-011 1-Jul-22 to 30-Jun-23	CLLAS00222 1-Jul-22 to 30-Jun-23	CLLAS000622 1-Jul-22 to 30-Jun-23	C226010 - CLLAS000120 1-Jul-22 to 30-Jun-23	C226020 - CLLAS000120 1-Jul-22 to 30-Jun-23	C226016 1-Jul-22 to 30-Jun-23	C221059 1-Jul-22 to 30-Jun-23	C221016 1-Jul-22 to 30-Jun-23	C226008 1-Jul-22 to 30-Jun-23	C221064 1-Jul-22 to 30-Jun-23	
Premiums Written	3,207,648.00	99,186.00	98,299.00	112,951.00	85,790.00			-					3,603,874.00
Trfd from Unearned Prem. Reserve	-	-	-	-	-								-
Premiums Earned	<u>3,207,648.00</u>	<u>99,186.00</u>	<u>98,299.00</u>	<u>112,951.00</u>	<u>85,790.00</u>								<u>3,603,874.00</u>
Reinsurance Premiums Ceded						(558,308.85)	(1,078,874.80)	(467,500.00)	(367,499.80)	(99,186.30)	(107,303.54)	(85,789.75)	(2,764,463.04)
Trfd from Deferred Reins. Prem.						-	-	-	-	-	-	-	-
Reinsurance Premiums Earned						<u>(558,308.85)</u>	<u>(1,078,874.79)</u>	<u>(467,500.00)</u>	<u>(367,499.80)</u>	<u>(99,186.30)</u>	<u>(107,303.54)</u>	<u>(85,789.75)</u>	<u>(2,764,463.04)</u>
Net Premiums Earned													<u>839,410.96</u>

App. 1b



Best's Credit Rating Effective Date

January 31, 2023

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Information

[Best's Credit Rating Methodology](#)

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

[Market Segment Outlooks](#)

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

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

Westfield Group

AMB #: 000730

Associated Ultimate Parent: AMB # 002381 - Ohio Farmers Insurance Company

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

a+
Excellent
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Unit - Members

Rating Unit: Westfield Group | AMB #: 000730

AMB #	Rating Unit Members
002069	American Select Insurance Co
002381	Ohio Farmers Insurance Co
004499	Old Guard Insurance Company
020640	Westfield Champion Ins Co
002382	Westfield Insurance Company
004043	Westfield National Ins Co

AMB #	Rating Unit Members
020641	Westfield Premier Insurance Co
021169	Westfield Select Insurance Co
020985	Westfield Specialty Ins Co
020642	Westfield Superior Ins Co
020643	Westfield Touchstone Ins Co

Rating Rationale

Balance Sheet Strength: **Strongest**

- At the third quarter of 2022, Westfield Group (Westfield) maintained the strongest level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR).
- The group has a diverse and high credit quality investment portfolio that generates significant income on a consistent basis.
- Strong liquidity and underwriting leverage ratios that compare favorably to the composite.
- Conservative reserving philosophy, which has consistently generated redundancies in the most recent accident and calendar years.

Operating Performance: **Adequate**

- Combined ratio of above 100.0% since 2017 driven by an elevated loss and LAE ratio.
- Results in recent years have been negatively impacted by significant catastrophe weather-related losses in the group's standard lines, specialty lines, and assumed reinsurance portfolio.
- Favorable growth of net written premium in recent periods supported by improvements in pricing, expansion of products, and surplus lines market opportunities.

Business Profile: **Neutral**

- Westfield has a diversified business profile, writing close to 20 lines of business. The group has favorable distribution across commercial lines, personal markets, surety, and assumed reinsurance.
- The group does have modest geographic concentration within Ohio and Pennsylvania, with these two states historically representing roughly 40% of direct premiums written.
- Westfield's primary distribution method includes broadly experienced independent agencies, complemented by digital and direct platforms.

Enterprise Risk Management: **Appropriate**

- Westfield operates under a formal enterprise risk management (ERM) program and framework, which are appropriate for its risk profile.
- The group completes an Own Risk Solvency Assessment annually, which it submits to the Ohio Department of Insurance.
- The ERM governance structure includes its board of directors, a board-level ERM committee, ERM leadership committee, emerging risk panel, cross-functional ERM team, and an ERM department.
- The group closely monitors its top ERM risks and risk appetite, and it employs economic capital modeling with multiple scenario analysis to better understand its risk exposures.

Outlook

- The stable outlooks reflect the expectation that the group will maintain its overall balance sheet assessment, supported by risk-adjusted capitalization at the strongest level, as measured by BCAR, and that the group will continue to report profitable net results.

Rating Drivers

- Negative rating action could occur if the underwriting results deteriorate in comparison to the comparably rated peers.
- Negative rating action could occur if there is an occurrence of a sudden large or catastrophic loss event that leads to a material weakening in balance sheet strength assessment.



Key Financial Indicators

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

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	75.1	65.5	61.8	60.8

Source: Best's Capital Adequacy Ratio Model - P/C, US

Key Financial Indicators USD (000)	9-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Premiums Written:							
Direct	1,778,439	1,444,798	1,928,980	1,822,544	1,844,342	1,882,784	1,905,705
Assumed*	3,063,044	2,624,978	121,366	72,156	63,682	55,255	55,283
Ceded*	3,139,257	2,609,975	129,664	105,468	104,376	104,090	103,746
Net	1,702,226	1,459,800	1,920,682	1,789,232	1,803,649	1,833,948	1,857,242
Net Operating Income	-110,669	53,557	121,481	178,363	88,371	6,718	-3,679
Net Income	-38,354	158,840	259,206	237,638	147,477	57,303	27,357
Total Admitted Assets	6,251,888	6,150,669	6,353,240	5,898,983	5,774,087	5,552,539	5,556,562
Policyholders' Surplus	2,721,012	2,878,087	3,033,154	2,708,457	2,511,177	2,277,399	2,334,514

Source: BestLink® - Best's Financial Suite

*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

Key Financial Ratios (%)	9-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
Profitability:								
Combined Ratio	107.5	103.1	103.4	100.7	106.3	108.0	109.0	105.5
Reserve Development Combined Ratio Impact	-3.1	-4.8	-4.1	-3.1	-1.3	-1.1	0.3	-1.9
Net Investment Yield	2.5	2.5	3.2	2.7	3.0	3.1	3.1	3.0
Pre-Tax Operating Return on Net Earned Premiums	-8.3	4.1	7.1	8.4	3.4	-0.6	-0.9	3.5
Net Income Return on Policyholders' Surplus	-1.8	7.6	9.0	9.1	6.2	2.5	1.2	5.9
Total Return on Policyholders' Surplus	-13.5	8.7	11.8	11.2	12.0	-1.8	8.6	8.6
Leverage:								
Net	2.1	1.8	1.7	1.8	2.0	2.2	2.2	...
Gross	...	...	1.8	1.9	2.1	2.4	2.3	...
Non-affiliated Investment	48.4	51.2	52.0	55.4	58.5	57.0	60.2	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

The group maintains the "strongest" level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR). Absolute level of capital is high at \$2.7B at Q3 2022, liquidity remains strong, and leverage measures are moderate.

Capitalization

The group reported solid surplus growth over the most recent five-year period growing to \$3.0 at year-end 2021 from \$2.3B at year-end 2017. Five-year CAGR of 6.5%. Surplus growth was positive in four of the last five years, driven primarily by solid net investment income along with unrealized and realized capital gains.

Balance Sheet Strength (Continued...)

	9-Months		Year End - December 31				
Capital Generation Analysis USD (000)	2022	2021	2021	2020	2019	2018	2017
Beginning Policyholders' Surplus	3,033,154	2,708,457	2,708,457	2,511,177	2,277,399	2,334,514	2,211,868
Net Operating Income	-110,669	53,557	121,481	178,363	88,371	6,718	-3,679
Net Realized Capital Gains (Losses)	72,315	105,283	137,725	59,275	59,106	50,585	31,036
Net Unrealized Capital Gains (Losses)	-252,977	23,915	79,634	53,850	138,805	-99,262	167,153
Other Changes in Capital and Surplus	-20,811	-13,125	-14,144	-94,207	-52,504	-15,157	-71,864
Net Change in Policyholders' Surplus	-312,142	169,630	324,696	197,281	233,778	-57,115	122,646
Ending Policyholders' Surplus	2,721,012	2,878,087	3,033,154	2,708,457	2,511,177	2,277,399	2,334,514
Net Change in Policyholders' Surplus (%)	-10.3	6.3	12.0	7.9	10.3	-2.4	5.5
Net Change in Policyholders' Surplus (5 yr CAGR)	...	...	6.5	...	...	...	...

Source: BestLink® - Best's Financial Suite

	9-Months		Year End - December 31				
Liquidity Analysis	2022	2021	2021	2020	2019	2018	2017
Net Operating Cash Flow USD (000)	67,034	184,438	277,778	168,793	82,719	64,953	156,300
Current Liquidity (%)	114.3	125.2	127.8	125.2	122.2	121.0	126.3

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

The group's investments primarily consist of fixed-income securities and common equities with the remaining investments held in affiliated and other investments, cash and short-term investments. The bond portfolio primarily consists of public corporate, tax-exempt municipal, U.S. Treasury, government agency and mortgage-backed securities.

Westfield has a relatively large allocation to stocks, making up 20.5% of the investment portfolio at year-end 2021. The group's common stock holdings are well diversified with no single issuer comprising more than 3.5% of the common stock portfolio.

The group also maintains a large amount of high-risk assets to capital and surplus. At year-end 2021, high risk assets were \$793.2M against a surplus of \$3.0B. Schedule BA assets made up 76.0% of HRA, home office properties were 22.0%, and Class 3-6 bonds were 2.0%.

Schedule BA assets are mainly comprised of debt and mezzanine investments with a smaller allocation to private equity, real estate, and venture capital. No one investment comprises more than 4.3% of the alternative portfolio and the top ten holdings make up 27.9% of the alternative portfolio.

	9-Months		Year End - December 31				
Composition of Cash and Invested Assets	2022	2021	2021	2020	2019	2018	2017
Total Cash and Invested Assets USD (000)	5,038,368	5,010,068	5,198,458	4,845,314	4,768,977	4,620,723	4,584,177
Composition Percentages (%)							
Unaffiliated:							
Cash and Short Term Investments	1.5	1.0	1.2	1.2	1.2	1.8	1.3
Bonds	63.3	59.8	59.2	58.1	59.1	62.1	61.4
Stocks	14.7	20.4	20.6	22.3	22.5	21.0	25.3
Other Invested Assets	11.4	9.0	9.5	8.6	8.1	6.9	5.2
Total Unaffiliated	91.0	90.2	90.5	90.2	90.9	91.8	93.2
Investments in Affiliates	9.3	10.0	9.8	10.0	9.3	8.4	6.9
Non-Admitted	-0.3	-0.2	-0.3	-0.2	-0.3	-0.2	-0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)

Bonds and Short Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	1.5	13.1	9.5	2.7	1.8	6.9
Government Agencies and Municipal Bonds	2.8	12.8	14.0	6.4	1.2	7.3
Industrial and Miscellaneous Bonds	1.4	11.1	11.0	2.6	7.8	10.3
Bank Loans	...	0.4	...	...	...	3.0
Total Bonds	5.7	37.3	34.6	11.7	10.8	8.2

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

The group has reported favorable loss reserve development in each of the last nine years on both an accident-year and calendar-year basis.

The group's loss reserves are established based on management's best estimate of ultimate loss development, exclusive of anticipated salvage and subrogation. The company performs quarterly and annual reserve reviews, and all reserves are reviewed by outside actuaries on an annual basis.

Loss and Loss Adjustment Expense Reserves and Development - Calendar Year	9-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Loss and ALAE* Reserves USD (000)	1,925,804	1,816,247	1,690,042	1,526,608	1,497,723	1,528,766	1,521,454
Loss and ALAE* Reserves Development USD (000)	-47,868	-65,004	...	-79,738	-142,698	-139,154	-153,757
Development to:							
Original Reserves (%)	...	...	...	-5.0	-8.7	-8.3	-9.2
Prior Year End Reserves(%)	-2.6	-3.8	...	...	...	...	...
Prior Year End Surplus (%)	-1.6	-2.4	...	-2.9	-5.7	-6.1	-6.6

Source: BestLink® - Best's Financial Suite

* Interim LAE reserves balances displayed include Adjusting and Other Unpaid as well as Defense and Cost Containment Unpaid. Year End LAE balances include Defense and Cost Containment Unpaid only.

Loss and Loss Adjustment Expense Reserves and Development - Accident Year	Year End - December 31				
	2021	2020	2019	2018	2017
Original Loss and ALAE Reserves USD (000)	680,761	550,224	628,478	660,019	686,782
Loss and ALAE Reserves Developed thru Latest Year End USD (000)	680,761	537,341	583,651	631,209	622,406
Development to Original Reserves (%)	...	-2.3	-7.1	-4.4	-9.4
Accident Year Loss and LAE Ratio (%)	71.5	68.2	70.6	71.6	70.8
Accident Year Combined Ratio (%)	107.5	103.5	106.1	108.5	106.3

Source: BestLink® - Best's Financial Suite

Operating Performance

Loss and LAE ratios are consistent year-over-year supported by the group's seasoned book-of-business and market expertise. Higher combined ratios compared to peers is due to underwriting expense ratios by elevated commission expense. Weather-related CATs moderately impact the underwriting results.

Across the 2019 to 2021 period, total return measures are favorable, supported by strong investment results and capital gains within the diversified portfolio. The reliance on investment portfolio performance can significantly mute the return measures such as the group's 2018 operating performance results.



Operating Performance (Continued...)

Net premiums written was overall steady from 2017 to 2021 with a 1.2% increase. Moderate contraction in net premiums written from 2018 through 2020 occurred as the group proactively managed its exposure base. This was followed by growth in 2021 of 7.3% year over year with improvement in rates across the book-of-business. Beginning in 2022, the group has seen significant growth in premiums as its surplus lines company began actively writing, along with general growth in exposures and rates across established lines of business. Westfield management expects additional top line premium growth with ongoing deployment of the surplus line products.

Operating and Financial Performance Ratios (%) - Company	9-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
Calendar Year Loss and LAE Ratio	74.8	67.7	67.4	65.3	70.8	71.1	73.5	69.6
Expense and Policyholder Dividend Ratio	32.7	35.4	36.0	35.3	35.5	36.9	35.5	35.8
Combined Ratio	107.5	103.1	103.4	100.7	106.3	108.0	109.0	105.5
Reserve Development Ratio Impact	-3.1	-4.8	-4.1	-3.1	-1.3	-1.1	0.3	-1.9
Net Investment Yield	2.5	2.5	3.2	2.7	3.0	3.1	3.1	3.0
Pre-Tax Operating Return on Net Earned Premiums	-8.3	4.1	7.1	8.4	3.4	-0.6	-0.9	3.5
Net Income Return on Policyholders' Surplus	-1.8	7.6	9.0	9.1	6.2	2.5	1.2	5.9
Total Return on Policyholders' Surplus	-13.5	8.7	11.8	11.2	12.0	-1.8	8.6	8.6

Source: BestLink® - Best's Financial Suite

Operating and Financial Performance Ratios (%) - Composite	9-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
Calendar Year Loss and LAE Ratio	81.4	73.3	73.9	68.9	72.4	72.4	75.9	72.7
Expense and Policyholder Dividend Ratio	26.8	27.7	28.3	29.3	27.6	27.7	27.9	28.2
Combined Ratio	108.2	101.0	102.2	98.2	100.0	100.2	103.8	100.8
Reserve Development Ratio Impact	0.7	-1.2	-0.8	-0.4	...	-0.8	-0.4	-0.5
Net Investment Yield	2.3	2.6	3.1	2.9	3.1	3.7	2.8	3.1
Pre-Tax Operating Return on Net Earned Premiums	-4.6	3.9	4.1	7.4	5.8	6.4	1.4	5.1
Net Income Return on Policyholders' Surplus	-4.4	6.1	6.5	8.3	6.9	7.7	2.8	6.5
Total Return on Policyholders' Surplus	-16.3	9.7	8.8	10.6	11.2	4.4	6.4	8.4

Source: BestLink® - Best's Financial Suite

Industry Composite: Private Passenger Standard Auto & Homeowners Composite - BestLink® - Best's Financial Suite

Business Profile

Westfield Group consists of eleven multi-line property and casualty companies that exist together in a pool, the largest of which is Westfield Insurance Company. The group offers a broad range of insurance and related products to individuals and businesses and writes primarily in the Midwest and South Atlantic regions.

At year-end 2021, the overall mix of the group's book of business is 48.5% commercial lines, 36.0% personal lines, 5.8% combined, 5.8% reinsurance, and 3.8% surety. The group's main lines of business are commercial multi-peril, auto physical damage, homeowners', private passenger auto liability, and commercial auto liability.

Westfield has 1,450 appointed agencies and 210 surety-only agencies, adding more than 200 new agency partners in 2022. The group's agency force is well-diversified with no single agency, including networks, producing more than 6.0% of written premiums.

Operations emphasize long-standing relationships as demonstrated by 27 agencies representing the group for more than 100 years. The group established premium scale outside of Ohio by improving its market penetration in neighboring Midwestern states. Members of the Westfield Group operate under a pooling agreement that was first entered into in 1957.

In 2021, the group established Westfield Specialty Insurance Company, an excess and surplus lines company. Lines of business include Excess & Surplus Excess Casualty, Excess & Surplus Property, and Professional Lines.

Business Profile (Continued...)

Also in 2021, the group established Westfield Select Insurance Company in order to write admitted specialty business. This segment is comprised of diverse offerings in both the non-admitted and admitted markets. The group will expand its capacity to service this market through its acquisition of Lloyd's of London Syndicate 1200.

Westfield Bank, F.S.B., a wholly owned subsidiary of Westfield Bancorp, is a full-service bank, which opened for business in February 2001.

Premium Composition and Growth	9-Months		Year End - December 31					5 Year CAGR
	2022	2021	2021	2020	2019	2018	2017	
Direct Premiums Written USD (000)	1,778,439	1,444,798	1,928,980	1,822,544	1,844,342	1,882,784	1,905,705	...
% Change	23.1	3.9	5.8	-1.2	-2.0	-1.2	2.9	0.8
Reinsurance Premiums Assumed USD (000)*	3,063,044	2,624,978	121,366	72,156	63,682	55,255	55,283	...
% Change	16.7	5.8	68.2	13.3	15.3	-0.1	-1.1	16.8
Reinsurance Premiums Ceded USD (000)*	3,139,257	2,609,975	129,664	105,468	104,376	104,090	103,746	...
% Change	20.3	4.7	22.9	1.0	0.3	0.3	4.7	5.5
Net Premiums Written USD (000)	1,702,226	1,459,800	1,920,682	1,789,232	1,803,649	1,833,948	1,857,242	...
% Change	16.6	5.9	7.3	-0.8	-1.7	-1.3	2.6	1.2

Source: BestLink® - Best's Financial Suite

*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

2021 By Line Business	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	%
Comm M.P.	419,081	21.7	32	...	29,997	23.1	389,117	20.3	92.8
Homeowners	294,766	15.3	360	0.3	15,587	12.0	279,539	14.6	94.7
Auto Phys Dmg	280,200	14.5	12	...	636	0.5	279,576	14.6	99.8
PP Auto Liab	205,152	10.6	...	...	3,569	2.8	201,583	10.5	98.3
Comm Auto Liab	189,472	9.8	2,187	1.8	1,148	0.9	190,511	9.9	99.4
Top 5	1,388,671	72.0	2,592	2.1	50,937	39.3	1,340,325	69.8	96.3
All Other	540,309	28.0	118,775	97.9	78,728	60.7	580,357	30.2	88.1
Total	1,928,980	100.0	121,366	100.0	129,664	100.0	1,920,682	100.0	93.7

Source: BestLink® - Best's Financial Suite

Year End - December 31

Geographic Breakdown by Direct Premiums Written USD (000)	2021	2020	2019	2018	2017
Ohio	543,991	541,988	560,877	561,444	558,153
Pennsylvania	204,026	194,406	193,545	197,990	195,932
Michigan	126,672	124,258	133,303	137,145	129,010
Florida	123,276	119,448	120,827	135,465	143,674
Illinois	116,781	104,606	105,991	120,215	134,275
Top 5 States	1,114,746	1,084,705	1,114,543	1,152,259	1,161,044
All Other	814,234	737,839	729,800	730,525	744,661
Total	1,928,980	1,822,544	1,844,342	1,882,784	1,905,705
Geographic Concentration Index	0.12	...	...	...	...

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

Westfield maintains a formal ERM program with a governance structure that includes its board of directors, a board-level ERM committee, an ERM leadership committee, an emerging risk panel, a cross-functional ERM team, and an enterprise risk management

Enterprise Risk Management (Continued...)

department. The group continually evaluates its ERM capabilities to ensure they match their risk profile. Westfield has a stated risk appetite that is reviewed at least annually by the ERM Committee. The group has identified its top ERM risks and uses economic capital modeling with multiple scenario analysis for better understanding of its risk exposures.

Westfield also completes an Own Risk Solvency Assessment annually which it submits to the Ohio Department of Insurance.

Reinsurance Summary

The group has a comprehensive reinsurance program that includes agreements for workers' compensation, casualty clash, multi-line excess of loss, catastrophe, and surety. In addition, business written in the group's specialty segment uses quota share reinsurance.

The contract for workers' compensation risks is a single layer of \$20.0M excess \$15.0M. It is placed at 72.5%. The casualty clash contract consists of two layers and provides coverage of up to \$45.0M above a \$25.0M retention. It is placed at a weighted average of 94.8%. The casualty excess part of the multi-line contract provides coverage of \$22.0M above a \$3.0M retention and is placed at 90%. The property per risk part of the multi-line contract provides coverage of \$47.0M above a \$3.0M retention and is placed at a weighted average of 87.3%. The basket portion is \$3.0M above a \$3.0M retention. The CAT program consists of a combination of annual and multi-year contracts. Coverage is provided at 33.5% of \$25.0M excess \$50.0M, 75.9% of \$25.0M excess \$75.0M and 100% of \$400.0M excess of \$100.0M (in four \$100.0M layers).

Environmental, Social & Governance

The group believes it is important to remain vigilant in tracking unfavorable ESG trends. Risks monitored include rising jury verdicts / social inflation, adverse impacts of climate change, increased cyber threats, and the remaining impact of the COVID-19 pandemic. Due to weather-related catastrophe exposure, the group's Voluntary Assumed Reinsurance book can be particularly affected by climate change.

Financial Statements

	9-Months		Year End - December 31			
	2022		2021		2020	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	76,766	1.2	61,379	1.0	56,861	1.0
Bonds	3,188,162	51.0	3,078,708	48.5	2,814,700	47.7
Preferred and Common Stock	944,987	15.1	1,289,344	20.3	1,282,183	21.7
Other Invested Assets	828,453	13.3	769,027	12.1	691,570	11.7
Total Cash and Invested Assets	5,038,368	80.6	5,198,458	81.8	4,845,314	82.1
Premium Balances	762,668	12.2	646,093	10.2	603,427	10.2
Net Deferred Tax Asset	1,145	...	...	...	...	...
Other Assets	449,706	7.2	508,690	8.0	450,242	7.6
Total Assets	6,251,888	100.0	6,353,240	100.0	5,898,983	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	631,042	10.1	631,579	9.9	624,818	10.6
Net IBNR Loss Reserves*	1,294,762	20.7	786,731	12.4	698,603	11.8
Net LAE Reserves	...	...	391,159	6.2	401,363	6.8
Total Net Loss and LAE Reserves	1,925,804	30.8	1,809,469	28.5	1,724,783	29.2
Net Unearned Premiums	1,141,851	18.3	960,709	15.1	886,394	15.0
Other Liabilities	463,222	7.4	549,908	8.7	579,349	9.8
Total Liabilities	3,530,877	56.5	3,320,086	52.3	3,190,526	54.1
Unassigned Surplus	2,721,012	43.5	3,033,154	47.7	2,708,457	45.9
Total Policyholders' Surplus	2,721,012	43.5	3,033,154	47.7	2,708,457	45.9
Total Liabilities and Surplus	6,251,888	100.0	6,353,240	100.0	5,898,983	100.0

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

Income Statement USD (000)	9-Months		Year End - December 31	
	2022	2021	2021	2020
Net Premiums Earned	1,521,084	1,364,097	1,846,367	1,786,649
Net Losses and LAE Incurred:				
Current Accident Year	1,185,668	988,447	1,320,581	1,222,481
Prior Accident Years	-47,868	-65,004	-76,510	-54,988
Underwriting Expenses Incurred	554,601	515,378	689,394	613,469
Dividends to Policyholders	1,122	1,462	1,630	18,198
Net Underwriting Income	-172,438	-76,186	-88,728	-12,511
Net Investment Income	96,591	92,481	159,483	128,954
Other Income (Expense)	-49,650	39,736	59,994	33,704
Pre-Tax Operating Income	-125,496	56,031	130,749	150,147
Income Taxes Incurred	-14,827	2,474	9,268	-28,215
Net Operating Income	-110,669	53,557	121,481	178,363
Net Realized Capital Gains (Losses)	72,315	105,283	137,725	59,275
Net Income	-38,354	158,840	259,206	237,638

Source: BestLink® - Best's Financial Suite



Statement of Operating Cash Flows USD (000)	9-Months		Year End - December 31	
	2022	2021	2021	2020
Net Premiums Collected	1,595,250	1,398,318	1,892,338	1,774,464
Net Losses Paid	864,599	681,945	960,285	991,531
Expenses Paid	716,716	648,755	851,271	792,652
Dividends to Policyholders	1,079	1,827	1,995	17,833
Net Underwriting Cash Flow	12,855	65,791	78,788	-27,553
Net Investment Income	120,409	122,789	194,609	167,323
Other Income (Expense)	-49,650	40,118	61,552	35,000
Income Taxes Paid (Recovered)	16,580	44,259	57,171	5,977
Net Operating Cash Flow	67,034	184,438	277,778	168,793

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

[Best's Credit Rating Methodology, 11/13/2020](#)[Catastrophe Analysis in A.M. Best Ratings, 10/13/2017](#)[Available Capital & Holding Company Analysis, 10/13/2017](#)[Scoring and Assessing Innovation, 03/05/2020](#)[The Treatment of Terrorism Risk in the Rating Evaluation, 05/26/2022](#)[Understanding BCAR for U.S. Property/Casualty Insurers, 05/26/2022](#)

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

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Westfield Completes Acquisition of Lloyd's of London Syndicate 1200

Commits Resources, Expertise to International Specialty Market

WESTFIELD CENTER, Ohio (February 2, 2023) — Westfield today announces the completion of its acquisition of [Lloyd's of London Syndicate 1200](#) from Argo Group International Holdings Ltd. (NYSE: ARGO). This strategic acquisition establishes Westfield as a global franchise, accelerates Westfield Specialty'sSM growth after a strong first 18 months in the U.S. market, and puts the overall Westfield Specialty portfolio in excess of \$1 billion in premium.

"This acquisition demonstrates Westfield's commitment to the international specialty market," says Westfield President, CEO and Board Chair Ed Largent. "The Lloyd's of London market offers long-term growth opportunities and we're excited to offer brokers, agents, and clients greater access to Westfield's expertise and product offerings."

Westfield brings deep expertise and experience to the international specialty market. Westfield Specialty President Jack Kuhn has a wealth of experience leading global, multi-billion-dollar businesses. Together with Graham Evans, Westfield Specialty Executive Vice President and Head of International Insurance, they will build on the existing strength of Syndicate 1200 and create an underwriting-focused, market-leading Lloyd's business as a core part of Westfield Specialty.

Kuhn and Evans have a long-established professional relationship spanning more than 20 years in the global specialty market and are excited about the new opportunity.

"The Syndicate 1200 team has created a successful business, and we are ready to build on their momentum as part of Westfield Specialty," says Evans.

The completion of this transaction accelerates Westfield Specialty's entry into international markets. It also brings Westfield's well-established financial strength to Lloyd's of London with the opportunity to bring new clients, capabilities, and even stronger relationships to brokers and clients across the globe. The transaction comes on the heels of a phenomenal year for Westfield Specialty, which wrote nearly \$300 million of premium in the U.S. in 2022. Kuhn comments that the newly expanded team will remain methodical, strategic, and focused on profitability as they continue to grow the business.

"We're interested in new opportunities for product expansion and in working with clients and brokers to solve problems and find new solutions," says Kuhn.

Kuhn expects a seamless transition. He says that the international team is well positioned and will go to market as Westfield Specialty, leveraging the well-respected, 175-year-old Westfield brand and the strength and stability of the Lloyd platform.

"This transaction significantly accelerates our strategy to become a leading specialty carrier," Kuhn says. "We look forward to working with Lloyd's and the international market to provide superior service and solutions."

Westfield is a leading U.S.-based property and casualty insurance company with \$8.5 billion in GAAP assets, providing commercial and personal property and casualty insurance and commercial and contract surety bonds in the U.S. The company also provides specialty lines of insurance in the U.S. and now in the global specialty market.

Sidley Austin LLP served as legal counsel and Keefe, Bruyette & Woods, A Stifel Company, served as financial advisor to Westfield on this transaction.

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