CONDUIT RE

Conduit Holdings Limited

Interim Report 2021

About Us

Conduit Re is a pure play global reinsurance business. We are a new company, but not a new team. We have many underwriting teams. We know the value of clean capacity and an unencumbered balance sheet to brokers and clients in a hard market. We have a disciplined and transparent underwriting philosophy. We embrace the latest and most powerful technology available to provide the best products and service to our customers. Social responsibility and inclusiveness are at the core of how we operate.

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Financial performance

Highlights

- Successful first six months of trading with continuing strong broker and client support
- Estimated ultimate premiums written of $333.1 million
- Gross premiums written of $210.3 million
- Indicative renewal rate changes estimated at +14% for Property, +17% for Casualty and +12% for Specialty
- Estimated Winter Storm Uri incurred loss of $6.0 million, including the impact of reinstatement premiums
- Net loss ratio of 70.0% (57.2% excluding Winter Storm Uri)
- Loss on equity of 1.2%, reflecting start-up factors
- Interim dividend of $0.18 (approximately £0.13) per common share declared

Neil Eckert, Group Executive Chairman, commented:

"I am proud of what we have achieved in our first six months as an operating business and we could not have asked for more from our growing team. We are delivering on the plan we set out in our IPO last year and continue on our mission to build Conduit into a leading modern pure play reinsurance franchise."

Trevor Carvey, Group Chief Executive Officer, commented:

"In our first half year of operations as a global reinsurer, we have hit the ground running and been accepted as a disciplined and supportive reinsurance partner by our brokers and clients who have shown us overwhelming support. We are building a strong team culture of technical discipline, collaboration and transparency which we believe is well received by our customers.

We have been deliberately more weighted to quota share business than excess of loss in these early stages and I am delighted with the diversity and quality of the book and the pricing we have been able to achieve. Over time, we would expect the balance of excess of loss business to increase as we continue to build out our book. The benefits of our focused and diversified approach to underwriting have meant that we have avoided significant exposures to the large losses that have been experienced in the wider reinsurance industry in the first half of the year.

We expect our ultimate premium income to be broadly in line with the estimates we set out in our plan, subject to market conditions over the remainder of this year.

We have made excellent progress so far, but there is still lots of hard work ahead of us."

Elaine Whelan, Group Chief Financial Officer, commented:

"We are declaring an interim dividend of $0.18 (approximately £0.13) per common share, in line with our previously communicated dividend policy.

We are pleased with the progress we have made with the operational build-out and development of our systems. Our IPO funds are now fully invested in accordance with our investment strategy and we will maintain a high quality, highly liquid investment portfolio to support our underwriting activities."

Business update

The first seven months of the Group's operations since its IPO have been a period of great activity. From a standing start in December 2020 we have:

- established the underwriting discipline, culture and focus we hoped to achieve when we founded the business;
- selectively written approximately 165 reinsurance contracts of the approximately 700 contracts we have analysed which are estimated to deliver $333.1 million of ultimate premiums written. These contracts provide a book of business which exceeds our underwriting criteria on both terms and price and are written across a wide variety of classes of business, thus providing a focused and diversified book of business in line with the characteristics identified in our prospectus published in connection with the Group's IPO (the "IPO Prospectus");
- successfully placed our outwards reinsurance programme to manage our catastrophe exposures in line with our risk tolerances;

- built out our team with quality staff across the business. All our key function roles have been filled and we now have a team of 35 highly experienced reinsurance professionals;
- delivered phase one of our operating plan. We have an ambitious strategy to build a modern and future-proof cloud-based operating and underwriting platform; and
- fully deployed our IPO funds in line with our conservative investment strategy.

To date, our underwriting portfolio has been more weighted to quota share than originally planned, as reflected in the higher acquisition expenses than anticipated, although we expect this to reduce as the underwriting portfolio develops over time.

The Group's combined ratio of 127.2% and negative ROE of 1.2% reflect the start-up nature of the business. Notably, the lag in net premiums earned as a result of writing more quota share means that the expense side of the business, such as incurred losses (for example Winter Storm Uri) and the level of operating expenses, can significantly impact these metrics.

Underwriting results

Given the start-up nature of the business, and the high degree of quota share business, we have presented both estimated ultimate and gross premiums written:

Segment	Estimated ultimate premiums written $m	Percentage of total	Gross premiums written $m	Percentage of total
Property	157.0	47.1%	129.5	61.6%
Casualty	115.2	34.6%	44.1	21.0%
Specialty	60.9	18.3%	36.7	17.4%
Total	**333.1**	**100.0%**	**210.3**	**100.0%**

Estimated ultimate premiums written of $333.1 million are in line with the targets set out in the IPO Prospectus. While we are in line with these overall targets, we have written more quota share business than originally planned and consequently there will be more of a lag in the accounting recognition of gross premiums written and earned.

As this is the Group's first year of business, it does not yet have a renewing book. However, the underlying renewal price index is tracked where there is sufficient data to do so. The Group's overall indicative renewal price changes were estimated at +14% for Property, +17% for Casualty and +12% for Specialty.

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Ceded reinsurance premiums of $21.8 million are also in line with the targets presented in the IPO Prospectus. Our cover has been purchased on an excess of loss basis to provide protection against significant losses from major events.

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The net loss ratio for the first six months of 2021 was 70.0%. Excluding the impact of Winter Storm Uri, the net loss ratio was 57.2%.

Our exposure to the Winter Storm Uri event and the financial impact of this loss event would not typically be considered material to the Group. However, there is a more meaningful impact on the Group's results of operations for the six months ended 30 June 2021 as our net premiums earned base has yet to mature. Our net losses recorded in relation to Winter Storm Uri, including the impact of reinstatement premiums, are estimated to be $6.0 million. With a lack of any reported claims to date, there remains a degree of uncertainty around early loss estimates. We will continue to keep this estimate under review as more detailed information becomes available.

Investments

Net investment income was $1.3 million for the first six months of 2021. Total investment return, including net investment income, net realised gains and losses and the net change in unrealised gains and losses was $0.8 million for the first six months of 2021.

As previously reported, the Group selected three highly reputable fixed maturity investment managers, but funding of the portfolios did not commence until April 2021. As such, the Group avoided the volatility of the first quarter of 2021. The

portfolios are now fully funded and our investment guidelines are in line with the strategy set out in the IPO Prospectus. The managed portfolio is as follows:

Fixed maturity securities	88.8%
Cash and cash equivalents	11.2%
Total	100.0%

Key investment portfolio statistics for our fixed maturities and managed cash were:

Duration	2.4 years
Credit quality	AA
Book yield	0.8%
Market yield	0.8%

Other operating expenses

Other operating expenses were $13.5 million in the first six months of 2021.

The development of the Group's technology platforms and recruitment of the wider teams is ongoing and in line with our plan and expectations.

Equity-based compensation

The equity-based compensation expense was $0.2 million for the first six months of 2021.

Financing

During July 2021, CRL, as the borrower, entered into a $125.0 million standby letter of credit facility led by Lloyds Bank Corporate Markets PLC. CHL will guarantee the obligations of CRL with respect to the standby letter of credit facility. Terms of the standby letter of credit facility contain standard qualitative representations and require certain standard financial covenants be adhered to. Outstanding amounts issued under the standby letter of credit facility will be secured by cash and cash equivalents and investments.

Capital and dividends

The Group remains well capitalised to achieve the business plan presented in the IPO Prospectus, and remains committed to its dividend policy. Total capital available to the Group was $1.041 billion. Tangible capital was $1.040 billion.

On 27 July 2021 the Group's Board of Directors declared an interim dividend of $0.18 (approximately £0.13) per common share, resulting in an aggregate payment of $29.7 million. The dividend will be paid in pounds sterling on 10 September 2021 to shareholders of record on 20 August 2021 (the "Record Date") using the pound sterling / US dollar spot exchange rate at 12 noon BST on the Record Date.

Condensed interim consolidated statement of comprehensive loss

	Notes	Six months ended 30 June 2021 $m	Period ended 31 December 2020 $m
Gross premiums written	4	210.3	-
Ceded reinsurance premiums	4	(21.8)	-
Net premiums written	4	188.5	-
Change in unearned premiums	4	(153.2)	-
Change in ceded unearned premiums	4	12.4	-
Net premiums earned		47.7	-
Net investment income	5	1.3	0.1
Net realised losses on investments	5	(0.4)	-
Net unrealised losses on investments	5	(0.1)	-
Net foreign exchange gains		-	0.1
Total net revenue		48.5	0.2
Net losses and loss adjustment expenses	4, 11	33.4	-
Net acquisition expenses	4, 6	13.8	-
Total insurance expenses		47.2	-
Equity-based compensation expense	7	0.2	0.3
Other operating expenses	7	13.5	4.5
Total expenses		60.9	4.8
Results of operating activities		(12.4)	(4.6)
Total comprehensive loss for the period		(12.4)	(4.6)
Loss per share			
Basic and diluted	16	$ (0.08)	$ (0.03)

Condensed interim consolidated balance sheet

	Notes	As at 30 June 2021 $m	As at 31 December 2020 $m
Assets			
Cash and cash equivalents	9	130.9	1,054.0
Accrued interest receivable		3.2	-
Fixed maturity securities	10	939.9	-
Premiums receivable		143.6	-
Reinsurance assets			
- Unearned premiums on ceded reinsurance premiums		12.4	-
Deferred acquisition expenses		40.2	-
Intangible assets	12	0.5	0.2
Other assets	10	5.4	1.1
Total assets		1,276.1	1,055.3
Liabilities			
Reinsurance contracts			
- Losses and loss adjustment expenses	11	33.4	-
- Unearned premiums		153.2	-
Amounts payable to reinsurers		15.6	-
Other payables	10	33.3	2.5
Total liabilities		235.5	2.5
Shareholders' equity			
Share capital	13, 14	1.7	1.7
Other reserves	14	1,055.9	1,055.7
Retained loss		(17.0)	(4.6)
Total shareholders' equity		1,040.6	1,052.8
Total liabilities and shareholders' equity		1,276.1	1,055.3

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on 27 July 2021 and signed on its behalf by:

Trevor Carvey
Chief Executive Officer

Elaine Whelan
Chief Financial Officer

Condensed interim statement of consolidated cash flows

	Notes	Six months ended 30 June 2021 $m	Period ended 31 December 2020 $m
Cash flows used in operating activities			
Loss before tax		(12.4)	(4.6)
Interest income		(2.2)	(0.1)
Net realised losses on investments		0.4	-
Net unrealised losses on investments	10	0.1	-
Net foreign exchange gains		(0.2)	(0.2)
Amortisation of fixed maturity securities		0.9	-
Equity-based compensation expense	7	0.2	0.3
Change in operational assets and liabilities			
- Reinsurance assets and liabilities		6.1	-
- Other assets and liabilities		0.1	1.5
Net cash flows used in operating activities		(7.0)	(3.1)
Cash flows used in investing activities			
Purchase of investments		(1,008.4)	-
Proceeds on sale and maturity of investments		90.5	-
Purchase of intangible assets	12	(0.3)	(0.2)
Interest received		2.0	0.1
Net cash flows used in investing activities		(916.2)	(0.1)
Cash flows from financing activities			
Proceeds from issue of share capital	13, 14	-	1,057.1
Net cash flows from financing activities		-	1,057.1
Net (decrease) increase in cash and cash equivalents		(923.2)	1,053.9
Cash and cash equivalents at beginning of period		1,054.0	-
Effect of exchange rate fluctuations on cash and cash equivalents		0.1	0.1
Cash and cash equivalents at end of period	9	130.9	1,054.0

Condensed interim consolidated statement of changes in shareholders' equity

	Notes	Share capital $m	Other reserves $m	Retained loss $m	Total shareholders' equity $m
Total comprehensive loss for the period		-	-	(4.6)	(4.6)
Issue of share capital	13, 14	1.7	1,100.9	-	1,102.6
Issuance costs	14	-	(45.5)	-	(45.5)
Equity-based compensation expense	7, 14	-	0.3	-	0.3
Balance as at 31 December 2020		1.7	1,055.7	(4.6)	1,052.8
Total comprehensive loss for the period		-	-	(12.4)	(12.4)
Equity-based compensation expense	7, 14	-	0.2	-	0.2
Balance as at 30 June 2021		1.7	1,055.9	(17.0)	1,040.6

Notes to the unaudited condensed interim consolidated financial statements

For the six months ended 30 June 2021

1. General information

Conduit Holdings Limited ("CHL" or the "Company") was incorporated under the laws of Bermuda on 6 October 2020 and listed on the London Stock Exchange on 7 December 2020. The registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company's unaudited condensed interim consolidated financial statements for the six months ended 30 June 2021 include the Company's subsidiaries (together referred to as the "Group"). A full listing of the Group's related parties can be found in note 17.

2. Summary of significant accounting policies

The basis of preparation, use of judgements and estimates, consolidation principles and significant accounting policies adopted in the preparation of these unaudited condensed interim consolidated financial statements are set out below. Excluding percentages, share and per share data or where otherwise stated, all amounts in tables and narrative disclosures are in millions of US dollars.

Basis of preparation

In accordance with IAS 34, Interim Financial Reporting, these unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements.

Underwriting and investment related operations for the Group commenced during the period from 1 January 2021 to 30 June 2021. As such, these unaudited condensed interim consolidated financial statements for the six months ended 30 June 2021 are not entirely comparable with the audited consolidated financial statements for the period from 6 October to 31 December 2020 and should be read in this context. The audited consolidated financial statements for the period from 6 October 2020 to 31 December 2020 contain formation costs and other costs in connection with the set-up of the business. Significant accounting policies and other disclosures related to the commencement of business activities on 1 January 2021, which would not typically be included in an interim report, have been included in these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements are prepared on a going concern basis in accordance with IFRS. Management and the Board performed an assessment of the Group's ability to continue as a going concern and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Where IFRS is silent, as it is in respect of certain aspects relating to the measurement of reinsurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, the Group's management determines appropriate measurement bases, to provide the most useful information to users of these unaudited condensed interim consolidated financial statements, using their judgement and considering US GAAP. In the course of preparing these unaudited condensed interim consolidated financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations as noted in the 'Use of judgements and estimates' section, that have had a significant effect on amounts recognised in these unaudited condensed interim consolidated financial statements.

The unaudited condensed interim consolidated balance sheet is presented in order of decreasing liquidity.

Future accounting changes

Standards and interpretations which are issued but not yet effective and have not been early adopted by the Group are summarised in the table below.

Standard	Amendment	Effective date
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023

IFRS 17, Insurance Contracts, issued in May 2017, specifies the financial reporting for insurance contracts by an insurer. The new standard is effective for accounting periods beginning on or after 1 January 2023. The standard includes a number of significant changes regarding the measurement and disclosure of insurance contracts both in terms of liability measurement and profit recognition. The Group is assessing the impact that IFRS 17 will have on its results of operations and disclosure requirements.

IFRS 9, Financial Instruments: Classification and Measurement, is effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4, Insurance Contracts, issued in 2016, provide a temporary exemption from applying IFRS 9. The Group qualifies for, and has elected to apply, the temporary exemption available to companies whose predominant activity is to issue insurance contracts. The activities of the Group are predominantly connected with insurance. The carrying value of the Group's liabilities connected with insurance activities comprised over 90% of the total liabilities. The Group therefore satisfies the criteria set out in IFRS 4 for the temporary exemption from IFRS 9. The exemption lasts until the implementation date of IFRS 17 and addresses the accounting consequences of applying IFRS 9 to insurers prior to the adoption of IFRS 17. IFRS 9 introduces new classification and measurement requirements for financial instruments. The Group currently anticipates that all investments held by the Group will be classified as at FVTPL, because they are managed on a fair value basis. As a result, the adoption of IFRS 9 is not expected to result in any changes to the measurement of the Group's investments, which will continue to be at FVTPL. The Group is assessing the impact that IFRS 9 will have on its results of operations and disclosure requirements.

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires the Group to make judgements and estimates that affect the reported and disclosed amounts at the balance sheet date, revenues and expenses during the reporting period and the associated financial statement disclosures. Actual results may differ materially from the estimates made.

The most significant estimates made by management are in relation to losses and loss adjustment expenses, both gross and net of ceded reinsurance, as discussed within the "Risk disclosures" section and in note 11.

Less significant estimates are made in determining the estimated fair value of certain financial instruments as discussed in note 10 and estimates made in determining premiums written and earned as discussed on the following pages.

While not significant, estimates are also used in the estimated fair value of the MIP as discussed in note 7 and the valuation of intangible assets as discussed in note 12.

Seasonality of operations

The Group underwrites worldwide, short-tail and long-tail reinsurance contracts that transfer insurance risk, including risks exposed to both natural and man-made catastrophes and risk and liability losses. The Group has exposure to large losses arising from non-seasonal natural catastrophes, such as earthquakes, and also from risk losses throughout the year and from fire, explosion, war, terrorism, political risk and other non-seasonal losses. On certain classes of business, the Group's most significant exposures to catastrophe losses are greater during the second half of the fiscal year. There is therefore potential for significantly greater volatility in earnings during that period. This is broadly in line with the most active period of the North American windstorm season which is typically June to November. The Group is also exposed to the Japanese and European windstorm seasons which are typically June to November and November to March, respectively. The Group commenced underwriting operations during the six months ended 30 June 2021, therefore it does not have a comparable split of annual gross premiums written for the six months ended 30 June 2020 or the six months ended 31 December 2020.

Consolidation principles

These unaudited condensed interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the six months ended 30 June 2021. Subsidiaries are fully consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases. Intercompany balances, profits and transactions are eliminated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Subsidiaries' accounting policies are generally consistent with the Group's accounting policies. Where they differ, adjustments are made on consolidation to bring accounting policies in line.

Foreign currency

The functional currency, which is the currency of the primary economic environment in which operations are conducted, for all Group entities is US dollars. Items included in the financial statements of each of the Group's entities are measured using the functional currency. These unaudited condensed interim consolidated financial statements are presented in US dollars.

Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are revalued at period end exchange rates. The resulting foreign exchange differences on revaluation are recorded in the unaudited condensed interim consolidated statement of comprehensive income (loss) within net foreign exchange gains (losses). Non-monetary assets and liabilities denominated in a foreign currency are carried at historic rates. Non-monetary assets and liabilities carried at estimated fair value and denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined.

Reinsurance contracts

Classification

Contracts that transfer significant reinsurance risk at the inception of the contract are accounted for as reinsurance contracts. Contracts that do not transfer significant reinsurance risk are accounted for as investment contracts. Reinsurance risk is transferred when a reinsurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

Premiums

The Group writes both excess of loss and proportional (also known as quota share or pro-rata) reinsurance contracts.

Excess of loss contracts

For the majority of excess of loss contracts, premiums written are recorded based on the minimum and deposit or flat premium, as defined in the contract. Subsequent adjustments to the minimum and deposit premium are recognised in the period in which they are determined. For excess of loss contracts where no deposit is specified in the contract, premiums written are recognised based on estimates of ultimate premiums provided by the ceding company. Initial estimates of premiums written are recognised in the period in which the contract incepts, or the period in which the contract is bound, if later. Subsequent adjustments, based on reports of actual premium by ceding companies, or revisions in estimates, are recorded in the period in which they are determined. For multi-year policies that are payable in annual instalments generally only the initial annual instalment is included as premiums written at policy inception due to the ability of the reinsured to commute or cancel the policy. The remaining annual instalments are included as premiums written at each successive anniversary date within the multi-year term.

Premiums written are generally earned evenly over the term of the underlying risk period of the reinsurance contract, except where the period of risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of reinsurance protection provided. The portion of the premium related to the unexpired portion of the risk period is reflected in unearned premiums. Where contract terms require the reinstatement of coverage after a ceding company's loss, the estimated mandatory reinstatement premiums are recorded as premiums written and earned when a specific loss event occurs. Reinstatement premiums are not recorded for losses included within the provision for IBNR that do not relate to a specific loss event.

Proportional contracts

Premiums written for proportional contracts are recognised based on estimates of ultimate premiums provided by the ceding company, supplemented by management's estimates of premiums based on its experience with the ceding company, familiarity with each market, the timing of the reported information and its understanding of the characteristics of each class of business. Initial estimates of premiums written are recognised in the period in which the contract incepts, or the period in which the contract is bound if later. Contracts written on a 'risks attaching' basis cover claims which attach to the underlying insurance policy written during the term of the respective policy. Premiums earned on such policies generally extend beyond the original term of the contract. Subsequent adjustments, based on reports of actual premium by the ceding company, or revisions in estimates, are recorded in the period in which they are determined.

Premiums receivable

Reinsurance premiums receivable from cedants are recorded net of commissions, brokerage, premium taxes and other levies on premiums, unless the contract specifies otherwise. A significant portion of amounts included as premiums receivable are not currently due based on the terms of the underlying contracts. These balances are regularly reviewed for impairment, with any impairment loss recognised as an expense in the period in which it is determined. Based on currently available information, management believes that the premium estimates included in premiums receivable will be collectible and therefore no provision for doubtful accounts has been recorded.

Acquisition expenses

Acquisition expenses represent commissions, brokerage, profit commissions and other variable costs that relate directly to the successful securing of new contracts and renewing existing contracts. Generally, acquisition expenses are deferred over the period in which the related premiums are earned to the extent they are recoverable out of expected future revenue margins. All other acquisition expenses are recognised as an expense when incurred.

Ceded reinsurance premiums

Reinsurance is purchased in the normal course of business to increase capital capacity, limit the impact of individual losses and loss events, or both. The Group may purchase reinsurance on both an excess of loss and proportional basis. Ceded reinsurance premiums, being the cost of reinsurance contracts entered into, are accounted for in the period in which the contract incepts or is bound if that date is later. Ceded reinsurance premiums are generally earned in the same manner as the premiums written, depending on the terms of the contract. The provision for the reinsurers' share of unearned premiums represents the part of ceded reinsurance premiums which are estimated to be earned in future periods. Deferred ceded acquisition expenses are recognised as a liability using the same principles.

Net losses and loss adjustment expenses

Net losses and loss adjustment expenses in the unaudited condensed interim consolidated statement of comprehensive loss include changes in the provision for outstanding losses and ACRs, changes in the provision for IBNR plus related expenses and losses paid in the period. Amounts are net of any changes in the provision for reinsurance recoverable and related expenses for the period. Net losses and loss adjustment expenses are recognised in profit or loss as they are incurred.

Losses and loss adjustment expenses in the unaudited condensed interim consolidated balance sheet represent the ultimate cost of settling all reinsurance claims arising from events which have occurred up to the end of the reporting period, including a provision for IBNR. The Group does not discount its liabilities for unpaid losses. Outstanding losses are initially set on the basis of reported losses received from cedants. ACRs are determined where management's best estimate of the reported loss is greater than that reported. Estimated IBNR reserves may also consist of a provision for additional development in excess of losses reported by cedants, as well as a provision for losses which have occurred but have not yet been reported by cedants. IBNR reserves are estimated initially using expected loss and loss adjustment expense ratios which are selected based on information derived by the Group's underwriters and actuaries during the initial pricing of the business. These estimates are reviewed regularly and, as experience develops and new information is received, the reserves are adjusted as necessary. As actual loss information is reported, and the Group develops its own loss experience, management will use various actuarial methods as well as a combination of management's judgement and experience, historical reinsurance industry loss experience and estimates of pricing adequacy trends to estimate IBNR reserves. Any adjustments to initial expectations are reflected in the unaudited condensed interim consolidated statement of comprehensive income (loss) in the period in which they are determined.

The estimation of the ultimate loss and loss adjustment expense liability is a complex process which incorporates a significant amount of judgement. It is reasonably possible that uncertainties in the reserving process, delays in cedants

reporting losses to the Group, together with the potential for unforeseen adverse developments, could lead to a material change in estimated net losses and loss adjustment expenses.

Any amounts recoverable from reinsurers are estimated using the same methodology as for the underlying losses. Management monitors the creditworthiness of its reinsurers on an ongoing basis and assesses any reinsurance assets for impairment, with any impairment loss recognised as an expense in the period in which it is determined.

Liability adequacy tests

At each balance sheet date, the Group performs a liability adequacy test to determine if there is an overall excess of expected claims over unearned premiums for the period of unexpired risk by using current best estimates of future cash outflows generated by its reinsurance contracts, plus any investment income thereon. If, as a result of these tests, the carrying amount of the Group's reinsurance liabilities is found to be inadequate, the deficiency is charged to the unaudited condensed interim consolidated statement of comprehensive income (loss) for the period, initially by writing off deferred acquisition costs and subsequently by establishing a provision.

Financial instruments

Cash and cash equivalents

Cash and cash equivalents are carried in the unaudited condensed interim consolidated balance sheet at amortised cost and include cash in hand, deposits held on call with banks, money market funds, and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

Interest income earned on cash and cash equivalents is recognised using the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Fixed maturity securities

The Group's fixed maturity securities portfolio is classified as FVTPL and carried at estimated fair value in the unaudited condensed interim consolidated balance sheet. The classification of the Group's financial assets is determined at the time of initial purchase. A financial asset is classified at FVTPL if it is managed and evaluated on a fair value basis or if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking. Presentation of these securities in the FVTPL category is consistent with how management monitors and evaluates the performance of these securities.

Regular way purchases and sales of investments are recognised at estimated fair value, including transaction costs attributable to the acquisition of that investment on the trade date, and are subsequently carried at estimated fair value. Investment transactions are recorded on the trade date with balances pending settlement reflected in the unaudited condensed interim consolidated balance sheet in other assets or other payables. The estimated fair value of the Group's fixed maturity securities portfolio is determined based on bid prices from recognised exchanges, broker-dealers, recognised indices or pricing vendors. Changes in estimated fair value of investments classified at FVTPL are recognised in the unaudited condensed interim consolidated statement of comprehensive income (loss) within net unrealised gains and losses on investments.

Investments are derecognised when the Group has transferred substantially all the risks and rewards of ownership. On derecognition of an investment held at FVTPL, previously recorded unrealised gains and losses are recycled from net unrealised gains and losses on investments to net realised gains and losses on investments.

Amortisation and accretion of premiums and discounts on fixed maturity securities are calculated using the effective interest rate method and are recognised in current period net investment income. Interest income is recognised using the effective interest rate method and included in net investment income. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. An intangible asset with a finite useful life is amortised on a straight-line basis over the useful life. An intangible asset with an indefinite useful life is not amortised but is tested annually for impairment. When an intangible asset is disposed of, the gain or loss on disposal is recognised in profit or loss.

Employee benefits

Equity compensation plans

The Group currently operates a MIP under which shares are subscribed for or nil cost options are granted. The fair value of the instruments granted is estimated on the date of grant. The estimated fair value is recognised as an expense pro-rata over the vesting period of the instrument, adjusted for the impact of any non-market vesting conditions. No adjustment to vesting assumptions is made in respect of market vesting conditions.

At each balance sheet date, the Group revises its estimate of the number of instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, as equity-based compensation expense in the unaudited condensed interim consolidated statement of comprehensive income (loss), and a corresponding adjustment is made to other reserves in shareholders' equity over the remaining vesting period.

On exercise, the differences between the expense charged to the unaudited condensed interim consolidated statement of comprehensive income (loss) and the actual cost to the Group, if any, is transferred to other reserves in shareholders' equity.

Tax

Income tax represents the sum of tax currently payable and any deferred tax. The tax payable is calculated based on taxable profit for the period using tax rates and tax laws enacted or substantively enacted at the year-end reporting date and any adjustments to tax payable in respect of prior periods. Taxable profit for the period can differ from that reported in the unaudited condensed interim consolidated statement of comprehensive income (loss) due to non-taxable income and certain items which are not tax deductible, or which are deferred to subsequent periods.

Deferred tax is recognised on all temporary differences between the carrying value of the assets and liabilities in the unaudited condensed interim consolidated balance sheet and their tax base, except when the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets or liabilities are accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is probable and are reassessed each year for recognition.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Where the current estimated fair value of equity-based compensation awards differs from the estimated fair value at the time of grant, adjusted where applicable for dividends, the related corporation tax and deferred tax charge or credit is recognised directly in other reserves.

Own shares

Own shares include shares repurchased under share repurchase authorisations and held in treasury, plus shares repurchased and held in trust, for the purposes of employee equity-based compensation schemes. Own shares are deducted from shareholders' equity. No gain or loss is recognised on the purchase, sale, cancellation or issue of own shares and any consideration paid or received is recognised directly in equity.

Share capital and issuance costs

Shares are classified as shareholders' equity if there is no obligation to transfer cash or other financial assets. Transaction costs that are attributable to the issuance of new shares are treated as a deduction to share premium.

3. Risk disclosures

Introduction

For the period ended 31 December 2020, the Group was not engaged in any active business and was therefore exposed to limited risks, being market risk, operational risk and strategic risk. From 1 January 2021, and for the six months ended 30 June 2021, the Group was exposed to risks from several sources, classified into six primary risk categories. The primary risk categories are: (a) reinsurance risk; (b) market risk; (c) liquidity risk; (d) credit risk; (e) operational risk; and (f) strategic risk. These are discussed in detail on the following pages. The primary risk to the Group is reinsurance risk.

The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives and should maintain sound risk management and internal control systems. To this end, the Board has established various committees to support the execution of its responsibilities and has reviewed the committee structures now established at CRL. Baseline risk appetites have been defined, and these remain under review as the Group develops. Initially certain non-underwriting activities were outsourced to, or supported by, specialist providers with the intent of reducing short-term execution risk, with dependence reducing as the in-house team expands. Employee headcount as at 30 June 2021 was 30 (31 December 2020 – 12).

The risk function is responsible for supporting the Board, and the CRL board, with the day-to-day oversight of the risks that the Group seeks or is exposed to in pursuit of its strategic objectives, and the satisfaction of certain regulatory risk management expectations relevant to CRL. The framework under which risks are managed contemplates risk appetite and tolerance constraints, prescribed by the Board and reviewed at least annually, with consideration of the financial and operational capacity of the Group. The use of financial capacity in this context relates to calculated or modelled capital requirements, based on residual unmitigated risk exposures. Current capital requirements are determined by reference to rating agency and regulatory capital requirements, with an internal capital model to be developed in due course.

Day-to-day management of risk is the responsibility of management, operating within the defined appetite and tolerances and Board, or the CRL board, approved delegations of authority. The risk framework prescribes a standardised approach to the management of risk, oversight and challenge by the risk function and independent assurance provided by the internal audit function. The risk framework also addresses the reporting of risks, emerging risks, risk events and compliance with risk appetite and tolerance statements to executive management and the boards, and relevant board sub-committees, of CRL and CHL. To ensure transparency and accountability of the business to the independent non-executive directors, three independent non-executive directors from the Board have been appointed to the board of CRL. Furthermore, the Board is invited to attend operating entity board level meetings and see all minutes and records of such operating entity board and committee meetings.

COVID-19

The COVID-19 pandemic has caused significant disruption in global financial markets and to worldwide economies. The COVID-19 pandemic is an ongoing situation making it exceptionally difficult to predict what the ultimate impact for the reinsurance industry will be. The Group only commenced underwriting operations during the six months ended 30 June 2021 and, for any business written during that period, the Group had specific COVID-19 related exclusions in its reinsurance contracts and policy wordings. As a result, the Group does not believe it had any exposure to losses associated with the COVID-19 pandemic during the period. The impacts of the COVID-19 pandemic on the Group are discussed throughout these unaudited condensed interim consolidated financial statements.

Climate Change

The Group is exposed to risks associated with climate change and potential opportunities arising from that risk. Risks from climate change can include physical risk and those associated with a changing economy. Physical risks are those relating to the physical impacts of climate change, which can be from increased frequency and severity of climate-related events, or structural, due to longer-term shifts in climate patterns. Economic risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputational risk. The potential financial impact from these risks is mitigated by the Group's strategic and risk management policies.

A. Reinsurance risk

The Group underwrites both short-tail and long-tail reinsurance contracts on a worldwide basis. These reinsurance contracts transfer insurance risk, including risks exposed to both natural and man-made catastrophes and risk and liability losses. The risk in connection with reinsurance contracts is, in the event of a covered loss, whether the premiums will be greater than the associated loss payments and expenses. The Group's underwriters evaluate and estimate the level of premiums sufficient to cover expected losses, expenses and profitability through a combination of sophisticated risk modelling tools, past experience and knowledge of loss events, current industry trends and broader economic indicators. In order to ensure appropriate reinsurance risk selection, limits on the concentration and diversification of the aggregate portfolio, the Group has established risk management and internal control systems to evaluate and assess the expected losses of each individual contract, class of business, geographic region and the aggregate portfolio. These controls, include, but are not limited to:

- the Group's IPO Prospectus included a five-year strategic plan and established the over-riding business goals that management and the Board aim to achieve;

- a detailed business plan will be produced annually and will consider current market conditions and the risk-adjusted profitability of the underwriting portfolio;
- our internal capital requirements consider the probability and magnitude of reinsurance losses varying from the expected losses considered during the underwriting and subsequent reserving processes;
- forecasts are produced periodically to assess the Group's progress toward the strategic plan;
- each underwriter has a clearly defined limit of underwriting authority;
- each contract underwritten is subject to a pre-bind peer review;
- an underwriting roundtable meeting, typically held daily, where deal flow, pricing and opportunities are discussed;
- pricing models are used in all areas of the underwriting process;
- risk appetite and tolerance statements have been established and the CRO reports quarterly on adherence;
- a number of modelling tools are used to model catastrophes and expected losses; and
- reinsurance is purchased to mitigate both frequency and severity of losses, and to protect the Group's capital base.

Catastrophe management

Certain of the Group's classes of business provide coverage for natural catastrophes (e.g., earthquakes, floods, hurricanes and wildfires) and are subject to seasonal variation and the impacts of climate change. The Group's business has exposure to large catastrophe losses in North America, Europe and Japan as a result of windstorms. The level of windstorm activity, and landfall thereof, during the North American, European and Japanese wind seasons may materially impact the Group's loss experience. The North American and Japanese wind seasons are typically June to November and the European wind season November to March. The Group also has exposure to other natural catastrophes, such as earthquakes, tsunamis, droughts, floods, hail and tornadoes. In addition, the Group is exposed to risk losses throughout the year and from fire, explosion, war, terrorism, political risk and other events, including loss arising from legal liabilities rather than physical damage.

The Group has defined its appetite and tolerances for risk accumulations and uses models to determine the expected frequency and severity of aggregating exposures. As with all such models, there is a risk that modelled expectations may not reflect actual outcomes and the scope of the models are such that not all exposures are captured.

Operating segments

The Group's underwriting business is comprised of three principal divisions: property, casualty and specialty. These divisions are also considered to be the Group's operating segments. Details of each operating segment and gross premiums written by geographic region and operating segment are as follows:

Six months ended 30 June 2021	Property $m	Casualty $m	Specialty $m	Total $m	Total %
US	80.3	39.5	2.9	122.7	58.3%
Worldwide (excluding US)	42.2	4.3	33.6	80.1	38.1%
Europe	3.1	0.1	-	3.2	1.5%
Other	3.9	0.2	0.2	4.3	2.1%
Gross premiums written	129.5	44.1	36.7	210.3	100.0%

Property reinsurance

The Group is exposed to large natural catastrophe losses, such as windstorm and earthquake losses, primarily from assuming risks associated with property treaties. Exposure to natural catastrophe events is controlled and measured by managing to predefined limits within stochastic modelling and deterministic accumulations across classes per geographic zone and peril. The accuracy of these analyses are limited by the quality of data and the effectiveness of the modelling. It is possible that a catastrophic event significantly exceeds the expected modelled event loss.

Natural catastrophe risk is written across both the US and internationally on an excess of loss and capped quota share basis. Reinsurance structures are offered strategically, most notably in respect of peril, geography and probability of activation or exhaustion.

Property per risk treaties are offered with the strategy to minimise natural catastrophe exposure, focusing on fire risk. This is considered by both natural catastrophe specific metrics, treaty conditions and excess of loss structure.

Ceded reinsurance may be purchased to mitigate exposures to large natural catastrophe losses. Ceded reinsurance is typically purchased on an excess of loss basis, however industry loss warranties or proportional treaty arrangements may also be entered into.

Casualty reinsurance

The Group underwrites a balanced portfolio of casualty classes of business, comprised of both excess of loss and proportional contracts, on a worldwide basis.

Casualty claims tend to take longer to be reported and ultimately settled than physical damage risks. The Group typically maintains net reserves for losses and loss adjustment expenses for casualty classes of business over a longer period of time than for property and specialty classes of business where the costs of claims are generally known and paid in a shorter time frame.

The Group will purchase ceded reinsurance to protect against any 'clash' between losses arising in its casualty portfolio which can result from complex claim events involving both physical and liability-related losses. It is the Group's objective to manage its systemic risk as to avoid 'clash' accumulations within the portfolio.

The Group's sub-classes of casualty business include directors and officers liability, financial institutions liability, general liability for multiple sub-classes and on an excess and umbrella basis, medical malpractice, professional liability and transactional liability. The Group will only consider workers compensation on a highly selective basis and will not write any standalone auto or cyber treaties.

Directors and officers liability

Directors and officers liability policies offer protection for company managers and directors and officers against claims that may arise in the normal course of operations. Coverage includes legal expenses and liability to shareholders, bondholders, creditors or others owing to actions or omissions by a director or officer of a private or public corporation, or not for profit organisation.

Financial institutions liability

Financial institutions coverage may cover risks such as computer and commercial crime, professional indemnity and civil liability.

General liability

General liability commonly provides cover for losses arising from the legal liability of an original insured and statutory liability in the case of employers' liability which result in bodily injury or disease to third parties or physical damage to third party property. The Group offers a wide range of general liability reinsurance products including contractors general liability, excess general liability, umbrella, energy and environmental.

Medical malpractice

Medical malpractice reinsurance generally covers professional liability and errors and omissions specifically in the healthcare industry, protecting physicians and other health care professionals against claims of negligent acts or injury of patients under their care. Medical malpractice reinsurance does not cover intentional or criminal acts.

Professional liability

Professional liability generally provides coverage for third party losses resulting from legal liability or civil liability or negligence, errors or omissions or wrongful acts arising from the provision of, or failure to provide, professional services by an original insured. Sub-classes of this business would include lawyers, accountants, architects and engineers, errors and omissions, plus miscellaneous professional liability.

Transactional liability

Transactional liability reinsurance is used by parties to various business transactions, such as mergers, acquisitions and divestitures, to transfer certain transaction-related risks to the reinsurance market. There can be a broad range of risks covered, including warranty, litigation, pension and tax uncertainties and employment matters.

Specialty reinsurance

The Group's specialty classes of business are written on both an excess of loss and proportional basis and can provide reinsurance coverage against physical damage (short-tail) or against legal liability (long-tail) losses. Although specialty classes of business are exposed to natural catastrophe risk, it is generally to a lesser extent than property classes of business. They are more likely to be affected by specific large loss events such as accidents, collisions, fires and similar man-made catastrophe events. Specialty classes of business are highly diverse in nature and require specific market

expertise and experience. The Group's main specialty classes of business include aviation, energy, marine, renewables, political violence and terrorism offered on a specific and whole account basis.

The Group purchases ceded reinsurance protection to reduce the Group's exposure to both large risk losses and an accumulation of smaller losses. Ceded reinsurance is typically purchased on an excess of loss basis, but, from time to time, proportional arrangements may be entered into.

Aviation

The Group's aviation class of business provides cover to the insurers of the world's major airlines and aircraft manufacturers and includes cover for the aircraft themselves as well as losses arising from passenger and third-party liability claims against airlines and/or manufacturers.

Energy

The Group's energy class of business provides reinsurance cover for a global spread of accounts that can include primary risks such as downstream energy, upstream energy, energy liability, construction energy and Gulf of Mexico offshore energy programmes. Policies typically cover property for physical damage (including natural catastrophe) and machinery breakdown perils plus consequential business interruption exposure, often with loss limits set at a level commensurate with a modelled estimated maximum loss scenario.

Marine

Marine cargo is an international account and covers the reinsurance of commodities or goods in transit. Typically, transit cover is provided on an all-risks basis for marine perils for the full value of the goods concerned. Static cover is also provided for losses to cargo, from both elemental and non-elemental causes. In addition, the cargo account can include specie and fine art, vault risks, artwork on exhibition and marine war and terrorism business relating to cargo in the ordinary course of transit.

Marine liability is mostly the reinsurance of the International Group of Protection and Indemnity Clubs. Marine builders' risk covers the building of ocean-going vessels in specialised yards worldwide and their testing and commissioning.

The marine hull class generally consists of worldwide coverage spanning physical damage, hull and machinery breakdown, loss of hire and mortgagees' interests for a range of maritime vessels from cargo and passenger ships to private pleasure craft. Products typically cover both risk and catastrophe exposures.

Political violence and terrorism

Political violence and terrorism coverage is provided for US and worldwide property risks, but typically excluding nuclear, chemical, biological and cyber coverage in most territories.

Whole account

Coverage is generally provided on a worldwide basis and covers a broad spectrum of the cedants risks under a single policy. The classes of business covered under a whole account reinsurance policy can include traditional property and casualty classes of business including commercial and personal automobile, general liability, workers' compensation, employers' liability, excess casualty and umbrella, as well as selected professional liability coverage.

Ceded reinsurance

Ceded reinsurance is purchased in the normal course of business to increase capital capacity, limit the impact of individual losses and loss events, or both. Ceded reinsurance may also be purchased from time to time to optimise the risk-adjusted return of the Group's aggregate underwriting portfolio. The Group purchases ceded reinsurance on both an excess of loss and proportional basis. The mix of ceded reinsurance coverage is dependent on specific loss mitigation requirements, market conditions and available capacity. In certain market conditions, the Group may deem it more economic to hold capital than purchase ceded reinsurance. Ceded reinsurance does not relieve the Group of its obligations to policyholders. The Group is exposed to reinsurance risk where ceded reinsurance contracts put in place to reduce gross reinsurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the limits purchased. Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section below. Ceded reinsurance coverage is not intended to be available to meet all potential loss circumstances. The Group will retain certain losses, as the cover purchased is unlikely to transfer the totality of the Group's exposure. Any loss amount which exceeds the ceded reinsurance coverage purchased would be retained by the Group. Some ceded reinsurance policies have limited reinstatements, therefore the number of claims which may be recovered on second, and subsequent loss circumstances is limited.

Under the Group's ceded reinsurance security policy, the Group's ceded reinsurers are assessed and approved based on their financial strength ratings, amongst other factors. These decisions are regularly reviewed as an integral part of the business planning and performance monitoring process. The Counterparty Security Committee examines and approves all the Group's ceded reinsurers to ensure that they possess suitable security.

Net losses and loss adjustment expenses

The most significant and critical judgement and estimate made by management is the estimation of net losses and loss adjustment expenses. Management estimates net losses and loss adjustment expenses, and the associated reserves to cover its estimated liability for both reported and unreported claims. Management uses methodologies that calculate a point estimate for the ultimate losses, representing management's best estimate of ultimate net losses and loss adjustment expenses. The Group establishes its reserve for losses and loss adjustment expenses by taking outstanding losses, adding an estimate for IBNR and, if deemed necessary, ACRs which represent the Group's estimate for losses related to specific contracts which the Group believes may not be adequately estimated by the client as of that date, or adequately covered in the application of IBNR.

Loss reserves are not permitted until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date are established, with no allowance for the provision of a contingency reserve to account for expected future losses or for the emergence of new types of latent claims. Claims arising from future events can be expected to require the establishment of substantial reserves from time to time. All of the Group's reserves are reported on an undiscounted basis.

The reserving process is dependent on management's judgement and is subject to meaningful uncertainty due to both qualitative and quantitative factors, including, but not limited to: the nature of the business written, whether it is short-tail or long-tail, whether it is excess of loss or proportional, the magnitude and timing of loss events, the geographic areas impacted by loss events, time lags in the reporting process from the original claimant, limited claims data, policy coverage interpretations, case law, regulatory directives, demand surge and inflation, potential uncertainties related to reinsurance and ceding company reserving practices, and other factors inherent in the estimation process for net losses and loss adjustment expenses. The judgements and estimates used in establishing loss reserve calculations may be revised as additional experience or other data becomes available. Loss reserves are also reviewed as new or improved methodologies are developed and as laws or regulations change. Furthermore, as a business operating within a broker market, management must rely on loss information reported to brokers by other insurers and their loss adjusters, who must estimate their own losses at the policy level, often based on incomplete and changing information. The information management receives varies by cedant and may include paid losses, estimated case reserves and an estimated provision for IBNR reserves. Additionally, reserving practices and the quality of data reporting may vary among ceding companies, which adds further uncertainty to management's estimates of the ultimate losses.

The Group's internal actuaries review the reserving assumptions and methodologies on a quarterly basis and develop an actuarial best estimate of the Group's net losses and loss adjustment expenses using the processes outlined above. The Reserving Committee (management) reviews the estimate for net losses and loss adjustment expenses on a quarterly basis. The reserves are subject to a semi-annual independent review by the Group's external actuaries. The results of these independent reviews are presented to the Group's Audit Committee.

Short-tail versus long-tail

Claims relating to short-tail risks are generally reported more promptly than those relating to long-tail risks. The timeliness of reporting can be affected by such factors as the nature of the event causing the loss, the location of the loss and whether the losses are from policies in force with primary insurers or reinsurers.

Excess of loss versus proportional

For excess of loss contracts management is aided by the fact that each policy has a defined limit of liability arising from one event. Once that limit has been reached, there is no further exposure to additional losses from that policy for the same event. For proportional business, an initial estimated loss and loss expense ratio is generally used. This is based upon information provided by the ceding company and/or their broker and management's historical experience of that treaty, if any, and the estimate is adjusted as actual experience becomes known.

B. Market risk

The Group is at risk of loss due to movements in market factors. For the six months ended 30 June 2021, the main market risks the Group is exposed to include:

- reinsurance risk;
- investment risk; and
- currency risk.

The Group was not engaged in any active business for the period ended 31 December 2020. Therefore, the only relevant market risk for that period was currency risk. Following the successful IPO, and translation of the pound sterling funds raised into US dollars, there was no significant currency exposure to the Group for the period ended 31 December 2020.

i. Reinsurance risk

The Group is exposed to reinsurance market risk from several sources, including the following:

- the advent or continuation of a soft market, which may result in a stabilisation or decline in premium rates and/or terms and conditions for certain classes, or across all classes;
- the actions and reactions of key competitors, which may directly result in volatility in premium volumes and rates, fee levels and other input costs;
- market events, including unusual inflation in rates, may result in a limit in the availability of cover, causing political intervention or national remedies;
- failure to maintain broker and cedant relationships, leading to a limited or substandard choice of risks inconsistent with the Group's risk appetite;
- changes in regulation including capital, governance or licensing requirements; and
- changes in the geopolitical environment.

The most important method to mitigate reinsurance market risk is to maintain strict underwriting standards. The Group manages reinsurance market risk in numerous ways, including the following:

- reviews and amends underwriting plans and outlook as necessary;
- reduces exposure to market sectors where conditions have reached unattractive levels;
- purchases appropriate, cost-effective reinsurance cover to mitigate exposures;
- closely monitors changes in rates and terms and conditions;
- ensures through rigorous underwriting criteria that surplus capital does not drive the Groups' short-term risk appetite;
- typically holds a daily underwriting briefing meeting for CRL to discuss deal flow, pricing and opportunities;
- holds a quarterly Underwriting Oversight Committee that considers matters that include underwriting performance for CRL;
- holds an annual strategy review meeting;
- holds a quarterly Underwriting Committee meeting that considers matters including underwriting performance for CRL;
- holds a quarterly Risk, Capital and Compliance Committee meeting to review relevant risk and capital considerations for CRL; and
- holds regular meetings with regulators and rating agencies.

Reinsurance contract liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

ii. Investment risk

Movements in investments resulting from changes in interest and inflation rates, credit spreads, and currency exchange rates, among other factors, may lead to an adverse impact on the value of the Group's investment portfolio. The Group seeks to invest in issuers with stronger ESG practices on balance, as it believes that this will also help reduce risk in the portfolio.

Investment guidelines and adjustments to the guidelines are reviewed by the Finance and Investment Oversight Committee with input from the CFO. They are then approved by the Executive Committee and reported to the Board. The investment guidelines set the parameters within which the Group's external managers must operate. Important parameters of these guidelines include permissible asset classes, duration ranges, credit quality, permitted currency, maturity, industry sectors, geographical, sovereign and issuer exposures. Guideline compliance is monitored on a monthly basis. The Group's portfolio of fixed maturity securities is currently managed by three external managers. Their performance is monitored on an ongoing basis. The Group projects the level of funds required to meet near term obligations and cash flow needs following extreme

events in order to ensure adequate liquidity is maintained. The Group also prioritises liquid asset classes with higher credit quality and shorter duration so that the Group can meet reinsurance and other near-term obligations. The Group has split the portfolio into a short-tail mandate, to better match the property and specialty classes of business, and a long-tail mandate, to better match the casualty classes of business and some aspects of the specialty classes of business. The short-tail mandate will be slightly shorter duration than the long-tail mandate.

The Group reviews the composition, duration and asset allocation of its investment portfolio on a regular basis to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

The Group models various periods of significant stress in order to better understand the investment portfolio's risks and exposures. The scenarios represent what could, and most likely will, occur (albeit not in the exact form of the scenarios, which are based on historic periods of volatility). The Group also monitors the portfolio impact of more severe scenarios consisting of extreme shocks.

The Group focuses on the most significant risks in its investment portfolio which are interest rate risk, credit risk and liquidity risk, and have built, or is building, stress testing and risk analytics around these risks to ensure they are within the Group's tolerances and preferences.

With input from the CFO and the Finance and Investment Oversight Committee, the Executive Committee will perform a strategic asset allocation study on a bi-annual basis to assess the Group's overall investment strategy and to consider alternative asset allocations to achieve the best risk-adjusted return within the Group's risk appetite. Any resulting recommendations would be approved by the Executive Committee and reported to the Board. The Finance and Investment Oversight Committee meets quarterly to ensure that the Group's strategic and tactical investment actions are consistent with investment risk preferences, appetite, risk and return objectives and tolerances. The Finance and Investment Oversight Committee also helps develop the risk tolerances to be incorporated into the ERM framework.

The investment mix by mandate and sector of the Group's portfolio of fixed maturity securities is as follows:

As at 30 June 2021	Estimated fair value short-tail $m	Estimated fair value long-tail $m	Estimated fair value total $m
Fixed maturity securities, at FVTPL			
Short term investments	6.8	18.6	25.4
US treasuries	109.8	98.6	208.4
US municipals	10.0	1.1	11.1
Non-US government and agencies	2.2	-	2.2
Asset-backed	85.9	51.5	137.4
US government agency mortgage-backed	38.0	32.6	70.6
Non-agency mortgage-backed	10.0	4.1	14.1
Agency commercial mortgage-backed	1.3	-	1.3
Non-agency commercial mortgage-backed	20.5	27.4	47.9
Corporate	278.2	143.3	421.5
	562.7	377.2	939.9

Corporate and non-US government and agencies bonds by country are as follows:

As at 30 June 2021	Financials $m	Other industries $m	Non-US government and agencies $m	Total $m
US	148.5	180.7	-	329.2
UK	24.0	7.4	-	31.4
Canada	21.0	0.6	-	21.6
Other countries	31.0	8.3	2.2	41.5
	224.5	197.0	2.2	423.7

The sector allocation of corporate bonds is as follows:

As at 30 June 2021	$m	%
Financials	224.5	53.3%
Industrials	180.5	42.8%
Utility	16.5	3.9%
	421.5	100.0%

The Group's investment portfolio is comprised of fixed maturity securities and cash and cash equivalents. Fair values can be impacted by movements in interest rates, credit ratings, exchange rates, the current economic environment and outlook. The estimated fair value of the Group's portfolio of fixed maturity securities is generally inversely correlated to movements in market interest rates. If market interest rates fall, the estimated fair value of the Group's portfolio of fixed maturity securities would tend to rise and vice versa. The sensitivity of the price of fixed maturity securities to movements in interest rates is indicated by their duration. The greater a security's duration, the greater its price volatility to movements in interest rates. The sensitivity of the Group's portfolio of fixed maturity securities to interest rate movements is detailed below, assuming linear movements in interest rates.

As at 30 June 2021	$m	%
Immediate shift in yield (basis points)		
100	(26.3)	(2.8%)
75	(19.7)	(2.1%)
50	(13.1)	(1.4%)
25	(6.6)	(0.7%)
0	-	0.0%
-25	5.9	0.6%
-50	11.9	1.3%
-75	17.8	1.9%
-100	23.8	2.5%

The Group mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines. The duration of the portfolio is matched to the modelled duration of the reinsurance reserves, within a permitted range. The permitted duration range for the portfolio is between 1.5 and 5 years. The overall duration for the fixed maturity securities, managed cash and cash equivalents is 2.4 years as at 30 June 2021.

In addition to duration management, the Group monitors VaR to measure potential losses in the estimated fair values of its cash and invested assets and to understand and monitor risk. The VaR calculation is performed using variance/covariance risk modelling. Securities are valued individually using standard market pricing models. These security valuations serve as the input to many risk analytics. The principal VaR measure that is produced is an annual VaR at the 99th percentile confidence level. Under normal conditions, the portfolio is not expected to lose more than the VaR metric listed below, 99% of the time over a one-year time horizon. The appropriateness of this measure is considered by the Finance and Investment Oversight Committee periodically.

The Group's annual VaR calculation is as follows:

As at 30 June 2021	$m	% of total shareholders' equity
99th percentile confidence level	12.4	1.2%

iii. Currency risk

The Group is susceptible to fluctuations in rates of foreign exchange, principally between the US dollar and pound sterling and the US dollar and the Euro. Even though risks are assumed on a worldwide basis, they are predominantly denominated in US dollars. The Group is exposed to currency risk to the extent its assets are denominated in different currencies to its liabilities. The Group is also exposed to translation risk on non-monetary assets such as unearned premiums and deferred acquisition costs. Foreign currency gains and losses are recorded in the period they occur in the unaudited condensed interim consolidated statement of comprehensive income (loss).

The Group hedges monetary non-US dollar liabilities primarily with non-US dollar assets but may also use derivatives to mitigate foreign currency exposures. The Groups' main foreign currency exposure relates to its reinsurance obligations, cash holdings, premiums receivable and dividend payable, if applicable. From time to time, the Group may use forward foreign currency contracts for the purpose of managing currency exposure. The Group did not enter into any forward foreign currency contracts during the six months ended 30 June 2021 or the period ended 31 December 2020.

C. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring unreasonable costs. The Group's main exposure to liquidity risk is with respect to its reinsurance and investment activities. The Group is exposed if proceeds from the sale of financial assets are not sufficient to fund obligations arising from reinsurance contacts and/or other liabilities. The Group can be exposed to fund daily calls on its available investment assets, principally to settle reinsurance claims and/or to fund trust accounts following a large catastrophe loss.

Liquidity risk exposures related to reinsurance activities are as follows:

- large catastrophic events, or multiple medium-sized events in quick succession, requiring the payment of high value claims within a short time frame or to fund trust accounts established to collateralise claims payment liabilities;
- failure of cedants to meet their contractual obligations with respect to the timely payment of premiums; and
- failure of the Group's ceded reinsurers to meet contractual obligations of paying claims within a timely manner.

Liquidity risk exposures related to investment activities are as follows:

- adverse market movements and/or a duration mismatch to obligations, resulting in investments needing to be disposed of at a significant realised loss; and
- an inability to liquidate investments due to market conditions.

The Group's investment strategy is to hold high quality, liquid securities sufficient to meet reinsurance liabilities and other near-term liquidity requirements. Portfolios are specifically designed to ensure funds are readily available in an extreme event.

The maturity dates of the Group's portfolio of fixed maturity securities are as follows:

As at 30 June 2021	Short-tail $m	Long-tail $m	Total $m
Fixed maturity securities, at FVTPL			
Less than one year	19.7	18.6	38.3
Between one and two years	173.1	31.5	204.6
Between two and three years	164.9	31.4	196.3
Between three and four years	32.0	17.1	49.1
Between four and five years	10.2	64.9	75.1
Over five years	7.1	98.1	105.2
Asset-backed and mortgage-backed	155.7	115.6	271.3
Total	562.7	377.2	939.9

The estimated maturity profile of the reinsurance contracts and financial liabilities of the Group is as follows:

		Years until liability becomes due				
As at 30 June 2021	Carrying value $m	Less than one $m	One to three $m	Three to five $m	Over five $m	Total $m
Losses and loss adjustment expenses	33.4	11.5	12.9	4.7	4.3	33.4
Amounts payable to reinsurers	15.6	15.6	-	-	-	15.6
Other payables	33.3	30.8	1.2	1.3	-	33.3
Total	82.3	57.9	14.1	6.0	4.3	82.3

Actual maturities of the above may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. While the estimation of the ultimate liability for net losses and loss adjustment expenses is complex and incorporates a significant amount of judgement, the timing of payment of net losses and loss adjustment expenses is also uncertain and cannot be predicted as simply as for other financial liabilities. Actuarial and statistical techniques, past experience and management's judgement have been used to determine a likely settlement pattern.

As at 30 June 2021, cash and cash equivalents were $130.9 million. The Group manages its liquidity risks via its investment strategy to hold high quality, liquid securities, sufficient to meet its reinsurance liabilities and other near-term liquidity requirements. In addition, the Group has established asset allocation and maturity parameters within the investment guidelines such that the majority of the investments are in high quality assets which could be converted into cash promptly and at minimal expense. The Group monitors market changes and outlook and reallocates assets as it deems necessary.

As at 30 June 2021, the Group considers it has more than adequate liquidity to pay its obligations as they fall due even if difficult investment market conditions were to prevail for a period of time.

D. Credit risk

Credit risk is the risk that a counterparty may fail to pay, or repay, a debt or obligation. The Group is exposed to credit risk on its fixed maturity investment portfolio, its premiums receivable from cedants, and on any amounts recoverable from reinsurers. The COVID-19 pandemic has increased the risk of defaults across many industries, and we continue to monitor credit risk during this time of volatility.

Credit risk on the Groups' portfolio of fixed maturity securities is mitigated through the Group's investment policy to invest in instruments of high credit quality issuers and to limit the amounts of credit exposure with respect to particular ratings categories and any one issuer. Securities rated below an S&P or equivalent rating of BBB+ may comprise no more than 10.0% of the portfolio. The Group also limits exposure to individual issuers, with declining limits for less highly rated issuers. The Group is therefore not exposed to any significant credit concentration risk on its investment portfolio, except for fixed maturity securities issued by the US government.

The Group is potentially exposed to counterparty credit risk in relation to the premiums receivable from reinsurance brokers and cedants and on any amounts recoverable from the Group's ceded reinsurers. Given the dislocation in the market, the COVID-19 pandemic may adversely impact the Group's ability to collect amounts due to the Group.

Credit risk on inwards premiums receivable from cedants is managed by conducting business with reputable broking organisations, with whom the Group has established relationships, and by rigorous cash collection procedures. The Group also has a broker approval process in place. Credit risk from the Group's ceded reinsurance recoverable is primarily managed by the review and approval of reinsurer security.

The table below presents an analyses of the Groups' major exposures to counterparty credit risk, based on their rating. Premiums receivable are not rated, however there is limited default risk associated with these amounts.

As at 30 June 2021	Cash and cash equivalents and fixed maturity securities $m	Premiums receivable $m
AAA	592.6	-
AA+, AA, AA-	70.9	-
A+, A, A-	269.1	-
BBB+, BBB, BBB-	138.2	-
Others	-	143.6
Total	1,070.8	143.6

As at 30 June 2021 the average credit quality of the Groups' cash and cash equivalents and portfolio of fixed maturity securities was AA. The COVID-19 pandemic has increased the risk of defaults across many industries and the Group continues to monitor credit risk during this time of volatility. Interest rates are at an all-time low, and expected to remain low in the near-term. In addition, credit spreads are likely to remain volatile in the near-term.

The following table shows premiums receivable that are not yet due and those that are past due but not impaired:

As at 30 June 2021	$m
Not yet due	126.0
Less than 90 days past due	17.6
Total	143.6

For the six months ended 30 June 2021 no provisions have been made for impaired or irrecoverable balances and no amount was charged to the unaudited condensed interim consolidated statement of comprehensive loss in respect of bad debts.

E. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems or external events. During the reporting period, which primarily involved the establishment of operations, various operational risks were identified, and steps were taken to manage or mitigate these risks.

The risk framework addresses the identification, assessment and management of operational risks. This process involves the use of risk registers to identify inherent risk and residual risk after the application of controls. The management of individual risks is the responsibility of management, with independent challenge and oversight provided by the risk function. The results of compliance reviews and independent internal audits provide an additional level of review and verification. The Audit Committee has selected a reputable provider to serve as outsourced internal auditors.

F. Strategic risk

The Group has identified several strategic risks, including:

- the risks that either the poor execution of the business plan or an inappropriate business plan in itself results in a strategy that fails to reflect adequately the trading environment, resulting in an inability to optimise performance, including reputational risk;
- the risks of the failure to maintain adequate capital, accessing capital at an inflated cost or the inability to access capital and unanticipated changes in vendor, regulatory and/or rating agency models that could result in an increase in capital requirements or a change in the type of capital required; and
- the risks of succession planning, staff retention and key personnel risks.

Business plan risk

The Group's business plan, as included in the IPO prospectus, forms the basis of operations and provides strategic direction to management. Actual versus planned results will be monitored regularly.

Capital management risk

The total tangible capital of the Group is as follows:

	As at 30 June 2021 $m	As at 31 December 2020 $m
Shareholders' equity	1,040.6	1,052.8
Intangible assets	(0.5)	(0.2)
Total tangible capital	1,040.1	1,052.6

Risks associated with the effectiveness of the Group's capital management are mitigated as follows:

- regular monitoring of current and prospective regulatory and rating agency capital requirements;
- oversight of capital requirements by the Board;
- ability to purchase sufficient, cost-effective reinsurance;
- maintaining contact with vendors, regulators and rating agencies in order to stay abreast of upcoming developments and;
- participation in industry groups such as the Association of Bermuda Insurers and Reinsurers, Reinsurance Association of American and the International Underwriting Association.

The Group reviews the level and composition of capital on an ongoing basis with a view of:

- maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- maximising the risk-adjusted return to shareholders within the context of the defined risk appetite;
- maintaining an adequate financial strength rating and;
- meeting relevant capital requirements.

Capital is increased or returned as appropriate. The retention of earnings generated leads to an increase in capital. Capital raising can include debt or equity and returns of capital may be made through dividends, share repurchases, a redemption of debt or any combination thereof. Other capital management tools and products available to the Group may also be utilised. All capital actions require approval by the Board.

The primary source of capital used by the Group is equity shareholders' funds. As a holding company, CHL relies on dividends from its operating entity to provide the cash flow required for dividends to shareholders. The ability of the operating entity to pay dividends and make capital distributions is subject to the legal and regulatory restrictions of the jurisdiction in which it operates.

CRL is regulated by the BMA and is required to monitor the ECR under the BMA's regulatory framework, which has been assessed as equivalent to the EU's Solvency II regime. CRL's regulatory capital requirement is calculated using the BSCR standard formula. CRL was more than adequately capitalised on this basis as at and for the six months ended 30 June 2021 and as at and for the period ended 31 December 2020.

Retention risk

Risks associated with succession planning, staff retention and key man risks are mitigated through a combination of resource planning processes and controls, including:

- the identification of key personnel with appropriate succession plans at CHL;
- the identification of key team profit generators at CRL and function heads with targeted retention packages;
- documented recruitment procedures, position descriptions and employment contracts;
- resource monitoring and the provision of appropriate compensation, including equity-based compensation which vests over a defined time horizon, subject to achieving certain performance criteria; and
- training schemes.

4. Segmental reporting

The Group commenced underwriting operations during the six months ended 30 June 2021. There were no active underwriting operations for the period ended 31 December 2020, therefore the Group did not have any reportable operating segments during that period and no comparative segmental reporting information has been provided.

Management and the Board review the Group's business and evaluates its performance primarily by three divisions: Property, Casualty and Specialty. These divisions are considered to be the Group's reportable segments for the purposes of segmental reporting. Further classes of business are underwritten within each reportable segment. The nature of these individual classes is discussed further in the "Risk disclosures" section.

Reportable segments	Operations and classes of business
Property	US and international property risk on an excess of loss and proportional contract basis.
Casualty	US and international casualty risk principally including directors and officers, financial institutions, general, medical malpractice, professional and transactional.
Specialty	Diverse portfolio of business, principally including aviation, energy, marine, political violence and terrorism and whole account.

Reportable segment performance is measured by the net underwriting profit or loss and the combined ratio. The chief operating decision maker does not manage the Group's assets by reportable segment, and, accordingly, investment income and other non-underwriting related items are not allocated to each reportable segment. For the 'other' segment, performance is measured based on net profit or loss.

All amounts reported are transactions with external parties and associates. There are no significant inter-segmental transactions and there are no significant insurance or reinsurance contracts that insure or reinsure risks in Bermuda, the Group's country of domicile.

Six months ended 30 June 2021	Property $m	Casualty $m	Specialty $m	Total $m
Gross premiums written by geographic region				
US	80.3	39.5	2.9	122.7
Worldwide (excluding US)	42.2	4.3	33.6	80.1
Europe	3.1	0.1	-	3.2
Other	3.9	0.2	0.2	4.3
Group total	129.5	44.1	36.7	210.3
Ceded reinsurance premiums	(18.3)	-	(3.5)	(21.8)
Net premiums written	111.2	44.1	33.2	188.5
Change in unearned premiums	(96.1)	(32.9)	(24.2)	(153.2)
Change in ceded unearned premiums	10.7	-	1.7	12.4
Net premiums earned	25.8	11.2	10.7	47.7
Net losses and loss adjustment expenses	17.0	7.1	9.3	33.4
Net acquisition expenses	8.0	3.5	2.3	13.8
Net underwriting profit (loss)	0.8	0.6	(0.9)	0.5
Other operating expenses				(13.5)
Net unallocated income				0.6
Loss before tax				(12.4)
Net loss ratio	65.9%	63.4%	86.9%	70.0%
Net acquisition expense ratio	31.0%	31.3%	21.5%	28.9%
Other operating expense ratio				28.3%
Combined ratio	96.9%	94.7%	108.4%	127.2%

The Group did not have any losses and loss adjustment expenses recoverable for the six months ended 30 June 2021.

5. Investment return

Six months ended 30 June 2021	Net investment income $m	Net realised losses $m	Net change in unrealised losses $m	Total investment return $m
Fixed maturity securities	1.0	(0.4)	(0.1)	0.5
Cash and cash equivalents	0.3	-	-	0.3
	1.3	(0.4)	(0.1)	0.8

Period ended 31 December 2020	Net investment income $m	Net realised losses $m	Net change in unrealised losses $m	Total investment return $m
Cash and cash equivalents	0.1	-	-	0.1

Included in net investment income is $0.1 million of investment management and custody fees for the six months ended 30 June 2021 (31 December 2020 - nil).

6. Net acquisition expenses

	Six months ended 30 June 2021 $m	Period ended 31 December 2020 $m
Acquisition expenses	54.0	-
Changes in deferred acquisition expenses	(40.2)	-
Total net acquisition expenses	13.8	-

7. Employee benefits

Aggregate renumeration of the Groups' employees is as follows:

	Six months ended 30 June 2021 $m	Period ended 31 December 2020 $m
Wages and salaries	3.5	2.4
Pension costs	0.3	-
Bonus and other benefits	3.5	-
Total cash compensation	7.3	2.4
Total-equity based compensation	0.2	0.3
Total employee benefits	7.5	2.7

Equity-based compensation

The Group's equity-based compensation incentive scheme is its MIP. The incentive is based around shares in CML, which will be automatically exchanged for ordinary shares of CHL for an aggregate value equivalent to up to 15% of the excess of the market value of CHL over and above the Invested Equity, subject to the satisfaction of the vesting conditions. All outstanding and future grants have an exercise period of four to seven years from the grant date. The fair value is estimated using a stochastic Monte Carlo model.

CML issued 100,000 A1 shares and 100,000 A2 shares during the period ended 31 December 2020 at a subscription price of £1.72 and $2.26, respectively. During the six months ended 30 June 2021 nil cost options over 13,200 A1 shares and 13,200 A2 shares were issued by CML and 3,000 A1 shares and 3,000 A2 shares were repurchased for nil consideration. There have been no exercises during the six months ended 30 June 2021 and the repurchased A1 and A2 shares are available for reissue.

The following table lists the assumptions used in the stochastic model for the MIP awards:

Assumptions	Six months ended 30 June 2021	Period ended 31 December 2020
Dividend Yield	0%	0%
Expected Volatility (1)	range from 17.2% - 19.0%	range from 17.6% - 18.1%
Risk-free interest rate (2)	range from 0.3% - 0.6%	range from 0.3% - 0.6%
Expected life of instruments	range from 4 to 7 years	range from 4 to 7 years

(1) The expected volatility was calculated based on a comparator group of companies.

(2) The risk-free interest rate is based on the yield on a US government bond on the date of grant.

The shares were granted prior to the IPO and therefore discounts for business viability and lack of marketability were also applied. There are significant risks associated with an IPO and the instruments are also illiquid until the tranche vesting dates. Management therefore selected their best estimates at the time for these discounts. These assumptions were highly judgmental and input from advisors was sought. Management also considered alternative assumptions and concluded there was not a material impact on the estimated valuation selected. The calculation of the equity-based compensation expense assumes no forfeitures due to employee turnover, with subsequent adjustments to reflect actual experience.

Conditions of the MIP include:

- the incentives are to be equity-settled and have therefore been accounted for in accordance with IFRS 2;
- the value of the services received in exchange for the share-based incentives is measured by reference to the estimated fair value of the incentives at their grant date, with the estimated fair value recognised in the unaudited condensed interim consolidated statement of comprehensive income (loss), together with a corresponding increase in other reserves within shareholders' equity, on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest;
- vesting conditions, other than market conditions linked to the share price of the Group, are not taken into account when estimating the fair value; and
- at the end of each reporting period the Group revises its estimates of the number of shares that are expected to vest due to non-market conditions and recognises the impact of the revision to original estimates, if any, in the

unaudited condensed interim consolidated statement of comprehensive income (loss), with a corresponding adjustment to shareholders' equity.

During the six months ended 30 June 2021 a charge of $0.2 million has been recognised in the unaudited condensed interim consolidated statement of comprehensive loss in relation to the share-based incentives (Period ended 31 December 2020 - $0.3 million).

8. Tax

Bermuda

CHL, CSL, CML and CRL have received an undertaking from the Bermuda government exempting them from all Bermuda local income, withholding and capital gains taxes until 31 March 2035. At the present time no such taxes are levied in Bermuda.

United Kingdom

CRSL is subject to normal UK corporation tax on all of its taxable profits. For both the six months ended 30 June 2021 and the period ended 31 December 2020, an immaterial tax loss arose. Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely. It is currently anticipated that there will not be sufficient taxable profits in 2021 and subsequent years to utilise the deferred tax asset, therefore no deferred tax has been recognised.

9. Cash and cash equivalents

	Six months ended 30 June 2021 $m	Period ended 31 December 2020 $m
Cash at bank and in hand	12.3	54.0
Cash equivalents	118.6	1,000.0
	130.9	1,054.0

Cash equivalents include money market funds and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. The carrying amount of these assets approximates their fair value.

10. Investments

The Group funded its investment portfolio during the six months ended 30 June 2021 using cash and cash equivalents on hand raised from its IPO on 7 December 2020. As a result, certain investment related disclosures and comparative information has not been provided for the period ended and as at 31 December 2020.

Six months ended 30 June 2021	Cost or amortised cost $m	Unrealised gains $m	Unrealised losses $m	Estimated fair value $m
Fixed maturity securities, at FVTPL				
Short term investments	25.4	-	-	25.4
US treasuries	208.6	0.1	(0.3)	208.4
US municipals	11.1	-	-	11.1
Non-US government and agencies	2.2	-	-	2.2
Asset-backed	137.7	-	(0.3)	137.4
US government agency mortgage-backed	70.4	0.3	(0.1)	70.6
Non-agency mortgage-backed	14.1	-	-	14.1
Agency commercial mortgage-backed	1.3	-	-	1.3
Non-agency commercial mortgage backed	47.7	0.2	-	47.9
Corporate	421.5	0.7	(0.7)	421.5
	940.0	1.3	(1.4)	939.9

As at 30 June 2021 other assets and other payables included $0.4 million and $26.3 million of receivables for investments sold and payables for investments purchased, respectively (31 December 2020 - nil and nil, respectively).

The Group determines the estimated fair value of each individual security utilising the highest-level inputs available. Prices for the Groups' investment portfolio are provided via a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. Various recognised reputable pricing sources are used including pricing vendors. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing.

The Group has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for the six months ended 30 June 2021. The fair value of securities in the Group's investment portfolio is estimated using the following techniques:

LEVEL (I) - Level (I) investments are securities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

LEVEL (II) - Level (II) investments are securities with quoted prices in active markets for similar assets or liabilities or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level (ii) are valued via independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically industry accepted standards and include broker-dealer quotes and pricing models including present values and future cash flows with inputs such as yield curves, credit spreads, interest rates, prepayment speeds and default rates.

LEVEL (III) - Level (III) investments are securities for which valuation techniques are not based on observable market data and require significant management judgement.

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. The Group funded its investment portfolio using cash and cash equivalents on hand during the six months ended 30 June 2021. As a result, there were no transfers between Level (I) and (II), nor into or out of Level (III) during the six months ended 30 June 2021.

The fair value hierarchy of the Group's investment portfolio is as follows:

As at 30 June 2021	Level (I) $m	Level (II) $m	Level (III) $m	Total $m
Fixed maturity securities, at FVTPL				
Short term investments	18.6	6.8	-	25.4
US treasuries	208.4	-	-	208.4
US municipals	-	11.1	-	11.1
Non-US government and agencies	-	2.2	-	2.2
Asset-backed	-	137.4	-	137.4
US government agency mortgage-backed	-	70.6	-	70.6
Non-agency mortgage-backed	-	14.1	-	14.1
Agency commercial mortgage-backed	-	1.3	-	1.3
Non-agency commercial mortgage backed	-	47.9	-	47.9
Corporate	-	421.5	-	421.5
	227.0	712.9	-	939.9

11. Losses and loss adjustment expenses

The Group commenced underwriting operations during the six months ended 30 June 2021. There were no active underwriting operations for the period ended 31 December 2020. Consequently, the Group has not provided comparative information for net losses and loss adjustment expenses or associated claims development disclosures. Further information related to net losses and loss adjustment expenses is provided in the "Risk disclosures" section.

Net losses and loss adjustment expenses

	Net losses and loss adjustment expenses $m
As at 1 January 2021	-
Incurred losses:	
Current year	33.4
Incurred losses and loss adjustment expenses	33.4
Paid losses:	
Current year	-
Paid losses and loss adjustment expenses	-
As at 30 June 2021	33.4

The Group did not have any losses and loss adjustment expenses recoverable for the six months ended 30 June 2021.

Reserve for losses and loss adjustment expenses

	As at 30 June 2021 $m
Outstanding losses	-
ACRs	-
IBNR	33.4
Reserve for losses and loss adjustment expenses	33.4

The Groups' reserve for losses and loss adjustment expenses as at 30 June 2021 had an estimated duration of 3.0 years.

The Groups' exposure to Winter Storm Uri and the financial impact of this loss event would not typically be considered material to the Group. However, there is a more meaningful impact on the Groups' results of operations for the six months ended 30 June 2021 as its net premiums earned base has yet to mature. Net losses recorded in relation to Winter Storm Uri, including the impact of reinstatement premiums, are estimated to be $6.0 million. With a lack of any reported claims to date, there remains a degree of uncertainty around early loss estimates. The Group will continue to keep this estimate under review as more detailed information becomes available.

The COVID-19 pandemic is an unprecedented event for the insurance and reinsurance industries and its effects as a loss event to the insurance and reinsurance markets remain both ongoing and uncertain. Given the uncertainty and continuing impacts of the COVID-19 pandemic, including impacts of lockdowns and mitigating measures on the insurance and reinsurance markets, the Group cannot give any assurance that it will not have any exposure. However, since the Group only commenced underwriting operations during the six months ended 30 June 2021 and for any business written during that period, the Group had specific COVID-19 related exclusions in its reinsurance contracts and policy wordings. The Group does not believe it had any exposure to losses associated with the COVID-19 pandemic during the period.

12. Intangible assets

Intangible assets are comprised of computer software licenses capitalised on the basis of the costs incurred to acquire and bring into use the specific software. There was no amortisation or impairment recognised for the period ended 31 December 2020 or the six months ended 30 June 2021 on the basis that the asset was not yet ready for use.

Cost	$m
Additions	0.2
Net book value as at 31 December 2020	0.2
Additions	0.3
Net book value as at 30 June 2021	0.5

13. Share capital

	Number	$m
Authorised share capital		
Authorised common shares of $0.01 each	10,000,000,000	100.0
Authorised A1 shares of £0.01 each	100,000	-
Authorised A2 shares of $0.01 each	100,000	-
As at 30 June 2021 and 31 December 2020	10,000,200,000	100.0

Allotted, called-up and fully-paid	Common shares Number	A1 shares Number	A2 shares Number	Total Number	Total $m
Issued	165,239,997	100,000	100,000	165,439,997	1.7
As at 31 December 2020	165,239,997	100,000	100,000	165,439,997	1.7
Repurchased	-	(3,000)	(3,000)	(6,000)	-
As at 30 June 2021	165,239,997	97,000	97,000	165,433,997	1.7

The number of common shares in issue with voting rights as at 30 June 2021 was 165,239,997 (31 December 2020 - 165,239,997). The A1 and A2 shares have no voting rights attached. Subject to vesting conditions, discussed in note 7, the A1 and A2 shares will be automatically exchanged for ordinary shares of CHL.

Dividends

See note 18 for information with respect to dividends declared and paid subsequent to 30 June 2021.

14. Other reserves

Other reserves consist of the following:

	Other reserves $m	Share premium $m	Total other reserves $m
Issue of shares	-	1,100.9	1,100.9
Issuance costs	-	(45.5)	(45.5)
Equity-based compensation expense	0.3	-	0.3
As at 31 December 2020	0.3	1,055.4	1,055.7
Equity-based compensation expense	0.2	-	0.2
As at 30 June 2021	0.5	1,055.4	1,055.9

Other reserves include an equity-based compensation expense.

Share premium includes any premiums received on issue of share capital. The transaction costs that are attributable to the issuance of new shares incurred in forming the Group are treated as a deduction from share premium.

15. Contingencies and commitments

Legal proceedings and regulations

The Group operates in the reinsurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to estimate or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

16. Loss per share

The following reflects the loss and share data used in the basic and diluted loss per share computations:

	Six months ended 30 June 2021 $m	Period ended 31 December 2020 $m
Loss for the period attributable to equity shareholders of CHL	(12.4)	(4.6)
	Number	Number
Basic and diluted weighted average number of shares	165,239,997	165,239,997
	Per share	Per share
Basic and diluted loss per share	$ (0.08)	$ (0.03)

Equity-based compensation awards are only treated as dilutive when their conversion to common shares would decrease earnings per share or increase loss per share from continuing operations. Unvested restricted shares without performance criteria are therefore included in the number of potentially dilutive shares. Incremental shares from ordinary restricted share options where relevant performance criteria have not been met are not included in the calculation of dilutive shares.

17. Related party disclosures

These unaudited condensed interim consolidated financial statements include CHL and the entities listed below:

Subsidiary undertakings	Domicile	Principal Business
CHL	Bermuda	Holding company, Ultimate parent
CRL	Bermuda	General insurance business
CRSL	England and Wales	Support services
CML (1)	Bermuda	Support services
CSL	Bermuda	Support services

(1) CML is part-owned by members of management. Management's share ownership in CML exists solely for the purposes of the Group's management share incentive scheme for attracting and retaining talent. Management's shares in CML have no voting power or control in respect of CHL's ownership of CRL via CML's ownership of CRL.

Unless otherwise stated, the Group owns 100% of the share capital and voting rights in the subsidiaries listed.

Key management compensation

Remuneration for key management, the Group's Executive and Non-Executive Directors, was as follows:

	Six months ended 30 June 2021 $m	Period ended 31 December 2020 $m
Cash compensation	1.7	1.1
Equity-based compensation	0.1	-
Directors fees and expenses	0.3	0.2
Total	2.1	1.3

Non-Executive Directors do not receive any benefits in addition to their agreed fees and expenses and do not participate in any of the Group's incentive, performance, or pension plans.

IncubEx, Inc.

Effective 9 April 2021, CHL executed a stock purchase agreement with IncubEx, a product and business development firm with a focus on designing and developing new financial products in global environmental, reinsurance and related commodity markets. CHL purchased 624 shares of IncubEx's Series A-3 preferred stock, with a par value of $0.0001 per share, for an aggregate purchase price of $50,000, or $80.08 per share.

The current Executive Chairman of CHL is also a founder and current Chairman of IncubEx. The terms and conditions of the stock purchase agreement are equivalent to those that would prevail in an arm's length transaction.

The investment in IncubEx is included in other assets in the unaudited condensed interim consolidated balance sheet and is recorded at cost, which approximates fair value.

18. Subsequent events

On 27 July 2021 the Group's Board declared an interim dividend of $0.18 (approximately £0.13) per common share, resulting in an aggregate payment of $29.7 million. The dividend will be paid in pounds sterling on 10 September 2021 to shareholders of record on 20 August 2021 (the "Record Date") using the pound sterling / US dollar spot exchange rate at 12 noon BST on the Record Date.

Letters of credit

CRL is a non-admitted reinsurer in the US and Canada. Terms and conditions of certain reinsurance contracts with US and Canadian cedants require CRL to provide LOCs as collateral for outstanding insurance contract liabilities, including unearned premiums and losses and loss adjustment expenses. Financing costs will comprise interest, fees paid for the arrangement of letters of credit facilities and commissions charged for the utilisation of letters of credit. Credit facility arrangement fees are expensed pro-rata over the term of the respective credit facility.

Additional information about the Group's exposure to interest rate and liquidity risk is included in the "Risk disclosures" section.

Standby letter of credit facility

During July 2021, CRL, as the borrower, entered into a $125.0 million standby letter of credit facility led by Lloyds Bank Corporate Markets PLC. CHL will guarantee the obligations of CRL with respect to the standby letter of credit facility. Terms of the standby letter of credit facility contain standard qualitative representations and require certain standard financial covenants be adhered to, including: a maximum consolidated debt to capital ratio of CHL of 35.0%; a minimum consolidated tangible net worth of CHL; and a minimum A.M. Best rating of "B++" for CRL. CRL has the option to request an increase in the aggregate amount of the commitment under the facility up to $150.0 million. Outstanding amounts issued under the standby letter of credit facility will be secured by cash and cash equivalents and investments. No amounts were outstanding under the standby letter of credit facility as at 30 June 2021.

Responsibility statement of the directors in respect of the interim report

The Directors confirm that to the best of our knowledge:

- the unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and where IFRS is silent, as it is in respect of certain aspects relating to the measurement of insurance products, US GAAP has been considered; and

- the interim management report provides a true and fair review of the information required by the following sections of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority:

    1. DTR Section 4.2.7R – ((1) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and (2) a description of the principal risks and uncertainties for the remaining six months of the financial year; and

    2. DTR Section 4.2.8R – (1a) related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and (1b) any changes in the related parties transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

The unaudited condensed interim financial statements were approved for issue on 27 July 2021 and the Directors responsible for authorising the responsibility statement on behalf of the Board are:

Trevor Carvey
Director and Chief Executive Officer

Elaine Whelan
Director and Chief Financial Officer

Independent review report

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INDEPENDENT REVIEW REPORT TO CONDUIT HOLDINGS LIMITED ("the Company")

Conclusion

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended June 30, 2021 which comprises the condensed interim consolidated statement of comprehensive loss, the condensed interim consolidated balance sheet, the condensed interim consolidated statement of changes in shareholders' equity, the condensed interim statement of consolidated cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of interim consolidated financial statements in the half-yearly financial report for the six months ended June 30, 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of interim consolidated financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.
As disclosed in the basis of preparation on page 10, the annual consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards. The directors are responsible for preparing the condensed set of interim consolidated financial statements included in the half-yearly financial report in accordance with IAS 34.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of interim consolidated financial statements in the half-yearly financial report based on our review.

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

KPMG Audit Limited
Chartered Professional Accountants
Hamilton, Bermuda
July 27, 2021

Glossary

The following definitions apply throughout the Interim Report unless the context otherwise requires. All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof. Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

1-in-100 A catastrophe loss event with a 1-in-100 probability of occurring in any given year.

1-in-250 A catastrophe loss event with a 1-in-250 probability of occurring in any given year.

Additional case reserves (ACRs) ACRs represent the Group's estimate for losses related to specific contracts which the Group believes may not be adequately estimated by the client as of a reporting date, or adequately covered in the application of IBNR.

Admission The admission of all of CHL's common shares (1) to the standard listing segment of the Official List of the UK Financial Conduct Authority, and (2) to trading on the London Stock Exchange's main market for listed securities which occurred on 7 December 2020.

AEP (aggregate exceedance probability) An AEP curve describes the probability that various levels of loss will be exceeded based on an aggregation of a particular group of losses. For example, the RDS in the company business plan provide 1 in 30 year loss levels for the aggregation of losses for a particular peril. The loss figure provided can be read as the loss level that is estimated to be exceeded every 1 in 30 years (i.e., has a 3.3% probability of being exceeded).

AFS Available for sale.

Aggregate excess of loss (XoL) reinsurance A form of excess of loss reinsurance in which the excess and the limit of liability are expressed as annual aggregate amounts.

A.M. Best A.M. Best is a full-service credit rating organisation dedicated to serving the financial services industries, focusing on the insurance sector.

A.M. Best rating A forward-looking, independent, and objective opinion issued by A.M. Best regarding an insurer's, issuer's, or financial obligation's relative creditworthiness.

AGM Annual General Meeting.

Best Capital Adequacy Rating Depicts the quantitative relationship between a rating unit's balance sheet strength and key financial risks that could impact such strength.

BMA Bermuda Monetary Authority.

Board of Directors; Board Unless otherwise stated refers to the CHL Board of Directors.

Book value per share Calculated by dividing the value of the total shareholders' equity by the sum of all common voting shares outstanding.

Broker An intermediary who negotiates contracts of insurance or reinsurance, receiving a commission for placement and other services rendered, between (1) a policyholder and a primary insurer, on behalf of the policyholder, (2) a primary insurer and a reinsurer, on behalf of the primary insurer, or (3) a reinsurer and a retrocessionaire, on behalf of the reinsurer.

Brokerage The commission that is payable to a broker for placing an insurance or reinsurance contract with an insurer or a reinsurer.

BSCR Bermuda Solvency Capital Requirement.

BI Business interruption: insurance coverage that replaces income lost in the event that business is halted due to direct physical loss or damage.

California quake A Californian earthquake catastrophe event.

Capacity The percentage of surplus that an insurer or reinsurer is willing or able to place at risk or the dollar amount of exposure it is willing to assume. Capacity may apply to a single risk, a programme, a line of business or an entire book of insurance or reinsurance business. Capacity may be constrained by legal restrictions, corporate restrictions, or indirect financial restrictions such as capital adequacy requirements.

Carrier An insurer or reinsurer.

Casualty or liability insurance The type of insurance that is primarily concerned with losses caused by injuries to persons and legal liability imposed upon the insured for such injury or for damage to property of others. Primarily concerned with the losses caused by injuries to third persons (persons other than the policyholder) and the legal liability imposed on the policyholder resulting therefrom. This includes, but is not limited to, workers' compensation, automobile liability, and general liability.

Cedant or customer or client A ceding insurer or a reinsurer. A ceding insurer is an insurer that writes and issues an

original, primary policy to an insured and contractually transfers (cedes) a portion of the risk to a reinsurer. A ceding reinsurer is a reinsurer that transfers(cedes) a portion of the underlying reinsurance to a retrocessionnaire.

CD Communicable disease insurance.

Cede When a party reinsures its liability to another party, it "cedes" business to the reinsurer and is referred to as the "customer," "ceding party" or "cedant."

CEO Chief Executive Officer.

CFO Chief Financial Officer

CHL Conduit Holdings Limited.

Claim A request by an insured or reinsured for indemnification by an insurance or reinsurance company for loss incurred from an insured peril or event.

CML Conduit MIP Limited.

Company Conduit Holdings Limited.

Coverholder A coverholder is a company or partnership authorised by a managing agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it in accordance with the terms of a binding authority.

Conduit The brand for Conduit Holdings Limited and all associated group companies.

Conduit Re The brand for all the group's reinsurance business.

CRL Conduit Reinsurance Limited.

CRSL Conduit Reinsurance Services Limited (previously named Conduit Marketing Limited).

CSL Conduit Services Limited.

CUO Chief Underwriting Officer.

Cyber Cyber insurance (or cyber risk or cyber liability insurance) is a form of cover designed to protect businesses from digital threats, such as data breaches or malicious cyber hacks.

Losses Demand by an insured for indemnity under an insurance contract.

Combined ratio The ratio, in percent, of the sum of net insurance losses, net acquisition expenses and other operating expenses to net premiums earned.

Consortium underwriting Underwriting on the part of a group of either companies or insurers, where risks, premiums and costs are split proportionately between the participants. If a consortium member fails, losses do not fall back on the other capital providers.

CRO Chief Risk Officer.

Deductible or excess or retention The amount of the loss which is retained net by the insured (i.e., prior to the inception of a reinsurance programme). Also known as an "excess" or "retention". The amount that is deducted from some or all claims arising under an insurance or reinsurance contract. The practical effect is the same as an excess: the insured or reassured must bear a proportion of the relevant loss. If that loss is less than the amount of deductible/excess then the insured or reassured must bear all of the loss (unless there is other insurance in place to cover the deductible). An increase in deductible should result in a reduction in premium.

Deferred acquisition costs Costs incurred for the acquisition or the renewal of insurance policies (e.g., brokerage and premium taxes) which are deferred and amortised over the term of the insurance contracts to which they relate.

Directors' & Officers' (D&O) A specialised form of professional liability coverage for legal expenses and liability to shareholders, bondholders, creditors or others owing to actions or omissions by a director or officer of a corporation or non-profit organisation.

Dividend yield Calculated by dividing the annual dividends per share by the share price on the last day of the given year.

Earned premium The proportion of written premium that relates to a used period of cover.

Earnings (loss) per share (EPS) Calculated by dividing net profit (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares.

ECR Enhanced capital requirement. Under the BSCR Model, the reinsurer's minimum required statutory capital and surplus is referred to as the enhanced capital requirement ("ECR"). The ECR is the greater of the calculated BSCR and the minimum solvency margin ("MSM").

ERM Enterprise risk management is the process of assessing the risk of an organisation's activities in order to minimise the effects of those risks.

Errors and Omissions (E&O) A form of professional indemnity insurance. Errors and omissions insurance protects business professionals whose clients could claim damages

as a result of the business professional's faulty performance.

European Economic Area or EEA The member states of the European Union plus Norway, Iceland and Liechtenstein.

European Union or EU The European Union is made up of 27 member states: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

Excess of loss (XOL, XL) or non-proportional Reinsurance cover provided to an insured in excess of a specified deductible level. This business is usually written on a layer by layer basis. Reinsurance that indemnifies the reinsured against all or a specified portion of losses on an underlying insurance policy in excess of a specified currency value or percentage loss ratio amount.

Exclusion A provision in a policy that excludes the insurer's liability in certain circumstances or for specified types of loss. A term in an insurance or reinsurance contract that excludes the insurer or reinsurer from liability for specified types of loss. An exclusion may apply throughout a policy, or it may be limited to specific sections of it. In certain circumstances an exclusion may be limited or removed altogether following the payment of an additional premium.

Facultative A reinsurance risk that is placed by means of a separately negotiated contract as opposed to one that is ceded under a reinsurance treaty. In pro rata reinsurance, the reinsurance of part or all of the insurance provided by a single policy, with separate negotiation for each policy cession of insurance – for sharing liability, premium and loss. In excess of loss reinsurance, the reinsurance of each policy, with separate negotiation for each – for indemnity of loss in excess of the reinsured's loss retention. The word "facultative" connotes that both the primary insurer and the reinsurer usually have the faculty or option of accepting or rejecting the individual submission (as distinguished from the obligation to cede and accept, to which the parties agree in most treaty reinsurance).

Financial strength rating The opinion of rating agencies regarding the financial ability of an insurance or reinsurance company to meet its financial obligations under its policies.

Florida wind A Florida hurricane catastrophe event.

FVTPL Fair value through profit or loss.

GPW or gross premiums written Amounts payable by the insured, excluding any taxes or duties levied on the premium, including any brokerage and commission deducted by intermediaries.

Gross claims Claims under contracts of insurance underwritten by a carrier plus internal and external claims settlement expenses less salvage or other recoveries, but before the deduction of reinsurance recoveries.

ICE Intercontinental Exchange Group: An Atlanta-based global exchange, clearing, financial data and technology company, operating multiple markets and services across nine different asset classes.

IFRS International Financial Reporting Standard(s).

Incurred losses Claims under contracts of insurance underwritten a carrier plus internal and external claims settlement expenses less salvage or other recoveries, but before the deduction of reinsurance recoveries.

Incurred but not reported (IBNR) Anticipated or likely losses that may result from insured events which have taken place, but for which no losses have yet been reported. IBNR also includes a reserve for possible adverse development of previously reported losses.

International Accounting Standard(s) (IAS) Standards created by the IASB for the preparation and presentation of financial statements.

International Accounting Standards Board (IASB) An international panel of accounting experts responsible for developing IAS and IFRS.

Incurred loss ratio Paid claims and known outstanding claims as a percentage of the premiums underwritten by the company. These can be on a gross or net basis, i.e., before or after reinsurance recoveries and costs.

IPO Initial public offering.

IRR Internal rate of return.

Invested equity Means the aggregate of initial equity invested in CHL on Admission and equity invested pursuant to any future equity raises by the Company, with the US dollar value of Invested Equity for the USD MIP Shares being calculated at the spot rate at the time the relevant proceeds of the equity raise were received by the Company.

Long-tail business A type of liability that carries a long settlement period. Long-tail liabilities are likely to result in high incurred but not reported (IBNR) claims, because it may take a long period of time for the claims to be settled.

Lloyd's The Society of Lloyd's.

Glossary

Loss adjustment expenses The expenses of settling claims, including legal and other fees and the portion of general expenses allocated to claim settlement costs. Also known as claim adjustment expenses.

Losses occurring business Business where the wording stipulates that claims against liability policies can be notified to the company at any time following the issue of the policy.

Loss reserve development The difference between the amount of reserves for losses and loss adjustment expenses initially estimated by an insurer or reinsurer and the amount re-estimated in an evaluation at a later date.

LSE London Stock Exchange.

Margin (reinsurance) As a pricing factor (along with expenses and losses), the profit the reinsurer expects to earn.

Market value Means (1) the market capitalization of CHL calculated by reference to the six month average closing share price prior to the date of the relevant exchange of MIP Shares for common shares of CHL (adjusted to take into account any capital events or distributions during that period); or, (2) in the case of a takeover of CHL, the value of the consideration for the takeover, or (3) in the case of a sale of CHL, the net sale consideration, or (4) in the case of the liquidation of CHL, the amount available for distribution in the liquidation, in each case taking into account any prior dividends, returns of capital or other distributions. The Market Value for the USD MIP Shares will be calculated in US dollars based on the prevailing spot rate on the date of the relevant share price and in the case of a takeover of CHL, or sale or liquidation of CML the latest reasonably practicable spot rate prior to the date of the exchange of MIP Shares for common shares of CHL as determined by the Remuneration Committee of CHL.

MSM Minimum solvency margin. The minimum excess unimpaired surplus as a percent of outstanding loss reserve as set by regulators.

MIP Management incentive plan.

Net acquisition expense ratio Ratio, in percent, of net acquisition expenses charged by insurance brokers and other insurance intermediaries to the Group to net premiums earned.

Net loss ratio Ratio, in percent, of net losses and loss adjustment expenses to net premiums earned.

Net premiums earned Net premiums earned is equal to net premium written less the change in unearned premiums and change in unearned premiums on premiums ceded.

Net premiums written Net premiums written is equal to gross premiums written less ceded reinsurance premiums written.

Nat Cat Natural catastrophe.

Other operating expense ratio Ratio, in percent, of other operating expenses to net premiums earned.

Overriding commission A commission that is paid by a reinsurer to the reassured to cover the latter's overheads in administering the reinsurance.

Performance condition Is the compound annual growth rate achieved by CHL's shareholders on the date of the relevant exchange of MIP Shares for common shares of CHL is equal to or greater than ten per cent. per annum. The Performance Condition is measured by reference to (1) any growth in CHL's market capitalisation, (2) any dividends paid to common shareholders, and (3) any other returns of value to common shareholders. The Performance Condition is calculated from admission of its common shares to trading on the London Stock Exchange on 7 December 2020 on the initial capital raised then (and from the date of any future equity investment in the Company on that equity) to the date of the relevant exchange. It also takes into account the timing of any prior returns to common shareholders. The Performance Condition will be calculated separately in US dollars for the USD MIP Shares and sterling for the GBP MIP Shares.

Prior years or back years Earlier years of underwriting prior to the current year.

Probable maximum loss (PML) The anticipated maximum loss that could result from a single given event, as opposed to MFL (Maximum Foreseeable Loss), which would be a similar valuation, but on a worst case basis.

Profit commission A commission that is payable according to a pre-determined formula as an incentive and reward for profitable underwriting.

Programme business A package of small to medium property and liability business favoured by a number of non-marine underwriters.

Property reinsurance Reinsurance exposures that are exposed to losses from damage or theft to buildings and their contents – money and securities, records, inventory, furniture, machinery, supplies and even intangible assets such as trademarks.

Pro-rata reinsurance or proportional reinsurance All forms of reinsurance in which the reinsurer shares a proportional part of the original premiums and losses of the reinsured. Frequently referred to as quota share reinsurance.

Glossary

Quota share reinsurance A form of proportional reinsurance in which the reinsurer assumes an agreed percentage of each underlying insurance contract being reinsured.

Reserves; claim reserves; loss reserves; loss adjustment expense reserves Liabilities established by insurers and reinsurers to reflect the estimated cost of claims payments and the related expenses that the insurer or reinsurer will ultimately be required to pay in respect of insurance or reinsurance contracts it has written. Reserves are established for claims, losses and for loss adjustment expenses, and consist of reserves established with respect to individual reported claims and incurred, but not reported losses.

Retrocession; retrocessional coverage A transaction in which a reinsurer transfers risks it has reinsured to another reinsurer, commonly referred to as the retrocessionaire. Retrocessional reinsurance does not legally discharge the ceding reinsurer from its liability with respect to its obligations to the reinsured.

ROE Return on equity. Profit for the period divided by the adjusted opening total equity.

RPI Renewal price index.

Risk transfer The transfer of all or a part of a risk to another party.

Risk adjusted return A concept that refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating.

Short-tail business This is business which normally settles during the three-year term of a Lloyd's year of account. Motor, property, aviation hull and short-term life are all examples of short-tail business.

Rate on line The ratio of premium paid to loss recoverable in a reinsurance contract.

Soft market A period of increased competition, depressed premiums and excess capacity, is followed by a hard market – a period of rising premiums and decreased capacity.

Specialty This is a generic term used by companies to indicate classes of business that fall outside the norm of property and casualty. However, it is open to interpretation with different companies using the term to describe different classes of business. For some it relates to marine, energy and aviation business whereas some describe casualty as speciality business.

Surplus The amount by which an insurer's assets exceed its liabilities. It is the equivalent of "owners' equity" in standard accounting terms. The ratio of an insurer's premiums written to its surplus is one of the key measures of its solvency.

The UK Code The UK Corporate Governance Code, monitored by the UK Financial Reporting Council.

Total shareholder return The percentage of the increase/(decrease) in share price over a period, stated in percentages, after adjustment for dividends.

Treaty reinsurance This is usually reinsurance business, which is written on a proportional or quota share basis. A form of reinsurance in which the ceding company makes an agreement to cede certain classes of business to a reinsurer. The reinsurer, in turn, agrees to accept all business qualifying under the agreement, known as the "treaty." Under a reinsurance treaty, the ceding company is assured that all of its risks falling within the terms of the treaty will be reinsured in accordance with treaty terms.

UK United Kingdom.

Ultimate loss ratio The ratio of ultimate total paid claims to total premiums received for all policies written in a given period.

Unearned premium The portion of premium income that is attributable to periods after the balance sheet date that is deferred and amortised to future accounting periods.

Underwriting cycle Market-wide fluctuations in the prevailing level of insurance and reinsurance premiums.

UNL Ultimate net loss.

US United States of America.

US GAAP Accounting principles generally accepted in the United States.

VaR Value at Risk.

Vesting The MIP Shares will vest on: (1) a takeover of CHL; or (2) a sale or liquidation of CML; or (3) the relevant vesting period has elapsed for that Tranche of the MIP Shares.

W&I Warranty and Indemnity insurance: coverage usually for losses arising from a breach of a warranty and claims under a tax indemnity (and, in certain cases, other equivalent provisions) in connection with a corporate merger or acquisition transaction.

Additional performance measures (the "APMs")

The Group presents certain APMs to evaluate, monitor and manage the business and to aid readers' understanding of the Group financials and methodologies used. These are common measures used across the (re)insurance industry and allow the reader of the Group's financial reports to compare those with other companies in the (re)insurance industry. The APMs should be viewed as complementary to, rather than a substitute for, the figures prepared in accordance with IFRS. This information has not been audited.

Management believes the APMs included in the unaudited condensed interim consolidated financial statements are important for understanding the Group's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the (re)insurance industry. However, these measures may not be comparable to similarly-labelled measures used by companies inside or outside the reinsurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by the Group for its audited consolidated financial statements or in accordance with IFRS.

Below are explanations, and associated calculations, of the APMs presented by the Group:

APM	Explanation	Calculation
Net loss ratio	Ratio of net losses and loss adjustment expenses expressed as a percentage of net premiums earned in a period.	Net losses and loss adjustment expenses / Net premiums earned
Net acquisition expense ratio	Ratio of net acquisition expenses charged by insurance brokers and other insurance intermediaries to the Group expressed as a percentage of net premiums earned in a period.	Net acquisition expenses / Net premiums earned
Other operating expense ratio	Ratio of other operating expenses expressed as a percentage of net premiums earned in a period.	Other operating expenses / Net premiums earned
Combined ratio	The sum of the net loss ratio, net acquisition expense ratio and other operating expense ratio. A combined ratio below 100% generally indicates profitable underwriting, whereas a combined ratio over 100% generally indicates unprofitable underwriting, each prior to the consideration of total net investment return.	Net loss ratio + Net acquisition expense ratio + Other operating expense ratio
Accident year loss ratio	Ratio of the accident year ultimate liability revalued at the current balance sheet date expressed as a percentage of net premiums earned in a period.	Accident year losses and loss adjustment expenses / Net premiums earned
Underwriting year loss ratio	Ratio of net losses and loss adjustment expenses of an underwriting year (or calendar year) expressed as a percentage of net premiums earned in a period.	Underwriting year losses and loss adjustment expenses / Net premiums earned

Additional performance measures

Total net investment return	The Group's principal investment objective is to preserve capital and provide adequate liquidity to support the payment of losses and other liabilities. In light of this, the Group looks to generate an appropriate total net investment return. The Group bases its total net investment return on the sum of non-operating cash and cash equivalents and fixed maturity securities. Total net investment return is calculated daily and expressed as a percentage.	(Net investment income + Net unrealised gains (losses) on investments + Net realised gains (losses) on investments) / (Non-operating cash and cash equivalents + Fixed maturity securities, at beginning of period)
Return on equity	ROE enables the Group to compare itself against other peer companies in the immediate industry, it is also a key measure internally, and is integral in the performance-related pay determinations. ROE is calculated as the profit for the period divided by the adjusted opening total shareholders' equity.	Profit (loss) after tax for the period / Total shareholders' equity, at beginning of period
Total shareholder return	TSR allows the Group to compare itself against other public peer companies. TSR is calculated as the percentage change in common share price over a period, after adjustment for common share dividends.	(Closing common share price - Opening common share price) + Common share dividends during the period) / Opening common share price
Dividend yield	Calculated by dividing the annual dividends per common share by the common share price on the last day of the given year and expressed as a percentage.	Annual dividends per common share / Closing common share price

Disclaimer regarding forward-looking statements

This interim report may include certain statements and indicative projections that are, or may be deemed to be, "forward-looking statements". These forward-looking statements are not based on current or historical facts and are forward looking in nature and may be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "estimates", "may", "will", "aims", "could" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; and (ii) business and management strategies and the expansion and growth of the Group's operations. Forward looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Group's current view with respect to future events and are subject to known and unknown risks relating to future events and other risks, uncertainties, and assumptions and other factors relating to the Group's business, results of operations, financial position, liquidity, prospects, growth and strategies.

These factors include but are not limited to: the Group being recently established with a limited history of operations; the Group's ability to continue to build and sustain a business of writing reinsurance and implement its strategy; the Group's ability to assess accurately the risks of the potential underwriting losses; CRL being able to maintain its financial strength rating from A.M. Best; the number and type of reinsurance contracts that the Group writes or may write; competition from existing reinsurance carriers, as well as alternative capital providers, insurance linked funds and collateralised special purpose insurers; increased competition on the basis of pricing, capacity, coverage terms or other factors; the Group's ability to integrate its businesses and new joiners to the Group; the successful retention and motivation of the Group's key management; the potential loss of key personnel; the effectiveness of the Group's loss limitation methods; the reliability of, and changes in assumptions to, catastrophe, accumulation and estimated loss models; potential uncertainties relating to reinsurance recoveries, reinstatement premiums and other factors inherent in loss estimations; the global changing climate conditions which may lead to the possibility of greater frequency or severity of claims and loss activity than the Group's underwriting, reserving or investment practices have anticipated; possible low frequency of large events or unusual loss frequency; the actual development of losses and expenses impacting estimates for claims which may arise, including for Winter Storm Uri; cyclical downturns of the reinsurance industry; exposure to unanticipated or novel coverage disputes; the impact that the Group's future operating results, capital position and rating agency and other considerations may have on the execution of capital management initiatives, financing or dividends; the impact of swings in market interest rates, currency exchange rates and securities prices on the Group's investments or liquidity; changes by central banks regarding the level of interest rates and the timing and extent of any such changes; the impact of inflation or deflation in relevant economies in which the Group operates; the increased regulatory burden facing the Group and the potential for development of an unfavourable regulatory environment; changes in governmental regulations or tax laws in jurisdictions where the Group conducts business; the focus and scrutiny on ESG-related matters regarding the (re)insurance industry from key stakeholders of the Group, and any adverse asset, credit, financing or debt capital market conditions generally, which may affect the ability of the Group to manage its liquidity.

Forward looking statements speak only as of the date they are made. No representation or warranty is made that any forward-looking statement will come to pass. These forward-looking statements speak only as at the date of this announcement. The Group expressly disclaims any obligation or undertaking (save as required to comply with any legal or regulatory obligations including the rules of the London Stock Exchange) to update or revise any forward-looking statements contained herein to reflect actual results or any change in the assumptions, conditions or circumstances on which any such statements are based. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this announcement. Prospective investors should specifically consider the factors identified in this announcement which could cause actual results to differ before making an investment decision.

The Group's renewal year on year pricing change measure is an internal methodology that management intends to use to track trends in premium rates of a portfolio of reinsurance contracts. The change measure reflects management's assessment of relative changes in price, terms, conditions and limits. The calculation involves a degree of judgement in relation to comparability of contracts and the assessment noted above, particularly in the Group's initial years of underwriting. To enhance the methodology, management may revise the methodology and assumptions underlying the change measure, so the trends in premium rates reflected in the change measure may not be comparable over time. Consideration is only given to renewals of a comparable nature so it does not reflect every contract in the portfolio of the Group's contracts. The future profitability of the portfolio of contracts within the change measure is dependent upon many factors besides the trends in premium rates.