

CONVEX RE LIMITED

Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in thousands of U.S. dollars)





April 30, 2025

Report of Independent Auditors

To the Board of Directors and Shareholder of Convex Re Limited

Opinion

We have audited the accompanying consolidated financial statements of Convex Re Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income and comprehensive income, of shareholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as 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, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

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

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



Auditors' responsibilities for the audit of the consolidated financial statements

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

In performing an audit in accordance with US GAAS, we:

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

Accounting principles generally accepted in the United States of America require that the required supplemental information pertaining to *Short-Duration Contracts* disclosures labelled as "Unaudited" within Note 8 on pages 21 to 22 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 supplemental 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.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

CONVEX RE LIMITED

Consolidated Balance Sheets

As of December 31, 2024 and 2023

(Expressed in thousands of U.S. dollars, except for share amounts)

Assets	2024	2023
Investments		
Fixed maturity investments trading, at fair value (amortized cost: 2024: \$5,424,356 2023: \$4,043,319)	\$ 5,372,747	\$ 4,014,257
Short-term investments trading, at fair value (amortized cost: 2024: \$26,838 2023: \$138,340)	26,716	138,402
Other investments, at fair value (amortized cost: 2024: \$285,105 2023: \$182,801)	304,330	197,337
Total investments	\$ 5,703,793	\$ 4,349,996
Cash and cash equivalents	280,729	297,003
Accrued investment income	48,224	28,985
Insurance receivables	2,359,864	1,890,126
Prepaid reinsurance premiums	797,766	635,654
Deferred acquisition costs	407,597	310,750
Reserves recoverable	1,321,833	873,892
Receivable for securities sold	29,754	894
Balances due from affiliates	278	9
Deferred tax asset	71,655	75,640
Other assets	130,526	125,110
Total assets	\$ 11,152,019	\$ 8,588,059
Liabilities		
Reserve for losses and loss adjustment expenses	4,049,486	2,834,514
Unearned premiums	2,772,739	2,147,975
Reinsurance payables	938,481	786,611
Balances due to affiliates	64,847	70,808
Other liabilities	110,357	129,377
Total liabilities	\$ 7,935,910	\$ 5,969,285
Shareholder's equity		
Common A shares (\$1.00 par; authorized, issued and outstanding: 1,000,000)	1,000	1,000
Additional paid-in capital	2,447,714	2,447,714
Retained earnings	767,395	170,060
Total shareholder's equity	\$ 3,216,109	\$ 2,618,774
Total liabilities and shareholder's equity	\$ 11,152,019	\$ 8,588,059

The accompanying notes are an integral part of these consolidated financial statements.

CONVEX RE LIMITED

Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2024 and 2023

(Expressed in thousands of U.S. dollars)

	2024	2023
Revenues		
Gross premiums written	\$ 5,166,388	\$ 4,217,602
Reinsurance premium ceded	(1,633,307)	(1,376,643)
Net premiums written	3,533,081	2,840,959
Change in net unearned premiums	(462,652)	(503,881)
Net premiums earned	3,070,429	2,337,078
Other income	3,106	543
Net investment return	232,567	216,622
Foreign currency gains/(losses)	(28,839)	(4,902)
Total revenues	\$ 3,277,263	\$ 2,549,341
Expenses		
Losses and loss adjustment expenses	1,624,013	1,225,311
Policy acquisition costs	582,818	458,248
Operating expenses	414,734	341,299
Finance charges	2,711	3,297
Other expenses	151	11,909
Total expenses	\$ 2,624,427	\$ 2,040,064
Net income before tax	652,836	509,277
Tax (expense)/benefit	(55,501)	51,607
Net income and comprehensive income	\$ 597,335	\$ 560,884

The accompanying notes are an integral part of these consolidated financial statements.

CONVEX RE LIMITED

Consolidated Statements of Shareholder's Equity
For the years ended December 31, 2024 and 2023

(Expressed in thousands of U.S. dollars)

2024

	Common A shares	Additional paid-in capital	Retained earnings	Total shareholder's equity
At January 1, 2024	1,000	2,447,714	170,060	2,618,774
Income for the year	—	—	597,335	597,335
At December 31, 2024	\$ 1,000	2,447,714	767,395	3,216,109

2023

	Common A shares	Additional paid-in capital	Retained (deficit)/ earnings	Total shareholder's equity
At December 31, 2022	1,000	2,447,714	(385,249)	2,063,465
Change in accounting policy (Note 3)			(5,575)	(5,575)
At January 1, 2023	\$ 1,000	2,447,714	(390,824)	2,057,890
Income for the year	—	—	560,884	560,884
At December 31, 2023	\$ 1,000	2,447,714	170,060	2,618,774

The accompanying notes are an integral part of these consolidated financial statements.

CONVEX RE LIMITED
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023

(Expressed in thousands of U.S. Dollars)

	2024	2023
Cash flows provided by/(used in) operating activities		
Net income	\$ 597,335	\$ 560,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Fair value adjustment to derivatives	(1,873)	11,005
Movement in allowance for expected credit losses	572	3,536
Change in net realized and unrealized (gains)/losses on investments	(5,029)	(92,992)
Foreign exchange losses included in income from operations	27,014	5,631
(Accretion)/amortization on fixed maturity investments	(43,799)	(44,175)
Change in operational balance sheet items:		
Accrued investment income	(19,239)	(15,111)
Insurance receivables	(470,310)	(561,945)
Prepaid reinsurance premiums	(162,112)	(179,349)
Deferred acquisition costs	(96,847)	(120,432)
Reserves recoverable	(447,941)	(171,695)
Reserve for losses and loss adjustment expenses	1,214,972	697,505
Unearned premiums	624,764	683,230
Reinsurance balances payable	151,870	159,574
Other operational balance sheet items, net	(37,023)	(46,667)
Net cash provided by operating activities	\$ 1,332,354	\$ 888,999
Cash flows provided by/(used in) investing activities		
Proceeds on maturities of fixed maturity investments	287,636	344,314
Purchases of fixed maturity investments	(4,027,114)	(2,462,829)
Sales and paydowns of fixed maturity investments	2,384,169	1,062,796
Proceeds on maturities of short-term investments	86,145	447,892
Purchases of short-term investments	(53,135)	(583,529)
Sales of short-term investments	81,668	446,014
Purchases of other investments	(147,557)	(93,403)
Sales of other investments	52,653	2,517
Net cash used in investing activities	\$ (1,335,535)	\$ (836,228)
Cash flows provided by/(used in) financing activities		
Capital raised from share issuance	—	—
Net cash provided by financing activities	\$ —	\$ —
Effect of foreign currency rate changes on cash and cash equivalents	(13,093)	659
Net increase in cash and cash equivalents	(16,274)	53,430
Cash and cash equivalents - beginning of the year	297,003	243,573
Cash and cash equivalents - end of the year	\$ 280,729	\$ 297,003
Supplemental information		
Income taxes paid	\$ 58,601	\$ 19,902

The accompanying notes are an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

(Expressed in thousands of U.S. dollars)

1. Organization

Convex Re Limited (the "Company" or "CRL"), a company incorporated in Bermuda in November 2018, is registered as a Class 4 insurer under the Insurance Act 1978 of Bermuda, amendments thereto and related Regulations ("the Act"). The Company provides a diversified range of specialty insurance and reinsurance coverage to the global insurance market.

Convex Insurance UK Limited ("CIL"), a company incorporated in the United Kingdom in January 2019, is a wholly owned subsidiary of CRL and is authorized and licensed by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA").

Convex Europe S.A ("CES"), a company incorporated in Luxembourg in March 2021, is a wholly owned subsidiary of CIL and has a UK branch approved by the PRA and FCA.

Convex Guernsey Limited ("CGU"), a company incorporated in Guernsey in May 2021, is a wholly owned subsidiary of CRL.

Convex North America Insurance Services LLC ("CUS"), a company incorporated in Delaware, United States of America in June 2021, is a wholly owned subsidiary of CIL and is a managing general agent.

2. Basis of preparation and consolidation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company and its subsidiaries, including CIL, CES, CGU and CUS. All significant intercompany accounts and transactions have been eliminated.

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. While the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include:

- reserve for losses and loss adjustment expenses;
- loss reserves recoverable, including the provision for uncollectible amounts;
- gross premiums written and net premiums earned; and
- fair value measurements of invested assets and other financial instruments.

The term "ASC" used in these notes refers to Accounting Standard Codification issued by the United States Financial Accounting Standards Board (the "FASB").

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3. Significant accounting policies

The following is a summary of significant accounting policies adopted by the Company:

(a) Premiums*Insurance and Assumed Reinsurance Premiums*

Direct insurance premiums are recorded as written at the inception of each policy and are earned over the exposure period.

Direct insurance premiums on binders are estimated at inception and are recognized by applying a writing pattern to the total estimated premium on the binder.

Premiums on assumed reinsurance contracts are estimated based on information provided by ceding companies, and are recorded at the inception of the policy.

For contracts with estimated premiums, the amount of premium ultimately received may differ from the amounts initially estimated in the consolidated financial statements. These estimates are reviewed regularly and as new information becomes known, the recorded premiums are adjusted as necessary. These adjustments can lead to an increase or decrease in premiums recognized. Adjustments to premium estimates, if any, are recorded in the period in which they become known.

Written premiums are earned over the contract period commensurate with the underlying risk. For assumed reinsurance contracts written on a risk-attaching basis, the earning period is based on the terms of the underlying policies attached to that contract. This period extends past the expiry of the reinsurance contract and as a result premiums on assumed risk-attaching reinsurance policies are generally earned over the contract period plus 12 months.

Unearned premiums in respect of the above premiums represent the portion of premiums written which is applicable to the unexpired terms of policies in force.

Reinstatement Premiums

Reinstatement premiums are calculated for all events by applying coverage limits for the remaining life of the contract as per the predefined contract terms. The accrual of reinstatement premiums is based on our estimate of losses and loss adjustment expenses, which reflects management's judgment, as described in Note 3(c), "Reserve for losses and loss adjustment expenses". Reinstatement premiums are fully earned when accrued.

Reinsurance

The Company enters into ceded reinsurance and retrocession agreements in order to mitigate its accumulation of loss, reduce its liability on individual risks, enable it to underwrite policies with higher limits and increase its aggregate capacity. Ceded reinsurance premiums are accounted for on bases consistent with those used in accounting for the underlying premiums assumed.

Prepaid reinsurance premiums represent the portion of premiums ceded applicable to the unexpired terms of policies in force.

Reserves recoverable are estimated in a manner consistent with the claim liability associated with the reinsured policies and represent amounts that will be collectible from reinsurers once the losses are paid and includes an explicit allowance for expected credit losses, as appropriate.

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(b) Deferred acquisition costs

Deferred acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal business and consist principally of commissions and brokerage expenses. Acquisition costs are shown net of commissions earned on reinsurance ceded. These costs are deferred and amortized over the periods in which the related premiums are earned.

A premium deficiency exists if the sum of expected losses and loss adjustment expenses and deferred acquisition costs exceed the related unearned premiums (and, if appropriate, expected future premium) and anticipated investment income. In this event, deferred acquisition costs are immediately expensed to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs, then a liability is accrued for the excess deficiency. No premium deficiency was recorded for the years ended December 31, 2024 and December 31, 2023.

(c) Reserve for losses and loss adjustment expenses

The reserve for losses and loss adjustment expenses includes reserves for unpaid reported losses ("case reserves"), losses incurred but not reported ("IBNR"), and unallocated loss adjustment expenses ("ULAE"). Case reserves are established by management based on reports from brokers, ceding companies and insureds and represents the unpaid portion of the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by, the Company, including allocated loss adjustment expenses ("ALAE"). IBNR reserves are established by management based on actuarially determined estimates of ultimate losses and loss expenses and include an explicit allowance for expected credit losses, as appropriate. 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.

The period of time from the occurrence of a loss to the reporting of a loss to the Company and to the settlement of the Company's liability may be several months or years. During this period, additional facts and trends may be revealed. Accordingly, losses and loss adjustment expenses ultimately paid may differ materially from the amounts 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. These adjustments sometimes lead to an increase or decrease in ultimate losses. Adjustments to ultimate loss estimates, if any, are recorded in earnings in the period in which they become known.

(d) Investments

The Company classifies its fixed maturity and short-term investments as trading. As such, all investments are carried at fair value with the change in unrealized gains and losses included in net income. All investment transactions are recorded on a first-in-first-out basis and realized gains and losses on the sale of investments are determined on the basis of amortized cost (or cost). Interest on fixed maturity securities is recorded in net investment income when earned and includes amortization of premium or accretion of discount.

Short-term investments comprise investments with a maturity of less than one year at date of purchase.

Other investments consist of investments in externally managed funds, carried at fair value. Their fair value is established using the net asset value ("NAV") as a practical expedient.

(e) Leases

The Company classifies any new and existing leases as operating or finance leases. For all types of leases, the Company calculates a lease liability and a corresponding right of use asset using an appropriate discount rate considering the type of lease, and its duration. The Company does not have any finance leases. For operating leases, the Company recognises interest expense on the lease liability and depreciation of the right of use asset on the consolidated statements of income and comprehensive income, straight line over the life of the lease.

(f) Variable interest entities

The Company accounts for variable interest entities ("VIEs") in accordance with FASB ASC Topic 810, *Consolidation*, which requires the consolidation of all VIEs by the primary beneficiary i.e. the investor that has the

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(Expressed in thousands of U.S. dollars)

power to direct the activities of the VIE and that will absorb a portion of the VIE's expected losses or residual returns that could potentially be significant to the VIE.

When the Company determines it has a variable interest in a VIE, it determines whether it is the primary beneficiary of that VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders; (ii) the VIE's capital structure; (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE; (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE; and (vi) related party relationships.

The Company reassesses its determination of whether the Company is the primary beneficiary of a VIE upon changes in facts and circumstances that could potentially alter the Company's assessment. Refer to Note 14, "Variable interest entities," for further details on the Company's treatment of Hypatia Ltd., which is the only entity accounted for as a variable interest entity.

(g) Fair value of financial instruments

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date reflecting the highest and best use valuation concepts. ASC Topic 820, *Fair Value Measurement and Disclosure*, provides a framework for measuring fair value by creating a hierarchy of fair value measurements that distinguishes market data between observable independent market inputs and unobservable market assumptions by the reporting entity. The guidance further expands disclosures about such fair value measurements. The guidance applies broadly to most existing accounting pronouncements that require or permit fair value measurements (including both financial and non-financial assets and liabilities) but does not require any new fair value measurements. The Company has adopted all authoritative guidance in effect as of the balance sheet date regarding certain market conditions that allow for fair value measurements that incorporate unobservable inputs where active market transaction-based measurements are unavailable.

(h) Derivative instruments

From time to time, the Company may enter into derivative instruments such as foreign currency forward or option contracts, industry loss warrants, or other derivative contracts. These derivative instruments are used to manage exposures to currency fluctuations or provide protection against the Company's financial exposure to industry loss events. All the Company's outstanding derivative financial instruments are recognized in the consolidated balance sheets at their fair values. Changes in the fair values of derivative instruments are reported in earnings. Refer to Note 6(a), "Derivatives not designated as hedging instruments," for further details.

(i) Property and equipment

Property and equipment are carried at historical cost, less accumulated depreciation and any impairment in value. Depreciation is calculated to write off the cost over the estimated useful economic life on a straight-line basis.

Leasehold improvements	5 years
Furniture/fixtures/fittings	2 years
Computer hardware	2 years
Computer equipment	2 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property or equipment is derecognized on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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Gains and losses on the disposal of property and equipment are determined by comparing proceeds with the carrying amount of the asset and are included in the consolidated statements of income and comprehensive income. Costs for repairs and maintenance are expensed as incurred.

Property and equipment are included in other assets on the consolidated balance sheets.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash at bank in hand, deposits held on call with banks, and all investments and money market funds (including those held at the Company's investment managers) with a maturity of 90 days or less at the time of purchase.

(k) Foreign exchange

The U.S. dollar is the functional currency of the Company and its subsidiaries. Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rates in effect at the balance sheet date and revenues and expenses denominated in foreign currencies are valued at the prevailing exchange rate on the transaction date with the resulting foreign exchange gains and losses included in earnings. Non-monetary assets and liabilities denominated in foreign currencies are valued at the exchange rate in effect at the time of the underlying transaction.

(l) Income taxes and uncertain tax provisions

Deferred tax assets and liabilities are recorded in accordance with ASC Topic 740, *Income Taxes*. Consistent with ASC 740, the Company records deferred income taxes which reflect operating losses and tax credits carried forward and the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

The Company recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained upon examination by tax authorities based upon the technical merits of the position. Based on the more-likely-than-not recognition threshold, the Company must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. The Company classifies all interest and penalties related to uncertain tax positions in income tax expenses.

(m) Recently adopted accounting pronouncements
Expected Credit Losses (Topic 326)

Starting on January 1, 2023 the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Accordingly, from the date of adoption, the Company uses a current expected credit loss model ("CECL") which is based on expected losses. The model used by the Company up to December 31, 2022 to estimate credit losses was based on incurred losses. The CECL model is applied by the Company to the measurement of credit losses on insurance receivables and reinsurance recoverable balances. Changes in expected credit losses are recorded through the respective credit loss allowances on the consolidated balance sheets as well as in the provision for credit losses (recoveries) in the consolidated statements of income and comprehensive income.

The total adjustment resulting from the adoption of this methodology on the opening balance of the Company's retained earnings as at January 1, 2023 was a negative adjustment of \$5,575 relating to the Company's insurance receivables.

The Company's measurement of expected losses takes into account historical information and is primarily based on the product of the respective instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Company maintains an allowance for credit losses, which in management's opinion is

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(Expressed in thousands of U.S. dollars)

adequate to absorb all estimated credit-related losses that are incurred in its financial assets at the balance sheet date.

The allowance for credit losses on insurance receivables is a valuation account that is deducted from the receivable balance to present the net amount expected to be collected. Amounts are charged off against the allowance when management believes the uncollectibility of a balance is confirmed. Expected recoveries typically do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. Refer to Notes 9(c) and 13(d) for further information regarding the impacts of adoption of this guidance

(n) Recently issued accounting standards not yet adopted*Income Taxes (Topic 740)*

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures*. The amendments in this Update provide more transparency and decision usefulness of income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. While early adoption is permitted, the amendments are effective for annual periods beginning after December 15, 2025, for entities other than public business entities. The Company is currently evaluating the impact of this standard on the Company's consolidated financial statements and related disclosures.

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(Expressed in thousands of U.S. dollars)

4. Investments

The amortized cost (or cost) and fair value of the Company's investments as at December 31, 2024 and December 31, 2023 are as follows:

	2024	
	Amortized Cost or Cost	Fair Value
U.S. government securities	\$ 2,090,058	\$ 2,076,631
Agency residential mortgage-backed securities	690,148	675,588
Non-agency residential mortgage-backed securities	31,172	30,992
U.S. corporate	1,442,200	1,439,681
Non-U.S. corporate	426,227	415,640
Non-U.S. government and government agency	91,993	88,511
Asset-backed securities	636,304	629,697
Commercial mortgage-backed securities	16,254	16,007
Total fixed maturities	5,424,356	5,372,747
Short-term investments	26,838	26,716
Other investments	285,105	304,330
Total investments	\$ 5,736,299	\$ 5,703,793

	2023	
	Amortized Cost or Cost	Fair Value
U.S. government securities	\$ 2,129,485	\$ 2,115,779
Agency residential mortgage-backed securities	327,253	323,286
Non-agency residential mortgage-backed securities	431	418
U.S. corporate	989,657	978,705
Non-U.S. corporate	311,618	313,459
Non-U.S. government and government agency	35,045	34,185
Asset-backed securities	238,115	237,427
Commercial mortgage-backed securities	11,715	10,998
Total fixed maturities	4,043,319	4,014,257
Short-term investments	138,340	138,402
Other investments	182,801	197,337
Total investments	\$ 4,364,460	\$ 4,349,996

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(a) Fixed maturity investments

The following table sets forth certain information regarding credit quality ratings (weighted average rating methodology using Standard & Poor's and other recognized rating agencies) of the Company's fixed maturity investments as at December 31, 2024 and December 31, 2023:

	2024	
	Fair Value	% of Total
AAA	\$ 616,442	\$ 11.5%
AA	3,071,715	57.2%
A	1,247,056	23.2%
BBB	422,529	7.9%
Total investment grade fixed maturities	5,357,742	99.7%
BB	3,469	0.1%
NR	11,536	0.2%
Total non-investment grade fixed maturities	15,005	0.3%
Total fixed maturities	\$ 5,372,747	\$ 100.0%

	2023	
	Fair Value	% of Total
AAA	\$ 219,097	\$ 5.5%
AA	2,648,913	66.0%
A	857,889	21.3%
BBB	271,894	6.8%
Total investment grade fixed maturities	3,997,793	99.6%
BB	3,450	0.1%
NR	13,014	0.3%
Total non-investment grade fixed maturities	16,464	0.4%
Total fixed maturities	\$ 4,014,257	\$ 100.0%

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(a) Fixed maturity investments (continued)

The amortized cost and fair values for the Company's fixed maturity investments held at December 31, 2024 and December 31, 2023 are shown below by effective maturity. Actual maturity may differ from final maturity due to prepayment rights associated with certain investments.

		2024	
		Amortized Cost	Fair Value
Due in one year or less	\$	402,486	\$ 400,454
Due after one year through five years		3,335,054	3,313,499
Due after five years through ten years		312,938	306,509
Due after ten years		—	—
		<u>4,050,478</u>	<u>4,020,462</u>
Asset-backed and mortgage-backed securities		1,373,878	1,352,285
Total fixed maturities	\$	<u>5,424,356</u>	<u>\$ 5,372,747</u>
		2023	
		Amortized Cost	Fair Value
Due in one year or less	\$	464,584	\$ 460,095
Due after one year through five years		2,950,279	2,930,329
Due after five years through ten years		50,942	51,709
Due after ten years		—	—
		<u>3,465,805</u>	<u>3,442,133</u>
Asset-backed and mortgage-backed securities		577,514	572,124
Total fixed maturities	\$	<u>4,043,319</u>	<u>\$ 4,014,257</u>

(b) Net investment return

Net investment return was derived from the following sources for the years ended December 31, 2024 and December 31, 2023:

	2024	2023
Fixed maturities, short-term and other investments	\$ 175,977	\$ 121,078
Cash and cash equivalents	13,162	5,252
Total gross investment income	<u>189,139</u>	<u>126,330</u>
Accretion/(amortization) on fixed maturity investments	44,336	1,812
Investment expenses	<u>(5,076)</u>	<u>(5,124)</u>
Total net investment income	228,399	123,018
Realized losses	(9,107)	(22,885)
Change in unrealized gains/(losses)	13,275	116,489
Net investment return	\$ <u>232,567</u>	\$ <u>216,622</u>

(c) Pledged investments

The Company holds restricted assets comprising cash and cash equivalents, short-term investments and fixed maturity investments that were pledged and held in trust during the normal course of business with various regulatory authorities. At December 31, 2024, \$855,178 (2023: \$845,595) of assets were on deposit with custodians in respect of letter of credit facilities and trust accounts.

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5. Fair value measurements**(a) Classification within the fair value hierarchy**

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under U.S. GAAP, a company must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are described below:

Level 1 - Fair values are measured based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 - Fair values are measured based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 - Fair values are measured based on unobservable inputs that reflect the Company's own judgments about assumptions where there is little, if any, market activity for that asset or liability that market participants might use.

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

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

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(a) Classification within the fair value hierarchy (continued)

At December 31, 2024 and December 31, 2023 the Company's investments were allocated between Levels 1, 2 and 3 as follows:

	2024				
	Level 1	Level 2	Level 3	NAV practical expedient (a)	Total
U.S. government securities	\$ 2,076,631	\$ —	\$ —	\$ —	\$ 2,076,631
Agency residential mortgage-backed securities	—	675,588	—	—	675,588
Non-agency residential mortgage-backed securities	—	30,992	—	—	30,992
U.S. corporate	—	1,439,681	—	—	1,439,681
Non-U.S. corporate	—	415,640	—	—	415,640
Non-U.S. government/government agency	—	88,511	—	—	88,511
Asset-backed securities	—	614,692	15,005	—	629,697
Commercial mortgage-backed securities	—	16,007	—	—	16,007
Total fixed maturities	2,076,631	3,281,111	15,005	—	5,372,747
Short-term investments	—	26,716	—	—	26,716
Other investments	—	—	—	304,330	304,330
Total investments	\$ 2,076,631	\$ 3,307,827	\$ 15,005	\$ 304,330	\$ 5,703,793

	2023				
	Level 1	Level 2	Level 3	NAV practical expedient (a)	Total
U.S. government securities	\$ 2,115,779	\$ —	\$ —	\$ —	\$ 2,115,779
Agency residential mortgage-backed securities	—	323,286	—	—	323,286
Non-agency residential mortgage-backed securities	—	418	—	—	418
U.S. corporate	—	978,705	—	—	978,705
Non-U.S. corporate	—	313,459	—	—	313,459
Non-U.S. government/government agency	—	34,185	—	—	34,185
Asset-backed securities	—	220,962	16,465	—	237,427
Commercial mortgage-backed securities	—	10,998	—	—	10,998
Total fixed maturities	2,115,779	1,882,013	16,465	—	4,014,257
Short-term investments	92,066	46,336	—	—	138,402
Other investments	—	—	—	197,337	197,337
Total investments	\$ 2,207,845	\$ 1,928,349	\$ 16,465	\$ 197,337	\$ 4,349,996

(a) In accordance with ASC Topic 820, *Fair Value Measurements*, investments measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

There were no transfers into or out of Level 3 during the years ended December 31, 2024 or December 31, 2023.

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(b) Valuation techniques

There have been no material changes in the Company's valuation techniques during the period represented by these consolidated financial statements. The following methods and assumptions were used in estimating the fair value of each class of financial instrument recorded in the consolidated balance sheets.

Fixed maturity investments

In general, valuation of the Company's fixed maturity investment portfolio is provided by pricing services, such as index providers and pricing vendors, as well as broker quotations. The pricing vendors provide valuations for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Prices are generally verified using third party data. Index providers generally utilize centralized trade reporting networks, available market makers and statistical techniques.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however, they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.

The Company considers these Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

U.S. government securities

U.S. government securities consist of debt securities issued by the U.S. Treasury. U.S. government securities are priced based on unadjusted market prices in active markets. As all of the inputs used to price these securities are observable, the fair value of these investments are classified as Level 1.

Agency residential mortgage-backed securities

Agency residential mortgage-backed securities consist primarily of mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. Agency residential mortgage-backed securities are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

Non-agency residential mortgage-backed securities

The Company's non-agency mortgage-backed investments include non-agency prime residential mortgage-backed fixed maturity investments. The Company has no non-agency residential mortgage securities classified as sub-prime held in its fixed maturity investments portfolio. Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

U.S. corporate

U.S. corporate debt securities consist primarily of investment-grade debt of a wide variety of U.S. corporate issuers and industries. The Company's corporate fixed maturity investments are primarily priced by pricing services.

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When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

Non-U.S. corporate

Non-U.S. corporate debt securities consist primarily of investment-grade debt of a wide variety of non-U.S. corporate issuers and industries. The Company's non-U.S. corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

Non-U.S. government and government agency securities

Non-U.S. government and government agency securities valuations are provided by independent pricing services, with prices typically provided through index providers and pricing vendors. The fair values of these securities are generally based on international indices or valuation models which include daily observed yield curves, cross-currency basis index spreads and country credit spreads. As the significant inputs used in the pricing process for non-U.S. government securities are observable market inputs, the fair value of these securities are classified within Level 2.

Asset-backed securities

Asset backed securities include mostly investment-grade debt securities backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, student loans, credit card receivables, and collateralized loan obligations originated by a variety of financial institutions. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2. There are a small number of collateralized loan obligations held in the portfolio that are generally illiquid in nature with inputs used to price these securities not directly observable and as such these are classified as Level 3.

Commercial mortgage-backed securities

Commercial mortgage backed securities are investment-grade debt primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector. As the significant inputs used to price these securities are observable, the fair value of these investments are classified as Level 2.

Short term investments

Short-term investments consist primarily of highly liquid securities, all with maturities of less than one year from the date of purchase. As the highly liquid money market-type funds are actively traded, the fair value of these investments are classified as Level 1. To the extent that the remaining securities are not actively traded due to their approaching maturity, the fair value of these investments are classified as Level 2.

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Other investments – measured using net asset valuation (“NAV”) as a practical expedient

Other investments consist of investments in externally managed funds, carried at fair value. Their fair value is established through the net asset value (NAV) practical expedient. The fair value is generally established on the basis of the net valuation criteria determined by the manager of the investment; these criteria are established in accordance with the governing documents of the investment. Realized and unrealized gains and losses on other investments are included in net investment return.

The Company's fund managers are occasionally unable to provide final fund valuations as of the Company's current reporting date. In circumstances where there is a reporting lag between the current year end reporting date and the reporting date of the latest fund valuation, the Company estimates the fair value of these funds by starting with the prior month-end fund valuations, adjusting these valuations for actual capital calls, redemptions or distributions, as well as the impact of changes in foreign currency exchange rates. Actual final fund valuations may differ, perhaps materially so, from the Company's estimates and these differences are recorded in the Company's net income in the year in which they are reported to the Company as a change in estimate.

At December 31, 2024, the Company had \$304,330 (2023: \$197,337) of investment in independently managed external funds and \$54,582 (2023: \$175,824) of unfunded commitments. The funds are primarily focused on equity, credit and alternative investment opportunities with a mixture of open and closed end fund structures.

6. Derivative instruments
(a) Derivatives not designated as hedging instruments

There were no derivatives designated as hedging instruments within the Company's consolidated balance sheets as at December 31, 2024 and December 31, 2023. The following table summarizes information on the classification and amount of the fair value of derivatives not designated as hedging instruments within the Company's consolidated balance sheet as at December 31, 2024:

Derivatives not designated as hedging instruments:	2024		
	Notional exposure	Asset Derivative at Fair Value (a)	Liability Derivative at Fair Value (a)
Foreign currency options	\$ 103,870	\$ 1,784	\$ —
	\$ 103,870	\$ 1,784	\$ —

(a) Derivatives are classified within Other Assets & Other Liabilities on the consolidated balance sheets.

There were no derivatives not designated as hedging instruments within the Company's consolidated balance sheet as at December 31, 2023.

The industry loss warranties are valued on the basis of modelled and other information. The Company reviews this information, which represents Level 3 inputs, as it is ultimately management's responsibility to ensure that the fair values reflected in the Company's financial statements are appropriate.

The following table summarizes information on the classification and net impact on earnings, recognized in the Company's consolidated statements of income and comprehensive income relating to derivatives that were not designated as hedging instruments during the years ended December 31, 2024 and December 31, 2023:

Derivatives not designated as hedging instruments:	Classification of losses recognized in net income	2024	2023
Foreign currency options	Foreign currency gains	\$ 1,784	\$ —
Industry Loss Warranties	Other expenses	89	(11,229)
		\$ 1,873	\$ (11,229)

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(b) Balance sheet offsetting

There was no balance sheet offsetting activity as at December 31, 2024 and December 31, 2023.

Our derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish terms that apply to all transactions. Daily margining takes place above a defined threshold and the amounts receivable from or payable to the counterparties are settled in cash.

7. Insurance receivables

Insurance receivables are composed of premiums in the course of collection, net of commissions and brokerage, premiums accrued but unbilled, net of commissions and brokerage, and paid losses recoverable. It is common practice in the (re)insurance industry for premiums to be paid on an instalment basis, therefore significant amounts will be considered unbilled and will not become due until a future date. The following is a breakdown of the components of insurance receivables as at December 31, 2024 and December 31, 2023:

	2024			
	Paid losses recoverable	Premiums in course of collection	Premiums accrued but unbilled	Total
Paid losses recoverable & Insurance receivables, beginning of year	\$ 123,784	\$ 237,896	\$ 1,537,559	\$ 1,899,239
Change during the year	2,338	(164)	468,134	470,308
Paid losses recoverable & Insurance receivables, end of year	\$ 126,122	\$ 237,732	\$ 2,005,693	\$ 2,369,547
Allowance for expected credit losses				(9,683)
Insurance receivables including credit impairment allowance, end of year			\$	2,359,864
	2023			
	Paid losses recoverable	Premiums in course of collection	Premiums accrued but unbilled	Total
Paid losses recoverable & Insurance receivables, beginning of year	\$ 86,869	\$ 145,591	\$ 1,104,832	\$ 1,337,292
Change during the year	36,915	92,305	432,727	561,947
Paid losses recoverable & Insurance receivables, end of year	\$ 123,784	\$ 237,896	\$ 1,537,559	\$ 1,899,239
Allowance for expected credit losses				(9,111)
Insurance receivables including credit impairment allowance, end of year				1,890,128

Insurance receivables includes the following allowance for expected credit losses:

	2024	2023
At 1 January	\$ 9,111	\$ 5,575
Movement during the year	572	3,536
At 31 December	\$ 9,683	\$ 9,111

The balance at January 1, 2023 was the initial allowance upon adoption for the charge of expected credit losses.

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8. Reserve for losses and loss adjustment expenses

The following table summarizes the Company's reserve for losses and loss adjustment expenses, gross of reinsurance recoveries, as at December 31, 2024 and December 31, 2023:

	2024	2023
Case reserves	\$ 1,147,187	\$ 907,349
IBNR	2,902,299	1,927,165
Reserve for losses and loss adjustments expenses	\$ 4,049,486	\$ 2,834,514

The following table represents an analysis of paid and unpaid losses and loss adjustment expenses and a reconciliation of the beginning and ending unpaid losses and loss expenses for the years ended December 31, 2024 and December 31, 2023:

	2024	2023
Reserve for losses and loss adjustment expenses, beginning of year	\$ 2,834,514	\$ 2,137,009
Less: Reserves recoverable, beginning of year	(873,892)	(702,197)
Net reserve for losses and loss adjustment expenses, beginning of year	1,960,622	1,434,812
Increase (decrease) in net losses and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	1,694,066	1,273,799
Prior year	(70,053)	(48,488)
Total incurred losses and loss adjustment expenses	1,624,013	1,225,311
Foreign exchange (gain)/loss	(39,098)	10,365
Net losses and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(263,311)	(166,751)
Prior year	(554,573)	(543,115)
Total net paid losses	(817,884)	(709,866)
Net reserve for losses and loss adjustment expenses, end of year	2,727,653	1,960,622
Add: Reserves recoverable, end of year	1,321,833	873,892
Reserve for losses and loss adjustment expenses, end of year	\$ 4,049,486	\$ 2,834,514

Reserving Methodology/ Process used to decide on assumptions

The Company's reserving methodology for each reserving class uses a combination of loss reserving processes that result in the Company's best estimate for its ultimate settlement and administration costs for losses and loss adjustment expenses. The Company records its best estimate of additional case reserves and IBNR in the consolidated financial statements. The Company does not discount any of its reserves for losses and loss adjustment expenses.

A full analysis of claims reserves is performed on a quarterly basis. The Company considers and evaluates inputs from many sources, including actual claims data, the performance of prior reserve estimates, observed industry trends, the views of third-party actuarial firms, discussion with underwriters, actuaries, claims and finance personnel. These inputs are assessed and form the basis for the recommendations from the Reserving Committee, which includes members of the Company's senior management. The Reserving Committee's remit is to review the estimated claims reserves and to critically assess the claims reserving.

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8. Reserve for losses and loss adjustment expenses (continued)

The claims reserves established can be more or less than adequate to meet individual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate reserves for known large losses and catastrophes, from inadequate provision for unknown losses, or from inadequate provision for the deterioration of existing notified losses. The prior year favourable development in the reserves is \$70,053 (2023: \$48,488). This was primarily related to improvements in loss estimate within the Insurance Casualty and Energy lines of business which were partially offset by worsening within Aerospace lines of business. Additionally, there were improvements in loss estimates for some of the industry events within the reinsurance segments.

The following table is unaudited supplementary information which presents the average annual percentage payout of incurred loss and loss adjustment expense, by age, net of reinsurance:

Year 1 (Unaudited)	Year 2 (Unaudited)	Year 3 (Unaudited)	Year 4 (Unaudited)	Year 5 (Unaudited)	Year 6 (Unaudited)
15.5%	26.8%	15.4%	7.9%	19.9%	14.2%

Claims Frequency

The nature, size, terms and conditions of contracts that the Company enters into can vary from one accident year to the next. In addition, as a result of varying contractual or policy limits from one year to the next, the potential loss and loss expense associated with reported claims can range. For some contracts, such as proportional treaties, binders, and bulking lineslips, the Company may not have access to consistent claims frequency information. As a result of the nature of the business, it is not practicable to determine claims frequency.

Claims Development Tables by Accident Year

Incurred and paid accident year claims denominated in foreign currency, have been remeasured using the current year end exchange rate. Fluctuations in foreign currency exchange rates may cause shifts in loss development.

Incurred Loss and Loss Adjustment Expenses, Net of reinsurance

Cumulative incurred claims at end of accident year	For the years ended 31 December						IBNR plus expected development on reported claims
	2019 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2024	
2019	5,669	4,937	2,525	3,476	6,260	5,009	95
2020		352,113	365,801	352,121	324,543	319,816	30,998
2021			761,403	677,958	674,008	683,157	80,460
2022				1,109,257	1,083,974	1,064,461	228,286
2023					1,265,484	1,211,773	451,376
2024						1,673,024	1,155,773
	5,669	357,050	1,129,729	2,142,812	3,354,269	4,957,240	1,946,988

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Paid Loss and Loss Adjustment Expense, Net of reinsurance

Paid claims at end of accident year	For the years ended 31 December					
	2019 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2024
2019	114	1,233	1,891	2,015	3,856	4,566
2020		50,889	163,551	204,364	236,469	246,225
2021			143,576	303,545	437,048	512,892
2022				211,582	513,978	683,952
2023					231,358	529,647
2024						252,305
	114	52,122	309,018	721,506	1,422,709	2,229,587

Change in losses and loss adjustment expenses for the years ended December 31, 2024 and December 31, 2023:

	2024	2023
Gross losses and loss adjustment expenses	\$ 2,439,574	\$ 1,722,676
Ceded losses and loss adjustment expenses	(815,561)	(497,365)
Losses and loss adjustment expenses	\$ 1,624,013	\$ 1,225,311

9. Reinsurance

The Company's reinsurance balances recoverable at December 31, 2024 and December 31, 2023 are as follows:

	2024	2023
Reserves recoverable on unpaid:		
Case reserves	\$ 327,317	\$ 250,459
IBNR	994,516	623,433
Total reserves recoverable	\$ 1,321,833	\$ 873,892

Reserves recoverable includes an explicit allowance for expected credit losses of \$nil (2023: \$nil).

(a) Effects of reinsurance on premiums written and earned

The effects of reinsurance on net premiums written and earned, and on losses and loss adjustment expenses for the years ended December 31, 2024 and December 31, 2023 were as follows:

	2024	2023*
Premiums written:		
Direct & Assumed	5,166,388	4,217,602
Ceded	(1,633,307)	(1,376,643)
Net premiums written	\$ 3,533,081	\$ 2,840,959
Premiums earned:		
Direct & Assumed	4,541,624	3,534,372
Ceded	(1,471,195)	(1,197,294)
Net premiums earned	\$ 3,070,429	\$ 2,337,078
Loss and loss adjustment expenses:		
Direct & Assumed	2,439,574	1,722,676
Ceded	(815,561)	(497,365)
Loss and loss adjustment expenses	\$ 1,624,013	\$ 1,225,311

*The comparative table has been revised to align with current year presentation.

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(b) Credit risk

The cession of reinsurance does not legally discharge the Company from its primary liability for the full amount of the reinsurance policies it writes, and the Company is required to pay the loss and bear collection risk regarding reinsurers' obligations under reinsurance and retrocession agreements. The Company records provisions for expected credit losses for uncollectible reinsurance recoverable when collection becomes unlikely due to the reinsurer's inability to pay.

To the extent the creditworthiness of the Company's reinsurers were to deteriorate due to adverse events affecting the reinsurance industry, such as a large number of major catastrophes, actual uncollectible amounts could be significantly greater than the Company's provision. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying loss reserves.

The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers. The reinsurance program is generally placed with reinsurers whose rating, at the time of placement, was A- or better as rated by Standard & Poor's or the equivalent with other rating agencies. Exposure to a single reinsurer is also controlled with restrictions dependent on rating. During the year ended December 31, 2024, the Company placed 99% (2023: 99%) of its business with reinsurers rated A- or above. Reinsurers with less than A- rating are fully collateralized.

(c) Credit losses

The Company adopted updated accounting guidance on the recognition of credit losses effective January 1, 2023. In assessing an allowance for reinsurance recoverable balances, the Company considers historical information, financial strength and credit ratings of reinsurers, collateralization amounts and the remaining expected life of reinsurance recoverable balances to determine the appropriateness of the allowance. Historically, the Company has not experienced material credit losses from retrocessional agreements. In assessing future default for reinsurance recoverable balances, the Company evaluates the valuation allowance under the probability of default and loss given default method and utilizes counterparty credit ratings from major rating agencies, as well as assesses the current market conditions and reasonable and supportable forecasts for the likelihood of default. At December 31, 2024 and December 31, 2023, an assessment was undertaken and an allowance for credit losses on its reinsurance recoverable balance was not deemed necessary.

10. Share capital

The Company's authorized share capital is 1,000,000 (2023: 1,000,000) common shares with a par value of \$1.00 each. At December 31, 2024, there were 1,000,000 (2023: 1,000,000) common shares outstanding.

The Company did not declare dividends on common shares during the year ended December 31, 2024 (2023: nil).

11. Pension contributions

The Company provides pension benefits to eligible employees through various plans which are managed externally and sponsored by the Company. The Company's contributions are expensed as incurred. The Company's expenses for its defined contribution plans for the year ended December 31, 2024 were \$2,128 (2023: \$1,330).

12. Income taxes

The Company provides for income taxes based upon profits/losses reported in the financial statements and the provisions of currently enacted tax laws. The Company is registered in Bermuda and is subject to Bermuda law with respect to taxation. On December 27, 2023, the Bermuda Corporate Income Tax Act ("CIT Act") received Royal Assent, applicable to periods beginning on or after January 1, 2025.

Under the CIT Act, Bermuda corporate income tax will be chargeable at a rate of 15% and will apply only to Bermuda entities that are part of Multinational Enterprise Groups ("MNE") with revenues of €750m or more in at least two of the four fiscal years immediately preceding the fiscal year in question. The CIT Act overrides the previous undertaking provided by the Minister of Finance, exempting the Company from taxes until March 31, 2035.

CONVEX RE LIMITED

Notes to the Consolidated Financial Statements
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12. Income taxes (continued)

The CIT Act includes an exemption from the application of the rules for Groups within their 'initial phase of their international activity'. The Company expects to meet the requirements for the exemption and therefore should benefit from a 5-year deferral to January 1, 2030.

The Company's subsidiaries that operate outside of Bermuda are subject to tax in the jurisdictions in which they operate.

The Company's net income before tax for the years ended December 31, 2024 and December 31, 2023 was generated in the following domestic and foreign jurisdictions:

	2024	2023
Domestic	\$ 433,323	\$ 325,187
Foreign	219,513	184,090
Net income before tax	\$ 652,836	\$ 509,277
Current taxation		
Bermuda current tax at 0% (2023: 0%)	—	—
Bermuda corporation tax	\$ —	\$ —
Foreign taxation – current year	(52,863)	(23,846)
Foreign taxation – adjustment in respect of prior years	1,346	(187)
Foreign taxation – (expense)/benefit	\$ (51,517)	\$ (24,033)
Total current taxation (expense)/benefit	\$ (51,517)	\$ (24,033)
Deferred taxation		
Origination and reversal of timing differences	\$ (1,647)	\$ 75,619
Adjustments in respect of prior periods	(2,337)	21
Total deferred tax – (expense)/benefit	\$ (3,984)	\$ 75,640
Tax (expense)/benefit on ordinary activities	\$ (55,501)	\$ 51,607

The table below is a reconciliation of the actual income tax (charge)/benefit for the years ended December 31, 2024 and December 31, 2023 to the amount computed by applying the effective tax rate of 0% under Bermuda law to income before taxes:

	2024	2023
Expected tax charge at local rate of tax	\$ —	\$ —
Effects of:		
Expected tax (expense)/benefit on foreign profits	(55,498)	(43,766)
Rate change adjustment	—	(1,509)
Prior year adjustment – current tax	1,346	(187)
Prior year adjustment – deferred tax	(2,337)	21
Permanent differences	(339)	24
Deferred tax not recognized	1,351	30,273
Other foreign taxes	(24)	(949)
Bermuda Economic Transition Adjustment	—	67,700
Actual tax (expense)/benefit	\$ (55,501)	\$ 51,607

CONVEX RE LIMITED

Notes to the Consolidated Financial Statements
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12. Income taxes (continued)

Deferred tax assets primarily represent the tax effect of temporary differences between the carrying value of assets and liabilities for financial statement purposes and such values as measured by tax laws and regulations in countries in which the operations are taxable. Deferred tax assets may also represent the tax effect of tax losses carried forward.

The components of the Company's net deferred tax asset as of December 31, 2024 and December 31, 2023 are as follows:

	2024	2023
Deferred tax asset related to:	\$	\$
Tax losses carried forward at local tax rates	8,210	13,746
Deferred bonuses	52	302
GAAP differences	4,178	4,246
Unrealized foreign exchange (gains)/losses	(6)	(7)
Double tax relief	355	—
Bermuda Economic Transition Adjustment	67,700	67,700
Total deferred tax assets	\$ 80,489	\$ 85,987
Less: valuation allowances	(8,834)	(10,347)
Total net deferred income tax assets	\$ 71,655	\$ 75,640

The Company had \$35,300 (\$7,500 tax effected) and \$54,800 (\$13,700 tax effected) carried forward net operating losses ("NOLs") as at December 31, 2024 and December 31, 2023, respectively.

As at December 31, 2024, the Company had a full valuation allowance ("VA") against the carryforward balance of CUS NOLs of \$32,800 and CES UK Branch NOLs of \$2,500 on the basis that the future profits against which the NOLs can be offset are uncertain; there are no other loss carryforward balances remaining.

As at December 31, 2023, the Company held a full VA against the carryforward balance of CUS and CES UK Branch NOLs of \$36,200, and no VA against the carryforward balance of NOLs in CIL of \$18,600.

The movement in the deferred tax asset for the years ended December 31, 2024 and December 31, 2023 can be explained as follows:

	2024	2023
Balance at beginning of the year	\$ 75,640	\$ —
Movement due to creation of tax losses carried forward	(5,142)	(22,606)
Movement on deferred bonuses	(248)	123
Movement of GAAP differences	2,391	1,648
Movement on unrealized foreign exchange (gains)/losses	—	(10)
Prior year adjustment	(2,337)	21
Rate change	—	(1,509)
Movement on deferred tax asset on losses not recognized	1,351	30,273
Movement on Bermuda Economic Transition Adjustment	—	67,700
Balance at end of the year	\$ 71,655	\$ 75,640

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12. Income taxes (continued)

Management have been actively monitoring the developments of the global minimum tax of 15% under Pillar 2 and assessing the implications of these rules on the Company. The MNE Group is within the scope of the rules based on a consolidated turnover in excess of €750m. However, as the MNE Group is within its initial phase of international activity, the exemption from the under-taxed payment rule applies until January 1, 2030.

The MNE Group does not expect any Pillar Two additional tax liabilities to arise from the implementation of an income inclusion rule or qualifying domestic minimum top up tax as a consequence of legislation adopted in any country where the MNE operates. This is on the basis that the transitional safe harbour is expected to apply in those jurisdictions and that no Pillar Two top up tax would arise in a full calculation in any case. Therefore, the MNE Group has not recognized any tax exposures or liabilities in relation to Pillar Two as of December 31, 2024.

13. Commitments and contingencies
(a) Concentrations of credit risk

The Company has exposure to credit risk as it relates to its business written through brokers, if any of the Company's brokers is unable to fulfill their contractual obligations with respect to payments to the Company. In addition, in some jurisdictions, if the broker fails to make payments to the insured under the Company's policy, the Company might remain liable to the insured for the deficiency. These brokerage companies are large and well established, and there are no indications they are financially distressed. The Company's exposure to such credit risk is somewhat mitigated in certain jurisdictions by contractual terms.

The following table shows the brokers that accounted for more than 10% of gross premiums written for the years ended December 31, 2024 and December 31, 2023:

Broker	2024	2023
Marsh & McLennan Companies, Inc.	26.0 %	25.2 %
Aon Benfield	19.6 %	19.3 %
Arthur J. Gallagher	10.4 %	10.0 %

The Company also has exposure to credit risk related to reinsurance balances receivable, reinsurance recoverable on paid and unpaid losses, and funds held by reinsured companies. The credit risk exposure related to these balances is mitigated by several factors, including but not limited to, credit checks performed as part of the underwriting process, monitoring of aged receivable balances and, in certain cases, the contractual right to offset amounts payable by the Company to the counterparty against amounts due to the Company from the counterparty.

The Company adopted updated accounting guidance on the recognition of credit losses effective January 1, 2023. In assessing future default for reinsurance balances receivable, the Company evaluates the valuation allowance under the loss rate method and utilizes historic loss activity, adjusted for its assessment of current market conditions and reasonable and supportable forecasts on loss rates. At December 31, 2024 and December 31, 2023, the Company's allowance for credit losses for its reinsurance balances receivable was \$nil.

(b) Employment agreements

The Company has entered into employment agreements with certain individuals that provide for executive benefits and severance payments under certain circumstances.

(c) Leases

The Company leases office space and office equipment under various operating leases. All of these leases, the expiration of which range from 2024 to 2031, are for the rental of office space across the US, Luxembourg, Bermuda, and Guernsey.

In line with ASC 842, *Leases*, the Company has recognized a lease liability, and a corresponding right of use asset.

CONVEX RE LIMITED

Notes to the Consolidated Financial Statements
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(c) Leases (continued)

The lease liability recognized is the total of the present value of the fixed payments in line with the signed lease agreements across the various jurisdictions. The fixed payments were discounted using the treasury rates in each jurisdiction for the duration of the lease term.

The right of use asset recognized is the present value of the the lease liability adjusted for the payment holiday received at the inception of the lease. The payment holiday is amortized over the remaining life of the lease.

The following table summarizes the operating lease charge for the years ended December 31, 2024 and December 31, 2023:

	2024	2023
Amortization charge on right-of-use operating leased assets	\$ 1,264	\$ 1,684
Interest on operating lease liabilities	132	149
Release of lease incentive	(108)	(60)
Operating lease charge	\$ 1,288	\$ 1,773

The following table presents the lease balances within the consolidated balance sheets as of December 31, 2024 and December 31, 2023:

	2024	2023
Operating lease right-of-use assets	\$ 9,134	\$ 9,431
Operating lease liabilities	\$ 9,942	\$ 10,371
Weighted average lease term (years)	5.8	6.8
Weighted average discount rate	1.5 %	1.7 %

Future minimum rental commitments as of December 31, 2024 and December 31, 2023 under these leases are expected to be as follows:

	2024	2023
Payment due		
Not later than one year	\$ 1,825	\$ 1,726
Not later than two years	1,747	1,718
Not later than three years	1,659	1,698
Not later than four years	1,560	1,666
Later than five years	2,961	4,522
Total future annual minimum rental payments	9,752	11,330
Less: present value discount	190	(959)
Total operating lease liability	\$ 9,942	\$ 10,371

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14. Variable interest entities
Hypatia Ltd.

Hypatia Ltd. ("Hypatia") is licensed as a Bermuda domiciled special purpose insurer to provide reinsurance capacity to the Company and its subsidiaries through derivatives agreements which are collateralized and funded by Hypatia through the issuance of one or more tranches of principal-at-risk variable rate catastrophe bonds to third-party investors.

Upon issuance of a tranche of bonds by Hypatia, all of the proceeds are deposited into collateral accounts, separated by tranche, to fund any potential obligation under the agreements entered into with the Company and its subsidiaries underlying the tranche. The outstanding principal of each tranche generally will be returned to holders of the bonds upon the expiration of the risk period underlying each tranche, unless an event occurs, which causes a loss under the applicable tranche, in which case the amount returned will be reduced by such bondholder's pro rata share of such loss, as specified in the applicable governing documents of such bonds. In addition, holders of the bonds are generally entitled to interest payments, payable quarterly, as determined by the applicable governing documents of each tranche of bonds.

Hypatia meets the definition of a VIE because it does not have sufficient equity capital to finance its activities. The Company has evaluated its relationship with Hypatia and concluded that the Company is not the primary beneficiary because it does not have an obligation to absorb losses or receive benefits that could potentially be significant to the VIE. As a result, the Company does not consolidate the financial position or results of operations of Hypatia. The Company has not provided any financial or other support to Hypatia that it was not contractually required to provide.

The transactions related to Hypatia that are recorded in the Company's consolidated financial statements are the payments made to Hypatia in respect of contracts purchased. As of December 31, 2024 and December 31, 2023, all contracts purchased from Hypatia are accounted for as reinsurance contracts.

15. Credit facilities
Bilateral Letter of Credit Facilities
Uncommitted Standby Letter of Credit Facility with Citibank Europe

The Company and certain of its subsidiaries and affiliates are parties to a Standby Letter of Credit Agreement dated February 12, 2020 with Citibank Europe Plc, under which Citibank made available a letter of credit facility in the amount of \$200,000. The facility was renewed on November 25, 2021 and increased to \$300,000. The agreement provides for a secured, uncommitted facility under which letters of credit may be issued from time to time. The facility will be used to secure obligations to its policyholders. Pursuant to the agreement, the applicants may request secured letter of credit issuances. The agreement contains representations, warranties and covenants that are customary for facilities of this type. Under the agreement, each applicant is required to pledge eligible collateral having a value sufficient to cover all of its obligations under the agreement with respect to secured letters of credit issued for its account. At December 31, 2024, there were \$240,188 (2023: \$231,607) of secured letters of credit outstanding under this agreement, secured by collateral in the amount of \$325,519 (2023: \$325,344).

CONVEX RE LIMITED

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15. Credit facilities (continued)
Committed Standby Letter of Credit Facility with Lloyds Bank plc

On November 10, 2021, a new Standby Letter of Credit Facility Agreement with Lloyds Bank plc ("Lloyds") was established, under which Lloyds committed to a letter of credit facility in the amount of \$200,000. On November 22, 2021, the facility was amended to increase the overall commitments to \$300,000. On November 23, 2022, the facility was amended to include a \$100,000 unsecured accordion clause. On January 24, 2023, CRL and CIL as the borrowers on the Lloyds Letter of Credit Facility, increased the facility to include a \$50,000 USD unsecured tranche. On October 31, 2023, the facility was extended for one additional year set to expire on November 10, 2024. The letter of credit facility has both secured and unsecured tranches and supports the Company's insurance and reinsurance obligations. On December 3, 2024 the facility was renewed in the amount of \$300,000 for two additional years set to expire on November 30, 2026, with the potential to extend to November 30, 2027. The letter of credit facility includes a \$200,000 secured tranche and \$100,000 unsecured tranche. As at December 31, 2024, there were letters of credit outstanding under this facility totalling \$231,331 (2023: \$281,921), secured by collateral in the amount of \$240,388 (2023: \$351,078).

Committed Standby Letter of Credit Facility with Barclays Bank plc

On December 23, 2022, a new Standby Letter of Credit Facility Agreement with Barclays Bank plc ("Barclays") was established, under which Barclays committed to a letter of credit facility in the amount of \$100,000, with a \$100,000 secured accordion. The letter of credit facility is \$75,000 secured and \$25,000 unsecured and supports the Company's insurance and reinsurance obligations. The facility was renewed on December 6, 2024 for 2 additional years, set to expire on December 31, 2026 with the potential to extend for one further year. The facility was amended to increase the overall commitments to \$150,000 to include a \$100,000 secured tranche and a \$50,000 unsecured tranche. As at December 31, 2024, there were letters of credit outstanding under this facility totalling \$90,412 (2023: \$80,343), of which \$73,840 were issued under the secured facility, secured by collateral in the amount of \$85,901 (2023: \$82,179).

Committed Standby Letter of Credit Facility with ING Bank N.V.

On December 17, 2024, a new Standby Letter of Credit Facility Agreement with ING Bank ("ING") was established, under which ING committed to a letter of credit facility in the amount of \$150,000. The letter of credit facility is \$150,000 unsecured and supports the Company's insurance and reinsurance obligations. The facility is set to expire on December 30, 2026 with the potential to extend by one more year. As at December 31, 2024, there were letters of credit outstanding under this facility totalling \$23,612.

16. Related party transactions

Included in "Operating expenses" in the consolidated statements of income and comprehensive income are expenses which relate to professional services, accommodation, travel and entertainment which were provided by various related parties of the Company and amounted to \$1,709 for the year ended December 31, 2024 (2023: \$978). There were \$nil balances in accounts payable at December 31, 2024 (2023: \$nil) relating to these transactions.

Included in "Gross premium written" in the consolidated statements of income and comprehensive income are gross premiums written with various related parties of the Company and amounted to \$527,980 (2023: \$371,901). The primary related party was Howden UK Group Limited which produced \$361,517 of the gross premium written (2023: \$284,536).

Included in "Losses and loss adjustment expenses" in consolidated statements of income and comprehensive income are losses paid to related parties of the company which amounted to \$92,988 (2023: \$207,132). The primary related party was Howden UK Group Limited to which losses paid were \$70,764 (2023: \$148,393).

Kelly Lyles, a director of the Company, serves as a director for Howden UK Group Limited. There was a balance of \$34,800 in insurance receivables at December 31, 2024 (2023: \$90,236) related to Howden UK Group Limited.

Nicholas Lyons, a director of the Company, serves as a director for Miller Insurance Services. There was a balance of \$47,600 in insurance receivables at December 31, 2024 (2023: \$25,650) related to Miller Insurance Services.

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17. Statutory and regulatory requirements

The Company has operations which are subject to laws and regulations in Bermuda, United Kingdom, Luxembourg, Guernsey and the United States of America.

The Company's (re)insurance subsidiaries prepare their statutory financial statements in conformity with statutory accounting practices prescribed or permitted by the applicable local laws and relevant regulatory authority. The statutory financial statements may vary materially from statements prepared in accordance with U.S. GAAP.

The Company and its subsidiaries are required to maintain certain measures of solvency and liquidity which provide restrictions on declaring dividends and distributions. Statutory capital and surplus as of December 31, 2024 and statutory net income for the year ended December 31, 2024 will not be filed with the BMA until April 2024. Statutory capital and surplus as at December 31, 2024 and statutory net income for the year ended December 31, 2024 for our (re)insurance subsidiaries in Bermuda, U.K., Luxembourg, and Guernsey were as follows:

	2024		Statutory net income/(loss)
	Statutory capital and surplus		
	Required	Actual	
Bermuda	1,285,699	3,145,153	597,335
U.K.	1,394,313	2,100,683	176,619
Luxembourg	60,035	88,163	2,490
Guernsey	492	5,671	(2,293)

	2023		Statutory net income/(loss)
	Statutory capital and surplus		
	Required	Actual	
Bermuda	861,555	2,548,016	493,184
U.K.	1,238,167	1,912,275	169,464
Luxembourg	61,264	86,301	7,801
Guernsey	366	3,664	(1,967)

(a) Bermuda

At December 31, 2024 the Company, a Class 4 Bermuda-based insurer, is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR") where applicable. The ECR is equal to the higher of the MSM or the Bermuda Solvency Capital Requirement ("BSCR") model or approved internal capital model.

The ability of the Company to pay dividends is limited under Bermuda law and regulations. The Insurance Act provides that a Class 4 Bermuda insurer may not declare or pay, in any financial year, dividends of more than 25% of its total statutory capital and surplus (as shown on its statutory balance sheet in relation to the previous financial year) unless it files with the BMA at least seven days prior to the payment, an affidavit signed by at least two directors and the Company's principal representative, stating that in their opinion, the Company will continue to satisfy the required margins following declaration of those dividends, however, there is no additional requirement for BMA approval.

In addition, before reducing its total statutory capital by 15% or more, a Class 4 Bermuda insurer must make application to the BMA for permission to do so. Such application shall consist of an affidavit signed by at least two directors and the Company's principal representative stating that in their opinion the proposed reduction in capital will not cause such subsidiaries to fail to meet its relevant margins, and such other information as the BMA may require.

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The Company's primary restrictions on net assets consist of regulatory requirements placed upon it to hold minimum amounts of total statutory capital and surplus. There were no other material restrictions on net assets in place as of December 31, 2024.

(b) U.K.

The required and actual statutory requirements in the U.K. category in the table above relate to CIL. Under the jurisdiction of the United Kingdom's Prudential Regulation Authority ("PRA"), the Company's London based subsidiary, CIL must always maintain a margin of solvency under the Solvency II Directive from the European Insurance and Occupational Pensions Authority which was effective January 1, 2016. The regulations stipulate that insurers are required to calculate their minimum capital requirement ("MCR") and solvency capital requirement ("SCR"). Insurers can either apply for approval of an internal model to calculate the SCR or adopt the standard formula. CIL has utilized the standard formula for the SCR. As of December 31, 2024, the SCR of CIL was \$1,394,313 (2023: \$1,238,167) and there was surplus capital of \$706,370 (2023: \$674,108) with actual Own Funds Available of \$2,100,683 (2023: \$1,912,275).

The PRA regulatory requirements impose no explicit restrictions on CIL's ability to pay a dividend, but the Company would have to notify the PRA 28 days prior to any proposed dividend payment. Dividends may only be distributed from profits available for distribution. At December 31, 2024 CIL had \$189,124, (2023: \$12,505) retained profits available for distribution.

(c) Luxembourg

The required and actual statutory requirements in the Luxembourg category in the table above relate to CES. Under the jurisdiction of Luxembourg's Commissariat aux Assurances ("CAA"), the Company's Luxembourg based subsidiary, CES must always maintain a margin of solvency under the Solvency II Directive from the European Insurance and Occupational Pensions Authority which was effective January 1, 2016. The regulations stipulate that insurers are required to calculate their minimum capital requirement ("MCR") and solvency capital requirement ("SCR"). Insurers can either apply for approval of an internal model to calculate the SCR or adopt the standard formula. CES has utilized the standard formula for the SCR. As of December 31, 2024, the SCR of CES was \$60,035 (2023: \$61,264) and there was surplus capital of \$28,128 (2023: \$25,037), with actual Own Funds Available of \$88,163 (2023: \$86,301).

The CAA regulatory requirements impose no explicit restrictions on CES's ability to pay a dividend, but the Company would have to notify the CAA 28 days prior to any proposed dividend payment. Dividends may only be distributed from profits available for distribution.

(d) Guernsey

The required and actual statutory requirements in the Guernsey category in the table above relate to CGU. Under the jurisdiction of the Guernsey Financial Services Commission ("GFSC"), the Company's Guernsey based subsidiary, CGU must always maintain a margin of solvency under the Insurance Business (Solvency) Rules and Guidance, 2021. The regulations stipulate that insurers are required to calculate their minimum capital requirement ("MCR") and prescribed capital requirement ("PCR"). As of December 31, 2024, the MCR of CGU was \$125 (2023: \$127) and the PCR was \$492 (2023: \$366) and there was surplus capital of \$5,179 (2023: \$3,298), with actual Regulatory Capital Available of \$5,671 (2023: \$3,664).

The GFSC regulatory requirements impose no explicit restrictions on CGU's ability to pay a dividend. Dividends may only be distributed from profits available for distribution. At December 31, 2024, CGU had \$nil (2023: \$nil) retained profits available for distribution.

18. Subsequent events

The Company has completed its review of events after the balance sheet date of December 31, 2024 through April 30, 2025, the date the financial statements were available to be issued, and concluded that there are no subsequent events requiring recognition or disclosure.

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