FIDELIS INSURANCE HOLDINGS LIMITED

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Fidelis Insurance Holdings Limited

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and it's their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for opinion

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

Emphasis of Matter : Prior period error

We draw attention to Note 12 to the consolidated financial statements, which describes that the consolidated financial statements for the year ended December 31, 2020 have been restated. Our opinion is not modified with respect to this matter.

Responsibilities of management for the consolidated financial statements

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required supplementary information

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts in Note 10 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
September 14, 2022

FIDELIS INSURANCE HOLDINGS LIMITED
Consolidated Balance Sheets
For the years ended December 31, 2021 and December 31, 2020
(Expressed in millions of U.S. dollars)

	2021	Restated 2020
Assets		
Short-term investments, available-for-sale (amortised cost: $11.5, 2020: $15.3)	$ 11.5	$ 15.2
Fixed maturity securities, trading at fair value (amortised cost: $26.7, 2020 $82.6)	26.9	84.0
Fixed maturity securities, available-for-sale (amortised cost: $2,505.5, 2020: $1,514.8)	2,491.1	1,538.3
Other investments, at fair value (cost: $226.5, 2020: $103.6)	253.1	115.1
Total investments	2,782.6	1,752.6
Cash and cash equivalents	325.1	967.2
Restricted cash and cash equivalents	150.9	271.3
Derivative assets, at fair value	1.0	0.2
Accrued investment income	12.1	9.1
Investments pending settlement	0.5	0.5
Premiums and other receivables	1,555.2	1,095.6
Deferred reinsurance premiums	676.7	415.4
Reinsurance balances recoverable on paid losses	256.7	105.7
Reinsurance balances recoverable on unpaid losses	795.7	382.6
Deferred policy acquisition costs	403.3	276.5
Deferred tax asset	40.3	12.6
Other assets	23.6	22.3
Total assets	**$ 7,023.7**	**$ 5,311.6**
Liabilities, and shareholders' equity		
Liabilities		
Derivative liabilities, at fair value	0.8	5.4
Investments pending settlement	—	21.9
Reserves for losses and loss expenses	1,386.5	818.0
Unearned premiums	2,113.7	1,405.5
Long term debt	446.9	446.0
Preferred securities	58.4	58.4
Reinsurance balances payable	947.8	507.9
Other liabilities	50.3	72.5
Total liabilities	**$ 5,004.4**	**$ 3,335.6**
Shareholders' equity		
Common shares	2.1	2.1
Additional paid-in capital	2,075.2	2,071.9
Accumulated other comprehensive (loss)/income	(13.5)	22.2
Accumulated deficit	(49.7)	(120.2)
Total shareholders' equity attributable to Fidelis Insurance Holdings Limited	**$ 2,014.1**	**$ 1,976.0**
Non- controlling interests	5.2	—
Total shareholders' equity including non-controlling interests	**$ 2,019.3**	**$ 1,976.0**
Total liabilities and shareholders' equity	**$ 7,023.7**	**$ 5,311.6**

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE HOLDINGS LIMITED
Consolidated Income Statements and Comprehensive Income
For the years ended 31 December, 2021 and 31 December, 2020
(Expressed in millions of U.S. dollars)

	2021	Restated 2020
Revenues		
Gross premiums written	$ 2,787.7	$ 1,576.5
Reinsurance premiums ceded	(1,186.6)	(670.9)
Net premiums written	1,601.1	905.6
Change in net unearned premiums	(446.9)	(177.0)
Net premiums earned	1,154.2	728.6
Net investment return	35.9	44.5
Other income	1.0	8.7
Total revenues	**$ 1,191.1**	**$ 781.8**
Expenses		
Loss and Loss expenses	(696.8)	(324.5)
Policy acquisition expenses	(299.9)	(179.2)
General and administration expenses	(77.7)	(101.7)
Net foreign exchange (losses)/gains	(0.4)	1.2
Financing costs	(35.4)	(27.9)
Loss on extinguishment of preferred securities	—	(25.3)
Total expenses	**$ (1,110.2)**	**$ (657.4)**
Net profit before tax	**$ 80.9**	**$ 124.4**
Income tax (charge)/benefit	(0.4)	3.1
Net profit after tax	**$ 80.5**	**$ 127.5**
Net profit attributable to non-controlling interests	(10.0)	(0.1)
Net profit available to Fidelis Insurance Holdings Limited common shareholders	**$ 70.5**	**$ 127.4**
Comprehensive income		
Net profit attributable to Fidelis Insurance Holdings Limited	70.5	127.4
Unrealised (losses)/gains on available for sale financial instruments, net of tax	(35.5)	11.0
Currency translation adjustments	(0.2)	—
Comprehensive income attributable to Fidelis Insurance Holdings Limited	**$ 34.8**	**$ 138.4**

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE HOLDINGS LIMITED
Consolidated Statement of Changes in Shareholders' Equity
For the years ended 31 December, 2021 and 31 December, 2020
(Expressed in millions of U.S. dollars)

	2021	Restated 2020
Common shares		
Balance - beginning of year	$ 2.1	$ 1.4
Common stock repurchased	(0.2)	—
Issue of common shares	0.2	0.7
Balance - end of year	**$ 2.1**	**$ 2.1**
Additional paid-in capital		
Balance - beginning of year	$ 2,071.9	$ 1,348.3
Additional paid-in capital repurchased	(320.7)	(0.8)
Share compensation expense	9.8	32.6
Purchase of non-controlling interest	(3.8)	—
Issue of common shares, net of issuance costs	318.0	691.8
Balance - end of year	**$ 2,075.2**	**$ 2,071.9**
Accumulated other comprehensive (loss)/income, net of tax		
Unrealised gains on available-for-sale securities, net of tax		
Balance - beginning of year	$ 22.0	$ 11.0
Unrealised (losses)/gains arising during the year	(34.3)	14.6
Realised gains transferred to net profit	(1.2)	(3.6)
Balance – end of year	$ (13.5)	$ 22.0
Currency translation reserve		
Balance - beginning of year	0.2	0.2
Movement during the year	(0.2)	—
Balance - end of year	$ —	$ 0.2
Balance - end of year	**$ (13.5)**	**$ 22.2**
Accumulated deficit		
Balance – beginning of year	(120.2)	(243.5)
Net profit available to common shareholders	70.5	127.4
Common dividend	—	(4.1)
Balance - end of year	**$ (49.7)**	**$ (120.2)**
Total shareholders' equity attributable to Fidelis Insurance Holdings Limited	**$ 2,014.1**	**$ 1,976.0**
Non-controlling interests		
Balance – beginning of the year	—	0.5
Net profit attributable to non-controlling interests	10.0	0.1
Investment in subsidiaries by non-controlling interests	—	0.2
Dividends paid to non-controlling interest	(2.6)	(0.8)
Sale of subsidiary	(2.2)	—
Balance – end of year	**$ 5.2**	**$ —**
Total shareholders' equity including non-controlling interests	**$ 2,019.3**	**$ 1,976.0**

See accompanying notes to the consolidated financial statements

FIDELIS INSURANCE HOLDINGS LIMITED
Consolidated Statements of Cash Flows
For the years ended 31 December, 2021 and 31 December, 2020
(Expressed in millions of U.S. dollars)

	2021	Restated 2020
Operating activities		
Net profit after tax	$ 80.5	$ 127.5
Adjustments to reconcile net profit after tax to net cash provided by operating activities:		
Share compensation expense	9.8	32.6
Depreciation	4.5	2.6
Net unrealised (gain)/loss on investments and derivatives	(19.3)	(7.8)
Net realised loss/(gain) on investments and derivatives	24.1	(3.4)
Loss on extinguishment of preferred securities	—	25.3
Net changes in assets and liabilities:		
Accrued investment income	(3.0)	(1.7)
Premiums and other receivables	(459.6)	(426.4)
Deferred reinsurance premiums	(261.3)	(273.9)
Reinsurance balances recoverable on paid losses	(151.0)	23.6
Reinsurance balances recoverable on unpaid losses	(413.1)	60.1
Deferred policy acquisition costs	(126.8)	(75.3)
Deferred tax asset	(25.3)	(7.1)
Other assets	(1.7)	3.8
Reserves for losses and loss expenses	568.5	87.3
Unearned premiums	708.2	450.9
Reinsurance balances payable	439.9	295.5
Other liabilities	(11.3)	32.6
Net cash provided by operating activities	**$ 363.1**	**$ 346.2**
Investing activities		
Purchase of investments, trading	—	(0.1)
Proceeds from the sale of investments, trading	56.1	116.7
Purchase of available-for-sale securities	(2,122.2)	(1,161.9)
Proceeds from sale of available-for-sale securities	1,111.6	631.6
Purchase of other investments	(125.2)	(100.0)
Purchase of investments to cover short sales	—	(3.7)
Proceeds for sale of other investments	1.3	1.4
Change in investments pending settlement - assets	—	24.7
Change in investments pending settlement - liabilities	(21.9)	12.0
Net cash from disposal of subsidiary	(7.1)	—
Purchase of fixed assets	(7.1)	(2.0)
Net cash used in investing activities	**$ (1,114.5)**	**$ (481.3)**
Financing activities		
Proceeds from issuance of debts, net of issuance costs	—	445.7
Proceeds from issuance of common stock, net of issuance costs	318.2	691.8
Non-controlling interest share transactions	(6.3)	(0.6)
Repurchase of common shares	(320.9)	—
Dividends on common shares	(2.1)	(5.1)
Repurchase preferred securities	—	(209.1)
Net cash (used in)/provided by financing activities	**$ (11.1)**	**$ 922.7**

FIDELIS INSURANCE HOLDINGS LIMITED
Consolidated Statements of Cash Flows
For the years ended 31 December, 2021 and 31 December, 2020
(Expressed in millions of U.S. dollars)

		2021		2020
Net (decrease)/increase in cash, restricted cash, and cash equivalents	$	(762.5)	$	787.6
Cash, restricted cash, and cash equivalents, beginning of year		1,238.5		450.9
Cash, restricted cash, and cash equivalents, end of year	**$**	**476.0**	**$**	**1,238.5**
Cash and cash equivalents comprise the following:				
Cash and cash equivalents at bank		325.1		967.2
Restricted cash and cash equivalents		150.9		271.3
Cash, restricted cash, and cash equivalents	**$**	**476.0**	**$**	**1,238.5**

See accompanying notes to the consolidated financial statements

1. Nature of operations

Fidelis Insurance Holdings Limited ("Fidelis" and together with its subsidiaries, the "Group") is a holding company which was incorporated under the laws of Bermuda on August 22, 2014. The Group provides Property, Specialty and Bespoke insurance and reinsurance. Fidelis' principal operating subsidiaries are:

- Fidelis Insurance Bermuda Limited ("FIBL"), a Class 4 Bermuda domiciled company which writes most of the Group's Reinsurance business, as well as writing Specialty and Bespoke lines. FIBL is regulated by the Bermuda Monetary Authority.
- Fidelis Underwriting Limited ("FUL"), is a UK domiciled company which principally writes Specialty and Bespoke insurance, as well as Reinsurance. FUL is regulated by the Prudential Regulation Authority.
- Fidelis Insurance Ireland DAC ("FIID"), is a Republic of Ireland domiciled company that writes Specialty and Bespoke insurance and reinsurance within the European Economic Area. FIID is regulated by the Central Bank of Ireland.
- Fidelis Marketing Limited ("FML"), a management company which acts as an insurance intermediary to provide marketing services and is authorised by the Financial Conduct Authority ("FCA").

Fidelis has invested in a number of Managing General Agents ("MGAs") through Pine Walk Capital Limited ("Pine Walk") which holds the investment in the MGAs and provides them with administrative support. There are 6 MGAs:

- Radius Specialty Limited ("Radius") which focuses on niche specialty treaty reinsurance business.
- Oakside Surety Limited ("Oakside") which focuses on surety bonds and guarantees.
- Kersey Specialty Limited ("Kersey") which focuses on upstream energy business.
- Perigon Product Recall Limited ("Perigon") which focuses on product recall and product contamination.
- Navium Marine Limited ("Navium") which focuses on marine business. Navium was incorporated on March 28, 2021.
- OPEnergy Limited ("OPEnergy") which focuses on energy liabilities. OPEnergy was incorporated on September 20, 2021.

During 2021, the Group purchased additional shares in Radius Specialty Limited. During 2021, the Group sold its interest in Omega National Title Agency Ventures, LLC for $2.0 million.

2. Significant Accounting Policies

Basis of presentation
The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") and include the results of Fidelis Insurance Holdings Limited and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Reporting currency
The financial information is reported in United States dollars ("U.S. dollars" or "$"), expressed in millions, except for per share data.

Use of estimates
The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates reflected in the financial statements include, but are not limited to, gross and net reserves for losses and loss expenses and estimates of written and earned premiums.

Cash and cash equivalents

Cash and cash equivalents consist of cash held in banks, money market funds and other short-term, highly liquid investments with original maturity dates of ninety days or less.

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of cash held in segregated or trust accounts, which is unavailable for immediate use by the Group, primarily to provide collateral for letters of credit and to support the current value of any amounts that may be due to counterparties based on the value of underlying financial instruments.

Investments

During 2018, the Group amended the accounting policy such that all fixed income securities acquired from January 1, 2018 are classified as available for sale. Fixed income securities acquired prior to January 1, 2018 are classified as trading. The fixed income securities portfolio comprises securities issued by governments and government agencies, corporate bonds, and asset-backed securities. Investments in fixed income securities have been classified as available for sale or trading and are reported at estimated fair value in the Consolidated Balance Sheets.

The Group's other investments consist of a residual investment in a hedge fund, an investment in structured notes (refer to note 3 for further details) and the Wellington Opportunistic Fixed Income Undertakings for the Collective Investment in Transferable Securities fund ("UCITS"). These are carried at fair value through profit and loss. For the valuation techniques please refer to Note 4.

Investments with a maturity of greater than three months up to one year from date of purchase are classified as short-term investments and recorded at fair value.

For all fixed income securities and other investments, any realised and unrealised gains or losses are determined on the basis of first-in-first-out method. For all fixed income securities classified as "available for sale", realised gains and losses in the Consolidated Income Statements include adjustments to the cost basis of investments for declines in value that are considered to be other-than-temporary. Unrealised gains and losses represent the difference between the cost, or the cost as adjusted by amortisation of any difference between its cost and its redemption value ("amortised cost"), of the security and its fair value at the reporting date and are included within other comprehensive income for securities classified as "available for sale". For securities classified as "trading", realised and unrealised gains or losses are included in the Consolidated Income Statements within net investment return.

Other-than-temporary impairment of investments

A security is impaired when its fair value is below its cost or amortised cost. The Group reviews its investment portfolio each quarter on an individual security basis for potential other-than-temporary impairment ("OTTI") based on criteria including issuer-specific circumstances, credit ratings actions and general macro-economic conditions.

OTTI is deemed to occur when there is no objective evidence to support recovery in value of a security and (i) the Group intends to sell the security or it is more likely than not that it will be required to sell the security before recovery of its cost or adjusted amortised cost basis or (ii) it is deemed probable that the Group will be unable to collect all amounts due according to the contractual terms of the individual security. In the first case, the entire unrealised loss position is taken as an OTTI charge to realised losses in earnings. In the second case, the unrealised loss is separated into the amount related to credit loss and the amount related to all other factors.

The OTTI charge related to credit loss is recognised in realised losses in earnings and the amount related to all other factors is recognised in other comprehensive income. The cost basis of the investment is reduced accordingly and no adjustments to the cost basis are made for subsequent recoveries in value. Although the Group reviews each security on a case by case basis, it has also established parameters focusing on the extent and duration of impairment to help identify securities in an unrealised loss position which are other-than-temporarily impaired. For fixed income securities in the available for sale portfolio, the Group considers securities which have been in an unrealised loss position for 12 months and the credit rating has deteriorated below investment grade should be other-than-temporarily impaired.

Net investment return
Net investment return includes amounts received and accrued in respect of periodic interest ("coupons") payable to the Group by the issuer of fixed income securities and interest credited on cash and cash equivalents. It also includes amortisation of premium and accretion of discount in respect of fixed income securities. Investment management, custody, and investment administration fees are charged against net investment return reported in the Consolidated Income Statements. Investment transactions are recorded on a trade date basis.

Derivative financial instruments
All derivatives are recognised in the Consolidated Balance Sheets at fair value on a gross basis and not offset against any collateral pledged or received. Unrealised gains and losses resulting from changes in fair value are included in net investment return or net foreign exchange gains and losses in the Consolidated Income Statements. The Group's derivative financial instrument assets are included in derivative assets and derivative financial instrument liabilities are included in derivative liabilities in the Consolidated Balance Sheets. None of the Group's derivatives are designated as accounting hedges for financial reporting purposes. Pursuant to the International Swaps and Derivatives Association ("ISDA") master agreements and other derivative agreements, the Group and its counterparties typically have the ability to settle on a net basis. In addition, in the event a party to one of the ISDA master agreements or other derivative agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to set off against payments owed to the defaulting party or collateral held by the defaulting party.

The Group enters into derivative transactions to manage duration risk, currency exchange risk, or other exposure risks. The Group also sometimes enters catastrophe swap derivatives to manage its exposure to catastrophe events. Derivative transactions typically include futures, options, swaps and forwards. Derivative assets represent financial contracts whereby, based upon the contract's current fair value, the Group will be entitled to receive payments upon settlement. Derivative liabilities represent financial contracts whereby, based upon the contract's current fair value, the Group will be obligated to make payments upon settlement.

The Group looks to manage foreign currency exposure by substantively balancing assets with liabilities for certain major non-U.S. dollar currencies, or by entering into currency forward contracts. However, there is no guarantee that this will effectively mitigate exposure to foreign exchange gains and losses.

Where a contract includes an embedded derivative, the embedded derivative is recognised separately only if the contract is not recognised at fair value, or the economic characteristics and risks of the embedded derivative are not clearly and closely related to those of the contract.

Investments pending settlement
Investments pending settlement include receivables and payables from unsettled trades due from/to prime brokers. Receivables and payables from unsettled trades are carried at fair value based on quoted prices in active markets for identical assets or derived based on inputs that are observable.

Premiums and acquisition costs
Premiums written are recorded on inception of the policy. Premiums written include estimates based on information received from insureds, brokers and cedants, and any subsequent differences arising on such estimates are recorded as premiums written in the period they are determined. Premiums written are earned on a basis consistent with risks covered over the period the coverage is provided. The portion of the premiums written applicable to the unexpired terms of the underlying contracts and policies are recorded as unearned premium.

Reinstatement premiums are recognised as written and earned after the occurrence of a loss and are recorded in accordance with the contract terms based upon management's estimate of losses and loss expenses.

Acquisition costs are directly related to the acquisition of insurance premiums and are deferred and amortised over the related policy period. The Group only defers acquisition costs incurred that are directly related to the successful acquisition of new or renewal insurance contracts, including commissions to agents, brokers and premium taxes. All other acquisition related expenses including indirect costs are expensed as incurred. To the extent that future policy revenues on existing policies are not adequate to cover related costs and expenses, deferred policy acquisition costs are charged to earnings.

The Group evaluates premium deficiency and the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment return is greater than expected future loss and loss adjustment expenses and acquisition costs.

Reinsurance

The Group seeks to reduce the risk of net losses on business written by reinsuring certain risks and exposures with other reinsurers. Ceded reinsurance contracts do not relieve the Group of its primary obligation to insureds. Ceded premiums are recognised when the coverage period incepts and are expensed over the contract period in proportion to the coverage. Premiums relating to the unexpired portion of reinsurance ceded are recorded as deferred reinsurance premiums.

Commissions on ceded business are deferred and amortised over the period in which the related ceded premium is recognised. The deferred balance is recorded within deferred policy acquisition costs on the Consolidated Balance Sheets and the amortisation is recognised within general and administration expenses in the Consolidated Income Statements.

Losses and loss expenses

The liability for losses and loss expenses includes reserves for unpaid reported losses and for losses incurred but not reported. These estimates are reported net of amounts estimated to be recoverable from salvage and subrogation. The reserve for losses and loss expenses is established by management based on reports from insureds, brokers, and ceding companies and the application of generally accepted actuarial techniques and represents the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Group as incurred.

Inherent in the estimates of ultimate losses and loss expenses are expected trends in claim severity and frequency which may vary significantly as claims are settled. The Group estimates ultimate losses using various actuarial methods as well as the Group’s own growing loss experience, historical insurance industry loss experience, estimates of pricing adequacy trends and management’s professional judgement. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage, subrogation and other recoveries. Ultimate losses and loss expenses may differ significantly from the amount recorded in the financial statements. These estimates are reviewed regularly and as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are recorded in losses and loss expenses in the periods in which they are determined.

Premiums receivable

Premiums receivable includes amounts receivable from insureds, net of brokerage costs, which represent premiums that are both currently due and amounts not yet due on insurance and reinsurance policies. Premiums for insurance policies are generally due at inception. Premiums for reinsurance policies generally become due over the period of coverage based on the policy terms. Contract periods can be several years in length with premiums received in annual or quarterly instalments.

The Group monitors the credit risk associated with premiums receivable, taking into consideration the fact that in certain instances credit risk may be reduced by the Group's right to offset loss obligations against premiums receivable. Amounts deemed uncollectible are charged to net profit in the period they are determined. Changes in the estimate of (re)insurance premiums written will also result in an adjustment to premiums receivable in the period they are determined.

Reinsurance balances recoverable

Amounts recoverable from reinsurers are estimated based on the terms and conditions of the reinsurance contracts in a manner consistent with the underlying liability reinsured. If the Group determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the periods in which they are determined within losses and loss expenses in the Consolidated Income Statements.

Allowances are established for amounts deemed uncollectible and reinsurance recoverables are recorded net of these allowances. The Group evaluates the financial condition of its reinsurers and monitors concentration risk to minimise its exposure to significant unrecoverables from individual reinsurers.

Long term debt
Debt is initially measured at fair value less issuance costs incurred and subsequently held at amortised cost. Interest expense is recognised over the term of the debt using the effective interest method.

Income taxes
Income taxes have been provided for those operations that are subject to income taxes based on enacted tax laws and rates enacted in those jurisdictions. Current and deferred taxes are charged or credited to income tax (charge)/benefit. Deferred tax assets and liabilities result from temporary differences between the amounts recorded in the consolidated financial statements and the tax basis of the Group's assets and liabilities. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the income tax (charge)/benefit in the Consolidated Income Statements in the period that includes the enactment date. Uncertain tax positions are recognised when deemed more likely than not of being sustained upon examination by tax authorities. Changes in recognition or measurement are recognised in the period in which the change in judgment occurs.

A valuation allowance against deferred tax assets is recorded if management deem it is more likely than not that all or some portion of the benefits related to the deferred tax assets will not be realised.

Founders' warrants
The Group accounts for warrant contracts subject to a performance condition issued to certain of its founding investors in conjunction with the initial capitalisation of the Group by using either the physical settlement or net-share settlement methods. The fair value of these warrants is recorded in equity as additional paid-in capital when performance conditions are met. The fair value of Founders' warrants issued are estimated on the grant date using the Black-Scholes option-pricing model.

Share compensation
Management was issued both basic warrants and ratchet warrants with the basic warrants subject to a service condition only and the ratchet warrants subject to a service and performance condition. The portion of the warrants that are considered probable of vesting are recognised in general and administrative expenses in the Consolidated Income Statements.

Share compensation for management warrants considered probable of vesting is expensed over the vesting period on a graded vesting basis. The probability of the management warrants vesting is evaluated at each reporting period. When the management warrants are considered probable of vesting, the Group records an adjustment to the share compensation expense from the grant date (service inception date) to the current reporting period end based on the fair value of the warrant contracts at grant date.

Restricted stock units ("RSUs") granted contain both a service and performance condition and are recognised as share compensation expense only for the portion considered likely to vest. The fair value of the RSUs is estimated at the latest price at which the Group raised capital. Where no recent capital transaction has occurred, the fair value is determined by the Board. Share compensation expense is recognised on a straight-line basis over the vesting period, adjusted for the impact of any performance vesting conditions. At each balance sheet date, the Group revises the share compensation expense based on its estimate of the number of RSUs that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the Consolidated Income Statements and a corresponding adjustment is made to additional paid-in capital in shareholders' equity on the Consolidated Balance Sheets. Forfeitures are accounted for as they occur.

Share issuance costs
Issuance costs incurred in connection with the capital raise, which included financial advisors' fees, legal and accounting fees, printing and other fees were deducted from the gross proceeds of the offering. The proceeds from the issuance of shares, net of offering costs, is included in additional paid-in capital in the Consolidated Statements of Shareholders' Equity.

Foreign exchange

The Group has entities with U.S. Dollar, U.K. Sterling and Euro functional currencies. The functional and reporting currency is U.S. Dollar. Transactions in foreign currencies are translated in U.S. dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currencies are re-measured at the exchange rates in effect at the reporting date. Foreign exchange gains and losses are included in the Consolidated Income Statements.

Variable Interest Entities

Variable Interest Entities ("VIE") are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristic of a controlling financial interest.

The Group would be deemed to have a controlling financial interest and be the primary beneficiary if it has both of the following characteristics:

- power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- an obligation to absorb losses of the entity that could potentially be significant to the VIE, or a right to receive benefits from the entity that could potentially be significant to the VIE.

The determination of whether an entity is a VIE requires judgment and depends on facts and circumstances specific to that entity.

VIEs for which the Group is deemed to have a controlling financial interest and be the primary beneficiary are consolidated and all significant inter-company transactions are eliminated.

If the Group is not deemed to have a controlling financial interest or be the primary beneficiary, then the investment is not consolidated and is recognised according to the facts and circumstances of the relationship. For further information see Note 13.

The Group determines on an ongoing basis whether an entity is a VIE or if the Group is the primary beneficiary based on an analysis of the Group's level of involvement in the VIE, the contractual terms, the overall structure of the VIE and funding requirements.

Non-controlling interests

Non-controlling shareholders' interests are presented separately in the Group's Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity as required under U.S. GAAP. The net profit attributable to non-controlling interests is presented separately in the Group's Consolidated Income Statements. In calculating non-controlling interests, intercompany eliminations are allocated to the Fidelis shareholders.

Recent accounting pronouncements

Recently issued but not yet adopted

In February 2016, the FASB issued ASU 2016-02, Leases, and, in July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases and ASU 2018-11, Leases. ASU 2016-02 requires lessees to recognise operating leases on balance sheet through a lease asset and a related financial liability. The standard update is effective for annual periods beginning after December 15, 2021. The Group expects a lease right-of-use asset of approximately $29.4 million and a related financial liability of approximately $30.7 million to be presented on the Consolidated Balance Sheets, however the Consolidated Income Statements and Statements of Cashflows are expected to remain unchanged.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which requires loans, receivables and available-for-sale debt securities to record credit losses through an allowance for credit losses account. The update introduces a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new credit loss model, the Group will be required to recognise an allowance for its expected credit losses on certain financial assets including trade receivables, debt instruments not measured at fair value, and reinsurance receivables. Available-for-sale debt securities will record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortised cost. The Group is currently assessing the impact of the standard on the consolidated financial statements. The standard update is effective for annual periods beginning after December 15, 2022.

(Expressed in millions of U.S. dollars)

In August 2018, the FASB issued ASU 2018-12, Financial Services—Insurance, which amends the scope of Topic 944 via improvements to the accounting for long-duration contracts. The standard update is effective for annual periods beginning after December 15, 2024. The Group does not expect the ASU to have a material impact on the Group's consolidated financial statements.

3. Investments

As at December 31, 2021, the Group's investments are managed by external investment managers through individual investment management agreements. The Group monitors activity and performance of the external managers on a monthly basis.

a. Fixed income securities

The following table summarises the fair value of fixed maturity investments managed by external investment managers:

	As at December 31, 2021			
	Cost	Unrealised gains	Unrealised losses	Fair value
Trading				
Corporate bonds	13.6	0.1	—	13.7
Asset-backed securities	8.3	—	—	8.3
Agency asset-backed securities	4.8	0.1	—	4.9
Total fixed income securities, trading	**$ 26.7**	**$ 0.2**	**$ —**	**$ 26.9**
Available-for-sale				
US. Treasuries	$ 732.8	$ 2.5	$ (4.5)	$ 730.8
Agencies	28.0	—	(0.1)	27.9
Non-U.S. government	140.3	0.6	(0.8)	140.1
Corporate bonds	1,276.7	2.8	(12.1)	1,267.4
Asset-backed securities	271.4	0.2	(1.8)	269.8
Agency asset-backed securities	56.3	0.2	(1.4)	55.1
Total fixed income securities, available-for-sale	**$ 2,505.5**	**$ 6.3**	**$ (20.7)**	**$ 2,491.1**
Total fixed income securities	**$ 2,532.2**	**$ 6.5**	**$ (20.7)**	**$ 2,518.0**

(Expressed in millions of U.S. dollars)

	As at December 31, 2020			
	Cost	Unrealised gains	Unrealised losses	Fair value
Trading				
US. Treasuries	$ 15.6	$ 0.2	$ —	$ 15.8
Corporate bonds	35.2	1.0	—	36.2
Asset-backed securities	24.2	—	—	24.2
Agency asset-backed securities	7.6	0.2	—	7.8
Total fixed income securities, trading	**$ 82.6**	**$ 1.4**	**$ —**	**$ 84.0**
Available-for-sale				
US. Treasuries	$ 398.4	$ 8.2	$ —	$ 406.6
Agencies	23.2	0.1	—	23.3
Non-U.S. government	98.0	2.0	—	100.0
Corporate bonds	828.4	12.5	(0.2)	840.7
Asset-backed securities	101.7	0.4	(0.1)	102.0
Agency asset-backed securities	65.1	0.7	(0.1)	65.7
Total fixed income securities, available-for-sale	**$ 1,514.8**	**$ 23.9**	**$ (0.4)**	**$ 1,538.3**
Total fixed income securities	**$ 1,597.4**	**$ 25.3**	**$ (0.4)**	**$ 1,622.3**

Review of the fixed income securities is performed on a regular basis to consider concentration, credit quality and compliance with established guidelines. For individual fixed income securities, nationally recognized statistical rating organizations ("NRSROs") are used and the lower of two, middle of three ratings is taken. The composition of the fair values of fixed income securities by credit rating is as follows:

	2021		2020	
Trading	Fair Value	%	Fair Value	%
AAA	$ 14.4	54%	$ 49.0	58%
AA	1.6	6%	1.6	2%
A	8.4	31%	25.1	30%
BBB	2.5	9%	8.3	10%
Total fixed income securities, trading	**$ 26.9**	**100%**	**$ 84.0**	**100%**

	2021		2020	
Available-for-sale	Fair Value	%	Fair Value	%
AAA	$ 1,100.2	44%	$ 642.7	42%
AA	184.3	7%	139.9	9%
A	858.9	35%	506.8	33%
BBB	346.7	14%	244.6	16%
BB	1.0	—%	4.3	—%
Total fixed income securities, available-for-sale	**$ 2,491.1**	**100%**	**$ 1,538.3**	**100%**

(Expressed in millions of U.S. dollars)

The contractual maturities for fixed income securities are listed in the following table:

	2021		2020	
Trading	Cost	Fair Value	Cost	Fair Value
Due in one year or less	$ 20.2	$ 20.3	$ 20.9	$ 21.2
Due after one year through five years	0.1	0.1	36.7	37.6
Due after five years through ten years	—	—	15.2	15.2
Due after ten years	6.4	6.5	9.8	10.0
Total fixed income securities, trading	**$ 26.7**	**$ 26.9**	**$ 82.6**	**$ 84.0**

	2021		2020	
Available-for-sale	Cost	Fair Value	Cost	Fair Value
Due in one year or less	$ 191.3	$ 192.0	$ 263.3	$ 265.4
Due after one year through five years	2,067.6	2,055.0	1,115.1	1,135.7
Due after five years through ten years	102.5	102.3	57.6	57.8
Due after ten years	144.1	141.8	78.8	79.4
Total fixed income securities, available-for-sale	**$ 2,505.5**	**$ 2,491.1**	**$ 1,514.8**	**$ 1,538.3**

Expected maturities may differ from contractual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Additionally, lenders may have the right to put the securities back to the borrower.

b. Short-term investments

The following investments were included in short-term investments managed by external investment managers and are classified as available-for-sale:

	As at December 31, 2021			
	Cost	Unrealised gains	Unrealised losses	Fair value
U.S. Treasuries	$ 8.9	$ —	$ —	$ 8.9
Corporate bonds	$ 2.6	$	—	$ 2.6
Total short-term investments	**$ 11.5**	**$ —**	**$ —**	**$ 11.5**

	As at December 31, 2020			
	Cost	Unrealised gains	Unrealised losses	Fair value
Corporate bonds	$ 15.3	$ —	$ (0.1)	$ 15.2
Total short-term investments	**$ 15.3**	**$ —**	**$ (0.1)**	**$ 15.2**

The composition of the fair values of short-term investments by credit rating is as follows:

	2021		2020	
Available-for-sale	Fair Value	%	Fair Value	%
AAA	$ 8.9	77%	$ —	—%
A	—	—%	14.0	92%
BBB	2.6	23%	1.2	8%
Total short-term fixed income securities, available-for-sale	**$ 11.5**	**100%**	**$ 15.2**	**100%**

(Expressed in millions of U.S. dollars)

c. Available-for-sale - net loss position

The following table summarises, by type of security, the aggregate fair value and gross unrealised loss by length of time the security has been in an unrealised loss position for the Group's available-for-sale portfolio as at December 31, 2021:

	As at December 31, 2021			
		0-12 months	**> 12 months**	
	Fair value	Gross Unrealised Losses	Gross Unrealised Losses	Number of securities
Corporate bonds	$ 1,102.5	$ (11.9)	$ (0.2)	631
Asset-backed securities	216.2	(1.8)	—	92
Agency asset-backed securities	46.8	(1.4)	—	36
Agencies	26.9	(0.1)	—	12
U.S. Treasuries	566.5	(4.5)	—	50
Non-US Government	89.8	(0.8)	—	34
Total	$ 2,048.7	$ (20.5)	$ (0.2)	855

	As at December 31, 2020			
		0-12 months	**> 12 months**	
	Fair value	Gross Unrealised Losses	Gross Unrealised losses	Number of securities
Corporate bonds	$ 174.1	$ (0.2)	$ —	102
Asset-backed securities	50.7	(0.1)	—	25
Agency asset-backed securities	21.0	(0.1)	—	6
Total	$ 245.8	$ (0.4)	$ —	133

A security is potentially impaired when its fair value is below its cost or amortised cost. The Group analyses its available for sale fixed income portfolios on an individual security basis for potential OTTI each quarter based on criteria including issuer-specific circumstances, changes in credit ratings to below investment grade and general macro-economic conditions. The total OTTI expense for the twelve months ended December 31, 2021 was $nil (2020: $nil).

d. Other investments, at fair value

As at December 31, 2021, other investments consist of investments in an opportunistic fixed income UCITS fund managed by Wellington Investment Management, equity and commodity linked structured notes, and a residual balance invested in a credit hedge fund managed by York Capital Management ("York"). Redemptions in the credit hedge fund have been suspended while York liquidates the fund's underlying assets. The fair value of the investment in the credit hedge fund at December 31, 2021 was $0.9 million (cost: $1.3 million) compared to the prior year of $2.1 million (cost: $3.6 million) at December 31, 2020. The Group has recorded its investment in the York Fund at reported net asset value. There are currently no outstanding commitments to the York Fund. During 2021, the Group received $1.3 million (2020: $1.4 million) of distributions from the York Fund.

During 2020, the Group invested in two tranches of a two-year, equity index linked structured note. The ultimate return on the notes will be determined based on the relative level of the S&P 500 index on maturity of the notes compared to each individual notes' index entry points. The potential upside return on the notes is subject to a cap and the notes include a 'hard' buffer protecting them from principal loss for a certain level of negative index performance relative to the entry point. If the buffer is breached the notes will experience a principal loss only for the amount of negative performance which is in excess of the buffer. The fair value of the structured notes as at December 31, 2021 was $118.0 million (cost: $100 million) compared to the prior year fair value of $113.0 million (cost: $100.0 million) at December 31, 2020. The Group has recorded its investment in the structured notes at fair value using a market valuation approach.

(Expressed in millions of U.S. dollars)

During 2021, the Group invested in UCITS. The fair value of the investment in UCITS at December 31, 2021 was $49.1 million (cost: $50 million). During 2021, the Group also invested in five new structured notes, one equity markets linked structured note and four commodity linked structured notes. The ultimate return of the equity markets linked note will be determined based on the relative value of the underlying index on maturity of the note (the underlying index is a blended index which includes a basket of Infrastructure equities, Renewables equities and the S&P 400 Mid-Cap index). The potential upside return on the equity note is subject to a cap and the note includes a 'soft' buffer protecting it from principal loss for a certain level of negative index performance relative to the entry point. If the buffer is breached the note will experience a principal loss for the entire amount of negative performance. The ultimate return of the four commodity linked notes will be determined based on the spot price of the underlying commodity on maturity of the note (the underlying exposures are a mixture of industrial metals). The commodity notes are structured as 'delta-1' which track the performance of the underlying commodity and do not include any upside cap or downside protection. The fair value of the new equity and commodity linked structured notes as at December 31, 2021 was $85.2 million (cost: $75.2 million). The Group has recorded these investment at fair value using a market valuation approach.

e. Net investment return

The components of net investment return are as follows:

	2021	2020
Net interest and dividend income	$ 24.0	$ 28.1
Net realised gains on fixed income securities, trading	0.9	0.1
Net realised gains on fixed income securities, available for sale	1.2	3.6
Net realised losses on other investments	(1.5)	(0.2)
Net realised gains on derivatives	1.0	2.3
Change in net unrealised (losses)/gains on fixed income securities, trading	(1.1)	1.0
Change in net unrealised gains on other investments	15.7	11.3
Change in net unrealised (losses)/gains on derivatives	(0.9)	0.2
Investment expenses	(3.4)	(1.9)
Net investment return	$ 35.9	$ 44.5

4. Fair Value Measurements

FASB ASC 820-10, Fair Value Measurements and Disclosures, defines fair value, establishes a consistent framework for measuring fair value and requires disclosures about fair value measurements. The standard requires the Group to maximise the use of observable inputs and minimise the use of unobservable inputs when measuring fair value.

Fair value hierarchy

FASB ASC 820-10 specifies a hierarchy of inputs based on whether the inputs are observable or unobservable. Observable inputs are developed using market data and reflect market participant assumptions, while unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets. The fair value is determined by multiplying the quoted price by the quantity held by the Group.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices (e.g. interest rates, yield curves, prepayment spreads, default rate, etc.) for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or can be corroborated by observable market data.
- Level 3: Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement. Significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

As required under the fair value hierarchy, the Group considers relevant and observable market inputs in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observable prices in those markets.

The Group's policy with respect to transfer between levels of the fair value hierarchy is to recognise transfers into and out of each level as of the end of the reporting period.

Determination of fair value

The following section describes the valuation methodologies used by the Group to measure assets and liabilities at fair value, including an indication of the level within the fair value hierarchy in which each asset or liability is generally classified.

Fixed income securities

The Group's fixed income securities portfolio is managed by external investment managers with oversight from the Group's Chief Investment Officer, the Group's Chief Financial Officer, and the Group's Board of Directors. Fair values for all securities in the fixed income investments portfolio are independently provided by the investment administrator, investment custodians, and investment managers, each of which utilise internationally recognised independent pricing services. Refinitiv is, however, the main pricing service utilised to estimate the fair value measurements for the Group's fixed income securities for asset backed fixed income securities, and corporate and government bonds.

For determining the fair value of securities that are not actively traded, in general, pricing services use "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker-dealer quotes, interest rates, prepayment spreads, default rates and such other inputs as are available from market sources to determine a reasonable fair value.

The following describes the techniques generally used to determine the fair value of the Group's fixed income securities by asset class.

- U.S. Treasuries are bonds issued by the U.S. government. The significant inputs used to determine the fair value of these securities are based on quoted prices in active markets for identical assets and are therefore classified within Level 1.
- Agency securities consists of securities issued by U.S. and non-U.S. government sponsored agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, government development banks and other agencies which are not mortgage pass-through. The fair values of these securities are classified as Level 2.

- Non-U.S. government securities consist of bonds issued by non-U.S. governments and supranationals. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.
- Corporate bonds consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. When available, significant inputs are used to determine the fair value of these securities and are based on quoted prices in active markets for similar assets. When not available, the fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. The fair values of these securities are classified as Level 2.
- Asset-backed securities consist of only investment-grade bonds backed by pools of loans with a variety of underlying collateral. This includes commercial mortgage-backed securities, collateralised loan obligations and other assets-backed securities with underlying cash flows linked to automobile loans, credit cards and student loans. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, prepayment spreads and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.
- Agency asset-backed securities consist of securities issued by mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

Short-term investments
The Group's short-term investments consist of commercial paper and bonds with maturities of less than one year at the time of purchase. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 1 and Level 2.

Derivative financial instruments
Exchange-traded derivatives, measured at fair value using quoted prices in active markets, where available are classified as Level 1 of the fair value hierarchy.

Derivatives without quoted prices in an active market and derivatives executed over the counter are valued using internal valuations techniques that consider the time value of money, volatility, the current market and contractual prices of underlying financial instruments. These derivative instruments are classified as either Level 2 or Level 3 depending upon the observability of the significant inputs to the model. The valuation techniques and key inputs depend on the type of derivative and the nature of the underlying instrument.

Other investments

The Group values its investment in the residual hedge fund at fair value, which is estimated based on the Group's share of the net asset value (NAV) as provided by the investment manager of the underlying investment fund. The Group has elected to use the practical expedient method to record the fair value of the investment at net asset value and has therefore not assigned levels to these investments in the fair value hierarchy.

The Group measures the fair value of its structured notes investments using a market valuation approach which is based entirely on observable inputs. The structured notes are comprised of a package of 'embedded derivatives' (call and put options) which will determine the note's redemption value at maturity, and a zero coupon bond (the 'host contract') which will mature at par. The Company has elected to account for the entire contract at fair value. The fair value of the note is a combination of the present value of the underlying options and the discounted present value of the zero-coupon bond. The present value of the embedded derivatives is calculated using an option valuation technique that incorporates the characteristics of the underlying options and current market conditions specifically; the current index level, the individual option strike prices, market volatility and the time left to maturity. The present value of the underlying options is provided by a third-party, market-leading financial system which adjusts daily for changes in the observable inputs. The zero-coupon bond is valued by discounting back the expected future cash flows associated with the note to present value using an observable discount rate. This discount rate is calculated by adding a risk premium (a spread) to the risk-free interest rate observable in publicly traded debt markets for a risk-free (US Government) debt security of an equivalent term to maturity as the structured notes. The risk premium is derived from yields currently observable in publicly traded debt markets for debt of similar terms to companies with a comparable credit risk to the issuer of the notes. The discount rate encompasses all the risks associated with the expected cash flows that are not considered in deriving the expected future cash flows themselves.

(Expressed in millions of U.S. dollars)

The fair value of UCITS is based on unadjusted quoted market prices in active markets, therefore, the fair value of this security is classified as Level 1.

The following table presents the financial instruments measured at fair value on a recurring basis as at December 31, 2021 and 2020:

	As at December 31,2021			
Assets	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 154.8	$ —	$ —	$ 154.8
Investment pending settlement	0.5	—	—	0.5
Fixed income securities				
U.S. Treasuries	730.8	—	—	730.8
Agencies	—	27.9	—	27.9
Non-U.S.government	—	140.1	—	140.1
Corporate bonds	—	1,281.1	—	1,281.1
Asset-backed securities	—	278.1	—	278.1
Agency asset-backed securities	—	60.0	—	60.0
Total fixed income securities	730.8	1,787.2	—	2,518.0
Short-term investments				
Corporate bonds	—	2.6	—	2.6
U.S. Treasuries	8.9	—	—	8.9
Total short-term investments	8.9	2.6	—	11.5
Other investments	49.1	203.1	—	252.2
Derivative assets	0.1	0.9	—	1.0
Total Assets	$ 944.2	$ 1,993.8	$ —	$ 2,938.0

	As at December 31,2021			
Liabilities	Level 1	Level 2	Level 3	Total
Derivative liabilities	$ (0.8)	$ —	$ —	$ (0.8)
Investments pending settlement	—	—	—	—
Total Liabilities	$ (0.8)	$ —	$ —	$ (0.8)

There were no transfers into or out of Level 1 and Level 2 during 2021.

(Expressed in millions of U.S. dollars)

	As at December 31,2020			
Assets	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 846.7	$ —	$ —	$ 846.7
Investment pending settlement	0.5	—	—	0.5
Fixed income securities				
U.S. Treasuries	422.4	—	—	422.4
Agencies	—	23.3	—	23.3
Non-U.S.government	—	100.0	—	100.0
Corporate bonds	—	876.9	—	876.9
Asset-backed securities	—	126.2	—	126.2
Agency asset-backed securities	—	73.5	—	73.5
Total fixed income securities	422.4	1,199.9	—	1,622.3
Short-term investments				
Corporate bonds	—	15.2	—	15.2
Total short-term investments	—	15.2	—	15.2
Other investments	—	113.0	—	113.0
Derivative assets	0.2	—	—	0.2
Total Assets	$ 1,269.8	$ 1,328.1	$ —	$ 2,597.9

	As at December 31,2020			
Liabilities	Level 1	Level 2	Level 3	Total
Derivative liabilities	$ —	$ (5.4)	$ —	$ (5.4)
Investments pending settlement	(21.9)	—	—	(21.9)
Total Liabilities	$ (21.9)	$ (5.4)	$ —	$ (27.3)

There were no transfers into or out of Level 1 and Level 2 during 2020.

5. Investments Pending Settlement

The Group has receivables and payables from financials instruments sold and purchased from prime brokers and external managers which arise in the ordinary course of business. The Group is exposed to risk of loss from the inability of brokers to pay for purchases or to deliver the financial instruments pending transfer, in which case the Group would have to sell or purchase the financial instruments at prevailing market prices. Credit risk is reduced to the extent that an exchange or clearing organization acts as a counterparty to the transaction and replaces the prime broker. As of December 31, 2021, the Group recognised a receivable of $0.5 million (2020: $0.5 million) and a payable of $nil (2020: $21.9 million) for trades pending settlement.

(Expressed in millions of U.S. dollars)

6. Cash and Cash Equivalents

	2021	2020
Cash at bank	$ 258.8	$ 350.9
Cash held with brokers/custodians	62.4	40.9
Cash held in money market funds	154.8	846.7
Total cash and cash equivalents	$ 476.0	$ 1,238.5

7. Restricted Cash and Cash Equivalents

The Group is required to maintain certain levels of cash in segregated accounts with prime brokers and derivative counterparties. The amount of restricted cash held by derivative counterparties is cash collateral to support the current value of any amounts that may be due to the counterparty based on the value of the underlying financial instrument.

The Group has investments in segregated portfolios primarily to provide collateral for Letters of Credit, which support its (re)insurance business. In addition, the Group also has cash in trust funds which support the insurance business written on certain lines of business with reinsurers and insurers.

The Group is also required to hold cash as collateral for credit card limits which support general business activities.

The following table presents the restricted cash and cash equivalents as at December 31, 2021 and 2020:

	2021	2020
Restricted cash held by prime brokers	$ 2.0	$ 12.3
Letters of Credit collateral	27.9	210.5
Cash in trust funds	120.9	48.4
Credit card collateral	0.1	0.1
Total restricted cash and cash equivalents	$ 150.9	$ 271.3

8. Pledged Investments

At December 31, 2021, $11.4 million (2020: $37.3 million) of trading fixed income securities and $806.2 million (2020: $541.6 million) of available-for-sale fixed income securities were on deposit with a custodian in respect of the Group's letter of credit facilities and trust accounts.

9. Derivative Financial Instruments

The Group enters into derivative instruments such as futures and forward contracts primarily for duration, interest rate and foreign currency exposure management. From time to time the Group also enters into insurance linked securities to manage its exposure to catastrophe risk. The Group's derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Group's derivative counterparties. In the event one party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure.

(Expressed in millions of U.S. dollars)

The following tables identify the listing currency, fair value and notional amounts of derivative instruments included in the Consolidated Balance Sheets, categorised by primary underlying risk. Balances are presented on a gross basis:

	As at December 31,2021		
	Listing currency (1)	Notional amount of underlying instruments (2)	Fair Value of net assets on derivatives
Derivative assets by primary underlying risk			
Interest rate contracts			
Futures	USD	$ 1.3	$ 0.1
Foreign exchange contracts			
Forwards (3)	AUD/CAD/EUR/GBP/JPY	$ 3.5	$ 0.9
Total derivatives assets		$ 4.8	$ 1.0

	As at December 31,2021		
	Listing currency (1)	Notional amount of underlying instruments (2)	Fair Value of net liabilities on derivatives
Derivative liabilities by primary underlying risk			
Interest rate contracts			
Futures	USD	$ 206.5	$ (0.7)
Foreign exchange contracts			
Forwards (3)	AUD/CAD/EUR/GBP/JPY	(7.0)	(0.1)
Total derivatives liabilities		$ 199.5	$ (0.8)

(1) AUD = Australian Dollar, CAD = Canadian Dollar, EUR = Euro, GBP = British Pound, JPY = Japanese Yen and USD = US Dollar
(2) The absolute notional exposure represents the Group's derivative activity as of December 31, 2021, which is representative of the volume of derivatives held during the period.
(3) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

	As at December 31,2020		
	Listing currency (1)	Notional amount of underlying instruments (2)	Fair Value of net assets on derivatives
Derivative assets by primary underlying risk			
Interest rate contracts			
Futures	USD	$ 162.0	$ 0.2
Total derivatives assets		$ 162.0	$ 0.2

(Expressed in millions of U.S. dollars)

	As at December 31,2020				
	Listing currency (1)	Notional amount of underlying instruments (2)		Fair Value of net assets on liabilities	
Derivative liabilities by primary underlying risk					
Interest rate contracts					
Futures	USD	$	6.0	$	—
Foreign exchange contracts					
Forwards (3)	AUD/CAD/EUR/GBP/JPY		79.4		(5.4)
Total derivatives liabilities		$	85.4	$	(5.4)

(1) AUD = Australian Dollar, CAD = Canadian Dollar, EUR = Euro, GBP = British Pound, JPY = Japanese Yen and USD = US Dollar
(2) The absolute notional exposure represents the Group's derivative activity as of December 31, 2020, which is representative of the volume of derivatives held during the period.
(3) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

The following table presents derivative instruments by major risk type, the Group's net realised gains/(losses) and change in net unrealised gains/(losses) relating to derivative trading activities for the years ended December 31, 2021 and 2020. Net realised gains/(losses) and net unrealised gains/(losses) related to derivatives are included in net investment return and net foreign exchange gains and losses in the Consolidated Income Statements.

	2021				2020			
Derivatives		Net realised gains/(losses)		Change in net unrealised gains/(losses)		Net realised gains/(losses)		Change in net unrealised gains/(losses)
Interest rate contracts								
Futures (1)	$	1.0	$	(0.9)	$	2.3	$	0.2
Total interest rate contracts		1.0		(0.9)		2.3		0.2
Foreign exchange contracts								
Forwards (2)		(2.9)		6.3		(1.5)		(4.8)
Total foreign exchange contracts		(2.9)		6.3		(1.5)		(4.8)
	$	(1.9)	$	5.4	$	0.8	$	(4.6)

1. Contracts used to manage interest rate risks in investments operations.
2. Contracts used to manage foreign currency risks in underwriting and non-investment operations.

The Group obtains/provides collateral from/to counterparties for OTC derivative financial instruments in accordance with bilateral credit facilities.

The Group does not offset its derivative instruments and presents all amounts in the Consolidated Balance Sheets on a gross basis. The Group has pledged cash collateral to counterparties to support the current value of amounts due to the counterparties based on the value of the underlying security.

10. Reserves for Losses and Loss Expenses

The reserves for losses and loss expenses include an amount determined from reported claims and estimates based on historical loss experience and industry statistics for losses incurred but not reported using a variety of actuarial methods.

The unpaid reported reserves for losses and loss expenses are established by management based on reports from brokers, ceding companies and insureds and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by the Group.

The reserves for IBNR losses and loss expenses are established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the consolidated financial statements.

These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in losses and loss expenses in the period in which they become known. IBNR reserves are calculated on a best estimate basis and are estimated by management using various actuarial methods as well as the Company's own growing loss experience, historical insurance industry loss experience, estimates of pricing adequacy trends and management's professional judgement. Due to the limited historical data available, reliance is placed upon industry data and a review of individual policies. Estimates are calculated at the lowest level line of business, separately for gross and ceded, and for attritional, extreme and catastrophic claims.

The reserve estimates contain an inherent level of uncertainty and actual results may vary, potentially significantly, from the estimates the Company has made. Reserves are reviewed on a quarterly basis and estimates are adjusted to reflect emerging claims experience.

The Group estimates reserves for unallocated claims adjustment expenses ("ULAE") based on a percentage of loss reserves as determined by management however this may be overridden in exceptional circumstances where this approach is not deemed appropriate. There were no material changes made to the Group's methodology for calculating reserves for unallocated claims adjustment expenses for the year ended December 31, 2021.

The principal actuarial methods, and associated key assumptions, used to perform the Company's loss reserve analysis include:

Initial expected loss ratio
To estimate ultimate losses, the Company multiplies earned premiums by an expected loss ratio. The expected loss ratio is determined using a combination of benchmark data, the business plan, and expert judgement.

Paid and incurred chain ladder
This method estimates ultimate losses by calculating past paid and incurred loss development factors and applying them to exposure periods with further expected paid loss development. The main underlying assumption of this method is that historical loss development patterns are indicative of future loss development patterns.

***Paid and incurred Bornhuetter-Ferguson* ("BF")**
This method combines features of the chain ladder and initial expected loss ratio method by using both reported and paid losses as well as an a priori expected loss ratio to arrive at an ultimate loss estimate. The weighting between these two methods depends on the maturity of the business. This means that for more recent years a greater weight is placed on the initial expected loss ratio, while for more mature years a greater weight is placed on the loss development patterns.

Benktander: Credible claims reserves
The Benktander method is similar to the Bornhuetter-Ferguson but replaces the initial loss ratio used within the BF method with the loss estimate from the BF method. The credibility factor is increased as claims develop. It gives more weight to:

- Emerged losses than the BF; and
- Initial expected loss ratio rather than the chain ladder.

(Expressed in millions of U.S. dollars)

Case-by case
Given the nature of the business written, some of the lines of business may consist of a small number of policies. Where appropriate, the loss reserves will be calculated explicitly for a particular contract using expert judgement and documented appropriately. Salvage is recorded based on estimated realisable value and is deducted from the liability of unpaid losses and loss expenses. It is the responsibility of the actuarial function to apply the relevant actuarial methodologies and judgements to the calculation of loss reserves. The Group Actuary presents the recommendations of the actuarial review of the reserves to the Reserving Committee for review, challenge and recommendation, the results of which are included in the Group Actuary's Reserving Report for approval by the Audit Committee.

The following table presents a reconciliation of unpaid losses and loss expenses for the years ended December 31, 2021 and 2020.

	2021	2020
Gross unpaid losses and loss expenses, beginning of year	$ 818.0	$ 730.7
Reinsurance recoverable on unpaid losses	(382.6)	(442.7)
Net unpaid losses and loss expenses, beginning of year	435.4	288.0
Net losses and loss expenses incurred in respect of losses occurring in:		
Current year	706.4	362.9
Prior years	(9.6)	(38.4)
Total incurred	696.8	324.5
Net losses and loss expenses paid in respect of losses occurring in:		
Current year	(216.7)	(80.6)
Prior years	(311.9)	(104.5)
Total Paid	(528.6)	(185.1)
Foreign exchange	(12.8)	8.0
Net unpaid losses and loss expenses, end of year	590.8	435.4
Reinsurance recoverable on unpaid losses	795.7	382.6
Gross unpaid losses and loss expenses, end of year	$ 1,386.5	$ 818.0

As a result of the changes in estimates of insured events in prior years, the 2021 reserves for losses and loss expenses net of reinsurance recoveries decreased by $9.6 million (2020: $38.4 million). Reserve releases in 2021 have resulted from better than expected loss experience in the Bespoke and Specialty pillars, offset by deterioration on Hurricane Laura and the Mid-West Derecho in the Reinsurance pillar. The releases in 2020 have resulted from changes in reserving estimates across the Bespoke, Specialty and Reinsurance pillars.

a. Incurred and paid loss development tables by accident year

The Company's loss reserve analysis is based primarily on underwriting year data. The preparation of the below accident year development tables required an allocation of underwriting year data to the corresponding accident year.

Allocations are performed using accident year loss payment and reporting patterns, which are derived from company specific loss data. Ultimate reserves are allocated based on reserve movement splits between prior and current year and reflects the movement in earned premium by underwriting year. The Company considers its allocations to be reasonable, based on the principal of proportionality.

(Expressed in millions of U.S. dollars)

The following tables present the Group's total loss and loss adjustment expenses incurred, net of reinsurance and paid losses and loss adjustment expenses by accident year, net of reinsurance. The information has been provided separately for each of bespoke, specialty and reinsurance lines in line with how the Group manages the business. No data has been omitted in providing this information on a segment basis.

Bespoke

Incurred losses and loss adjustment expenses – net of reinsurance

	For the years ended December 31, 2021							As of December 31, 2021	
Accident year	2015	2016	2017	2018	2019	2020	2021	Total of IBNR plus expected development on reported losses[1]	Cumulative number of reported losses
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
2015	$ 0.4	$ 0.4	$ 0.2	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	—
2016		9.3	5.8	5.1	8.0	9.5	2.4	0.2	23
2017			18.5	12.2	10.2	9.6	9.2	1.8	49
2018				35.4	21.7	14.3	19.9	4.7	85
2019					39.9	26.4	34.5	14.4	734
2020						90.0	62.6	(169.5)	2,170
2021							93.7	72.5	1,455
Total							$ 222.4	$ (75.8)	

Cumulative paid losses and loss adjustments expenses, net of reinsurance

	For the years ended December 31, 2021						
Accident year	2015	2016	2017	2018	2019	2020	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
2015	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2016		—	1.3	2.6	2.8	2.6	2.2
2017			1.7	2.0	3.5	4.8	6.1
2018				0.3	2.5	3.0	12.6
2019					1.9	6.5	12.4
2020						18.7	185.5
2021							12.5
							$ 231.3
Reserve FX							1.2
ULAE							0.1
Liabilities for losses and loss adjustment expenses, net of reinsurance							$ (7.6)

(1) The total of IBNR plus expected development on reported losses for the 2020 accident year in the Bespoke segment includes amounts for salvage totaling $201.8m for which the Group has paid gross losses to the insured and expects to recover amounts paid via the sale of the repossessed property.

(Expressed in millions of U.S. dollars)

Specialty

	For the years ended December 31, 2021							As of December 31, 2021	
Accident year	2015	2016	2017	2018	2019	2020	2021	Total of IBNR plus expected development on reported losses	Cumulative number of reported losses
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
2015	$ 2.2	$ 1.0	$ 0.2	$ —	$ —	$ —	$ —	$ —	1
2016		10.2	4.6	3.5	3.3	2.1	2.2	0.3	33
2017			8.8	5.7	2.3	2.1	1.1	0.3	45
2018				10.2	13.8	11.6	13.0	0.6	75
2019					28.8	23.8	26.1	(2.6)	411
2020						72.9	52.1	11.7	1,761
2021							222.4	92.1	2,310
Total							$ 316.9	$ 102.4	

Cumulative paid losses and loss adjustments expenses, net of reinsurance

	For the years ended December 31, 2021						
Accident year	2015	2016	2017	2018	2019	2020	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
2015	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2016		—	0.1	1.7	1.8	1.9	2.1
2017			—	0.4	0.6	1.5	2.2
2018				—	3.1	10.0	11.3
2019					5.2	17.1	16.0
2020						7.2	32.0
2021							36.7
							$ 100.3
Reserve FX							(0.6)
ULAE							3.4
Liabilities for losses and loss adjustment expenses, net of reinsurance							$ 219.4

(Expressed in millions of U.S. dollars)

Reinsurance

	For the years ended December 31, 2021							As of December 31, 2021	
Accident year	2015	2016	2017	2018	2019	2020	2021	Total of IBNR plus expected development on reported losses	Cumulative number of reported losses
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
2015	$ 9.0	$ 7.3	$ 6.4	$ 4.3	$ 4.2	$ 4.2	$ 4.2	$ 1.4	2
2016		74.0	60.8	52.8	49.9	46.7	42.9	20.1	110
2017			86.8	59.0	56.2	59.9	64.6	10.8	502
2018				95.4	103.9	101.0	100.6	12.2	553
2019					71.5	64.1	62.9	5.0	357
2020						198.2	228.5	45.2	643
2021							384.5	132.4	519
Total							$ 888.2	$ 227.1	

Cumulative paid losses and loss adjustments expenses, net of reinsurance

	For the years ended December 31, 2021						
Accident year	2015	2016	2017	2018	2019	2020	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
2015	$ —	$ 0.5	$ 2.7	$ 2.8	$ 2.8	$ 2.7	$ 2.8
2016		2.4	11.9	20.0	21.4	21.4	22.6
2017			26.5	45.2	47.5	51.4	53.7
2018				25.1	37.4	66.1	74.4
2019					3.0	49.0	51.7
2020						54.7	142.9
2021							167.5
							$ 515.6
Reserve FX							(4.0)
ULAE							10.4
Liabilities for losses and loss adjustment expenses, net of reinsurance							$ 379.0

(Expressed in millions of U.S. dollars)

b. Reconciliation of loss development information to the reserves for losses and loss expenses

The table below reconciles the loss development information to the Group's reserves for losses and loss expenses as at December 31, 2021 and 2020:

	2021	2020
Reserves for losses and loss expenses, net of reinsurance		
Bespoke	$ (7.7)	$ 118.4
Specialty	216.0	75.3
Reinsurance	368.6	233.6
Total reserves for losses and loss expenses, net of reinsurance	$ 576.9	$ 427.3
Reinsurance recoverable on unpaid losses		
Bespoke	$ 12.6	$ 11.3
Specialty	111.9	67.3
Reinsurance	671.2	304.0
Total reserves for losses and loss expenses, net of reinsurance	$ 795.7	$ 382.6
Unallocated loss adjustment expenses	13.9	8.1
Total gross liability for unpaid losses and loss adjustment expenses	$ 1,386.5	$ 818.0

c. Historical loss duration

The following table presents the Group's historical average annual percentage payout of losses and loss adjustment expenses incurred, net of reinsurance by age as of December 31, 2021.

The Group was incorporated on August 22, 2014 and commenced underwriting in 2015. As a result, the Group has limited historical data and is unable to present a full cycle of loss payments.

	December 31, 2021 (Unaudited)						
Years	1	2	3	4	5	6	7
All lines	25 %	42 %	16 %	10 %	3 %	2 %	2 %

11. Reinsurance

The Group uses reinsurance and retrocessional reinsurance from time to time to manage its net retention on individual risks as well as overall exposure to losses while providing it with the ability to offer policies with sufficient limits to meet policyholder needs. In a reinsurance transaction, an insurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. In a retrocessional reinsurance transaction, a reinsurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. The ceding of insurance does not legally discharge the Group from its primary liability for the full amount of the policies, and the Group will be required to pay the loss and bear collection risk if the reinsurer fails to meet its obligations under the reinsurance or retrocessional agreement.

A credit risk exists with ceded reinsurance to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance or retrocessional contracts. Allowances are established for amounts deemed uncollectible. No allowances have been made at December 31, 2021 (2020: $nil).

(Expressed in millions of U.S. dollars)

The following table summarises the effect of reinsurance and retrocessional reinsurance on premiums written and earned and on net loss and loss expenses for the years ended December 31, 2021 and 2020:

	2021		
	Premiums	Premiums earned	Losses and loss expenses
Direct	$ 1,498.7	$ 851.7	$ 338.6
Assumed	1,289.0	1,227.8	1,140.5
Ceded	(1,186.6)	(925.3)	(782.3)
Net	$ 1,601.1	$ 1,154.2	$ 696.8

	2020		
	Premiums	Premiums earned	Losses and loss expenses
Direct	$ 721.5	$ 372.8	$ 106.4
Assumed	855.0	752.7	385.0
Ceded	(670.9)	(396.9)	(166.9)
Net	$ 905.6	$ 728.6	$ 324.5

The Group evaluates the financial condition of its reinsurers on a regular basis and monitors concentrations of credit risk with reinsurers. As at December 31, 2021, the reinsurance balance recoverable on unpaid losses and loss expenses was $795.7 million (2020: $382.6 million) and the reinsurance balance recoverable on paid losses was $256.7 million (2020: $105.7. million). All reinsurance premiums ceded and reinsurance recoverables are either fully collateralised or placed with reinsurers that are rated A- or greater by A.M. Best, other than two reinsurers which are rated B++.

(Expressed in millions of U.S. dollars)

12. Long term debt

On June 18, 2020, the Group issued $300.0 million and on July 2, 2020 the Group issued a further $30.0 million of its 4.875% Senior Notes due June 30, 2030, with interest payable on June 30 and December 30 of each year, commencing on December 30, 2020. The notes are redeemable at the applicable redemption price, subject to the terms described in the indenture for the notes. However, the notes may not be redeemed prior to December 31, 2023 without approval from the Bermuda Monetary Authority (the "BMA") and may not be redeemed at any time prior to their maturity if enhanced capital requirements, as established by the BMA, would be breached immediately before or after giving effect to the redemption of such notes, unless, in each case, the Company replaces the capital represented by the notes to be redeemed with capital having equal or better capital treatment as the notes under applicable BMA rules. The Notes contain covenants, including limitations on liens on the stock of certain designated subsidiaries, limitations on consolidations, mergers, amalgamations and sales of substantially all assets and certain reporting obligations.

On October 16, 2020, the Group issued $105.0 million, and on October 20, 2020, the Group issued a further $20.0 million of its 6.625% Fixed-Rate Reset Junior Subordinated Notes due April 1, 2041 with interest payable on April 1 and October 1 of each year, commencing on April 1, 2021. The interest rate is reset on April 1, 2026 at the US five-year treasury rate on the reset interest determination date plus a 6.323%, and every five years thereafter. The notes are redeemable at par value for six months after each interest rate reset date. Notes contain covenants, including limitations on liens on the stock of certain designated subsidiaries, limitations on consolidations, mergers, amalgamations and sales of substantially all assets and certain reporting obligations.

The following table sets forth the principal amount of the debt issued as well as the unamortized discount and debt issuance costs as at December 31, 2021 and 2020:

	2021		2020	
	Principal	Unamortized discount and debt issuance costs	Principal	Unamortized discount and debt issuance costs
4.875% Senior notes due 2030	$ 330.0	$ (6.2)	$ 330.0	$ (6.8)
6.625% Fixed Rate Reset Junior Subordinated notes due 2041	125.0	(1.9)	125.0	(2.2)
Total	$ 455.0	$ (8.1)	$ 455.0	$ (9.0)

Preferred Securities

In 2015, the Group issued 30,400 cumulative 9% preference shares with a redemption price equal to $10,000 per share, plus all declared and unpaid dividends. Holders of preferred shares are entitled to receive dividend payments only when, and if, declared by the Group's Board of Directors. To the extent declared, these dividends will accumulate, with respect to each dividend period, in the amount per share equal to 9% of the $10,000 liquidation preference per annum. Currently the holders of all preferred shares do not have any voting rights.

During the year, the Company paid quarterly dividends on the preferred securities totaling $5.3 million (2020: $14.4 million) to holders of the Company's preferred securities. At December 31, 2021, preferred securities payable of $0.2 million (2020: $0.2 million) are included in other liabilities. During 2020, the Group repurchased 18,388 preferred securities for a total of $209.1 million, which includes $25.3 million as a premium on the early extinguishment of preferred securities.

Prior Period Corrections

a. During the year, the Company reassessed the classification of the preferred shares that were issued, and it was determined that in the prior period the preferred shares should have been classified as Debt rather than Equity. Consequently, the total equity in 2020 was overstated by $58.4 million, and the total liabilities in 2020 were understated by the same amount. In 2021, the preferred shares were reclassified as a liability. The Company has renamed the financial statement caption from "Preferred Shares" to "Preferred Securities" following the reclassification restatement. The comparative financial statements for the financial year ended December 31, 2020 were restated on the Consolidated Balance Sheet, Consolidated Income Statement and the Statement of Changes in Shareholders' Equity. There was no impact to the Accumulated Deficit or Net profit attributable to Fidelis Insurance Holdings Limited common shareholders.

b. Ceded recoverable and payable balances as at 31 December 2020 year end have been reduced by $114.4 million. This reduction was required as net cash settlements which were paid on certain Property quota share contracts had been recorded as net cash movements and not grossed up to reflect that they represented ceded premiums payable less ceded recoveries on paid claims.

(Expressed in millions of U.S. dollars)

The following tables summarizes the impact of the previously issued financial statements:

Consolidated Balance Sheets

	Impact of correction of error					
	/-------------- December 31, 2020--------			/---------------- January 1, 2020 ----------		
	As previously ($m)	Adjustment ($m)	As restated ($m)	As previously ($m)	Adjustment ($m)	As restated ($m)
Assets						
Reinsurance balances recoverable on paid losses	220.1	(114.4)	105.7	-	-	-
Total Assets	**5,426.0**	**(114.4)**	**5,311.6**	**-**	**-**	**-**
Liabilities						
Preferred Securities	-	58.4	58.4	-	242.2	242.2
Reinsurance balances payable	622.3	(114.4)	507.9	-	-	-
Total Liabilities	**3,391.6**	**(56.0)**	**3,335.6**	**-**	**242.2**	**242.2**
Shareholders' Equity						
Preferred Shares	58.4	(58.4)	-	242.2	(242.2)	-
Total shareholders' equity attributable to Fidelis Insurance Holdings	**2,034.4**	**(58.4)**	**1,976.0**	**1,359.6**	**(242.2)**	**1,117.4**
Total shareholders' equity including non-controlling interests	2,034.4	(58.4)	1,976.0	1,360.1	(242.2)	1,117.9
Total liabilities and shareholders' equity	**5,426.0**	**(114.4)**	**5,311.6**	**3,309.4**	**-**	**3,309.4**

Consolidated Income Statements

	Impact of correction of error		
	/---------------- December 31, 2020-----------------/		
	As previously ($m)	Adjustment ($m)	As restated ($m)
Expenses			
Financing Cost	(14.2)	(13.7)	(27.9)
Loss on extinguishment of preferred securities	—	(25.3)	(25.3)
Total Expenses	**(618.4)**	**(39.0)**	**(657.4)**
Net profit before tax	163.4	(39.0)	124.4
Net profit after tax	**166.5**	**(39.0)**	**127.5**
Net profit attributable to Fidelis Insurance Holdings Limited	166.4	(39.0)	127.4
Preferred Share Dividend	(13.7)	13.7	-
Premium on preferred share repurchase	(25.3)	25.3	-
Net profit attributable to Fidelis Insurance Holdings Limited common shareholders	**127.4**	**-**	**127.4**

(Expressed in millions of U.S. dollars)

Consolidated Statement of Changes in Shareholders' Equity

	Impact of correction of error					
	/------------- December 31, 2020-------- -----/			/---------------- January 1, 2020 ------ --------/		
	As previously reported	Adjustment	As restated	As previously reported	Adjustmen t	As restated
	($m)	($m)	($m)	($m)	($m)	($m)
<u>Preferred shares</u>						
Balance- beginning of year	242.2	(242.2)	-	242.2	(242.2)	-
Preferred shares repurchased	(183.8)	183.8	-	-	-	-
Balance – end of year	58.4	(58.4)	-	242.2	(242.2)	-
Total shareholders' equity attributable to Fidelis Insurance Holdings Limited	2,034.4	(58.4)	1976.0	1,359.6	(242.2)	1,117.4
Total shareholders' equity including non-controlling interests	**2,034.4**	**(58.4)**	**1976.0**	**1,360.1**	**(242.2)**	**1,117.9**

Consolidated Cashflows

	Impact of correction of error		
	/------------ December 31, 2020-----------/		
	As previously reported	Adjustment	As restated
	($m)	($m)	($m)
<u>Operating activities</u>			
Net profit after tax	166.5	(39.0)	127.5
Adjustments to reconcile net profit after tax to net cash provided by operating activities:			
Loss on extinguishment of preferred securities	—	25.3	25.3
Net changes in assets and liabilities			
Reinsurance recoverable on paid losses	(90.8)	114.4	23.6
Reinsurance balances payable	409.9	(114.4)	295.5
Other liabilities	33.3	(0.7)	32.6
Net cash provided by operating activities	**360.6**	**(14.4)**	**346.2**
Dividend on preferred securities	(14.4)	14.4	—
Net cash (used in)/provided by financing activities	**908.3**	**14.4**	**922.7**

13. Variable Interest Entities

At times, the Group has utilised variable interest entities ("VIEs") both indirectly and directly in the ordinary course of the Group's business.

During 2017, the Group, along with another investor, formed Pine Walk Capital Limited ("Pine Walk") to provide administrative support to managing general agents. Pine Walk is deemed to be a variable interest entity as the equity is insufficient to finance operations and additional subordinated support in the form of a loan of $1.2 million has been provided. Fidelis holds a majority interest in Pine Walk and has a majority of the board of director seats. Accordingly, the financial statements of Pine Walk have been included in the consolidated financial statements of the Group. Refer to note 14 for a summary of the non-controlling interests held in Pine Walk and other subsidiaries.

During 2017, Pine Walk, along with another investor, formed Firestone Surety Limited, which was renamed Oakside Surety Limited during 2018 ("Oakside"), a managing general agent that writes on FUL and FIID's balance sheets, focusing on surety bonds predominantly in the United Kingdom. Oakside is deemed to be a variable interest entity as the equity is insufficient to finance operations and additional subordinated support in the form of a loan of $0.3 million has been provided. Fidelis holds a minority interest in Oakside through Pine Walk however, due to a de facto agent relationship the Group is considered to be the primary beneficiary, the financial statements of Oakside have been included in the consolidated financial statements of the Group.

Effective May 2018, Socium Re Limited ("Socium"), a Bermuda domiciled special purpose insurer, was formed to provide additional collateralised capacity to support the Group's business through retrocession agreements which are collateralised and funded by Socium. Socium meets the definition of a VIE, as it does not have sufficient equity capital to finance its own activities. The Group concluded that it is not the primary beneficiary of the segregated account of Socium and therefore the Group does not consolidate Socium and records its investment at reported net asset value within other assets in the Consolidated Balance Sheets. At December 31, 2021, the carrying value of the Group's investment in Socium is $0.8 million (2020: $0.7 million), which is the maximum loss exposure to the Group.

During 2019, Pine Walk, along with another investor, formed Perigon Product Recall Limited ("Perigon"), a managing general agent that writes on FUL and FIID's balance sheets focusing on product recall and product contamination. Perigon is deemed to be a variable interest entity as the equity is insufficient to finance operations and additional subordinated support in the form of a loan of $0.6 million has been provided. Due to a de facto agent relationship with Perigon, Fidelis is considered to be the primary beneficiary and as such the financial statements of Perigon have been included in the consolidated financial statements of the Group.

During 2020, Pine Walk formed Pine Walk Europe S.R.L. ("PWE"), a managing general agent that writes EEA business on behalf of Kersey , Oakside, Perigon and Navium . Through Pine Walk, Fidelis has a majority interest in PWE and can appoint the Directors. PWE meets the definition of a VIE as the companies that it writes business on behalf of have a right to profits from the entity but have no voting rights. As Fidelis either controls or is the primary beneficiary or the entities that have an interest in PWE, Fidelis is deemed to be the primary beneficiary of PWE and as such the financial statements of PWE have been included in the consolidated financial statements of the Group.

During 2021, Pine Walk, along with another investor, formed Navium Marine Limited ("Navium"), a managing general agent that writes on FIID and FUL's balance sheets focusing on Marine insurance. Navium is deemed to be a variable interest entity as the equity is insufficient to finance operations and additional subordinated support in the form of a loan of $1.3 million has been provided. Due to a de facto agent relationship with Navium, Fidelis is considered to be the primary beneficiary and as such the financial statements of Navium have been included in the consolidated financial statements of the Group.

During 2021, Pine Walk, along with another investor, formed OPEnergy Limited ("OPEnergy"), a managing general agent that writes on FUL's balance sheet focusing on Energy Liability insurance. OPEnergy is deemed to be a variable interest entity as the equity is insufficient to finance operations and additional subordinated support in the form of a loan of $0.7 million has been provided. Due to a de facto agent relationship with OPEnergy, the Group is considered to be the primary beneficiary and as such the financial statements of OPEnergy have been included in the consolidated financial statements of the Group.

(Expressed in millions of U.S. dollars)

14. Non-controlling Interests

A summary of the Group's non-controlling interests, and the impact upon its Consolidated Balance Sheets & Consolidated Income Statements is summarised below:

	Non-Controlling Interest (%)		Balance Sheet ($ million)		Income Statement ($ million)	
	2021	2020	2021	2020	2021	2020
Pine Walk Capital Limited	13 %	13 %	$ 0.5	$ (0.5)	$ 1.1	$ 0.1
Radius Specialty Limited	31 %	43 %	1.3	(2.0)	4.8	(0.6)
Oakside Surety Limited	65 %	65 %	0.5	(0.1)	0.8	0.2
Kersey Specialty Limited	35 %	35 %	0.9	—	1.3	—
Perigon Product Recall Limited	35 %	35 %	0.3	—	0.3	0.1
Pine Walk Europe S.R.L.	13 %	13 %	—	—	—	—
Navium Marine Limited	39 %	— %	1.7	—	1.7	—
OPEnergy Limited	35 %	— %	—	—	—	—
Omega National Title Agency Ventures LLC	— %	50 %	—	2.6	—	0.3
Total non-controlling interest			$ 5.2	$ —	$ 10.0	$ 0.1

During 2021, the Group sold its' interest in Omega National Title Agency Ventures, LLC for $2.0 million. A loss on disposal of $0.2 million was recognised.

During 2021, the Group purchased additional shares in Radius Specialty Limited.

15. Commitments and Contingencies

a. Lease commitments

The following table presents the Group's future minimum annual lease commitments under various non-cancellable operating leases for the Group's facilities:

Years Ended December 31,

2022	$ 2.3
2023	2.7
2024	5.8
2025	5.1
2026	4.9
Thereafter	24.8
Total	$ 45.6

Operating lease expense was $7.4 million for the year ended December 31, 2021 (2020: $3.8 million).

b. Letter of credit facilities

As at December 31, 2021, the Group had the following letter of credit facilities:

- A Standby Letter of Credit Facility Agreement with Lloyds Bank plc ("Lloyds"), under which Lloyds committed to make available to the Group a letter of credit facility in the amount of $175.0 million, was renewed on September 21, 2021 for a 24 month term. The renewal was amended to reduce the unsecured tranche to $25.0 million and retain the secured tranche of $150.0 million. An additional secured accordion of $25.0 million was entered into on December 16, 2021. Letters of credit can be issued under the facility for the purposes of: 1) the provision of Funds at Lloyd's; and 2) supporting insurance and reinsurance obligations. As of December 31, 2021, there were letters of credit outstanding under this facility totaling $162.7 million (2020: $122.4 million), secured by collateral in the amount of $157.3 million (2020: $96.2 million).

- A Master Agreement for the Issuance of Payment Instruments with Citibank NA London Branch ("Citibank"), under which Citibank committed to make available a letter of credit facility in the amount of $250.0 million. The letter of credit facility was renewed on December 23, 2021, and the facility is available until December 31, 2023. An additional uncommitted facility was also agreed on October 6, 2021, for $200 million. As of December 31, 2021, there were letters of credit outstanding under this facility totaling $208.9 million (2020: $141.8 million), secured by collateral in the amount of $236.4 million (2020: $185.1 million).

- On September 17, 2021, the Letter of Credit Facility with Barclays Bank plc was renewed until September 15, 2023. The secured facility was amended to $60.0 million as was the unsecured tranche amended to $60.0 million. The borrowers of the facility continue to be Fidelis Insurance Bermuda Limited and Fidelis Underwriting Limited, with the guarantor continuing to be Fidelis Insurance Holdings Limited. A secured accordion of $100.0 million was entered into on December 16, 2021. As at December 31, 2021 there were letters of credit outstanding under this facility totaling $23.4 million (2020: $99.4 million), secured by collateral in the amount of $nil (2020: $55.0 million).

- On September 17, 2021 the letter of credit facility with Bank of Montreal was renewed as a $120.0 million facility, with a $60.0 million secured tranche and a $60.0 million unsecured tranche expiring on September 17, 2023. Fidelis Insurance Bermuda Limited is the borrower and Fidelis Insurance Holdings Limited is the guarantor. A secured accordion of $40.0 million and an unsecured accordion on $40.0 million was entered into on December 16, 2021. As at December 31, 2021 there were letters of credit outstanding under this facility totaling $45.0 million (2020: $13.5 million), secured by collateral in the amount of $16.0 million (2020: $nil).

- A $50.0 million Standby Letter of Credit Facility Agreement with Lloyds, dated December 10, 2021 was made available to Fidelis Insurance Holdings Limited as parent, account party and guarantor, for a 4 year period to provide regulatory capital in respect of Ancillary Own Funds ("AOF") for the benefit of Fidelis Underwriting Limited.

(Expressed in millions of U.S. dollars)

c. Legal proceedings

From time to time in the normal course of business, the Group may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation, the outcomes of which determine the rights and obligations of the Group under the Group's (re)insurance contracts, and other contractual agreements, or other matters as the case may be. In some disputes, the Group may seek to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Group may resist attempts by others to collect funds or enforce alleged rights. While the final outcome of legal disputes that may arise cannot be predicted with certainty, the Group do not believe that the eventual outcome of any specific litigation, arbitration or alternative dispute resolution proceedings to which the Group are currently a party will have a material adverse effect on the financial condition of the Group's business as a whole.

d. Concentration of credit risk

Credit risk arises out of the failure of a counterparty to perform according to the terms of the contract. The Group underwrites all of its (re)insurance business through brokers and as a result credit risk exists should any of these brokers be unable to fulfil their contractual obligations with respect to the payments of premium or failure to pass on claims, if there is risk transfer, to the Group. During the years ended December 31, 2021 and December 31, 2020, gross premiums written generated from or placed by the below companies individually accounted for more than 10% of the Group's consolidated gross premiums written, as follows:

	2021	2020
Aon plc	22%	31%
Marsh & McLennan Companies, Inc	24%	19%
Others	54%	50%

The Group has policies and standards in place to manage and monitor the credit risk of intermediaries with a focus on day-to-day monitoring of the largest positions. Note 11 describes the credit risk related to the Group's reinsurance recoverables.

e. Intragroup guarantees

The Company has unconditionally and irrevocably guaranteed all of the financial obligations of FUL and FIID. The Company has guaranteed Fidelis Marketing Limited's lease obligations.

16. Related Party Transactions

For the year ended December 31, 2021, the Group ceded reinsurance premiums of $0.2 million (2020: $2.8 million), of which $0.7 million was earned in the year (2020: $7.4 million) and ceded losses of minus $0.4 million (2020: $7.7 million) to Socium. In addition, Socium paid commissions of $nil (2020: $0.4 million) to the Group during 2021. At December 31, 2021, the amount of reinsurance recoverable on unpaid and paid losses from Socium was $10.5 million (2020: $14.7 million) and the amount of ceded reinsurance payable included in insurance and reinsurance balances payable to Socium was $0.6 million (2020: $0.4 million) in the Consolidated Balance Sheets.

During 2019, the Group made interest free loans to management of $4.5 million and is recorded within other assets in the Consolidated Balance Sheets. At December 31, 2021, the outstanding balance is $4.5 million (2020: $4.5 million).

17. Statutory Requirements and Dividend Restrictions

The Group's ability to pay dividends is subject to certain regulatory restrictions on the payment of dividends by its subsidiaries. The payment of such dividends is limited by applicable laws and statutory requirements of the jurisdictions in which the Group and its subsidiaries operate, detailed further below. The minimum required statutory capital and surplus is the amount of statutory capital and surplus necessary to satisfy regulatory requirements based on the Group's current operations.

The estimated statutory capital and surplus and minimum required statutory capital and surplus for the Group's regulatory jurisdictions is as follows:

(Expressed in millions of U.S. dollars)

	December 31, 2021		
	Bermuda (1)	United Kingdom (2)	ROI (2)
Minimum statutory capital and surplus	$ 660.0	$ 500.0	$ 65.0
Statutory capital and surplus	1,765.0	750.0	115.0

	December 31, 2020		
	Bermuda (1)	United Kingdom (2)	ROI (2)
Minimum statutory capital and surplus	$ 445.0	$ 385.0	$ 45.0
Statutory capital and surplus	1,880.0	590.0	100.0

(1) Required statutory capital and surplus represents the Enhanced Capital Requirement ("ECR").
(2) Required statutory capital and surplus represents the Solvency II Solvency Capital Requirement ("SCR").

Bermuda operations
Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the Insurance Act), FIBL is required to prepare and submit annual audited GAAP financial statements and statutory financial statements and to file with the Bermuda Monetary Authority ("BMA") a statutory financial return ("SFR"), capital and solvency return ("CSR") and audited GAAP financial statements. The BMA acts as group supervisor of the Group and has designated FIBL as the 'designated insurer' of the Group. In accordance with the Group supervision and insurance group solvency rules, the Group is required to prepare and submit audited Group GAAP financial statements, , a Group SFR, a Group CSR and a Group Quarterly Financial Return ("QFR").

As a Class 4 (re)insurer, FIBL is required to maintain available statutory economic capital and surplus at a level equal to or greater than the ECR. The ECR the higher of the prescribed minimum solvency margin ("MSM") or the required capital calculated by reference to the Bermuda Solvency Capital Requirement ("BSCR") model. The BSCR model is a risk-based capital model that provides a method for determining a (re)insurer's capital requirements (statutory capital and surplus) by taking into account the risk characteristics of different aspects of the (re)insurer's business. In addition, the Group is required to maintain available statutory economic capital and surplus at a level equal to or in excess of the group ECR which is established by reference to the Group BSCR model.

Under the Insurance Act, FIBL is prohibited from declaring or paying a dividend if it is in breach of its minimum solvency margin, ECR or minimum liquidity ratio or if the declaration or payment of such dividend would cause such a breach. In addition, FIBL is prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files with the BMA an affidavit stating that it will continue to meet the relevant solvency and liquidity margins. Without the approval of the BMA, FIBL is prohibited from reducing by 15% or more its total statutory capital as set out in its previous year's financial statements and any application for such approval must include an affidavit stating that it will continue to meet the required solvency and liquidity margins. In addition, under the Companies Act 1981, FIBL would be prohibited from making a distribution out of contributed surplus if there are reasonable grounds for believing that (a) FIBL is, or would after the payment be, unable to pay its liabilities as they become due or (b) the realisable value of FIBL's assets would thereby be less than its liabilities.

United Kingdom Operations
The PRA regulatory requirements impose no explicit restrictions on the U.K. subsidiaries' ability to pay a dividend, but FUL would have to notify the PRA 28 days prior to any proposed dividend payment. Under the UK Companies Act (2006) dividends may only be distributed from profits available for distribution.

Ireland operations
The CBI regulatory requirements impose no explicit restrictions on FIID's ability to pay a dividend, but FIID would have to notify the CBI prior to any proposed dividend payment. Under Irish Company law dividends may only be distributed from profits available for distribution, which consist of accumulated realised profits less accumulated realised losses.

(Expressed in millions of U.S. dollars)

18. Share Capital

Authorised and issued

The following sets out the number and par value of shares authorised, issued and outstanding at December 31, 2021 and 2020:

Consolidated Balance sheet	2021	2020
Common shares, par value $0.01		
Authorised (thousands)	600,000.0	600,000.0
Issued and outstanding		
Common shares (thousands)	210,895.0	209,851.2

Common shares

On July 15, 2021, the Group issued 21,602,305 shares for $318.2 million, net of issuance costs. On August 26, 2021, the Group repurchased 21,593,391 shares for $318.5 million, including costs of $4.4 million.

On February 10, 2020 the Group issued 15,115,722 common shares for a total of $142.3 million, net of issuance costs. On June 10, 2020, the Group issued 37,536,911 common shares for a total of $355.0 million, net of issuance costs. On July 23, 2020 the Group issued 14,764,344 common shares for a total of $139.0 million. On December 1, 2020 the Group issued 4,517,750 common shares for a total of $60.6 million, net of issuance costs.

19. Share Compensation

Warrants

In 2015, the Group reserved for issuance of warrants to purchase common shares, in the aggregate, up to 16.5% of the diluted shares: Founder's warrants, Basic warrants, and Ratchet warrants. Warrants expire ten years from date of grant.

Warrants are valued using the Black Scholes option-pricing model. Share price volatility estimates of 17.1% and 17.8% were used based on ten-year volatility look back of a peer group of (re)insurers as the Group has only been in operation for six years, therefore it was not practicable to estimate the Group's share price volatility. The other assumptions used in the Black Scholes option-pricing model were as follows; risk free rates ranging from 0.59% - 1.56%, expected life of 10 years, and a 0.0% dividend yield.

Warrant exercises are satisfied through the issue of new shares.

Founders' warrants

The Founders' warrants require certain performance conditions and as at December 31, 2021, these conditions were not met. Since the initial grant in 2015, additional grants have occurred due to the anti-dilution clauses contained in the warrant agreements. Founder warrants have an exercise price of $10.

The Founders' warrant activity for the years ended December 31, 2021 and 2020 were as follows:

(Expressed in millions of U.S. dollars)

	Number of warrants		Weighted average grant date fair value	Weighted average remaining contractual term
Outstanding at December 31, 2019	17,607,971	$	2.95	5.4 years
Granted	5,039,981		2.41	
Outstanding at December 31, 2020	22,647,952	$	2.83	5.9 years
Granted	265,528		5.61	
Outstanding at December 31, 2021	22,913,480	$	2.86	4.9 years

Basic warrants

Management were issued basic warrants subject to a service condition only. The service condition is met with a portion vesting and becoming exercisable immediately, on grant, and the remainder vesting and becoming exercisable on each of the first five anniversary dates following the original grant date of the warrants. The vesting percentages range from 12.5% to 25.0% annually. All warrants have now vested.

For the year ended December 31, 2021, total compensation expense of $2.5 million (2020: $18.0 million) related to basic warrants was included in general and administrative expenses. At December 31, 2021, the Group had $nil (2020: $nil million) of unamortised share compensation expense related to the basic warrants.

The basic warrant activity for the years ended December 31, 2021 and 2020 were as follows:

	Number of warrants		Weighted average grant date fair value	Weighted average remaining contractual term
Outstanding at December 31, 2019	7,095,507	$	1.96	5.4 years
Exercisable at December 31, 2019	6,147,890	$	1.96	5.4 years
Granted	10,938,741		1.75	
Exercised	(128,190)		0.96	
Forfeited	(299,185)		1.44	
Outstanding at December 31, 2020	17,606,873	$	1.83	8.0 years
Exercisable at December 31, 2020	17,606,873	$	1.83	8.0 years
Granted	568,141		4.40	
Exercised	(307,277)		2.61	
Forfeited	(364,180)		1.72	
Outstanding at December 31, 2021	17,503,557	$	1.90	7.1 years
Exercisable at December 31, 2021	17,503,557	$	1.90	7.1 years

Ratchet warrants

Management were issued ratchet warrants subject to a service and performance condition. No ratchet warrants were exercisable as of December 31, 2021 (2020: $nil).

The performance condition will be met with respect to ratchet warrants upon meeting Group performance goals, including achieving specific target internal rate of return thresholds. Upon meeting all required performance conditions, the ratchet warrants will vest on the fifth anniversary following the grant date. For the year ended December 31, 2021, total compensation expense of $nil (2020: $nil) related to ratchet warrants was included in general and administrative expenses. At December 31, 2021, the Group had $nil (2020: $nil) of unamortised share compensation expense related to the ratchet warrants.

Ratchet warrant activity for the years ended December 31, 2021 and 2020 were as follows:

(Expressed in millions of U.S. dollars)

	Number of warrants		Weighted average grant date fair value	Weighted average remaining contractual term
Outstanding at December 31, 2019	1,327,609	$	2.95	6.0 years
Granted	891,327		3.09	
Forfeited	(108,771)		2.95	
Outstanding at December 31, 2020	2,110,165	$	3.00	6.5 years
Granted	37,309		6.58	
Forfeited	(355,135)		3.00	
Outstanding at December 31, 2021	1,792,339	$	3.07	5.6 years

Restricted stock units

On February 17, 2016, the 2015 Non-Qualified Share Option Plan (the "2015 Plan") was approved by the Board of Directors. The Group reserved up to 2% of the diluted shares to the issuance of Restricted Stock Units ("RSUs") to purchase common shares. The RSUs are granted with a $0.01 exercise price and expire 10 years from the date of issuance.

On November 8, 2018, the 2018 Non-Qualified Share Option Plan (the "2018 Plan") was approved by the Board of Directors. The Group reserved up to 3% of the diluted shares to the issuance of Restricted Stock Units ("RSUs") to purchase common shares. The RSUs are granted with a $0.01 exercise price and expire 10 years from the date of issuance. RSU exercises are satisfied through the issue of new shares.

The RSUs contain both service and performance conditions. The RSUs vest after a three-year period and a portion are subject to the satisfaction of certain performance conditions based on achievement of pre-established targets for return on equity for the Group as well as a relative performance metric compared to peers. The fair value of the RSUs is estimated at the latest price at which the Group raised capital. Where no recent capital transaction has occurred, the fair value is determined by the Board.

The following table provides RSU activity for the years ended December 31, 2021 and 2020:

	Number of restricted stock units		Weighted average grant date fair value	Weighted average remaining contractual term
Outstanding at December 31, 2019	3,010,632	$	8.18	1.3 years
Exercisable at December 31, 2019	19,613	$	8.60	
Granted	1,663,412		9.55	
Exercised	(404,708)		8.33	
Forfeited	(358,159)		8.38	
Cancelled	(4,745)		8.14	
Outstanding at December 31, 2020	3,906,432	$	8.73	1.3 years
Exercisable at December 31, 2020	111,610	$	8.35	
Granted	1,767,032		13.10	
Exercised	(1,113,625)		8.38	
Forfeited	(107,720)		10.49	
Cancelled	—		—	
Outstanding at December 31, 2021	4,452,119	$	10.45	1.2 years
Exercisable at December 31, 2021	194,535	$	8.38	

The number of RSUs included in the above table are based upon target vesting of 100%, but actual vesting will differ. Within the granted line for 2021 are 110,575 RSUs that relate to additional RSUs granted as a result of the performance targets for the 2018 RSU grant being exceeded..

As at December 31, 2021, total compensation expense of $7.3 million (2020: $14.6 million) relating to the RSUs was included in general and administrative expenses. As of December 31, 2021, there was a remaining unamortised balance of $18.3 million (2020: $20.1 million), which will be recognised over the remaining service period.

20. Taxation

United Kingdom

The Company and all its subsidiaries, with the exception of FIBL, FIID and FUSH are tax resident in the United Kingdom and are subject to relevant taxes in that jurisdiction. In the Spring Budget 2020, the UK Government announced that from April 1, 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The Government made a number of budget announcements on March 3, 2021. These include confirming that the rate of corporation tax will increase to 25% from April 1, 2023. This new law was substantively enacted on May 24, 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. This means that the 25% main rate of corporation tax will be relevant for any timing differences expected to reverse on or after April 1, 2023. Corporation tax receivable/payable has not been relieved at full value and losses will be carried forward and the deferred tax asset at December 31, 2021 has been revalued at 25% (2020: 19%).

2020 to 2021 are open tax years in the United Kingdom for those relevant entities that are either within the statutory time for examination or subject to open examinations by local tax authorities. The Group continues to believe that it has made adequate provision for the liabilities likely to arise from these periods. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities. Fidelis has developed its process to review and measure uncertain tax positions using internal expertise, experience and judgment, together with assistance and opinions from professional advisors. Original estimates are always refined as additional information becomes known.

Bermuda

Under current Bermuda law, the Company's Bermudian subsidiary, FIBL, is not required to pay any taxes in Bermuda on its income or capital gains. The subsidiary has received undertakings from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, they will be exempt from taxation in Bermuda until March 2035 under the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, as amended. The impact of this is included within income/losses not subject to income taxes in the reconciliation of taxes below.

Ireland

FIID is tax resident in the ROI. In addition, FML has elected for CTA 2009 section 18A to have effect in relation to its Irish branch. As such both FIID and the Irish branch of FML are subject to Irish corporation tax, and not UK corporation tax, on their trading profits at a rate of 12.5%.

2020 to 2021 are open tax years in the ROI for those relevant entities that are either within the statutory time for examination or subject to open examinations by local tax authorities.

United States

FUSH is tax resident in the United States and is subject to relevant taxes in that jurisdiction.

The Group income tax charge/(benefit) for the years ended December 31, 2021 and 2020, is as follows:

(Expressed in millions of U.S. dollars)

		2021		2020
Corporate tax charge	$	26.8	$	2.9
Deferred tax benefit		(17.8)		(4.7)
Rate change on deferred tax		(8.6)		(1.3)
Income tax charge/(benefit)	**$**	**0.4**	**$**	**(3.1)**

The effective tax rate for the Group is 0.5% (2020: negative 1.9%).

A reconciliation of the difference between the charge for income taxes and the expected tax charge at the average UK tax rate for the years ended December 31, 2021 and tax benefit for the year ended December 31, 2020 is provided below. The average tax charge/benefit has been calculated using pre-tax accounting loss multiplied by the applicable statutory tax rate.

		2021		2020
Expected tax cost at UK tax rate of 19%	$	16.4	$	31.0
Permanent differences:				
Disallowable expenses		1.2		0.2
Income not subject to income taxes		(0.1)		(0.3)
Adjustments in respect of prior year		(0.1)		(2.9)
Effects of changes to UK tax rates		(8.6)		(1.3)
Impact of differences in overseas tax rates		(8.1)		(30.0)
Valuation allowance		0.5		0.1
Foreign exchange		(0.8)		0.1
Income tax charge/(benefit)	**$**	**0.4**	**$**	**(3.1)**

The components of the Group's net non-current deferred tax asset as at December 31, 2021 and 2020 are as follows:

		2021		2020
Net operating losses	$	31.2	$	5.6
Valuation allowance		(2.2)		(1.7)
Other temporary differences		0.8		(0.2)
Fixed assets		0.7		0.8
Available-for-sale assets		1.1		—
Share based payments		8.7		8.1
Deferred tax asset	**$**	**40.3**	**$**	**12.6**

		2021		2020
Available-for sale assets	$	—	$	1.2
Deferred tax liability	**$**	**—**	**$**	**1.2**

The valuation allowance of $2.2 million (2020: $1.7 million) has been made against certain loss carryforwards as the Group considers that it is more likely than not that these will not be recovered against future income.

The net operating losses on which the deferred tax asset has been provided consist of $125.0 million (2020: $24.4 million) arising in the UK and $2.2 million (2020: $7.3 million) arising in the ROI. There is no expiry date for the losses.

The Group paid and accrued interest payments to HMRC totaling $0.2 million, for the years ended December 31, 2021 (2020: $nil).

21. COVID-19

Since the start of 2020, many countries have experienced an outbreak of the COVID-19 virus and on March 11, 2020, the World Health Organization declared the disease to be a global pandemic. The situation continues to develop, and the long-term impact of this pandemic is unclear at this time. Management is monitoring the developments closely and has recognised the impacts in these financial statements as appropriate. Areas within the financial statements that have a potential to be impacted include valuation of the Company's investment portfolio and net reserves for losses and loss expenses. The potential for losses arising from COVID-19 have been and will continue to be monitored and discussed by management.

In June 2020, the FCA issued proceedings against a group of insurers in a test case designed to clarify the interpretation and application of commonly used insurance coverage extensions under business interruption insurance policy wordings, in the context of losses arising from the COVID-19 pandemic, and in September 2020, the High Court delivered judgment in this case. The test case was not intended to encompass all possible disputes, but to resolve some key contractual uncertainties and causation issues to provide clarity for policyholders and insurers. However, each policyholder's claim is different and the ultimate outcome from this case will depend on the relevant policy and underlying circumstances. The Group is not a party to this case and writes a limited amount of policies that could be directly impacted by the test case. In late September, the parties to this test case appealed to the U.K. Supreme Court.

The Supreme Court judgment was given in January 2021 and there were two key findings. First, it was held that the majority of the test case policies were triggered by the government lockdowns in 2020. This is of little direct relevance to the Group as it writes a limited amount of these policies. Second, and of relevance to the entire Insurance Market, the Supreme Court held that the basis of assessing the quantum of business interruption losses should be altered; over-ruling the Orient Express case. The effect of over-ruling this established case will be to increase the quantum of Business Interruption losses in the insurance market generally, the Group will be affected by this, as will the rest of the insurance and reinsurance market. Disputes on COVID-19 business interruption coverage and aggregation have continued throughout 2021 into 2022 and would be expected to affect the (re)insurance market widely.

We have performed an analysis to estimate potential exposure to Property Business Interruption losses from COVID-19. In general, our portfolio is more focused on residential exposure and the vast majority of cedants have strong exclusions in place. This reduces the potential for losses through Property Business Interruption. We have made allowances of around $15 million in our reserves for Business Interruption losses relating to Covid-19, this is similar to the allowance made at year-end 2021.

22. Subsequent Events

Subsequent events have been evaluated up to and including September 14, 2022, the date of issuance of these consolidated financial statements.

On February 24, 2022, the Russian Federation invaded Ukraine resulting in armed conflict in Ukraine and the Black Sea ("Ukraine Conflict"). Subsequently a number of countries, including the United States of America, the United Kingdom, and those in the European Union, placed significant sanctions on Russian institutions and persons which resulted in a devaluation of the Rouble and a fall in the value of Russian fixed income and equity assets, and the prompt withdrawal of companies from Russia without securing their assets. Fidelis has minimal direct exposure to Russian equities and minimal exposure to fixed income assets impacted by sanctions. Fidelis has potential exposure to losses associated with the conflict in Ukraine and the Black Sea through certain lines in the Bespoke and Specialty segments. As a recent subsequent event, and in the light of the fluid nature of the Ukraine Conflict, there are a number of complexities and implications that will need to be evaluated and determined on an ongoing basis before Fidelis can reasonably estimate potential losses which could potentially be material. However, Fidelis does not believe the impact of the Ukraine Conflict will adversely affect the Company's ability to operate as a going concern.