Marco Re Limited (formerly Humboldt Re Limited)

Annual report and audited financial statements (redacted)

For the year ended 31 December 2023

The financial information set out below is a redacted version of the Company's statutory accounts for the year ended 31 December 2023. Statutory accounts for 2023 have been delivered to the GFSC and the auditor has reported on these accounts. The auditor's report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement on any of the matters in relation to the Companies (Guernsey) Law, 2008 on which the auditor is required to report by exception.

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Company information

Directors

Christopher Anderson (Chairman)
Mark Elliott
Hans-Joachim Guenther (Non-Executive Director)
Simon Minshall (Non-Executive Director)
Zsolt Szalkai (Non-Executive Director)

General representative

Mark Elliott
Bordeaux Court
Les Echelons
St Peter Port
Guernsey
GY1 1AR

Company secretaries

SRS Management Guernsey Limited (appointed 22nd September 2022)
Hadsley House
Lefebvre Street
St Peter Port
Guernsey
GY1 2JP

Independent auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Registered office

Bordeaux Court
Les Echelons
St Peter Port
Guernsey
GY1 1AR

Registered number

60597

Directors' report for the year ended 31 December 2023

The directors present their annual report and the audited financial statements of Marco Re Limited (the "Company").

Incorporation

Marco Re Limited (formerly Humboldt Re Limited) was incorporated in Guernsey on 2 July 2015. The Company operates in accordance with the provisions of the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended.

Principal activity

The Company is authorised to write all classes of general insurance business and is engaged in the run-off of the assets and liabilities associated with its various portfolios of insurance and reinsurance.

In addition to running off the existing insurance liabilities of the company, the company has entered into transactions to acquire new business in the period and intends to acquire additional legacy business in future which it will run off in an efficient and controlled manner.

Humboldt Re Limited purchased 100% of Kelvin Re Limited on 7 July 2023. Kelvin Re Limited is a registered (re)insurance company established under Guernsey law and was regulated by the Guernsey Financial Services Commission (GFSC).

Following consent granted by the GFSC, Kelvin Re Limited (Guernsey Company Number: 58943) entered an amalgamation with Humboldt Re Limited (Guernsey Company Number: 60597), to form the amalgamated Humboldt Re Limited, which continued as the surviving company on 8 December 2023.

On 8 December 2023, the name of the amalgamated Humboldt Re Limited was changed on the Guernsey Registry to Marco Re Limited to better reflect its alignment with the wider Marco group.

During 2023 the company also entered into two significant quota share contracts bringing in additional legacy run off business into the company.

The directors of the company have decided not to produce consolidated accounts for Marco Re Limited and its subsidiary entities as at 31 December 2023 as there is no statutory or regulatory requirement to do so. The deconsolidation allows the company to take advantage of reduced disclosure requirements, including no longer having to produce a cashflow statement.

The risks faced by the Company are disclosed in note 6, of which the principal risk faced by the Company is that future claim payments and expenses exceed the amount already reflected in its reserves and the following items:

The level of future claims inflation is uncertain due to both economic inflation, and social inflation arising from increasing litigation and broader definitions of liability. Explicit allowance for both types of inflation are included in its reserves, although the eventual outcome could be higher or lower than this estimate.

- It is not believed that the Company has material exposure to current global events, such as the wars in Israel and Ukraine, all policies were materially off risk prior to these events occurring.
- The Company has exposure to COVID claims, which remain uncertain due to ongoing litigation.
- Current and potential Periodic Payment Order (PPO) claims could exceed the reserved amount due to higher-than-expected inflation, improvements in the expected longevity of claimants, and higher than expected court awards. Changes in future interest rates will affect the discounted value of reserves but this will be largely offset by corresponding changes in the value of investments.

Strategy and Future Developments

The primary focus of the Company is to conduct the timely and efficient run off of its reinsurance portfolios, through settling all outstanding liabilities and recovering the associated reinsurance assets.

The Company intends to grow through acquisitions of run-off portfolios of business from other counterparties through loss portfolio transfers, reinsurance arrangements or acquisitions of other companies. The Company will continue to manage the run-off of its existing and future insurance contract liabilities with the same customer-oriented focus and high levels of claims service.

Marco Re Limited holds a financial strength rating of A- from A.M Best, that was awarded in February 2024.

Corporate governance framework

The Board discharges its responsibilities through meetings held regularly commensurate with the size of the Company's operations. The Board also oversees the activities of management and the claims and Reserving Committee. The Claims and Reserving Committee operate within defined terms of reference which outline its role and responsibilities. The Committee is chaired by a director and meets at least three times per year.

Results and Performance

Redacted.

In November and December 2023, the company underwrote two quota share contracts comprising expired motor policies, consisting of catastrophic injury claims. The reserves acquired are long term in nature, subject to discounting and include claims settled via Periodic Payment Order ("PPO") and those which are currently open and may settle as either a lump sum award or PPO. Analysis of exposures by line of business is set out in note 6.5c Concentrations of insurance risk.

Environmental Factors

The directors do not consider that the company has a significant adverse impact on the environment. The company underwrites insured risks that were already written is therefore unable to impact related environmental matters when settling valid claims. The company has some discretion to consider environment, social and governance issues ("ESG") when investing its assets and the types of portfolios underwritten in the future. The Company's appointed investment manager, consider ESG criteria, when selecting investments, and monitors against agreed appetites. The company endeavours to minimise the negative impact of its activities on the environment and has an investment policy that limits investments in other companies/sectors which have a negative impact on the environment.

Dividends

Redacted.

Directors

The directors of the Company who served during the year and to the date of this report are set out on page 3.

Going concern

In the current year, the financial statements have been prepared on a going concern basis. The directors believe that this is an appropriate basis on which to prepare the financial statements. The directors intend the company to continue managing run off of books of insurance and reinsurance business in future and intend to undertake further reinsurance transactions involving portfolios in run-off business. There are no material uncertainties that may cast doubt on the Company's ability to continue as a going concern.

The Company has net assets in excess of its regulatory solvency requirement and is not dependent on any external finance. The merger of Humboldt Re Limited and Kelvin Re Limited resulted in the combining of their available resources, giving additional financial strength. The Board considers that the (re)insurance operations of the company are adequately capitalised based on the financial position at the end of the year and the remaining risks and level of volatility inherent in its business. The directors have a reasonable expectation that the Company has adequate financial resources to meet its obligations and continue in operational existence for a period of at least twelve months from the date of this report.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations. The Companies (Guernsey) Law, 2008 requires the directors to prepare financial statements for each financial year which give a true and fair view, are in accordance with generally accepted accounting principles and which comply with any relevant enactment for the time being in force. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), and Financial Reporting Standard FRS 103 Insurance Contracts ("FRS 103").

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 Accounting Policies, Estimates and Errors, and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards including FRS 102 and FRS 103 have been followed, subject to any material departures disclosed and explained in the financial statements.
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or cease operations or have no realistic alternative but to do so.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which are sufficient to show and explain its transactions as such as to disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements are prepared properly and in accordance with the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

In accordance with Section 249 of the Companies (Guernsey) Law, 2008, the directors who held office at the date of approval of this directors' report confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

The independent auditor, Mazars LLP have indicated their willingness to audit the company in the foreseeable future.

Approved by the Board and signed on its behalf on 26/04/24 by

Registered office:
Bordeaux Court
Les Echelons
St. Peter Port
Guernsey
GY1 1AR

Mark Elliott
Director

Statement of financial position

As at 31 December 2023

Assets	**Note**	**2023**	**2022***
		$	**$**
Investment in Subsidiaries	10	•	•
Financial investments	7.2a	•	•
Reinsurers' Share of technical provision			
Accrued outwards reinsurance premium	12	•	•
Claims recoverable from reinsurers	16	•	•
		•	•
Debtors			
Debtors arising out of reinsurance operations	9	•	•
Other Debtors	11	•	•
		•	•
Other Assets			
Cash at bank and in hand		•	•
Collateral	13	•	•
	7.2a	•	•
Prepayments and accrued income			
Accrued interest		•	•
Prepayments		•	•
Deferred acquisition costs	12	•	•
		•	•
		683,882,756	**520,826,692**
Liabilities			
Capital and reserves			
Share capital	14	•	•
Share premium	14	•	•
Merger reserve	15	•	•
Retained earnings		•	•
Total capital and reserves		•	
Non-current liabilities			
Technical provisions			
Claims outstanding	16	•	•
Provision for unearned premiums		•	•
		•	•
Current liabilities			
Creditors			
Insurance payables		•	•
Reinsurance payables		•	•
Other payables and accruals		•	•
		•	•
Total capital, reserves, and liabilities		**683,882,756**	**520,826,692**

*The presentation of the 2022 comparative has been modified following the change in accounting policies as described in Note 2 to the financial statements.

Approved by the Board and signed on its behalf on 26/04/24 by

Mark Elliott

Director

The notes on pages 11 to 36 form an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2023

	Note	2023 $	2022* $
Technical account for general business			
Insurance premium revenue			
Gross written premium		•	•
Outwards reinsurance premium		•	•
Net written premium		•	•
Change in the gross provisions for unearned premiums		•	•
Change in the reinsurer's share of provisions for unearned premiums		•	•
Net earned premium		•	•
Net operating expenses			
Acquisition costs		•	•
Other insurance income and expenses		•	•
Net insurance premium revenue		•	•
Claims incurred			
Claims paid			
Gross amount		•	•
Reinsurers' share		•	•
Change in the provision for claims			
Gross amount		•	•
Reinsurers' share		•	•
Claims incurred, net of reinsurance		•	•
Balance on the technical account for general business		•	•
Non-technical account			
Investment income			
Net realised losses from financial assets at fair value through profit or loss		•	•
Net unrealised gains / (losses) from financial assets at fair value through profit or loss		•	•
Interest income and expenses on investment assets		•	•
Other investment income and expenses	18	•	•
Net investment income		•	•
Other operating expenses			
Administration expenses	19	•	•
Foreign exchange gains / (losses)		•	•
Net other operating expenses		•	•
Profit / (loss) before tax		•	•
Tax		•	•
Profit / (loss) for the year, representing total comprehensive loss		•	•

*The presentation of the 2022 comparative has been modified following the change in accounting policies as described in Note 2 to the financial statements.

The notes on pages 11 to 36 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2023

	Share Capital $	Share Premium $	Merger Reserve $	Retained earnings $	Total equity $
Balance at 31 December 2021	•	•	•	•	**257,610,999**
Total comprehensive income for the year	•		•	•	•
Dividends paid	•	•	•	•	•
Balance at 31 December 2022	•	•	•	•	**191,240,749**
Total comprehensive income for the year	•	•	•	•	•
Dividends paid	•	•	•	•	•
Merger of Kelvin Re Limited and Humboldt Re Limited	•	•	•	•	•
Balance at 31 December 2023	•	•	•	•	**240,734,206**

Notes 14 and 15 provide additional analysis of these balances.

The notes on pages 11 to 36 form an integral part of these financial statements.

Notes to the financial statements

1. Corporate information

Marco Re Limited (the “Company”) is a limited company incorporated and domiciled in Guernsey. The registered office of the Company is Bordeaux Court, Les Echelons, St. Peter Port, Guernsey, GY1 1AR.

The Company’s principal activity is the run-off of the net assets and liabilities of various portfolios of insurance and reinsurance business. The Company is licensed under Section 7 of the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, to carry on general insurance business.

The immediate parent company is Marco Capital Holdings Limited, a company incorporated in Malta on 27 May 2020. The registered office address is 171, Old Bakery Street, Valletta, Malta.

2. Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102 “FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland”, FRS 103 “Insurance Contracts” and with the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002. The financial statements have been prepared under the historical cost convention, except assets at fair value through profit or loss, which are measured at their fair value.

Consolidated financial statements are not prepared for Marco Re Limited for 2023. The directors of the company do not believe a consolidation is beneficial to the reader of the accounts and there is no statutory or regulatory requirement to produce a consolidation. These financial statements and their comparative now represent information for the standalone company only.

The merger of Humboldt Re Limited and Kelvin Re Limited occurred on 8 December 2023 and meets the definition of a group reconstruction between entities under common control under FRS 102. The Company’s policy as allowed under FRS 102, is to account for this merger using the merger method of accounting. Under the merger method of accounting with a prospective effect, the assets and liabilities of the merged entity (in this case, Kelvin Re Limited), can be incorporated at the carrying value of the assets and liabilities from its accounting records with effect from the date of the merger. The carry values of these assets are the same as those that would have been applied by the acquiring company as both companies shared consistent accounting policies.

Profit and loss transactions from Kelvin Re Limited are only recognised in the income statement of the amalgamated entity after the date of the merger.

In the current year, the financial statements have been prepared on a going concern basis. The directors believe that this is an appropriate basis on which to prepare the financial statements as the Company intends to undertake further reinsurance transactions involving portfolios in run-off. The Company has net assets significantly in excess of its regulatory solvency requirement and is not dependent on any external finance. After making enquiries, the directors have a reasonable expectation that the Company has adequate financial resources to meet its obligations and continue in operational existence for a period of at least twelve months from the date of this report.

The preparation of financial statements in conformity with UK Generally Accepted Accounting Practice (GAAP) requires the use of certain critical accounting estimates and requires the directors to exercise their judgement in the application of the Company's accounting policies. Although estimates are based on management’s best knowledge of current events and actions, actual results could ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are described in note 5.

3. Exemptions for Qualifying Entities under FRS102

FRS102 allows disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to the use of exemptions by the Company's shareholder Marco Capital Holdings Limited, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by FRS102 paragraph 33.7.

- from the requirement to disclose transactions with related parties within the same group as provided by FRS 102, Section 33.1A.

- from preparing a statement of cash flows, on the basis that it is a qualifying entity under FRS102 section 3.17D and a consolidated statement of cash flows is included in the financial statements of Marco Capital Holdings Limited.

4. Significant accounting policies

4.1 Functional and presentation currency

The Company transacts business and recognises assets and liabilities in a number of different currencies. The functional and presentational currency of the Company is US Dollars.

4.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the rate of exchange prevailing at the date of the transactions.

Monetary assets and liabilities (which include all assets and liabilities arising out of reinsurance contracts) denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the reporting date. For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the date at which the asset or liability first arose.

Any resulting exchange differences are recognised within foreign exchange gains or losses in the statement of comprehensive income.

4.3 Insurance contracts – classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause the Company to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

4.4 Gross written and earned premium

Written premiums are first recognised in the period in which the contract incepts or the period in which the contract is bound, if later.

The Company writes both proportional and non-proportional inward reinsurance contracts. For non-proportional contracts, gross written premium is recorded based on the deposit or flat premium (net of taxes) as defined in the contract. Subsequent adjustments to the premium are recognised in the period in which they are determined. For proportional contracts, written premium is recognised based on reported actual premiums as provided by the reinsured, adjusted by the Company were considered appropriate.

The proportion of gross written premium attributable to periods after the reporting date is deferred as unearned premium. The change in this reserve is recognised in income in corresponding periods in order that premium is recognised over the period of risk coverage.

Premium is earned proportionally over the policy contract period, except where the period of risk differs significantly from the contract period. In these circumstances, premium is earned over the period of risk in proportion to the amount of reinsurance protection provided.

Where contract terms require the reinstatement of coverage after a reinsurer's loss, the estimated reinstatement premiums are recorded as written premiums.

4.5 Outwards reinsurance premium

Outwards reinsurance premiums are recognised in the period in which the contract incepts or the period in which the contract is bound, if later.

The Company purchases both proportional and non-proportional outward reinsurance contracts. For non-proportional contracts, outwards reinsurance premium is recorded based on the deposit or flat premium as defined in the contract or were greater, the Company's estimate of the adjusted premium under the contract. Subsequent adjustments to the premium are recognised in the period in which they are determined.

For proportional contracts, outwards reinsurance premium is recognised based on the proportion of the underlying contract being ceded. Subsequent adjustments, based on changes to the premium of the underlying reinsurance contract(s) written, are recognised in the period in which they are determined.

The proportion of outwards reinsurance premium attributable to periods after the reporting date is deferred as unearned outwards reinsurance premium. The change in this asset is recognised as an expense in future periods in order that premium is recognised over the period of risk protection.

Outwards reinsurance premium is earned proportionally over the policy contract period, except where the period of risk differs significantly from the contract period. In these circumstances, premium is amortised over the period of risk in proportion to the amount of reinsurance protection received.

Where contract terms require the reinstatement of coverage after a loss, the estimated outwards reinstatement premiums are recorded as outwards reinsurance premiums.

4.6 Acquisition costs and deferred acquisition costs

Acquisition costs represent commissions, brokerage and other variable costs that relate directly to the successful sale of new contracts and the renewal of existing contracts. Acquisition costs are deferred and amortised in the period in which the related premiums are earned.

Deferred acquisition costs are reviewed at the reporting date and impaired where they are no longer considered to be recoverable out of future margins from the related revenues.

4.7 Outwards reinsurance expenses and deferred outwards reinsurance expenses

Outwards reinsurance expenses represent commissions, brokerage and other variable costs that relate directly to the purchase of outwards reinsurance contracts. Outwards reinsurance expenses are deferred and amortised in the period in which the related premiums are expensed.

4.8 Other insurance income and expenses

Commissions receivable on proportional outwards reinsurance contracts are deferred and earned using the same principles as for acquisition costs on inwards business.

Profit commissions on outwards reinsurance contracts are accrued when it is highly probable that the income will be realised.

4.9 Insurance claims expenses and claims liabilities

Insurance claims expenses comprise claims and loss adjustment expenses incurred in the period based on the estimated compensation owed to reinsurers on the inward reinsurance contracts written by the Company, whether or not reported to the Company by the reporting date.

Claims paid are defined as those claims transactions settled up to the reporting date.

Claims liabilities represent the total estimated claims and loss adjustment expenses incurred on the inward reinsurance contracts written by the Company that have not been settled as at the reporting date and comprise the following:

- Claims payable represent liabilities to pay claims where claims on the underlying insurance contracts written by the reinsured have been settled by the relevant cedents in excess of the reinsurance contract's attachment point.
- Specific loss reserves are made for known or anticipated liabilities under reinsurance contracts written that have been notified to the Company.
- Incurred but not reported (IBNR) reserves are established to provide for claims expenses on insured events that have occurred but for which loss notifications have not been received by the Company prior and up to the reporting date. These liabilities are determined by the Company based on recognised actuarial methods and assumptions. These methods and assumptions are regularly reviewed through the use of catastrophe models, own loss experience, historical industry loss experience, underwriting and originator experience, estimates of pricing adequacy trends and the directors' and management's professional judgement.

Certain contracts written by the Company require the Company to fund cedants' estimates of their claims recoverable from the Company in full, regardless of whether the cedant has settled their own underlying claims liabilities, by way of cash call advances. The Company may also choose to provide such cash call advances. Where cash call advances made are in excess of claims paid or claims payable, they are recorded as cash call advances made to cedants as an offsetting item against claims liabilities in the statement of financial position.

Where the amount of cash call advances paid exceeds the Company's own estimated claims liabilities, the excess amounts paid are classified within insurance receivables as claims deposits made to cedants.

Changes in estimates of insurance claims liabilities are recognised in the statement of comprehensive income in the period in which the estimate changes.

4.10 Collateral

The Company receives and pledges collateral in the form of cash or non-cash assets in respect of reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Company receives collateral depends on an assessment of the credit risk of the counterparty. All collateral received and held in trust by third parties is not recognised in the statement of financial position, unless the counterparty defaults on its obligations under the relevant agreement. All collateral pledged by the Company is retained in the statement of financial position, unless the Company defaults on its obligations under the relevant agreement.

4.11 Insurance claims expenses recoverable from reinsurers and claims recoverable from reinsurers

Insurance claims expenses recoverable from reinsurers comprise recoverable claims and loss adjustment expenses recoverable in the period based on the estimated compensation due from reinsurers on the outwards reinsurance contracts purchased by the Company, whether or not reported by the Company to the reinsurer by the reporting date.

Claims recoverable from reinsurers represent the total estimated recoverable claims and loss adjustment expenses recoverable on the outwards reinsurance contracts purchased by the Company that have not been settled as at the reporting date, and comprise the following:

- Reinsurance receivables represent amounts due to the Company where claims on the underlying inward reinsurance contract written by the Company have been settled or settlement has been requested, and payment has been or may be requested from the outwards reinsurer.
- Reinsurers' share of specific loss reserves represents known or anticipated recoveries under outwards reinsurance contracts purchased that correspond to specific loss reserves on inwards reinsurance contracts.
- Reinsurers' share of incurred but not reported reserves represents the estimate of claims recoverable from reinsurers corresponding to the IBNR reserves on inwards reinsurance contracts.

Where outwards reinsurance contracts permit, cash may be called from reinsurers in settlement of claims and claims expenses recoverable in advance of the settlement of claims and claims expense liabilities on the underlying inwards contracts. Where such cash call advances received from reinsurers are in excess of reinsurance receivables settled or due they are recorded as cash call advances received from reinsurers as an offsetting item against claims recoverable from reinsurers in the statement of financial position, in anticipation of future receivable amounts coming due.

Where the current estimated value of claims and claims expenses recoverable from reinsurers on a contract is less than the value of cash call advances received, any such excess is classified within insurance and reinsurance payables as cash call returns due to reinsurers until settled with the reinsurer.

Changes in estimates of claims recoverable from reinsurers are recognised in the statement of comprehensive income in the period in which the estimate changes.

4.12 Debtors arising out of reinsurance operations

(Re)/insurance receivables comprise amounts due from agents, brokers and insurance contract holders in respect of the premiums written by the Company and are recognised commensurate with the recognition of premiums written.

4.13 Insurance and reinsurance payables

Insurance and reinsurance payables comprise amounts due to agents, brokers and reinsurance providers in respect of the outwards reinsurance purchased by the Company as well as reinsurance commissions due to agents, brokers and insurance contract holders. Such amounts are recognised commensurate with the recognition of premiums written and ceded.

4.14 Financial assets

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

(a) Classification

Management determines the appropriate classification of financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

The Company classifies its investments in bonds and money market funds as held for trading as they are acquired principally for the purpose of sale or repurchase in the near term and on initial recognition are part of a portfolio of identifiable financial instruments that are managed together for the purpose of short-term profit taking.

ii. Other Debtors

Other debtors are classified as loans and receivables as they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, which do not qualify as ‘trading’ assets and have not been designated at fair value through profit or loss or as available-for-sale.

(b) Recognition, derecognition and measurement

i. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the settlement date, which is the date that the agreement to purchase or sell the asset is settled by delivery of the assets or liabilities that are the subject of the agreement.

Financial assets are derecognised when the right to receive cash flows from the assets have expired or the Company has transferred substantially all the risks and rewards of ownership. Gains or losses arising on derecognition of financial assets are recognised as a component of investment income in profit or loss.

ii. Initial measurement

Financial assets are initially recognised at fair value. Transaction costs on financial assets at fair value through profit or loss are expensed as incurred in the statement of comprehensive income. The initial carrying amounts of instruments classified as loans and receivables are adjusted for transaction costs and included in the calculation of the effective interest method.

iii. Subsequent measurement

Subsequent to initial recognition, gains and losses arising from changes in the fair value of the financial assets at fair value though profit or loss are presented as net gains or losses in the statement of comprehensive income.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from changes in amortised cost are presented as a component of interest income in the statement of comprehensive income. Loans and receivables are subject to annual reviews for impairment. If there is any objective evidence that the asset is impaired, the Company reduces the carrying amount accordingly and recognises the impairment loss in profit or loss.

(c) Impairment of financial assets measured at amortised cost

The Company assesses at the end of each reporting period as to whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are determined, if, and only if, there is evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

At each balance sheet date, the Company assesses whether there is objective evidence of impairment of any financial assets that are measured at amortised cost. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the debtor operates.

Objective evidence that a financial asset or group of assets is impaired includes:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments; • significant financial difficulty of the issuer or obligor;
- the Company, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that would not otherwise be considered;
- it has become probable that the debtor will enter bankruptcy or other financial reorganisation; and
- observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

4.15 Investment in Subsidiaries

The company accounts for its investments in subsidiaries, associates and jointly controlled entities at cost less impairment. The cost of the investments is equal to the nominal value of consideration paid for the subsidiary. The company tests the investments for impairment annually or whenever there is an indication of impairment. The recoverable amount of the investments is determined by reference to the higher of their fair value less costs to sell and their value in use.

An exception to this treatment is made for the class of subsidiaries which are segregated account companies, where the purpose of the segregated account is to enable the Company to participate in the underwriting results and investment earnings generated by the Lloyd's syndicate. The company measures its investments in subsidiaries which are segregated account companies participating in the Lloyd's market at fair value through profit or loss in accordance with FRS 102. The fair value of the investments is determined by reference to the net assets of the subsidiaries which is in this instance is financial investments held as Funds at Lloyd's at fair value through the profit or loss, accounted for as set out in section 4.13. The company recognises a gains and losses in profit or loss for the year, representing the change in fair value of the investments in subsidiaries.

4.16 Financial liabilities

(a) Classification

Management determines the appropriate classification of financial liabilities at initial recognition.

i. Financial liabilities at fair value through profit or loss

The Company does not classify any financial liabilities as fair value through profit or loss.

ii. Other financial liabilities

Other payables and accruals are classified as other financial liabilities as they are neither held for trading nor designated at fair value through profit or loss.

(b) Recognition, derecognition and measurement

i. Recognition and derecognition

Other payables and accruals are recognised when the Company becomes a party to the contract. Financial liabilities are derecognised when the Company's contractual obligation is discharged, cancelled, or expires. Gains or losses arising on derecognition of financial assets are recognised as a component of investment income in profit or loss.

ii. Initial measurement

Financial liabilities are initially recognised at fair value. Transaction costs on financial liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income. The initial carrying amounts of instruments classified as other financial liabilities are adjusted for transaction costs and included in the calculation of the effective interest method.

iii. Subsequent measurement

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial liabilities at fair value thought profit or loss are presented as net gains or losses from financial liabilities at fair value through profit or loss in the statement of comprehensive income.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from changes in amortised cost are presented as a component of interest expense in the statement of comprehensive income.

4.17 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in bonds are generally quoted or dealt on a recognised stock exchange or other trading facility or in an active market. Fair valuations are made by the Company based on valuations received from the Company’s investment manager. If such information is not provided, or is insufficiently timely, management uses appropriate valuation techniques to estimate the value of investments. In determining the fair value of such investments, management takes into consideration relevant factors which may include the impact of suspension, redemptions, liquidation proceedings and other significant factors. The estimates may differ from actual realisable values.

4.18 Taxation

The Company is taxable in Guernsey at the standard company rate of zero percent (2022: zero percent) as per the Income Tax (Zero 10) (Guernsey) Law, 2007.

4.19 Share capital

Shares are classified as equity when there is no obligation to transfer cash or assets and results in the equity holder having a residual interest in the Company's net assets. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

Dividend distribution to the Company's shareholders is recognised as a liability in the Statement of financial position in the period in which the dividends are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity. Dividends are reflected in the financial statements once the dividend is formally declared.

4.20 Other investment income and expense

Net other investment income and expenses comprise investment management fees and other income and expenses associated with the management of the Company’s investment portfolio and other investment-related assets.

Administration expenses

Administration expenses including employee benefits are recognised on an accruals basis.

5. Significant accounting judgements and estimates

The key assumptions concerning the future and key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

5.1 Valuation of claims incurred but not reported

Liabilities for claims incurred but not reported require a significant amount of judgement as, by their nature, they are based on information that has not been reported to the Company. As such, these reserves are based on the best information available at a given time that may consequently change as a result of changes in assumptions or information. Such changes may result in either increases or decreases to the reserves recognised at the reporting date.

These liabilities are determined by the Company based on recognised actuarial methods and assumptions. These methods and assumptions are regularly reviewed through the use of catastrophe models, own loss experience, historical industry loss experience, underwriting and originator experience, estimates of pricing adequacy trends and the Board and management's professional judgement.

Changes in estimates of insurance claims liabilities are recognised in the statement of comprehensive income in the period in which the estimate changes.

6. Risk management

6.1 Risk management framework

The Company discharges its risk management responsibilities through the Board and its risk committee. The Board of Directors maintains the Company's Risk Management policies and framework and is responsible for oversight of each of the Company's committees, maintaining the Company's risk register and monitoring emerging risks.

The Company's risk monitoring practices encompass both quantitative and qualitative views of risk across all major risk categories. This includes regular reporting on the Company's exposures to credit risk, liquidity risk, market risk and insurance risk, among others. A more detailed description of the major risk categories to which the Company is exposed is provided below.

6.2 Credit risk

Credit risk is the risk that one party to a financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is primarily exposed to credit risk through the financial instruments it holds and assets related to its insurance activities, including insurance receivables and claims recoverable from reinsurers. The Company seeks to proactively mitigate this risk by undertaking transactions with reputable counterparties with credit ratings in accordance with the Company's guidelines. Thereafter, the Company actively monitors the financial strength ratings of its counterparties and assessing the recoverability of insurance receivables and claims recoverable from reinsurers.

The Company considers that the carrying amount of financial assets best represents the maximum exposure to credit risk.

(a) Financial assets

The investment objective is to optimise investment returns while preserving capital and providing appropriate liquidity.

An analysis of financial investments and other assets by credit rating is provided below:

Financial assets credit rating analysis **As at 31 December 2023**	**Investments** **$**	**Other assets** **$**	**Total** **$**
AAA range	•	•	•
AA range	•	•	•
A range	•	•	•
BBB range	•	•	•
Unrated	•	•	•
Total financial assets	•	•	•

Financial assets credit rating analysis **As at 31 December 2022***	**Investments** **$**	**Other assets** **$**	**Total*** **$**
AAA range	•	•	•
AA range	•	•	•
A range	•	•	•
BBB range	•	•	•
Unrated	•	•	•
Total financial assets	•	•	•

*The presentation of the 2022 comparative has been modified following the change in accounting policies as described in Note 2 to the financial statements.

(b) Insurance receivables and claims recoverable from reinsurers

The credit quality of insurance receivables and claims recoverable from reinsurers is assessed through quarterly reviews of cedant and reinsurer credit ratings. Where the credit rating of outwards reinsurers does not meet the minimum criteria prescribed by the Company's underwriting guidelines, the protection is collateralised by a combination of cash advances, letters of credit and reinsurance trusts which, in turn, have minimum credit rating requirements.

An analysis of debtors out of reinsurance operations, that are past due but not impaired is provided below. There is no recent history of insurance receivables defaulting and the Company considers all insurance receivable amounts recoverable in full. No other assets that are past their due date are considered impaired.

Aged insurance receivables analysis	**2023**	**2022**
As at 31 December	**$**	**$**
0 to 30 days	•	•
31 to 60 days	•	•
61 to 90 days	•	•
More than 90 days	•	•
Total aged insurance receivables	•	•

6.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations as they fall due. The most significant liquidity risk of the Company is the availability of cash resources in respect of actual or potential claims arising from a major insured event, including the risk associated with a reinsurer failing to meet its obligations to settle claims or cash call advances on the Company's outwards reinsurance contracts. In respect of claims liabilities, the Company manages its liquidity risk by ensuring that there is sufficient cash in the operating and expense accounts that are readily available to fulfil claims payments as they fall due. For potential future claims liabilities, the Company manages its liquidity risk by holding a minimum amount of sufficiently liquid financial instruments to cover potential losses arising from a defined major catastrophe scenario. An undiscounted maturity analysis of financial and insurance liabilities that shows the remaining contractual maturities is provided below. Claims liabilities other than claims payable have not been included in the analysis as they have no stated contractual maturity.

Maturity analysis of financial and insurance liabilities As at 31 December 2023	**1 - 3 months $**	**3 - 12 months $**	**Total $**
Other payables and accruals	•	•	•
Insurance and reinsurance payables	•	•	•
Total financial and insurance liabilities	•	•	•
	1 - 3 months	**3 - 12 months**	**Total**
As at 31 December 2022	**$**	**$**	**$**
Other payables and accruals	•	•	•
Insurance and reinsurance payables	•	•	•
Total financial and insurance liabilities	•	•	•

Redacted.

All financial and insurance liabilities disclosed above are deemed to be current.

6.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in foreign exchange rates.

The Company manages currency risk by generally only maintaining sufficient balances in each currency account to settle outwards payments due in foreign currencies. In situations where claims liabilities denominated in a currency other than the Company's functional currency are significant, the Company may mitigate the associated currency risk by holding additional assets in that foreign currency for the purpose of asset and liability matching.

An analysis of the gains or losses that would result in profit or loss from the impact on financial instruments and insurance contract balances of an increase or decrease of 10% in each currency to which the Company has significant exposure is provided below. The directors believe that 10% increase or decrease in foreign exchange rates represents a reasonable possible change and provides year-on-year comparability.

Currency sensitivity analysis	**10% increase**	**10% decrease**
As at 31 December 2023	**$**	**$**
AUD	•	•
CHF	•	•
EUR	•	•
GBP	•	•
JPY	•	•

Currency sensitivity analysis	**10% increase**	**10% decrease**
As at 31 December 2022	**$**	**$**
AUD	•	•
CHF	•	•
EUR	•	•
GBP	•	•
JPY	•	•

The purchase of reinsurance in 2023 covering all currencies but denominated in USD reduces the company's exposure to foreign exchange volatility from balance sheet currency mismatches, related to net claims reserves.

An analysis as at 31 December 2023 by each currency to which the Company has significant exposure is provided below.

Currency Statement of financial position Assets	**AUD**	**CHF**	**EUR**	**GBP**	**JPY**	**Other inc. USD**	**2023 Total**
Investment in Subsidiaries	•	•	•	•	•	•	•
Financial investments	•	•	•	•	•	•	•
Reinsurers' Share of technical provision							
Accrued outwards reinsurance premium	•	•	•	•	•	•	•
Claims recoverable from reinsurers	•	•	•	•	•	•	•
	•	•	•	•	•	•	•
Debtors							
Debtors arising out of reinsurance operations	•	•	•	•	•	•	•
Other Debtors	•	•	•	•	•	•	•
	•	•	•	•	•	•	•
Other Assets							
Cash at bank and in hand	•	•	•	•	•	•	•
Collateral	•	•	•	•	•	•	•
Accrued Interest	•	•	•	•	•	•	•
Prepayments	•	•	•	•	•	•	•
Deferred acquisition costs	•	•	•	•	•	•	•
Total Assets	•	•	•	•	•	•	•
Non-current liabilities							
Technical provisions							
Claims outstanding	•	•	•	•	•	•	•
Provision for unearned premiums	•	•	•	•	•	•	•
	•	•	•	•	•	•	•
Current liabilities							
Creditors							
Insurance payables	•	•	•	•	•	•	•
Reinsurance payables	•	•	•	•	•	•	•
Other payables and accruals	•	•	•	•	•	•	•
	•	•	•	•	•	•	•
Total liabilities	•	•	•	•	•	•	•
Net Currency Exposure	•	•	•	•	•	•	•

Currency Statement of financial position Assets	AUD	CHF	EUR	GBP	JPY	Other inc. USD	2022* Total
Investment in Subsidiaries	•	•	•	•	•	•	•
Financial investments	•	•	•	•	•	•	•
Reinsurers' Share of technical provision							
Accrued outwards reinsurance premium	•	•	•	•	•	•	•
Claims recoverable from reinsurers	•	•	•	•	•	•	•
	•	•	•	•	•	•	•
Debtors							
Debtors arising out of reinsurance operations	•	•	•	•	•	•	•
Other Debtors	•	•	•	•	•	•	•
	•	•	•	•	•	•	•
Other Assets							
Cash at bank and in hand	•	•	•	•	•	•	•
Collateral	•	•	•	•	•	•	•
	•	•	•	•	•	•	•
Prepayments and accrued Income	•	•	•	•	•	•	•
Prepayments							
Deferred acquisition costs	•	•	•	•	•	•	•
Total Assets	•	•	•	•	•	•	•
Liabilities							
Non-current liabilities							
Technical provisions	•	•	•	•	•	•	•
Claims outstanding	•	•	•	•	•	•	•
Provision for unearned premiums	•	•	•	•	•	•	•
Current liabilities							
Creditors	•	•	•	•	•	•	•
Insurance payables	•	•	•	•	•	•	•
Reinsurance payables	•	•	•	•	•	•	•
Other payables and accruals	•	•	•	•	•	•	•
Total Liabilities	•	•	•	•	•	•	•
Net Currency Exposure	•	•	•	•	•	•	•

*The presentation of the 2022 comparative has been modified following the change in accounting policies as described in Note 2 to the financial statements.

(b) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its cash and cash equivalents. Investment performance is regularly monitored against benchmarks based on market returns and interest rates.

Redacted.

The sensitivity in the interest rate above is based on the maximum estimated potential interest rate change in the next period. The impact of interest rates on fixed rate bonds is described in 6.4(2).

(c) Pricing risk

The Company is exposed to the price risk that the value of assets declines due to market factors. Investment assets are mainly fixed interest bonds for which the price is determined by nominal interest rates and credit spreads. The Company seeks to hold assets to maturity, and thus mitigate the risk of short-term price movements. The Company's investment policy required it to manage such risks by setting and monitoring objectives and constraints on investments, diversification planning and setting limits on investments in each sector and market.

Redacted.

6.5 Insurance risk

(a) Insurance risk management

The risk under any one insurance contract is the possibility that the insured event occurs, with further risks resulting from the uncertainty of the amount and timing of the resulting claim. The Company benefits from an underwriting and reserving process that uses a combination of experience, knowledge, exposure information and past claims data to evaluate the likely cost of claims and therefore the premium that should be sufficient to produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premium charged will be sufficient, and a loss may arise from insufficient premium being calculated or may result from an unexpected or unprecedented high level of claims.

The Company is also exposed to catastrophe losses which may impact many risks in single or multiple events. Outwards reinsurance has been purchased to limit the impact of loss frequency and severity from such events in accordance with the Company’s risk appetite.

Where insured events have occurred, the Company faces a risk that the ultimate claims payments exceed the carrying amount of the insurance liabilities at the reporting date. This could occur because the frequency or severity of claims is greater than estimated. The Company operates a formal actuarial reserving policy that defines in detail the approach taken in determining the reserves held by the Company at each reporting date. The Company records specific loss reserves on each contract at least equal to the estimates reported by cedants and may establish additional specific loss reserves if the cedants’ reported estimates are believed by the Company to be inadequate.

The Company records actuarially determined reserves for claims incurred but not reported based on best estimates of the Company's ultimate loss and loss adjustment expenses at each reporting date. An actuarial valuation was performed by qualified actuaries to estimate the claims liabilities of the Company as at 31 December 2023 in accordance with the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended.

(b) Sensitivity to insurance risk

The most significant assumption in the determination of claims liabilities is the losses assumed for each contract. Changes to estimated loss ratios arising from actuarially determined information or cedant loss reporting over the lifetime of each contract will result in gains or losses recognised in profit or loss.

Material uncertainty exists in respect of the amount and timing of settlement of claims. Such uncertainty arises due to the timing differences between the occurrence of an insured event, its notification to the primary insurer and subsequently to the Company, and the final settlement of the claim. The amount of a claim is also uncertain until the final settlement is agreed and paid.

Sensitivities have been performed to understand the impact of a deterioration in the Company's loss reserves. Given the legacy nature of the Companies business, exposure to event level losses diminishes over time, the management consider a 2.5% and 5% loss increases to be an appropriate stress to monitor.

Redacted

(c) Concentrations of insurance risk

An analysis of the Company's exposures to insured events by territory and line of business is included below.

		2023		2022
	Gross	Net	Gross	Net
	$	$	$	$
Territory				
North America and Caribbean	•	•	•	•
Europe	•	•	•	•
Japan	•	•	•	•
Oceania	•	•	•	•
World-wide	•	•	•	•
	•	•	•	•

		2023		2022
	Gross	Net	Gross	Net
	$	$	$	$
Line of business				
Marine, aviation and transportation	•	•	•	•
Fire and other damage to property	•	•	•	•
Third party liability	•	•	•	•
Credit and suretyship	•	•	•	•
Motor	•	•	•	•
	•	•	•	•

(d) Claims development

An analysis of current estimates of claims compared to previous estimates is provided below. The analysis is presented on an underwriting year basis and excludes changes in claims liabilities and claims recoverable from reinsurers arising from fluctuations in foreign exchange rates. As such, the disclosures do not reconcile to the Company's statement of financial position.

The Company presents claims development tables based on estimates of incurred losses on each contract, which do not include losses not yet incurred. There is therefore a reasonable expectation that the estimate of incurred claims at the end of each underwriting year may subsequently increase one year later where the risk coverage of policies written continues into the next financial year and claims continue to be incurred.

Claims development by underwriting year - gross basis	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2023**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Est incurred claims at the end of U/w year	•	•	•	•	•	•	•
One year later	•	•	•	•	•	•	•
Two years later	•	•	•	•	•	•	•
Three years later	•	•	•	•	•	•	•
Four years later	•	•	•	•	•	•	•
Five years later	•	•	•	•	•	•	•
Six years later	•	•	•	•	•	•	•
Seven years later	•	•	•	•	•	•	•
Eight years later	•	•	•	•	•	•	•
Cumulative payments	•	•	•	•	•	•	•
Estimated balance	•	•	•	•	•	•	•

Claims development by underwriting year - net basis	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2023**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Est incurred claims at the end of U/w year	•	•	•	•	•	•	•
One year later	•	•	•	•	•	•	•
Two years later	•	•	•	•	•	•	•
Three years later	•	•	•	•	•	•	•
Four years later	•	•	•	•	•	•	•
Five years later	•	•	•	•	•	•	•
Six years later	•	•	•	•	•	•	•
Seven years later	•	•	•	•	•	•	•
Eight year later	•	•	•	•	•	•	•
Cumulative payments	•	•	•	•	•	•	•
Estimated balance	•	•	•	•	•	•	•

Humboldt Re stopped writing new business after the 2020 underwriting year. The company purchased Kelvin Re Limited and entered into two significant quota share contracts in 2023 which have been reflected in the 2023 underwriting year of the table.

6.6 Operational risk

Operational risk is the potential for loss arising from inadequate or failed processes, systems, human error, or external events. Operational risk management frameworks and procedures exist to identify, assess, and mitigate risks. These frameworks include internal controls, risk assessment processes, incident reporting systems, and ongoing monitoring and testing of operational processes. By proactively and effectively managing operational risks like key man dependency, IT system failure and Cyber security, the Company aims to minimise their impact on its activities. Regular reviews and updates to operational risk management processes take place to ensure that the Company adapts to new and emerging risks and complies with applicable laws and regulations.

6.7 Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Company is required to comply with the requirements of the Guernsey Financial Services Commission. The Companies Board takes responsibility for managing this risk and the Company's Risk and Compliance functions manages and monitors business activity and regulatory developments to assess and mitigate this risk.

7. Fair value of financial instruments

7.1 Fair value measurements

The fair value of financial securities, at fair value through profit or loss is based on the bid price exclusive of transaction costs quoted in active markets provided by the investment manager. Where no active market exists, fair value is determined by referring to recent transactions and other valuation factors.

7.2 Fair value hierarchy

(a) Classification

The Company measures the fair value of financial instruments using a fair value hierarchy that reflects the significance of the input used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This includes Government debt including US Treasuries and UK Gilts.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

(b) Fair value hierarchy table

In accordance FRS 102 paragraph 11.27 the Company's financial instruments at fair value through profit or loss are classified using the fair value hierarchy level provided above.

	Level 1	Level 2	Level 3	Total
As at 31 December 2023	**$**	**$**	**$**	**$**
Bonds	•	•	•	•
Money market funds	•	•	•	•
Total financial assets at Fair value through profit or loss	•	•	•	•
	Level 1	**Level 2**	**Level 3**	**Total***
As at 31 December 2022	**$**	**$**	**$**	**$**
Bonds	•	•	•	•
Money market funds	•	•	•	•
Total financial assets at Fair value through profit or loss	•	•	•	•

*The presentation of the 2022 comparative has been modified following the change in accounting policies as described in Note 2 to the financial statements.

8. Capital management

The Company's objective when managing capital is to support its business in addition to adhering to regulatory requirements. The Company complies with the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended. The capital management policies adopted by the Company, are operated to ensure the Company's ability to continue as a going concern, meet regulatory solvency requirements at all times and in order to target returns for the shareholder and benefits for stakeholders. The Board meets quarterly to agree the Company's immediate and long-term capital requirements, including review of the Company's forecasts, cash projections and insurance risk exposures.

The directors also review the Company's capital structure on a regular basis to ensure adequate funds are available to meet its obligations and comply with the solvency margin requirements required by the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended. In accordance with the Insurance Business (Solvency) Rules 2021, the Company is required at all times to maintain regulatory capital resources greater than or equal to its Minimum Capital Requirement and its Prescribed Capital Requirement.

The Company complied with the regulatory capital requirements to which it was subject during the years ended 31 December 2023 and 31 December 2022.

9. Debtors arising out of reinsurance operations

Redacted.

10. Investments in Subsidiaries

	2023	2022*
	$	$
Fair Value at 1 January	•	•
Change in fair value of subsidiary	•	•
Fair Value at 31 December	•	•

*The presentation of the 2022 comparative has been modified following the change in accounting policies as described in Note 2 to the financial statements.

Marco Re Limited holds 100% of Artex SAC Humboldt Cell which it accounts for using Fair Value. All changes in fair value disclosed above relate to the holding in the Artex SAC Humboldt cell. During 2023 the majority of the funds at Lloyd's held by the Cell was released following the closure of its remaining underwriting interest.

On the 6 October 2022, the Company took the decision to liquidate its shareholding in Arcus 1856 Limited which was put into the hands of the liquidator.

11. Other debtors

	2023	2022*
As at 31 December	$	$
Loan to parent company	•	•
Sundry receivables	•	•
Total other debtors	•	•

*The presentation of the 2022 comparative has been modified following the change in accounting policies as described in Note 2 to the financial statements.

Redacted.

Other debtors are classified as current assets as the Company expects to recover the amounts no more than twelve months after the reporting period.

12. Reconciliation of changes in deferred insurance and reinsurance assets

	Deferred acquisition costs	Deferred other underwriting expenses	Deferred outwards reinsurance premium
As at 31 December 2023	$	$	$
Opening balance at 1 January 2023	•	•	•
Deferred during the period	•	•	•
Amortised during the period	•	•	•
Closing balance at 31 December 2023	•	•	•

	Deferred acquisition costs	Deferred other underwriting expenses	Deferred outwards reinsurance premium
As at 31 December 2022	$	$	$
Opening balance at 1 January 2022	•	•	•
Amorttised during the period	•	•	•
Deferred during the period	•	•	•
Closing balance at 31 December 2022	•	•	•

13. Collateral assets

As at 31 December	2023 $	2022* $
Term deposits	•	•
Cash deposits	•	•
Reinsurance trusts	•	•
Total collateral assets	•	•

The presentation of the 2022 comparative has been modified following the change in accounting policies as described in Note 2 to the financial statements.

Collateral assets are issued in favour of certain cedants and other creditors, as security for the payment of insurance liabilities.

Term and cash deposits are pledged to cedants to support future loss payments.

Reinsurance trusts comprise premiums receivable by the Company for which access is restricted in trust until the passage of time and claims experience, as defined by the contract, allows release of the funds to the Company.

Redacted.

14. Share capital

As at 31 December	2023 $	2022 $
Authorised, issued, and fully paid shares	5,131	5,131
Share premium	•	•
Total share capital	•	•

The issued and fully paid shares are held 100% by Marco Capital Holdings Limited.

15. Merger reserve

	2023 $	2022 $
Opening balance at 1 January	•	•
Merger reserve resulting from the amalgamation of Humboldt Re Limited and Kelvin Re Limited	•	•
Closing balance as at 31 December	•	•

The merger reserve represents the difference between the consideration paid and the aggregate carrying value of the net assets acquired from Kelvin Re Limited at the date of merger on 8 December 2023. Further details of this group reconstruction are set out in note 20.

16. Claims liabilities and claims recoverable from reinsurers

(a) Composition of claims liabilities and claims recoverable from reinsurers

Gross claims liabilities and claims recoverable from reinsurers	**2023**	**2022**
As at 31 December	**$**	**$**
Claims liabilities		
Claims payable	•	•
Specific loss reserves	•	•
Incurred but not reported reserves	•	•
Unallocated loss adjustment expenses	•	•
Cash call advances paid to cedants	•	•
Total claims outstanding	•	•
Claims recoverable from reinsurers		
Reinsurance receivables	•	•
Reinsurers share of specific loss reserves	•	•
Reinsurers share of incurred but not reported reserves	•	•
Cash call advances received from reinsurers	•	•
Total claims recoverable from reinsurers	•	•
Net Claims liabilities		
Net claims payable	•	•
Net specific loss reserves	•	•
Net incurred but not reported reserves	•	•
Net unallocated loss adjustment expenses	•	•
Net cash call advances paid and received	•	•
Total claims liabilities	•	•

Claims liabilities are classified as current liabilities as the Company may be required to settle the amounts within the next twelve months after the reporting period.

Claims recoverable from reinsurers are similarly treated in the same way as the matching gross liability as current assets.

(b) Process for determining assumptions used in measurement of claims liabilities

The most significant component of the total claims liabilities disclosed above is incurred but not reported (IBNR) reserves. The Company operates a formal actuarial reserving policy that defines in detail the approach taken in determining the reserves held by the Company at each reporting date.

Updates to reserves are made on a quarterly basis based on the most recent loss information available. The quarterly analysis performed uses various generally accepted actuarial methods including loss development methods, expected emergence methods, and expected loss ratio methods. Where applicable, for example where a cedant's loss history is limited or volatile, the Company utilises industry loss development patterns, trends, and other key assumptions to supplement the historical loss information provided by the cedant.

(c) Effect of changes in assumptions

Changes in the estimated losses on the contracts written by the Company result in gains or losses recognised in profit or loss. The estimated claims liabilities in respect of claims incurred in previous reporting periods may change in the current period as the estimated ultimate costs of settling those claims becomes more certain over time. The effect of movements on claims incurred in previous periods in the current year is disclosed in note 15(d) below. Claims development tables comparing the estimates of ultimate claims at the end of each underwriting year to current estimates are provided in note 6.5(d).

The driver of the movement in insurance claims expenses was claims experience and commutations.

(d) Reconciliation of changes in net claims liabilities

	Claims liabilities	Claims recoverable from reinsurers	Net claims liabilities
	$	$	$
Opening balance at 1 January 2023	•	•	•
Claims incurred and recoverable during the period			
- Current underwriting year	•	•	•
- Previous underwriting years (including movement on claims incurred and recoverable in previous periods)	•	•	•
Cash call advances paid and received	•	•	•
Claims paid and recovered	•	•	•
Foreign exchange differences	•	•	•
Acquired through merger	•	•	•
Closing balance at 31 December 2023	•	•	•

	Claims liabilities	Claims recoverable from reinsurers	Net claims liabilities
	$	$	$
Opening balance at 1 January 2022	•	•	•
Claims incurred and recoverable during the period			
- Current underwriting year	•	•	•
- Previous underwriting years (including movement on claims incurred and recoverable in previous periods)	•	•	•
Cash call advances paid and received	•	•	•
Claims paid and recovered	•	•	•
Foreign exchange differences	•	•	•
Closing balance at 31 December 2022	•	•	•

17. Deferred insurance and reinsurance liabilities

Reconciliation of changes in deferred insurance and reinsurance liabilities	2023	2022
Unearned premium reserve	**$**	**$**
Opening balance at 1 January	•	•
Deferred during the period	•	•
Amortised during the period	•	•
Closing balance at 31 December	•	•

18. Other investment income and expenses

	2023	2022
As at 31 December	**$**	**$**
Interest income	•	•
Investment management fees	•	•
Other income/(expense)	•	•
Total net other investment income and expenses	•	•

19. Administration expenses

	2023	2022
As at 31 December	**$**	**$**
Management fees	•	•
Directors' and personnel costs	•	•
Regulatory and licensing fees	•	•
Legal and professional fees, including audit fees	•	•
Travel and subsistence	•	•
Bank charges, including LOC fees	•	•
Other administration expenses	•	•
Total administration expenses	•	•

20. Group reconstructions between entities under common control

Humboldt Re purchased Kelvin Re Limited on 7 July 2023. On 8 December 2023, the Company merged with its subsidiary, Kelvin Re Limited. On the same day, the amalgamated Humboldt Re Limited containing the merged Kelvin Re Limited changed its name to Marco Re Limited. By virtue of the operation of the merger, all assets, and liabilities of Kelvin Re Limited were assigned to the Company on 8 December 2023.

Given Humboldt Re Limited already owned Kelvin Re Limited, the transaction was considered a business reorganisation, and the prospective merger method of accounting was used. The Company’s policy is to apply the merger method of accounting with a prospective effect to this merger, the assets and liabilities of the merged entity, are incorporated at the carrying value of assets and liabilities from the accounting records with effect from the date of the merger.

The following table summarises the amounts of the assets acquired, and liabilities assumed that were recognised in the statement of financial position as at the effective date of merger of the companies:

Assets obtained & liabilities assumed	**$**
Assets:	
Investments	•
Reinsurer' share of technical provisions	•
Debtors	•
Other Assets	•
Prepayments and Accrued Income	•
Liabilities:	
Technical Provisions	•
Creditors	•

21. Related party transactions

The company's immediate parent is Marco Capital Holdings Limited, a limited liability company incorporated in Malta on 27 May 2020. The registered office address is 171, Old Bakery Street, Valletta, VLT1455, Malta. The accounts of Marco Capital Holdings Limited are publicly available.

The directors do not consider Marco Capital Holdings Limited to have an ultimate controlling party on the basis that its share capital is shared by various shareholders and none of these individually have direct or indirect control over the Company.

22. Events after the reporting period

There were no further events after the reporting period up to the date the financial statements were authorised for issue that would require adjustment or disclosure in this set of financial statements.

23. Off-balance sheet events

The Company has not been party to any arrangements which are not reflected in its Statement of Financial Position, where material risks and benefits arise for the Company.