CATALINA

CATALINA HOLDINGS (BERMUDA) LTD.

FINANCIAL CONDITION REPORT

DECEMBER 31, 2021

Table of Contents

Executive Summary

Catalina Holdings (Bermuda) Ltd.

Catalina Holdings (Bermuda) Ltd. ("**CHBL", "the Company",** or **"Catalina",** together with its subsidiaries**, "the Group")**, incorporated on June 25, 2007, is a holding company incorporated under the laws of Bermuda. Catalina, through its subsidiaries located in Bermuda, the United States, the United Kingdom, Ireland, Switzerland, Singapore and Malaysia, acquires and manages non-life insurance and reinsurance companies and portfolios insurance and reinsurance business in run-off.

As at December 31, 2021, Catalina had thirteen regulated entities of which the most significant are Catalina General Insurance Ltd. ("**CatGen**"), Catalina Worthing Insurance Limited ("**CWIL**" formerly Hartford Financial Products International Limited), SPARTA Insurance Company ("**SPARTA**"), AGF Insurance Limited, Catalina London Limited ("**Catalina London**"), Glacier Reinsurance Limited ("**Glacier Re**"), Asia Capital Reinsurance Group Pte Limited ("**ACR**") and Catalina Insurance Ireland dac ("**CII**").

This Financial Condition Report for the year ended December 31, 2021 has been prepared in accordance with the requirements of the Insurance (Public Disclosure) Rules 2015 and the Insurance (Group Supervision) Rules 2011. It covers the business and performance of the Group and CatGen, as well as their Governance Structure, Risk Profile, Solvency Valuation and Capital Management.

Catalina recently produced a full Group Solvency Self-Assessment ("**GSSA**") which was approved by the Board Risk Committee, under delegation from the Board of Directors, on May 26, 2022. The GSSA is an integral part of the Group and is taken into account on an on-going basis in strategic decisions.

Within Catalina, the principal risks that are managed are financial risks, underwriting risk, reserving risk, market risk, liquidity and credit risk through investments and the past insurance and reinsurance underwriting activities of the Catalina's regulated subsidiaries. These risks are controlled through the application of Enterprise Risk Management Programs and associated frameworks. These frameworks of policies, procedures and internal controls assist companies within Catalina in assessing, managing and controlling these exposures. Catalina's executives closely monitor the operations and results of the subsidiary companies against risk appetite.

Catalina General Insurance Ltd.

CHBL's Designated Insurer is Catalina General Insurance Ltd. CatGen is licensed as a Class 3B general business and Class C long-term insurer. CatGen was reclassed from Class 3A to 3B general business insurer, after gaining approval from the BMA on June 25, 2019.

CatGen reinsures related parties and third parties through quota share, facultative and excess of loss reinsurance agreements loss portfolio transfer agreements covering U.S. and international property, marine, aviation, U.S. and international casualty, professional, international motor, health and other risks. CatGen also has reinsurance arrangements that limit its exposure to certain contracts on a per occurrence and aggregate basis. CatGen (via Alea (Bermuda) Ltd. ("**Alea**")) also wrote life insurance policies in Europe and structured settlement contracts in Canada. CatGen''s current license issued by the Bermuda Monetary Authority ("**BMA**") precludes it from underwriting additional insurance business without permission from the BMA.

Effective August 1, 2021, Catalina Echo Limited ("**Echo**") and Catalina Foxtrot Holdings Limited ("**Foxtrot**"), previously direct subsidiaries of CHBL, had their shareholdings transferred to Catalina Alpha Ltd., ("**CatAlpha**"), which immediately thereafter

transferred its shareholding to CatGen. CatGen now includes these entities within its results. The restatement of CatGen's consolidated financial results have been retrospectively applied to all previously reported periods within the FCR.

Significant New Business

U.K. Home Warranty Loss Portfolio Transfer

On March 31, 2021, CHBL through its wholly owned subsidiary CatGen entered into a 75% quota share reinsurance agreement, which included U.K. builders' warranty insurance underwritten between 2016 and 2019 underwriting years.

The transaction completed on May 27, 2021, at which point CatGen assumed net loss reserves for a total consideration of £231.0 million ($318.3 million).

U.S. Casualty Adverse Development Cover

On April 22, 2021, CHBL through its wholly owned subsidiary CatGen entered into an adverse development cover ("**ADC**") reinsurance agreement, covering a North American casualty assumed reinsurance portfolio for underwriting years 2013 to 2018.

The transaction completed on June 23, 2021, at which point CatGen assumed net loss reserves for a total consideration of $336.2 million.

Capital Management

The primary capital management objectives of the Group are to maintain a strong capital base to meet regulatory capital requirements at all times and to ensure that the Group has capital available to finance future acquisitions and reinsurance transactions. The Group strives for an appropriate capital structure that efficiently allocates the risk to the capital. Other than dividends paid to management shareholders, the Group has not declared dividends and earnings are retained to invest in future transactions. The Group's capital and risk management strategy were primarily unchanged over 2021.

Catalina Holdings (Bermuda) Ltd.

At December 31, 2021 CHBL's regulatory capital requirements were assessed as follows:

TABLE 1 - GROUP REGULATORY CAPITAL REQUIREMENTS

	2021	2020
	US$'000	US$'000
Eligible Capital	1,562,854	1,521,121
Minimum Margin of Solvency	506,841	505,058
Enhanced Capital Requirement	876,120	823,113
Bermuda Solvency Capital Requirement Ratio	178%	185%

Catalina General Insurance Ltd.

At December 31, 2021, CatGen's regulatory capital requirements were assessed as follows:

TABLE 2 - CATGEN REGULATORY CAPITAL REQUIREMENTS

	2021	2020*
	US$'000	US$'000
Eligible Capital	1,056,847	877,653
Minimum Margin of Solvency	294,342	237,160
Enhanced Capital Requirement	654,885	532,956
Bermuda Solvency Capital Requirement Ratio	161%	165%

* 2020 results as per 2020 submitted BSCR, all other CatGen 2020 balances in the FCR have been restated.

Further details of Catalina and CatGen's Eligible Capital and Solvency Capital Requirements are provided in item 5.

Item 1: Business and Performance

Company Information

Name of the insurance group:	Catalina Holdings (Bermuda) Ltd.
Address of its registered office:	The Belvedere Building, 2nd Floor 69 Pitts Bay Road Pembroke HM 08 Bermuda
Designated Insurer	Catalina General Insurance Ltd.
Group Supervisor:	Bermuda Monetary Authority ("**BMA**") BMA House 43 Victoria Street Hamilton Bermuda
Approved auditor:	Deloitte Ltd. Corner House 20 Parliament Street Hamilton HM 08 Bermuda

a) Ownership Details

In October 2017, affiliates of Apollo Global Management LLC (the "**Apollo Funds**") together with its consolidated subsidiaries ("**Apollo**"), signed a definitive agreement to acquire in aggregate approx. 91% of the ordinary voting shares of CHBL. At the same time, RenaissanceRe Ventures Ltd. ("**RenRe**") agreed to acquire approx. 6% of the ordinary voting shares of CHBL. The acquisition transaction closed on October 10, 2018. CHBL's remaining ordinary voting shares are held by certain members of executive management of the Group. The Apollo Funds and RenRe entered into a three-year Shareholder Commitment to fund CHBL's continued growth. That shareholder equity commitment expired on October 10, 2021.

CatGen is a wholly owned subsidiary of CatAlpha, which is in turn a wholly owned subsidiary of CHBL.

b) Group Structure

Please refer to the group structure below for our primary regulated insurance companies.

Figure 1.1 - Group structure (as at December 31, 2021)

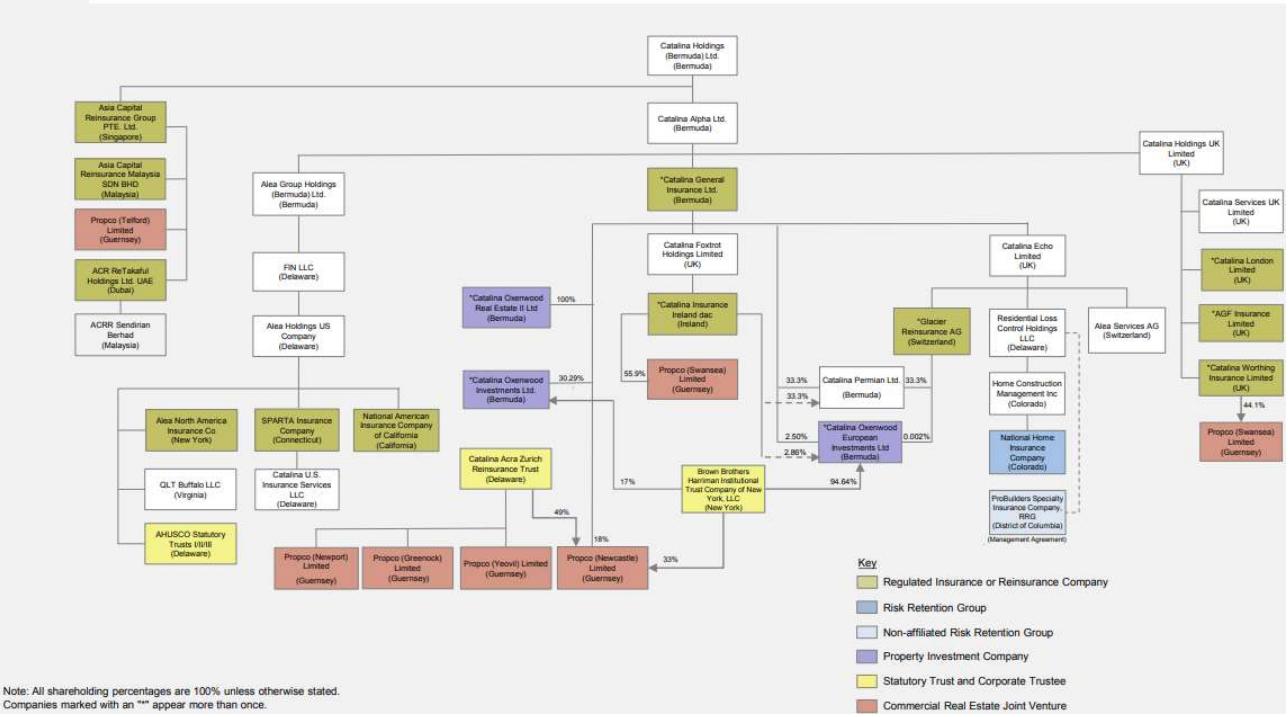
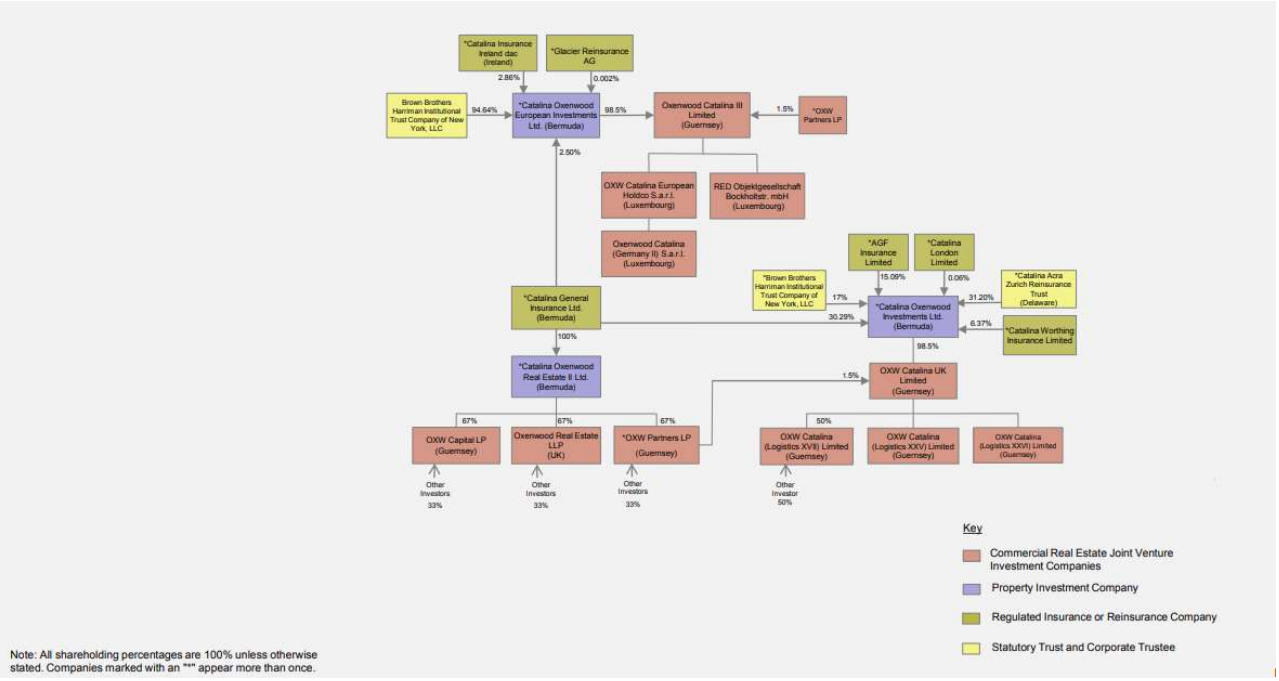


Figure 1.2 – Group Commercial Real Estate Joint Venture Structure



c) Insurance business written by business segment and by geographical region by the insurance group during the reporting period

Catalina Holdings (Bermuda) Ltd.

Catalina's insurance and reinsurance subsidiaries wrote business predominantly in the U.S. and U.K. Given that those subsidiaries are no longer actively writing new live business, premiums written are minimal and relate primarily to premium adjustments on existing policies. As such, the geographical distribution of net loss and expense provisions is more meaningful information than a geographical breakdown of premiums written. The geographical distribution of net loss and expense provisions for the Group at December 31, 2021 in US$ '000s equivalent was as follows:

TABLE 3 - GEOGRAPHICAL DISTRIBUTION OF NET LOSS AND EXPENSE PROVISIONS

2021	U.S.	U.K.	Other	Total
	US$'000	US$'000	US$'000	US$'000
Net Loss reserves	735,594	1,202,567	788,616	2,726,747

2020	U.S.	U.K.	Other	Total
	US$'000	US$'000	US$'000	US$'000
Net Loss reserves	492,681	1,043,370	1,078,494	2,614,545

Distribution of net loss and expense provisions by class of business across the Group was as follows:

TABLE 4 - DISTRIBUTION OF NET LOSS AND EXPENSE PROVISIONS BY CLASS OF BUSINESS

	2021		2020	
By material line of business:	**%**	**US$'000**	**%**	**US$'000**
Property	16.3%	444,866	10.4%	271,298
Marine, Aviation and Transport	3.6%	97,461	4.9%	127,680
U.S. Casualty	25.0%	682,369	18.2%	475,947
Professional	1.4%	39,208	0.3%	8,801
International Motor	1.9%	53,025	3.9%	100,651
International Casualty	40.9%	1,116,382	49.4%	1,292,192
Health – including periodic payment orders	5.8%	157,363	8.7%	227,683
Other	4.8%	130,409	3.8%	99,687
Long-term technical provisions	0.2%	5,664	0.4%	10,606
Total	**100%**	**2,726,747**	**100%**	**2,614,545**

Catalina General Insurance Ltd.

The geographical distribution of net loss and expense provisions for CatGen as at December 31, 2021 was as follows:

TABLE 5 - GEOGRAPHICAL DISTRIBUTION OF NET LOSS AND EXPENSE PROVISIONS

	U.S.	U.K.	Other	Total
2021	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Net Loss reserves	591,087	1,032,395	313,540	1,937,022

	U.S.	U.K.	Other	Total
2020	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Net Loss reserves	390,783	852,866	394,645	1,644,355

Distribution of net loss and expense provisions by class of business across CatGen was as follows:

TABLE 6 - DISTRIBUTION OF NET LOSS AND EXPENSE PROVISIONS BY LINE OF BUSINESS

	2021		2020	
By material line of business:	**%**	**US$'000**	**%**	**US$'000**
Property	13%	252,342	0.5%	7,552
Marine, Aviation and Transport	0.8%	15,285	1.2%	19,790
U.S. Casualty	28.1%	544,098	21.8%	358,549
Professional	2.0%	38,791	0.5%	7,958
International Motor	1.4%	26,593	2.2%	35,961
International Casualty	45.4%	879,674	61.9%	1,107,726
Health – including periodic payment orders	6.6%	126,960	10.7%	176,719
Other	2.5%	47,615	0.6%	9,495
Long-term technical provisions	0.2%	5,664	0.6%	10,606
Total	**100%**	**1,937,022**	**100%**	**1,644,355**

d) Performance from underwriting activities

Catalina Holdings (Bermuda) Ltd.

The table below shows the underwriting performance for Catalina for the year ended December 31, 2021, together with comparatives for the previous year, as reported in the U.S. Generally Accepted Accounting Principles ("**GAAP**") financial statements. During 2021, Catalina generated a run-off income of $45.0 million (2020: ($0.1) million loss).

TABLE 7 - GROUP RUN-OFF INCOME

	2021	2020
	US$'000	US$'000
Net run-of (loss) income	45,010	(138)

The net run-off income for the year ended December 31, 2021 was primarily generated from ACR. The U.K. Asbestos portfolio also was a positive contributor for 2021 underwriting income. These were offset by adverse experienced in CWIL and Catalina London, primarily driven by U.S. abuse claims at CWIL and U.K. asbestos claim severity at Catalina London.

Catalina General Insurance Ltd.

The table below shows CatGen's underwriting performance for the year ended December 31, 2021, together with comparatives for the previous year, as reported in the U.S. GAAP financial statements. During 2021, CatGen generated a run-off loss of $1.9 million (2020: ($33.8) million loss).

TABLE 8 - CATGEN RUN-OFF INCOME

	2021	2020
	US$'000	US$'000
Net run-of (loss) income	(1,845)	(33,766)

The net run-off loss for the year ended December 31, 2021 was $1.9 million. This was driven by premium and commission income of $0.5 million from business running-off and offset by net unfavorable loss and loss adjusting expense development of $2.3 million. This was primarily driven by $6.9 million of adverse development on U.S. casualty lines as a result of a strengthening in U.S. abuse claims. International casualty lines also showed $1.2 million of adverse development, while employers liability lines incurred $1.0 million of adverse development, primarily driven by asbestos exposures. International motor lines of business experienced $1.0 million of adverse development following increases in tail end expectations on claim duration. This was partially offset by favorable development on builders' warranty of $1.9 million, while marine and aviation lines incurred $3.0 million of reduction in estimates of net ultimate losses due to favorable experience across the sector. In addition, property lines experienced favorable development of $1.6 million during the year.

Offsetting these net unfavorable reserve changes, CatGen recognized $7.9 million in net deferred income on retroactive reinsurance, as well as cost savings on $0.9 million on coverage settlement recovery. These two items were partially offset by unallocated loss adjustment expenses of $6.1 million and $1.3 million of changes in the provision for reinsurance during the year ended December 31, 2021.

The Group and CatGen continue to expect further run off income through active claims management and advantageous commutations resulting in future reserve redundancies.

e) Performance from investing activities

Catalina's priorities in its investment approach are defined as:

1. Solvency preservation;
2. Liquidity maintenance; and
3. Generation of attractive risk adjusted returns

Catalina Holdings (Bermuda) Ltd.

The table below shows the investment income performance for Catalina for the year ended December 31, 2021, together with comparatives for the previous year.

TABLE 9 - INVESTMENT INCOME PERFORMANCE

	2021			2020		
	Total Investment Return	Market Value	Return (%)	Total Investment Return	Market Value	Return (%)
Investment Type	US$'000			US$'000		
Fixed Maturities	68,910	2,675,760	2.6%	48,597	2,584,477	1.9%
Equities	2,769	6,343	31.9%	3,315	10,990	8.2%
Other Investments	117,328	1,207,769	10.5%	45,070	1,002,153	5.4%
Cash and cash equivalent (including restricted cash)	697	578,797	0.1%	1,378	602,128	0.2%
Real Estate	6,387	250,654	3.5%	45,995	107,900	22.5%
Investment expenses	(9,115)	-	(4.9%)	(6,789)	-	(4.9%)
Total	**186,976**	**4,719,323**	**4.1%**	**137,566**	**4,307,648**	**3.3%**

Investments are recognized and measured at fair value with subsequent changes to the fair value recorded within net gains (losses) on investments. Overall performance in 2021 was driven by strong investment market and private equity investment returns.

Catalina General Insurance Ltd.

The table below shows the investment income performance for CatGen for the year ended December 31, 2021.

TABLE 10 - CATGEN INVESTMENT INCOME PERFORMANCE

	2021			2020		
	Total Investment Return	Market Value	Return (%)	Total Investment Return	Market Value	Return (%)
Investment Type	US$'000			US$'000		
Fixed Maturities	34,777	1,966,726	1.8%	7,234	1,792,033	0.4%
Equities	2,686	2,638	50.2%	(2,825)	8,062	(7.8%)
Other Investments	38,665	637,741	8.3%	(11,028)	295,170	(2.9%)
Cash and cash equivalent (including restricted cash)	245	306,192	0.1%	339	243,183	0.2%
Real Estate	6,240	226,700	4.0%	45,995	81,500	24.9%
Investment expenses	(4,385)		(5.6%)	(4,357)		(12.3%)
Total	**78,228**	**3,139,997**	**2.8%**	**35,358**	**2,419,948**	**1.4%**

Overall investment returns at CatGen were up when compared to prior year. The Company benefited from relatively stable interest rates throughout the year as the global economy emerged from the impacts of the Covid pandemic in its second year. Foreign currencies which can have an impact on performance in our fixed income portfolio are subject to changes in British pound, U.S. dollar and Euro exchange rates and were managed to minimize any downside.

Investment performance across all asset classes were strong with continued upward movement in market values across fixed maturities and equities. As the company continued to align with its optimal asset allocations, successfully redeploying earnings from a material sale in real estate during 2020 and into new properties throughout the year, and maintaining our management fees, the investment returns benefited from this discipline. Additionally, with the expansion of the portfolio with two new reinsurance transactions, capital contributed, and dividends subsequently paid to CHBL, the net increase in total invested assets allowed for incrementally higher returns.

f) Any other material information

Not applicable.

Item 2: Governance Structure

a) General Governance arrangements

The Catalina Board of Directors ("**CHBL Board"**) has mandated a basis for effective risk management dictated by a clear system of governance that covers all significant aspects of the business, provides an open forum for challenge, and allocates clear responsibilities for both collective management committees and individuals. In addition, there are clear responsibilities within the Company for four (4) key functions –

- Risk management;
- Actuarial;
- Compliance; and
- Internal audit.

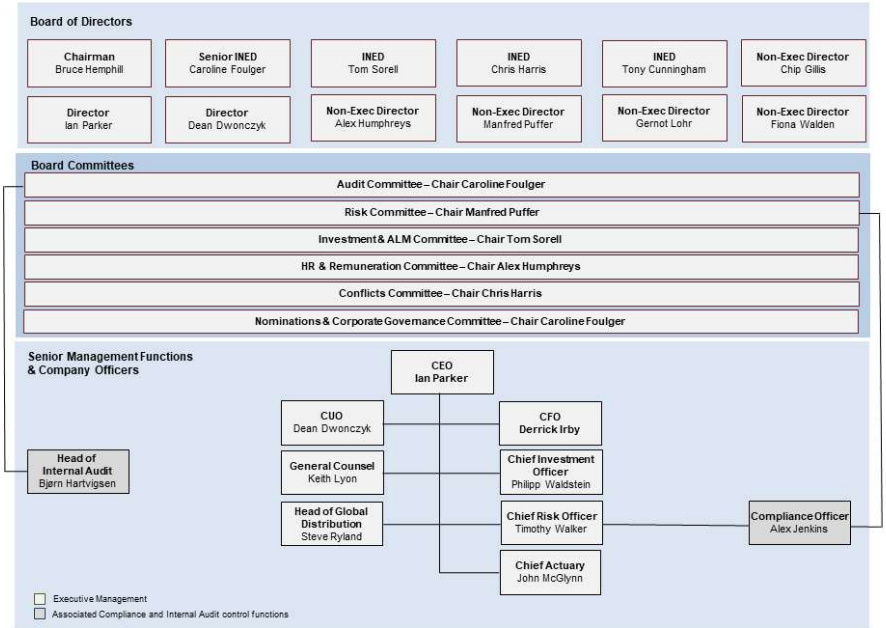
Catalina manages governance at two distinct levels across the Group, at a consolidated Group level and also at the individual operating company level.

b) Board and Senior Executive

The structure of the CHBL Board aligns with the Shareholders' Agreement and is in accordance with the CHBL bye-laws. These documents set out the Board's responsibilities and sphere of influence on the business. The CHBL's Board consists of twelve members: six shareholders' representatives, two management representatives and four independent non-executive ("**INED"**) members.

Group wide management functions such as strategic issues, overall planning, risk management, group investment allocation, etc., are handled at the CHBL Board level and implemented by the management and Boards at the operating company level.

Board and Senior Executive structure:



Roles, Responsibilities and Segregation of Responsibilities

The CHBL Board has regularly scheduled quarterly meetings where it reviews the financial results of the Group and all underlying operating companies. This includes a full update on Group reserves, risk management and investment results. In addition, the Board receives updates on Group results against annual business objectives and budgets so that progress against these goals can be measured and monitored.

The CHBL Board has appointed a number of sub-committees (collectively, "**Sub-Committees**"): an audit committee ("**Audit Committee"**), a risk committee ("**Risk Committee"**), a conflicts committee ("**Conflicts Committee"**), a HR & Remuneration Committee ("**RemCom"**), an Investment & ALM Committee ("**I&ALM Committee"**) and a nominating and corporate governance committee ("**NomCom"**). Terms of reference or a charter (collectively "**ToRs**") govern the membership, purpose and proceedings of each of the CHBL sub-committees.

The CHBL Board Sub-Committees meetings (excluding the Conflicts Committee which meets on an ad hoc basis, when required) are held on a quarterly basis or otherwise as needed.

- The Audit Committee is designed to oversee the Company's accounting and financial reporting process and systems, the quality and integrity of its financial statements, the qualifications, independence and performance of the external and internal auditors and compliance with legal and regulatory requirements with respect to accounting and financial reporting.
- The RemCom is responsible for reviewing and considering the terms of employment and appropriate levels of compensation for the senior executive management.
- The Conflicts Committee is responsible for evaluating, voting upon and, if appropriate, consenting to certain material transactions between the Company and its subsidiaries, on the one hand, and any member or members of the Apollo Group, on the other hand.
- The Risk Committee assists the executive officers and the Board and its subsidiaries in ensuring that the Group fulfils its enterprise risk management and control responsibilities in accordance with (i) the various supervisory and regulatory requirements under which it operates and (ii) the strategic wishes of its shareholders. The Risk Committee ToRs address its composition, purpose, objectives and responsibilities, authority and process. Pursuant to its ToRs, the Risk Committee adopted a Risk Appetite Statement and Risk Management Policy. The Risk Committee meets regularly to review the risk exposures and regularly reviews the appetite and management policy and Catalina's processes and procedures as they relate to the risks facing the Company.
- The I&ALM Committee is responsible for recommending investment policies and processes and guidelines for the Group to the CHBL Board. It also consults with the investment team at Catalina regarding specific investment opportunities and has supervisory responsibilities over investments.
- The NomCom is responsible for reviewing and recommending CHBL Board and Sub-Committee appointments and succession planning as well as reviewing board and board sub-committee appointment and succession planning recommendations at the operating company level.
- Additional shareholder committees:
  - There is an ad hoc Transactions Committee comprised of three shareholder representatives and Catalina's CEO and Chief Underwriting Officer that meets to discuss potential reinsurance and acquisition transactions.

In addition, CHBL's senior management team has established an executive committee ("**ExCo"**). ExCo holds bi-weekly meetings which are an important tool to increase coordination across the Group. Senior managers provide updates on local and group level initiatives and operational tasks and discuss areas for profitable collaboration.

Subsidiary Governance Structure

In addition to Group level governance, the Group also has in place a robust layer of governance at each operating company. Each regulated operating company has in place a Board and an audit committee and a risk committee to facilitate oversight of the operations of each licensed insurer in the Group. The audit and risk committees of each operating company are governed by their respective ToRs and are charged with assisting the Board of each operating company in its oversight of (i), in the case of an audit committee, the integrity of the operating company's financial statements, the operating company's compliance with legal and regulatory requirements, the qualifications, performance and independence of the operating company's independent auditors and the performance of the Company's internal audit function; and (ii) and, in the case of a risk committee, oversight of the operating company's risk management function.

In addition to the subsidiary Board and Board sub-committees, each operating company has a number of committees (each, an "**Operating Committee**") that function in an advisory capacity. These may include (i) a commutations and complex and large loss committee, or equivalent, that tracks progress against that operating company's commutation objectives and assesses its claims greater than a certain threshold amount depending on the risk profile of the insurance business that was written; and (ii) a reserving committee that reviews each operating company's periodic reserve reviews, generally undertaken not less frequently than semi-annually. The operating companies may also have their own executive committees which assist the chief executive officer (CEO) in the exercise of his or her duties.

The members of the subsidiary Boards and sub-committees are comprised of (i) senior management from the relevant operating company; (ii) senior management responsible for Group functions (such as the Group CEO, or Group chief financial officer); and, in most cases, one or more INEDs.

Policies & Practices of Catalina Holdings (Bermuda) Ltd. Board and Sub-Committees

The CHBL Board and Sub-committees (Audit Committee, RemCom, Conflicts Committee, I&ALM Committee, NomCom and Risk Committee) are established in accordance with CHBL's Shareholders' Agreement and bye-laws and are governed by their respective ToRs.

The Catalina Board currently has four (4) INEDs. Each of the Audit Committee, Conflicts Committee, NomCom and I&ALM Committee are chaired by an INED.

At the subsidiary level, each operating company's bye-laws or articles gives details on Board meeting structure, frequency and voting in addition to the requirements of its directors and officers.

Remuneration Policy

The Group has in place a robust performance evaluation system that is applicable to all staff. All staff are required to set performance objectives, aligned to corporate objectives, under categories of Financial & Operational, Cost Management, Project & Process Improvement and Teamwork & Leadership. Staff compensation and discretionary bonuses are based on the output of annual appraisals from team managers, as well as overall Group performance.

Each employee (including the Senior Executive Team) has a fixed and variable compensation package, which has been implemented to align employee incentives with the interests of policyholders and shareholders. The variable compensation component is measured based on the performance of the Group over the year, which in turn is related to the adequacy and volatility of assets and liabilities, so employees are incentivized to manage asset and liability risk prudently to meet performance objectives based on the long-term risk profile of the Company, including the total lifetime of the liabilities. Certain of the Group's senior executives also hold equity stakes in CHBL and certain risk-taking functions at the operating company

level and in the asset management team have deferred variable compensation that vests over several years (with a claw back provision).

The RemCom provides appropriate oversight and approval for remuneration policies at the Group. It is responsible for the review and approval of senior management's terms of employment and appropriate levels of compensation. It has the power to make recommendations to the CHBL Board in relation to resolutions required to implement any grants of CHBL stock and to oversee the administration of any equity-based compensation scheme.

Pension or Early Retirement Schemes for Members, Board and Senior Employees

The Group provides all employees with pension benefits, either through a defined contribution pension programme or through a benefits allowance that the employee can use to make a contribution to a personal pension plan. CHBL does not have any early retirement schemes.

Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions

During 2021 there have been the following transactions in regard to key persons:

- Apollo Funds remain majority shareholders of the Company.
- The Group continues to have investments in certain Apollo managed funds: Apollo Credit Allocation Fund II Class A, Apollo Credit Allocation Fund III, Apollo Credit Allocation Fund V, Apollo European Principal Finance Fund III L.P., Apollo AP Highlands, Apollo Asia Real Estate Fund L.P. and Apollo Offshore Credit Fund. The total fair value of the Group's investments in these funds as of December 31, 2021 is $438.5m of investments at fair value (2020: $292.4 million or 7.6%).

c) Fitness and Propriety Requirements

Fit and proper process in assessing Board and Senior Executives, and other staff identified as material risk personnel

Catalina has implemented consistent processes for assessing fitness and propriety ("**F&P**") which are applied at all stages of 'people management' – with increasing complexity and focus on those qualifying as "Material Risk Personnel"). The Group Fitness & Propriety Policy establishes a risk-based approach which complements any applicable local conduct and accountability requirements (such as the U.K.'s Senior Managers Certification Regime and Singapore's Individual Accountability and Conduct standard) as well as controls implemented for conflict of interests and remuneration risk. Workplace culture is further sustained from controls ensuring instances of non-financial misconduct are recognised and dealt with and are not rewarded inadvertently – nor seen to be. Assurance for the operation of the F&P Policy's associated frameworks is overseen by the group's second line Compliance Function which provides a general advisory role for F&P to the Group Head of Human Resources.

All of CHBL's Board members are selected based on their extensive experience and knowledge of (re)insurance or financial services in general. Investor Shareholders are able to nominate candidates to sit on the CHBL Board and any such candidate is fully vetted by CHBL's management, applying assessment criteria set forth in the above F&P frameworks. Management at Group and operating company level ensure that Material Risk Personnel are identified and filled by staff who are demonstrably qualified for the role and are likely aligned to the culture and interests of Catalina.

At each operating company, the Chief Executive Officer ("**CEO**") is responsible for ensuring that activities are undertaken and managed by professionals with the appropriate experience, skill levels, and degrees of specialisation.

All prospective employees are required to undergo a range of checks that enable an informed decision to be made about the suitability of an individual for employment. These checks include the following verifications/checks:

- ID Verification;
- Employment History Verification;
- Verification of qualifications; and
- Authorization to work in jurisdiction

In addition, the following check is performed for members of senior management:

- External directorship/conflict of interest checks

These checks are conducted independently to any checks performed by a financial regulator under its fit and proper review for "approved persons".

The Group Head of Human Resources oversees the remuneration model applied to all Material Risk Personnel – to ensure its alignment with Catalina's stated interests, and that inappropriate decision making/risk taking is not encouraged.

Catalina Holdings (Bermuda) Ltd.

Board and Senior Executives Professional Qualifications, Skills and Expertise

The Board Directors and Senior Executives of both CHBL and CatGen have considerable experience in (re)insurance, legal, accounting, actuarial, investment and general financial services matters. Board membership is comprised of Actuaries, Accountants, Investment and Insurance professionals and Lawyers in addition to shareholder appointment members with extensive experience in investment banking and insurance management. This combination of expertise provides excellent oversight and input on Catalina's three main risk areas: acquisitions, loss reserves and investment management.

TABLE 11 - GROUP BOARD MEMBERS AND THEIR PROFESSION

Name	Board Position	Profession
Bruce Hemphill*	Chair & Non-Executive	Insurance Executive
Ian Parker**	CHBL CEO & Director	Insurance Executive
M. Dean Dwonczyk***	CHBL Director	Actuary
Alexander Humphreys	Apollo	Investment Manager
Gernot Lohr	Apollo	Investment Manager
Manfred Puffer	Apollo	Investment Manager
Frank "Chip" Gillis	Athene Life Re	Insurance Executive
Caroline Foulger	Senior Independent Director	Accountant
Tom Sorrell	Independent Director	Investment Manager
Anthony Cunningham	Independent Director	Actuary
Christopher Harris	Independent Director	Actuary & Insurance Executive
Fiona Walden	Renaissance Re	Lawyer & Insurance Executive

* Bruce Hemphill appointed Chair on 2 February 2022 (previously CHBL CEO)

** Ian Parker appointed as CHBL CEO on 2 February 2022

*** Brenda Lehmann is an alternate director to M. Dean Dwonczyk

Board Members

Bruce Hemphill

Bruce Hemphill was the non-executive Chairman of CHBL board until February 2021 when he became CHBL's interim Group Chief Executive. Bruce has significant financial services expertise and experience. As the former CEO of Old Mutual PLC, this experience includes working with governments, regulators, shareholders, bondholders and the media across international markets and jurisdictions. His previous board experience includes Chairman of Old Mutual Wealth, Chairman of Old Mutual Emerging Markets and Non-Executive Director at Nedbank. With the appointment of Ian Parker as CHBL's Group Chief Executive in February 2022, Bruce reverted to his previous position as non-executive Chairman of the CHBL board.

Ian Parker

Ian Parker joined Catalina as Group Chief Executive Officer in February 2022, bringing more than 25 years of experience across all aspects of the P&C industry. He previously held leadership roles at leading financial services firms including Equity Red Star, Hardy Underwriting Ltd, Zurich, RBS, and Direct Line Group. In his most recent position at ERS, the largest motor syndicate at Lloyd's, Ian was CEO for 7 years and led a major turnaround resulting in significant value creation for its investors. Ian has a strong operational track record and has worked closely with regulators across multiple jurisdictions.

Caroline Foulger

Caroline Foulger was the Senior Independent Director on the CHBL Board until February 2021 when she became the Company's interim Non-Executive Chair. Caroline was a partner at PwC from 2000 until May 2012, leading PwC's Insurance and Reinsurance practice in Bermuda. Caroline is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Institute of Chartered Accountants of Bermuda and a member of the Institute of Directors. Caroline is a Non-Executive Director of Hiscox. With Bruce Hemphill resuming the CHBL non-executive Chairman position in February 2022, Caroline also reverted to her previous position as CHBL's Senior Independent Director.

Dean Dwonczyk

Dean Dwonczyk is one of Catalina's co-founders and is Group Chief Underwriting Officer, having previously been the Group's Director of Liabilities and Risk Management and, before that, Group Chief Actuary. Dean began his career as an actuary in Australia in the area of non-life insurance and reinsurance actuarial consulting and structured finance. He has worked as a consulting actuary providing reinsurance structuring, modelling and arranging services to insurers and reinsurers. Dean has a degree in actuarial studies from Sydney's Macquarie University and is a Fellow of the Institute of Actuaries and a past General Representative of the U.K. Financial Services Authority.

Alex Humphreys

Alex Humphreys is a Senior Principal at Apollo, having joined in 2008. Prior to that time, Alex was with Goldman, Sachs & Co. in the Financial Institutions Mergers and Acquisitions team based in London. Alex graduated from University College London with a BSc in Economics.

Gernot Lohr

Gernot Lohr is a Senior Partner at Apollo, having joined in 2007. Prior to then, Gernot had been a founding partner at Infinity Point LLC, Apollo's joint venture partner for the financial services industry, since 2005. Gernot spent eight years in financial services investment banking at Goldman Sachs & Co. in New York. Gernot received his MBA from the MIT Sloan School of

Management and graduated from the University of Karlsruhe in Germany with a joint Master's Degree in Economics and Engineering.

Manfred Puffer

Dr. Manfred Puffer has served as a Senior Advisor to Apollo since October 2008. From 2006 to 2008, Manfred was a senior managing director in the Financial Institutions Group of Bear Stearns International, Head of Germany, Austria and Eastern Europe and a member of the European Executive Committee. From 2002 to 2005, Manfred was a member of the managing board of WestLB AG and Head of Investment Banking, Fixed Income, Equities and Structured Finance. Currently Manfred is a member of the supervisory board of Infineon Technologies AG. Manfred holds a Ph. D and a Master of Business Administration from the University of Vienna in Austria.

Frank "Chip" Gillis

Mr. Chip Gillis served as Athene Holding Ltd.'s Chief Executive Officer from June 2009 until his retirement in December 2019. Chip was also a member of its board of directors. Prior to founding Athene Holding Ltd., Chip was a Senior Managing Director of Bear Stearns & Company ("**BSC**") and was Head of the Bear Stearns' Insurance Solutions Group. In this position, he led BSC's entry into the funding agreement-backed note business and created the turn-key Premium Asset Trust Series program. Prior to joining BSC, Chip spent three years at GenRe Financial Products providing ALM hedging solutions to U.S. life companies. As well as the CHBL Board, Chip also serves on the boards of the Bermuda International Long-Term Insurers and Reinsurers Association and the Association of Bermuda International Companies. He received his Bachelor of Arts degree in English from the University of Richmond in the US.

Fiona Walden

With more than 16 years' experience in structuring, advising and working on financial transactions, Fiona Walden is SVP and Global Head of Credit at RenRe, joining in 2018 and specializing in the use of insurance for capital solutions, bank capital, mortgage insurance and strategic risks. Fiona is based in Bermuda. Previously, Fiona was Co-head of the Strategic Capital Products team at Liberty Specialty Markets and, prior to that, worked at Willis as Deputy Head of Structured Finance, a position she held from 2010 to 2015. Fiona previously worked as a Managing Associate at the law firm Linklaters in the U.K. where she specialized in tax law. Fiona has a Bachelor of Arts degree in Jurisprudence from Pembroke College, Oxford University, and an LPC from BPP Law School, London. In addition, Fiona holds the Chartered Institute for Securities and Investment Certificate in Investments (Securities & Financial Derivatives).

Tom Sorrell

Tom Sorell was an Executive Vice President and Advisor to the CEO at Guardian Life Insurance Company ("**GLIC**"), having previously served for 17 years as Chief Investment Officer at GLIC and its subsidiaries. Before that, Tom was Senior Managing Director and the head of GLIC's Fixed Income department and President of The Park Avenue Portfolio® Family of Mutual Funds. He also co-managed several GLIC-sponsored fixed income funds. Before joining GLIC in 1994, Tom held fixed income and investment management positions at Fund American Enterprises and AIG Investment Advisors, as well as institutional fixed income sales and research positions at Drexel Burnham Lambert and Kidder, Peabody & Company. Tom holds an MBA from New York University and a BA from Colgate University in the US. He has a Chartered Financial Analyst designation. He also serves on the board of the Forman School in Litchfield, CT, a college preparatory school for students with identified learning differences.

Christopher Harris

Chris Harris is a seasoned CEO and board member with over 25 years of global risk management, financial services, and leadership experience. Chris served as CEO and President and board member of Montpelier Re Holdings Ltd. (NYSE: MRH) from 2008 to 2015. In addition, Chris served as Chairman of the Board for Blue Capital Reinsurance Holdings (NYSE: BCRH) from 2013 to 2015. Prior to his CEO role at Montpelier, Chris served as Chief Underwriting Officer, Chief Risk Officer, and Chief Actuary there. Earlier in his career, Chris managed the risk consulting practice for a large accounting firm and served in an underwriting and actuarial management role for the divisional office of a large U.S. commercial insurer. Chris is a National Association of Corporate Directors Board Leadership Fellow. His professional designations include Fellow of the Casualty Actuarial Society, Chartered Financial Analyst, and Chartered Property and Casualty Underwriter. He holds an MBA with a specialization in Financial Management and a BSc in Mathematics. He completed his undergraduate studies at the U.S. Military Academy and the University of North Texas in the US.

Anthony Cunningham

Tony Cunningham graduated from Cambridge University with an MA in Natural Sciences. He then pursued a career as a consulting actuary, qualifying as a Fellow of the Institute of Actuaries. In 1982, he became a Director of Willis Faber Advisory Services, responsible for their International Actuarial and investment consulting practice. In 1990, Tony joined the U.K. based consulting actuarial partnership, Lane Clark & Peacock, where he was the Partner responsible for all international consulting activities, as well as the strategic direction of the partnership. Tony advised many FTSE100, S&P500 and major global companies on their financial liabilities and assets around the globe. In 2008, Tony switched to the role of Non–Executive Director, with his principal activity being on the board of Liberty Holdings, a JSE top40 financial services group and its investment management subsidiary. He was Chairman of the Actuarial committee and a member of both the Audit and the Risk Committees. Tony stepped down from this role in 2020. Tony joined Catalina's Board as an Independent Non-Executive Director in November 2020.

Other Group Senior Executives

Steve Ryland

Steve Ryland joined Catalina in January 2020 as U.K. CEO and become Head of Global Distribution in March 2022 and has over 30 years of international insurance and reinsurance experience, a proven track record of business origination, significant operational expertise, team management experience and service delivery. He has successfully introduced portfolio strategies for numerous clients with aggregate liabilities in excess of $6 Billion. Steve is people oriented and believes in investing in all employees to drive results. Steve is also an Associate of the Chartered Insurance Institute.

Bjorn Hartvigsen

Bjorn Hartvigsen joined Catalina in August 2016 as the group Head of Internal Audit. Bjorn brought with him over 20 years' experience of external and internal audit in the re/insurance industry. He holds a Masters in Accounting and Auditing, a M.Sc. in Business and is a State Authorized Public Accountant (Norway) and a member of the Institute of Internal Auditors. Bjorn worked for Zurich Insurance Group from 2007 where he had several roles within the internal audit department, including being appointed member of the Group Audit Executive Committee. He began his career in 1995 with Price Waterhouse in Norway, where he supported a range of clients in the banking and insurance sectors. In 2001, he joined the insurance practice of PricewaterhouseCoopers in Zurich, Switzerland, where he led a number of external audit and advisory engagements for Swiss and U.S. listed insurance and reinsurance companies.

Derrick Irby

Derrick Irby is Group Chief Financial Officer. Derrick has over 20 years' experience advising and leading the finance activities of insurance and reinsurance companies, including managing finance operations, structuring (re)insurance and capital markets transactions, strategic investments, mergers and acquisitions and related integration activities. His corporate finance and insurance industry accounting and finance experience was obtained from 17 years at AXA XL and 8+ years in public accounting. Prior to AXA XL, Derrick worked at PwC's Philadelphia and Bermuda offices where he provided audit and assurance services to insurance companies.

Alexander Jenkins

Alex Jenkins is Group Head of Compliance. Alex graduated from the University of Southampton with a LL.B (Honours) in 1998, and gained the LPC Certification in both England and Bermuda in 2001 and 2008 respectively. Alex started his career in private practice in 1999 at U.K. law firm Holman Fenwick Willan in London as Senior Associate and relocated to Bermuda in 2011 to join Attride-Stirling & Woloniecki as Counsel. Alex returned to the U.K. and joined the insurance industry in 2012 as Legal and Compliance Counsel for the XL Group and joined Catalina in 2013. At Catalina, Alex was first appointed as Legal Counsel before being promoted to Group Head of Compliance in 2018. Alex has nearly 20 years of international experience working within legal and compliance departments and is based in London.

John McGlynn

John McGlynn is Group Chief Actuary having joined Catalina as CatGen Chief Risk Officer in 2020. He joined from EY where he was a Senior Manager leading the Actuarial & Risk Services practice. He is a Fellow of the Institute and Faculty of Actuaries (2013), with 14 years of overall experience. He is familiar with the run-off environment in Bermuda through his consulting work and previously held roles as Loss Reserve Specialist for a number of Bermuda based reinsurers. He has chaired Chief Risk Officer round-tables in Bermuda on a number of occasions and has presented at industry seminars on risk and actuarial topics.

Philipp Waldstein

Philipp Waldstein is Group Chief Investment Officer ("**CIO**") responsible for all the Company's investment activities. Philipp has over 30 years' experience in the insurance asset management and banking industry. Prior to joining Catalina, he served as CIO and later CEO of MEAG, the € 297 billion asset manager for Munich Re Group. He was head of all liquid portfolio management activities in Munich, New York and Hong Kong as well as the illiquid asset division. He served as Chairman of the board of both MEAG Munich ERGO Asset Management GmbH, as well as MEAG New York Inc. and MEAG Hong Kong Ltd. Philipp also held previously roles at Unicredit Group and Bayerische Vereinsbank. Philipp has been a long-standing member of the investment committee of the German Insurance Association as well as member of the board of Deutsches Aktieninstitut, the central German stock market association.

Tim Walker

Tim Walker is Group Chief Risk Officer. He joined Catalina with the acquisition of Glacier Re in April 2011. Tim has spent the last 21 years at various insurance and reinsurance companies in Europe, as both a buyer and seller of reinsurance protection. The first half of his career was focused on pricing and structuring internal and external non-life reinsurance. He led the Reinsurance Risk Assessment Group at Winterthur as Vice President, prior to its acquisition by Axa. In 2007, he joined Glacier Re with responsibility for catastrophe risk management. Following the acquisition of Glacier Re by Catalina in 2011, he began the development and roll out of an Enterprise Risk Management platform for the Group. Tim graduated

from King's College London in 1997 and then completed a postgraduate degree at a leading school of natural and environmental sciences in the U.K.

Douglas Anthony

Douglas Anthony is the Group Treasurer. Douglas Anthony has over 20 years of finance and treasury experience, including managing finance and treasury operations, structuring capital markets transactions, mergers and acquisitions and related integration activities. For the past fifteen years Mr. Anthony has been working in the insurance industry. Before joining Catalina he has worked for Marsh, Renaissance Re (formerly Platinum Underwriter), and Enstar. Mr. Anthony has considerable knowledge of treasury and in particular run-off insurance experience having most recently served as the Group Treasurer for Enstar. During his tenure at Enstar, Mr. Anthony significantly revamped the capital structure and the financing strategy. He was also responsible for developing, implementing and leading the global treasury function. Mr. Anthony holds a Canadian Certified Public Accountant (CPA, CA) designation, and an Associate in Risk Management (ARM) designation. He is also a Chartered Financial Analyst (CFA) charter holder. He has a Bachelors of Arts (Accounting) and Masters Degree (Accounting) from the University of Waterloo.

Keith Lyon

Keith Lyon is Group General Counsel. Keith Lyon has been with Catalina since October 2007. Mr. Lyon previously spent nine years as a partner in the Insurance and Reinsurance industry group at Mayer, Brown, Rowe & Maw LLP. Mr. Lyon has 25 years of experience providing legal services to the insurance and reinsurance industry in the UK, Europe and Bermuda. Mr. Lyon qualified as a Solicitor of the Supreme Court of England and Wales in 1992.

Catalina General Insurance Ltd. ("*CatGen*")

TABLE 12 – CATGEN BOARD MEMBERS AND THEIR PROFESSION

Name	Board Position	Profession
Sarah Ruberry	CEO	Accountant and Insurance Executive
Ian Parker*	CHBL Executive	Insurance Executive
Derrick Irby	CHBL Executive	Accountant
Dean Dwonczyk	CHBL Executive	Actuary
Rees Fletcher	Independent	Insurance Executive
James O'Shaughnessy	Independent	Accountant

*Ian Parker (CHBL CEO) joined the Board of CatGen on 31 March 2022

Sarah Ruberry

Sarah Ruberry has over 20 years of experience in strategic, operational and finance roles in the (re)insurance industry. Prior to joining Catalina in November 2020, Sarah was Chief Risk Officer for StarStone US. Previous roles include Property and Casualty Controller for the Argus Group, Senior Vice President, Corporate Controller at Validus, and she was a Senior Manager in the Insurance practice at Pricewaterhouse Coopers. Sarah is a Certified Public Accountant, a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Chartered Insurance Institute and Chartered Insurer, a Chartered Property Casualty Underwriter and holds a MSc in Insurance and Risk Management with distinction from Cass Business School in the U.K.

Ian Parker

See under Group Board members.

Rees Fletcher

Rees Fletcher is a retired insurance industry executive, having spent 33 years working in successive underwriting and executive roles. Rees retired from Chubb Bermuda (formerly ACE Bermuda) in March 2016 as Chairman of the Bermuda-based operating subsidiary of Chubb Limited. In November 2004, Rees was appointed to the position of President and CEO of ACE Bermuda which he had joined as an underwriter in April 1989. Prior to joining ACE Bermuda, he spent six years with BF&M Insurance Company where he was Controller for Commercial lines with underwriting responsibilities for commercial property and casualty accounts. Rees chairs the CatGen Risk Committee. He holds a Bachelor of Arts degree from Mount Allison University, New Brunswick, Canada (1983). He completed his Chartered Insurer designation in 1988.

James O'Shaughnessy

James O'Shaughnessy is an accounting professional with over 30 years of progressively senior responsibility and experience and strong SEC expertise and completed an IPO as Group CFO. He graduated with a Bachelor of Commerce degree at University College Cork, Ireland in 1985 and became a Chartered Accountant (Ireland) in 1989. He worked at KPMG (Bermuda) from 1989 to 1991 and Price Waterhouse Coopers (Ireland) from 1986 to 1989. James has worked at various international insurance and reinsurance companies including GTE Reinsurance, Tempest Insurance, XL Re Ltd., Flagstone Re and, most recently, was at Axis Capital Holdings Limited as Chief Accounting and Group Controller. James chairs the CatGen Audit Committee.

Derrick Irby

See under Other Group Senior Executives.

Other CatGen Senior Executives

John Darin – Chief Financial Officer

John Darin joined the Group in 2015 as Controller of Catalina's U.S. insurance companies and is now CFO of CatGen in Bermuda. John has over 17 years' experience in the insurance industry, and particularly P&C. John has held progressively more senior roles which began in commercial underwriting, reinsurance accounting, controllership and within public accounting where he was a manager of large public filer insurance and asset management companies. He is a Certified Public Accountant under the AICPA and licensed in Connecticut, USA. John holds an MBA from the Yale School of Management in the U.S. with a concentration in asset management.

Brenda Lehmann – General Counsel

Brenda Lehmann joined CHBL in January 2018 as Deputy Group General Counsel. Until December 2017, Brenda was Head of Banking and Secured Financing at Beesmont Law in Bermuda. She was a banking and commercial finance specialist with extensive experience in international and local transactions. Brenda's practice area also included aviation finance, shipping companies, restructuring, amalgamations and project finance. Prior to joining Beesmont, Brenda was a senior associate in Mello Jones & Martin's corporate practice group. Prior to joining Mello Jones & Martin in 2002, Brenda was a partner at Blake, Cassels & Graydon in Toronto, Canada. Brenda was admitted to the Ontario Bar in 1990 and is a member of the Bermuda Bar. Previously a CatGen Board member, Brenda stepped down as a CatGen director in May 2021.

d) Risk Management and Solvency Self-Assessment

Risk Management Process and Procedures to Identify, Measure, Manage and Report on Risk Exposures

As discussed in Section B.2.1. the Board RC is responsible for the overall risk governance of the Group. In addition, the senior management are members of the CHBL Management Risk Committee ("**MRC**") and have the responsibility of analysing and taking ownership of the fundamental risk management principles employed by the Group. The MRC is comprised of the following executives:

- Dean Dwonczyk – Group Chief Underwriting Officer (Chair)
- Tim Walker – Group Chief Risk Officer
- Derrick Irby – Group Chief Financial Officer
- Philipp Waldstein – Group Chief Investment Officer
- Keith Lyon – Group General Counsel
- Steve Ryland – Head of Global Distribution
- John McGlynn - Group Chief Actuary
- Doug Anthony – Group Treasurer
- Max Bemrose – Chief Information Security Officer
- Ian Parker – Group Chief Executive

Each individual has been selected for their expertise in a particular area of interest to the MRC (Claims, Reserving, Finance, Operations, etc.).

The MRC convenes once a quarter. The objective of the MRC is to identify major risks to which the Group is exposed to on both the asset and liability sides of the balance sheet and to ensure that the means are in place for CHBL to monitor and manage such risks. This monitoring will include such topics as close observation of CHBL's counterparty credit exposures, particularly to its major reinsurers and retrocessionaires, and keeping abreast at all times of CHBL's capital and solvency position and liquidity requirements for regulatory purposes. The CRO reports the findings of the MRC's discussions to the Board RC Chairman.

Furthermore, the MRC is responsible for the regular review of CHBL's assets and liabilities for economic, accounting and regulatory purposes, capital adequacy, strategic asset allocation, size of operational leverage and finally capital surplus dividend policy.

The quarterly Risk Report includes reporting of risk tolerances and key financial metrics compared to actual data, a summary of the key risks (as identified by the MRC) and additional key risk indicators that may assist in the general monitoring of business performance.

The Board RC reviews:

- CHBL's risk appetite, tolerance and strategy;
- The systems of risk management to identify, measure, aggregate, control and report risks;
- The alignment of strategy with CHBL's risk appetite;
- The key risks and key metrics on a quarterly basis in order to assess the current risk profile and identify where the risk appetite and/or risk tolerances have been exceeded;
- Any material changes to the risk register, including where new risks are identified, or where control failures or external factors are causing the risk assessments to change;
- Existing risks and considers whether there are additional new emerging risks on a quarterly basis;

- Non-financial risks such as operational risk, strategic risks and IT resilience;
- Emerging risks, in the context of salience to CHBL's assets and liabilities; and
- The macroeconomic and geopolitical risks that CHBL is exposed to.

The Board receives the Risk Report at every meeting. This provides a summary of the key risk metrics against risk appetite, current risk profile by risk category and other relevant information such as details of any significant control breakdowns, breaches of regulation or legislation and the results of assurance work to date. On an annual basis, the Board is also provided with the full risk register and GSSA.

Risk Management Strategy

The overall Group's risk management strategy is to ensure that a proper balance is struck between:

- The risks that are economically attractive to take. These must be properly modelled, measured and priced; and
- The risks that are economically unattractive to take. These should be identified and avoided, managed, mitigated or reduced where it is efficient to do so.

Within CHBL's risk management framework, there are measures in place to ensure that:

- Appropriate risk tolerances are in place to govern CHBL's risk taking activities;
- CHBL maintains an appropriate risk culture and risk appetite forms an essential part of its strategic decision making;
- CHBL measures and monitors risk appropriately and reports key risk metrics to both group and local senior management and the CHBL Board; and
- Appropriate business planning and capital planning processes are in place to support CHBL's risk taking activities.

Risk Policies

Management believes that the risks and exposures relating to a legacy insurance business can be viewed in four principal categories, with numerous subcategories. The four main categories are: (1) strategic, (2) financial, (3) liability and (4) operational.

In order to aid the management of overall risk, risk policies have been set for each of the core risk categories as documented in the CHBL Risk Management Policy. Irrespective of whether any or all risk policies have been complied with, in the event that overall risk appetite is breached, the Board RC will review the causes and implement appropriate action, such as:

- Avoidance: declining to acquire certain types and portfolios of business;
- Reduction: taking action to reduce the likelihood or impact related to a particular risk (for example re-investing assets in lower risk instruments);
- Hedge: matching or sharing a portion of the risk, to reduce it (for example by currency matching to reduce foreign exchange risk); or
- Acceptance: no action is taken, due to a cost/benefit decision (for example by formally choosing to change the Risk Appetite)

In addition to Catalina's risk appetite and risk policies, a wide range of controls and monitoring tools have been developed and implemented in order to ensure risks are managed appropriately. The CHBL Risk Register is used to record the current risk profile; it documents all risks that the business is considered to face, along with an assessment of the potential likelihood and impact of each risk, before and after taking into account the effectiveness of mitigating controls.

Risk awareness

The managing of risk is embedded throughout the organisation. All employees are aware of the Group's risk management ethos and are reminded to consider the risks they encounter as they go about their day-to-day work. Risk awareness is promulgated through the organisation and both senior management and the risk management function are pro-active at keeping risk awareness to the forefront of daily operations.

CHBL has a policy of assisting employees not only to develop their professional skills but to maintain the level of professional skills required by the business. This manifests itself in the form of ongoing training courses, briefings and updates, and encouragement for employees to obtain professional qualifications.

Management are satisfied that upon joining employees are required to undergo induction training to reduce operational risks, as well as understanding Catalina's values and principles. All employees are required to read and sign off the following documents upon joining:

- Code of Conduct Policy;
- Information Security/Data Protection Policy;
- Conflict of Interest Policy;
- Money Laundering Policy;
- Anti-Bribery and Corruption Policy;
- Whistleblowing Policy; and
- Insider Trading Policy.

This is in addition to any annual training courses required by the local regulatory authority.

Risk Management and Solvency Self-Assessment Systems Implementation

CHBL's enterprise risk management is coordinated by the Group Chief Risk Officer and risk management staff, who work under the authority of the Board RC. The Board RC meets quarterly and aims to identify and manage the key risks to which CHBL is exposed on both the asset and liability sides of its balance sheet. In addition to Group level risk governance, the Group also has in place a layer of governance at each regulated operating company. Each operating company has in place a Board and its own Audit Committee and Risk Committee which facilitate oversight of the operations of each licensed insurer in the Group. The Audit Committees and Risk Committees of each operating company are governed by their respective charters or terms of reference and are charged with assisting the Board of each operating company in its oversight of the integrity of financial statements, compliance with legal and regulatory requirements, the qualifications, performance and independence of the external auditors, the performance of the internal audit function and oversight of the risk management function. The responsible local CRO participates in all operating company board meetings, and provides quarterly risk exhibits and counsel to board risk committees on all matters pertaining to ERM both in the local and group context. Therefore, risk is discussed at every board meeting, and the board members are kept fully informed on how risk silos are bridged in the Group and the operating company. The Board directs the CRO to use his team and resources in any way they see fit.

In line with the internal risk management policies of the Group, management and operations employees, acting as the 'first line of defence' are primarily responsible for the running of the business and the operation of controls within their own areas as well as the management of the business' risk profile. However, acting as part of the 'second line of defense', the Risk Management Function is responsible for the ongoing monitoring of business operations and the effectiveness and integrity of the risk management framework. The internal audit function acts as the 'third line of defense', providing independent assurance that the risk management framework, internal controls and the governance processes within the business are operating effectively.

The implementation process starts with CHBL and regulated operating company risk registers being used to record the current risk profile; these risk registers document all risks that the business is considered to face, along with an assessment of the potential likelihood and impact of each risk, before and after taking into account the effectiveness of mitigating controls. Risk registers are an integral part of managing operational risk, both for local Executive Management and the Risk Management function. Each operating company has a comprehensive risk register, which is filled out by management and mitigating activities are discussed with the Risk Management function. The goal is to manage all risks that could adversely affect the operations of the relevant company. The starting point for the identification of risks is the risk universe; this can be defined as a complete view of all possible types of risk that the business may face. The risk register records the following for each risk:

- The risk category to which the risk is allocated, being one of credit risk, liquidity risk, market risk, operational risk, and insurance (reserving) risk;
- A risk owner who has overall responsibility for the management of the risk;
- A description of the likely causes of the risk;
- A description of the existing controls; and
- An assessment of additional mitigating activities for the risk;

Once the risks have been identified, they are recorded in the risk register from where they can be assessed and monitored.

CHBL also has a risk appetite statement which is tailored to the specific needs of a run-off acquirer. It is reviewed by the CHBL Board annually. The risk appetite hurdle is an internal suitability measure which CHBL uses to assess new business at the time of acquisition to maintain the long term sustainability of the overall business. Once an acquisition has been integrated into the operating platform, all of the Group's regulated operating companies meet their own individual regulatory capital requirements. In the case of CatGen and CHBL, the 99% Tail Value-at-risk ("**TVaR**") over a one-year time horizon is calculated to determine the solvency capital position at any particular time.

In addition to monitoring the current risk profile against risk appetite, as part of the CHBL Risk Management Policy a range of monitoring tools have been developed as indicators of changes to risk status. These are primarily made up of a detailed RC report, which is discussed by both the Senior Executives and the CHBL Board. This is further enhanced by the use of operating subsidiary level risk committees and reporting in all our regulated entities. There is a standardized pack composed of key risk metrics derived to support risk appetite monitoring and reported to the operating company Boards as part of the Risk Management Packs and a number of additional more granular analyses (reserve adequacy, credit and concentration risk, market risk, liquidity risk and operational risk) are performed and formally reviewed by the Board RC on a quarterly basis.

The Group uses custom self-developed risk management tools, along with commercial risk management analytical software to build economic capital models and develop stress tests for an internal view of risk and capital. The Group Internal Capital Model ("**ICM**") is used in addition to regulatory capital models in regulated operating companies for prudential submissions and risk tolerance calculations. The GSSA is reviewed on an annual basis, or whenever there is likely to be a significant change in the Group's capital requirement, such as due to a new acquisition, to ensure that the Group's capital adequacy and liquidity is sufficient based on the risks to the Group that arise from its operations. The Group ICM is calibrated to ensure that the Group has sufficient capital to meet all obligations using a TVaR level metric subject to a confidence level of 99%. The Group ICM is inclusive of existing business and business expected to be written over a one-year period.

An accurate representation of the business in an ERM 'model' leads to executive management using the Solvency Self-Assessment as a true decision-support system, with the following benefits:

- Alignment of the strategic aspects of risk with day-to-day operational activities;
- Facilitation of more transparency for investors and regulators;
- Enhancement of revenue and earnings growth; and
- Control of downside risk potential.

Relationship between Solvency Self-Assessment, Solvency Needs & Capital and Risk Management

The GSSA is the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks a company faces or may face and to determine the own funds necessary to ensure that a company's overall solvency needs are met at all times. It is an internal assessment process and, as such, should be embedded in the strategic decisions of the Group and allows management and the Board to review the risk and capital requirements and take a strategic, forward-looking view of future risks and capital needs. Members of senior management and a number of functions including Finance, Operations, Actuarial, Compliance and Risk Management have been involved in the production of the GSSA.

The GSSA will highlight key risk issues to management, and should allow management to confirm that:

1) The current risk profile is understood and appropriate for the nature of a legacy portfolio and within the Group's risk appetite;
2) Capital requirements during the reporting period have continuously been met (or if not corrective action was taken);
3) CHBL's current capital and solvency position is appropriate;
4) The various regulatory solvency models and the Group ICM have been used appropriately for strategic decisions throughout the period;
5) The risks to the enterprise that could likely change the risk profile are understood; and
6) Plans to cover the solvency position and planned capital distributions over the required period are appropriate

The Group ICM has been used in the GSSA process. The regulated operating company regulatory or economic capital models are used for planning and capital modelling processes within each regulated operating company. Capital calculations determined using the ICM are not considered to be a direct outcome or specific stage of the GSSA process; rather the review and discussion surrounding the output from the ICM is an important aspect of all the stages of the GSSA process, and the decisions made based on this data are themselves considered to be the outcomes. The key uses of the ICM within the GSSA process are:

- Regulatory Capital Compliance;
- Business Planning;
- Capital Allocation;
- Risk Appetite Compliance; and
- Investment Risk Optimisation.

CHBL manages capital to ensure a prudent cushion of Statutory Economic Capital and Surplus to protect economic viability, finance new growth opportunities and meet regulatory requirements. At CHBL level, there is a business plan which feeds into the Solvency Self-Assessment economic capital forecasts and which demonstrates capital adequacy is expected throughout the three year planning horizon. Capital management decisions are made in the light of this assessment. CHBL targets a capital level of 150%, which is well in excess of 120% of the Enhanced Capital Requirement (the Target Capital Level), and present and future capital levels must reflect this. Where a subsidiary operating company board makes material surplus capital related decisions, the relevant regulatory capital model is run to test that the action proposed is not

endangering the operating subsidiary's solvency. Therefore, the regulatory capital model is effectively run each time a subsidiary operating company board wishes to present an application to the local regulator for capital release, or a material change in the risk profile of that operating subsidiary. The regulated operating subsidiaries within the Group currently all hold capital in excess of their respective regulatory targets and have done so throughout the period covered by this report.

Solvency Self-Assessment Approval Process

The GSSA approval process is set out in the GSSA Policy. The GSSA Policy document provides a description of the processes and procedures in place to conduct the GSSA Process. The GSSA Policy also sets out the roles and responsibilities of the various relevant functions and committees with regards to the GSSA. The Risk Management Function is responsible for executing the Own Risk and Solvency Assessment process and for producing the GSSA.

The Actuarial Function performs the actuarial calculations required for the GSSA process and provides input on compliance with the requirements regarding the technical provisions and the risks arising from these calculations. The Finance Function provides finance inputs into the calculations required for the GSSA and is responsible for the business planning including capital and liquidity planning. The CHBL Board has delegated the approval of the GSSA to the Board RC. The Board RC is responsible for steering how the assessment is to be performed, for challenging its results and for final approval of the GSSA.

e) Internal Controls

The Internal Control System is all of the policies and procedures that management uses to achieve the following goals:

- Safeguard assets – well-designed internal controls protect assets from accidental loss or loss from fraud;
- Ensure the reliability and integrity of financial information - Internal controls ensure that management has accurate, timely and complete information, including accounting records, in order to plan, monitor and report business operations;
- Ensure compliance - Internal controls help to ensure the Group is in compliance with the many international and local laws and regulations affecting its business operations;
- Promote efficient and effective operations - Internal controls provide an environment in which managers and staff can maximize the efficiency and effectiveness of their operations; and
- Accomplishment of goals and objectives - Internal controls system provide a mechanism for management to monitor the achievement of operational goals and objectives.

For the Group and its operating subsidiaries, internal control systems provide assurance that operations are effectively controlled, that the Group is compliant with applicable laws and regulations and that the financial reporting is reliable. The CHBL Board and each operating company Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. The oversight and management of these systems necessarily involves participation of the Board, the Board Audit Committee, the Board Risk Committee, senior management, Finance, Legal, operational managers and Internal Audit.

For all companies within the Group, the importance of appropriate internal controls is promoted by: i) ensuring that all employees are aware of their role in the internal control system as per the Fit and Proper Policy; ii) ensuring consistent communication and implementation of the internal control systems; iii) establishing monitoring and reporting mechanisms to review and report the decision making processes; and (iv) providing appropriate training to all employees.

Compliance Function

The CHBL Board is committed to ensuring it meets all Regulatory requirements to conduct business in a prudent manner, and this includes taking the necessary steps to manage risks. The Compliance Function is tasked with providing 2nd line assurance for specific areas of risk management. For this, the function engages with Legal, Risk and other relevant functions to ensure a clear understanding of the relevant risk exposure. Controls in the form of documented policies and procedures are then designed and embedded with 1st line operational engagement. The controls are monitored and their likely effectiveness reported on. Only certain risks require such a compliance approach – typically, those which have a high inherent risk 'impact' from a violation of the law; and / or risks which have a materially high inherent "likelihood" of a violation occurring (often attributable to the conduct and behaviour of staff or others in their work for Catalina). Seven such legal and regulatory "Compliance Risks" have been identified and assigned to the Compliance function: data protection/privacy; sanctions; internal fraud; money laundering/terrorist financing; bribery & corruption (including its associated failure to prevent offences); market abuse; and certain forms of non-financial misconduct including the treatment of policyholders.

The CHBL Board has set clear corporate values for fitness, propriety and personal accountability. As part of its risk assurance role, the Compliance function promotes this culture through staff training and regular engagement with management to discuss monitoring results:

- Staff are encouraged to come forward to report any misconduct that they may witness and are empowered to seek advice, help, support and feedback – as well as seek advice from outside experts to supplement internal competencies, if and when needed; and
- Staff identified as material risk takers are assessed against fitness and propriety standards under the group's HR management environment which forms part of the wider conduct control environment for managing financial and non-financial misconduct (e.g. frameworks for conflicts of interest, remuneration risk and bribery/gifts and entertainment). It can be noted that the majority of the Company's remaining staff have ten or more years of experience in their current roles, have familiarity with laws, regulations, industry practices relevant to their roles and their own fiduciary duties;
- Staff receive practical scenario based training on the Board's approach and support for ethical conduct; and also staff inclusivity/equality; data protection, money laundering and bribery risk exposures. Risk based learning objectives are maintained and reviewed for this purpose, in line with scheduled policy reviews or change management events.

The Group Head of Compliance oversees the consolidated profile for the group engages with function heads to ensure local compliance functions operate cohesively and respond to meet external challenges from geopolitics, legal developments and M&A activity. The Group Head of Compliance acts as Compliance officer for the global asset management division, M&A, HR and IT. The Group function is tasked with providing a compliance function for certain shared services of asset management and M&A and group outsourcing risk management.

f) Internal Audit

The Internal Audit ("**IA**") function was established by the CHBL Board. The IA function's responsibilities are defined by the CHBL Audit Committee as part of their oversight function and are set out in the IA Charter which is regularly reviewed and approved by the Audit Committee.

The mission of IA function is to enhance and protect organisational value by providing risk-based, independent and objective assurance, advice, and insight. The IA function is an independent assurance function within CHBL's third line of defense,

providing the CHBL Board, Audit Committee and Management with independent and objective assurance and value adding insight on the effectiveness and efficiency of governance, risk management, and internal control processes.

The IA function applies a risk-based methodology in developing the internal audit strategy and plan. The plan will be based on the full spectrum of business risks, including concerns and issues raised by the Group's various Boards, Audit Committees, CEOs, Management, Regulators, the Group Risk function and other internal and external stakeholders. Based on the results of the risk assessment, the IA function produces an annual Audit Plan for review and approval by the CHBL Audit Committee. The Audit Plan is updated on a regular basis according to the Group's evolving risk landscape and needs. The IA function regularly provides formal updates on its activities to the CHBL and operating company Audit Committees, which include audit results, the status of management actions required, the appropriateness of the resources and skills of the IA function and any changes in the tools and methodologies it uses.

The Group Head of Internal Audit ("**HIA**") also meets privately with the CHBL Audit Committee at least annually. The HIA has direct access to the Chair of the Board Audit Committee and will immediately report any issue which could potentially have a material impact on the Group's business. The HIA and IA staff are authorised to review all areas of the Group's business and to have full and unrestricted access to all of its activities, records, property and personnel necessary to complete their work. The IA function is authorised to allocate resources, determine frequency of reviews, select areas, determine audit scopes and apply audit tools and techniques, and to obtain the necessary assistance and specialised services within or outside the Group to accomplish the audit objectives.

All IA staff are expected to comply with the International Standards for the Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA) as well as the Catalina Code of Conduct and the IIA's Code of Conduct. The framework and operating guidance for the IA function is set out in the Catalina Group Internal Audit Framework as well as through the IIA's International Standards for the Professional Practice of Internal Auditing and the related Mandatory and Supplemental Guidance.

g) Actuarial Function

The Actuarial function is made up of an in-house actuarial team, located in Bermuda, London, Farmington Connecticut, and Singapore. All Property and Casualty ("**P&C**") reserves carried by the Company are based on internal actuarial loss reserve reviews. The Company also employs an outside actuarial consulting firm that provides an independent review of the carried P&C loss reserves of the Company. The Group Chief Actuary is responsible for the oversight of the actuarial function. The Group's actuaries use traditional methods to set the loss reserves for most of the books of business and do not assume any benefits of active liability management in their calculations, unless those savings are verifiable in the historical loss experience. A separate internal reserve analysis is performed for each of the acquisitions that Catalina has acquired through December 31 2021.

The non-traditional actuarial methods are employed on the U.K. employer liability, U.S. APH (U.S. asbestos and U.S. pollution), Excess Workers Compensation, German Annuities and Periodical Payment Orders.

For U.K. employer liability, the actuarial analysis separately measures pure IBNR and IBNER (Incurred But Not Enough Reported). Pure IBNR was estimated using a frequency/severity approach, with the projected future number of claims informed by market models as well as the fitting of curves to the claim numbers reported to date. For the actuarial reserve review, the future claim reporting pattern used in the internal loss reserve analysis was adjusted for mesothelioma claims based on our internal review of the work published by the U.K. Asbestos Working Party.

For U.S. asbestos a similar method is used to that for U.K. EL asbestos is employed for a significant portion of the portfolio. The estimated future mesothelioma and lung cancer court filings is based on forecasting future mesothelioma and lung cancer incidences related to asbestos (Stallard Curve). We also need to estimate the current severity by disease type and apply a loss trend to project future severity by disease type. For a small segment of the U.S. asbestos portfolio the internal reserve review relies on the AM Best modified insurance industry survival ratios. The AM Best modified survival ratio takes the insurance industry survival ratio as of year-end 2020 and modifies that survival ratio for AM Best's estimate of the deficiency in the insurance industry's held U.S. asbestos loss reserves as of year-end 2020. AM Best Ultimate U.S. Asbestos estimate for the insurance industry was $100.0 billion as of year end 2020.

For U.S. pollution a significant portion of Catalina's portfolio is analyzed on a claim by claim basis where we have selected a probability that the insured will be seen as responsible for the environmental damages, and a probabilistic estimate of the range of cost of the clean-up including legal and expert expenses. For small segment of the U.S. pollution portfolio the internal reserve review relies on the AM Best modified insurance Industry survival ratios. The AM Best modified survival ratio takes the insurance industry survival ratio as of year-end 2020 and modifies that survival ratio for AM Best estimate of the deficiency in the insurance Industry held U.S. pollution loss reserves as of year-end 2020. AM Best Ultimate U.S. pollution estimate for the insurance industry was $46.0 billion as of year end 2020.

For Periodic Payment Orders, annuities, and large workers compensation claims we rely on a tabular model(s).

For the workers compensation claims for the life expectancy component, we either rely on a medical experts estimate of life expectancy or if we do not have an estimate we rely on the life expectancy derived from the 2017 Social Security Life Tables. We assume annual medical inflation of 2.0%.

For Periodic Payment Orders (PPOs) for the life expectancy we have relied on medical experts estimated life expectancy for each claimant. We have assumed an annual loss trend of 3.0%.

For German annuities in most cases we use the medical expert's estimate of life expectancy. This life expectancy is then used to re-weigh the German mortality table for each claimant. We have assumed an annual loss trend of 2.2%.

There is a separate Loss Reserve Committee for each legal entity. All acquisitions that are booked within that legal entity are included in the Loss Reserve Committee meeting. The Loss Reserve Committee meetings includes the CEO, CFO, reserving actuary, and claims officer of the relevant entity, along with the Group Chief Actuary and Group Chief Risk Officer and are held at each insurance or reinsurance subsidiary on a regular (quarterly, half-yearly or at least annual) basis to discuss the results and approve the recommendations of the reserving actuary based on the latest actuarial reserve review. The Group Chief Actuary is required to review, provide feedback to and approve the work of the Reserving Actuaries prior to the Loss Reserve Committee meetings.

The Group Chief Actuary puts together a report and presents to the Executive Committee the current reserve position of each of the Company's acquisitions on at least an annual basis. The Executive Committee is made up of the Group CEO, Group Chief Underwriting Officer, Group CFO, Group Chief Actuary, Group CRO, Group CIO, and the Group General Counsel.

There is also a CHBL Board Reserving Subcommittee, where the Group Chief Actuary presents the results of the latest reserve reviews of each of the acquisitions.

Under the leadership of the Group Chief Actuary, the actuarial team is responsible for:

- Setting, monitoring and adjusting the U.S. GAAP reserving for the (re)insurance companies within the CHBL Group;
- Adjusting the U.S. GAAP reserves to Economic Balance Sheet Best Estimate of Liabilities;
- Developing estimated loss reserve pay out patterns for the CHBL Group;
- Using the Best Estimate of Liabilities and pay out patterns to develop the Risk Margin; and
- Opining on levels of reserve adequacy for the Group.

h) Outsourcing

Outsourcing Policy and Key Functions that have been outsourced

Outsourcing is the delegation of a process, service or activity to a service provider. The Group's core strategy is to utilise and enhance key and distinguishing in-house competencies in areas required to manage and extract value from books of business under its control; such competencies include claims adjustment, commutation negotiation, reinsurance collections, actuarial evaluation, capital modelling and developing and implementing the most effective and efficient exit strategies, whilst at all times properly meeting the rights and requirements of policyholders, reinsurers, regulators, capital providers and other stakeholders.

In considering whether or not to outsource any process, service or activity, the Group will take account of:

- Its own resource levels and availability;
- Its own internal capabilities and cost structures;
- The track record and expertise of the outsource service provider;
- The ability of risk owners and senior and middle management to maintain oversight of the service provider's operations and its management of Company risk (see below);
- The ability of risk owners to meet specific legal and regulatory requirements for outsourcing and non-outsourcing third party reliance including operational resilience and cyber security;
- The timing and extent of any requirements in comparison with the capabilities; and
- Costings and security of an outsource service provider.

The overarching principle will be that while processes, services or activities may be delegated to an outsource service provider, ultimate responsibility for those processes, services and activities will remain with the operating subsidiary undertaking the outsourcing. Outsourcing arrangements have been established in locations that are a best fit for the underlying service.

The Group has an Outsourcing Risk Management Framework and Policy, the purpose of which is to establish the requirements for identifying, justifying, and implementing multi-disciplinary cradle-to-grave risk-based assessment and oversight of material outsourcing arrangements for its critical or important operational functions or activities.

The objective of the Framework and Policy is to ensure that risk from material outsourcing and other non-outsourcing third party arrangements are consistently identified and managed across the Group, that the third party's cultures is aligned with the Group's and that such arrangements do not lead to:

- Reduction in management's responsibility for, or influence over, key functions;
- Material impairment of the quality of the system of Governance;
- Non-adherence to approved policies and procedures;

- Undue increases in operational risk or cost;
- Material impairment to fulfil obligations to stakeholders, nor impede effective supervision by regulators;
- Conflicts of Interest and the inadvertent introduction of risk from inappropriate remuneration models; or
- Breaches of legal and regulatory obligations.

The Policy and Framework forms part of the internal control environment specific to outsourcing governance. It establishes a homogenous standard for the management and mitigation of the potential risks associated with outsourcing. Key components of the Framework and Policy include initial risk assessments in respect of the activity considered for outsourcing, which then is used to guide the selection/due diligence of the service provider, manage negotiation of the written service agreement and the conduct of ongoing oversight and management of the outsourcing. It also requires all arrangements to be recorded in the Group's outsourcing register. The Group register records details of the service provider; business manager; service recipient; business activity type and its designation as a material or non-material arrangement. The Framework and Policy also provides for the CHBL Operational Risk Committee to have oversight of outsourcing risk across the Group. The composition of the Operational Risk Committee is comprised of senior group executives, the Chief Risk Officer and Group function heads.

The Board of the relevant operating subsidiary is ultimately responsible for the approval and termination of all outsourcing arrangements of critical or important functions or activities. Critical or important functions or activities include key functions of the system of governance and all functions that are fundamental to carry out its core business. The Board of the relevant operating subsidiary is responsible for reviewing the performance of outsourced service providers against the agreed Service Level Agreements and risk tolerances.

Various subsidiaries within the Group have outsourced claims handling to external claims handling firms. The Group has also entered into Investment Management Agreements appointing third party investment managers to manage certain parts of the Group's investment portfolio.

The Group has not outsourced any control functions (Actuarial, Risk Management, Compliance and Internal Audit), although it does have an agreement with an external partner that provides for staff to be seconded, under specific circumstances, to the Group's IA function for designated projects.

i) Material Intra-Group Outsourcing

The Group's employees are predominately employed within regional service companies, some of which, for efficiency and economies of scale, perform operational functions required by other members of the Group. These arrangements cover aspects of Information Technology Infrastructure, Finance, Actuarial, and certain centralised management functions for asset management and M&A negotiation.

j) Other material information

No other material information to report.

Item 3: Risk Profile

The risk profile of CHBL is primarily a reflection of those of its subsidiary operating companies where most of the risk lies. All the Group's insurance and reinsurance operating companies are no longer writing new live business (although they may, with regulatory approval, write new retroactive reinsurance treaties of legacy business) and have broadly similar risk profiles. There are differences in the type of liabilities at each insurance operating company with differing inherent volatility and run-off characteristics which will impact the level of reserving risk. Similarly, the distribution of investment type at each operating company will cause market risk and credit risk to vary. Each insurance operating company has its own separate reinsurance programme with a different credit rating distribution that will further impact counterparty credit risk. Operational risk is largely consistent across all operating companies.

The primary risk for CHBL relates to the acquisition of new operating subsidiaries or new books of business. The measurement and evaluation of new risk is done at the time of acquisition. Each significant and standalone acquisition is believed to have sufficient capital to cover all foreseeable liabilities in at least 97.5% of foreseeable outcomes (probability of sufficiency of capital to ultimate) at the time of acquisition. There must be only a de minimis chance that CHBL or any other Group subsidiary will need to supply additional capital to support any single acquisition at a later point.

Other risks within CHBL are primarily limited to the carrying value of its investment in operating subsidiaries and the ability to be able to service any debt. The risks within operating subsidiaries are determined largely by the risk profile within the individual insurance operating companies. The ability to service debt is also dependent on the risks within the insurance operating companies for these determine the ability to upstream capital to service the debt.

a) Material Risks to which the Group is exposed, including how these risks are measured and any material changes that have occurred during the year

b) How Risks are mitigated, including the methods used and the process to monitor the effectiveness of these methods

c) Material Risk Concentrations

Items 3. a), b) and c) have been addressed together.

The analysis below outlines, in general, the nature of the risk that affects CHBL's subsidiary operating companies.

Reserve Risk

Risk exposure

With all subsidiary operating companies in run-off for a number of years, there are no material unexpired Insurance Risk exposures from in-force policies.

Underwriting or insurance risk is concerned with fluctuations in the timing, frequency and severity of insured events, relative to expectations at the time of underwriting. Given the Group's regulated operating companies' run-off status, the principal insurance risk to which the Group is subject is reserve risk, namely the potential for future claims to deteriorate beyond the actuarial best estimates. This is influenced by the frequency of claims, severity of claims, actual claims paid and subsequent development of long-term claims.

Run-off income is monitored against budgeted results on a quarterly basis, although for meaningful variances the loss reserves, gross and net, are reviewed actuarially bi-annually and compared to the business plan. The monitoring

incorporates identification, measurement and explanation of variances which are reported to senior management. Given the insurance operating companies' run-off status, management focuses primarily on variances in claims reserves. The primary objective of the operating companies is to ensure that sufficient reserves are available to cover these liabilities.

Reserve Risk Exposures, Concentrations, Mitigations and Sensitivities

Reserve risk exposures are mitigated by diversification across a portfolio of insurance contracts and geographical areas. Furthermore, strict claim review policies are in place to assess all new and on-going claims, regular detailed review of claims handling procedures and frequent review of all claims are the key policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

Reserve sensitivity is modelled in both the GSSA and in the Group BSCR. For some parts of the Group's loss reserves, risk sensitivity is reduced by the Group having reinsurance protection in place. Consideration is given to the potential to purchase further reinsurance to further reduce risk sensitivity but, to date, the Group has never bought external reinsurance, although many of the Group's subsidiaries were acquired with external reinsurance protection already in place.

Market Risk

Risk exposure

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The Group's market risk is tracked in various ways, including rate and spread durations, asset liability management ("**ALM**") and historic stress tests. The Group is comfortable that assets and liabilities are well matched in respect of both liquidity and currency risk, using sophisticated ALM matching tools. There is a comprehensive set of investment checks and balances which define in detail the Group's risk appetite with regard to individual and sectoral concentration, effective duration, credit quality and exposure to emerging markets and high yield instruments.

See item 3, section (d) for the Group's investment policy.

Interest rate risk

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

The Group's main source of interest-rate exposure is fixed-rate cash bonds of which the Group holds different types, primarily corporate and government bonds. The Group also owns bonds of other asset types, like municipal bonds and several types of securitized products. Many of those held have floating-rate coupons so have little rate exposure.

Interest rate changes affect the valuations of the assets (in respect of fixed interest bonds, for example, although not for many other asset classes such as cash, equities and property). For Economic Balance Sheet purposes, the technical provisions are affected, as they are discounted in line with risk free interest rates. An increase in interest rates reduces the value of both interest rate-sensitive assets and the value of Economic Balance Sheet technical provisions. This provides a natural offsetting effect, and the net impact is reduced compared to the monetary amount of the change for the assets or liabilities alone. Asset liability management ("**ALM**") is fully implemented and for the management of interest rate risk it takes the form of matching the cash flows and interest rates of investments with the maturities of liabilities in order to maintain adequate positive net cash flow and to ascertain any duration imbalance. As the effective duration of the Group's assets is

slightly lower than the estimated mean term of its liabilities, the “duration gap” and therefore rate sensitivity is quite modest. An interest rate risk charge is modelled as part of the BSCR, to ensure sufficient capital with a probability of 99% TVaR over a twelve month period.

Foreign exchange risk

Many companies within the Group undertake certain transactions denominated in foreign currencies and therefore exposures to exchange rate fluctuations arise. The risk of exposing the assets or liabilities to exchange rate fluctuations is managed by broadly matching liabilities with assets in the same currencies.

Assets and liabilities by currency are reviewed each quarter to ensure they are matched where possible and that cash is available to discharge liabilities in their respective currencies. A full ALM exercise covering major currencies is carried out twice yearly. From time to time, each operating company may utilise foreign currency forward contracts as part of its overall foreign currency risk management strategy or to obtain exposure to a particular financial market, as well as for yield enhancement. These derivatives are not designated as hedging investments.

Equity price risk and other price risk

Each operating company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. Many of the operating companies within the Group are exposed to equity price risk through their investments in publicly-traded equities. The operating companies have no significant concentration of price risk. The risk is managed by maintaining an appropriate mix of investment instruments.

Market Risk Exposures, Concentrations, Mitigations and Sensitivities

Each operating company manages investment risk through extensive use of portfolio management analysis software and the appointment of specialist third party asset managers, who have demonstrated an extensive and successful track record of managing assets on behalf of insurance and reinsurance company clients. Mandates assigned to asset managers clearly stipulate the terms on which investments may be made. They follow a mandate which is called the Investment Policy Statement, and there is a board approved Investment Risk Management Policy.

Regular oversight of all investment decisions, their compliance with regulations and CHBL’s own guidelines by the CIO, coupled with regular convening of the Board I&ALM Committee and clear reporting lines from this committee, ensures that the regulated operating entities are not exposed to threatening levels of market or credit risk.

Each insurance operating company carries out quarterly scenario testing based on various past market distress events to understand the implication of changes in asset mix, credit quality, duration and currency.

Where appropriate and cost efficient, hedging strategies may be pursued to protect the strength and ensure the stability of each operating company’s asset base.

In relation to major sources of equity, foreign exchange, and real estate risk, the Group has allocations to publicly-traded equities in both the U.S. and the U.K. It also own bonds in several currencies, but almost all of its holdings are held in currencies for which each operating company has significant insurance liabilities. Equity and currency exposures are tracked carefully in monthly reports, and are included in the Value at Risk type analyses. CHBL’s historic stress tests are essentially historic simulation models.

Credit Risk

Risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The key areas of exposure to credit risk for each operating company are in relation to its investment portfolio, reinsurance programme and, to a lesser extent, amounts due from intermediaries. The objective of each operating company in the Group in managing its credit risk is to ensure risk is managed in line with the respective operating company's risk appetite. Each operating company has established policies and procedures in order to manage credit risk and methods to measure it.

Credit Risk Exposures, Concentrations, Mitigations and Sensitivities

Credit risk on receivables is minimised by pursuing early commutation where possible.

The Group is also exposed to credit risk via its investment portfolio. CHBL's Investment Guidelines stipulate that credit quality may not fall below a weighted average of A- across the portfolio. Regular oversight of all investment decisions by the CIO, coupled with regular convening of the advisory Investment Committee, will ensure that stated standards are adhered to. For example, there are specific concentration limits with regard to both sector level investment and individual obligors. The CIO is responsible for credit risk compliance reporting to the CHBL and operating company Boards and the MRC documentation independently exhibits this.

Credit risk is measured in several ways. The Group assesses credit ratings, issuers and domicile concentrations. It also carefully tracks spread duration based on security level modelling. A third way that credit risk is measured is by performing historic stress tests for key events, like the Lehman default, and by doing a Value at Risk like analysis of worst month performance over the last year.

Reporting selected credit risk metrics, including any non-compliance with CHBL's Investment Guidelines, at the MRC while keeping abreast of developments within the capital markets is aimed at ensuring that the Group is not exposed to threatening levels of counterparty or investment credit risk.

The stress testing and sensitivity results above cover both market and credit risks.

Liquidity Risk

Risk exposure

Liquidity risk relates to the possibility that CHBL finds itself unable to fund its present and future financial obligations or that CHBL becomes exposed to losses because its assets are not sufficiently liquid to meet its liabilities as and when they become due.

Liquidity Risk Exposures, Concentrations, Mitigations and Sensitivities

Each operating company manages liquidity risk through regular forecasting of expected cash flows. Liquidity management ensures that each operating company has sufficient access to funds necessary to cover insurance claims.

Regular oversight of each operating company's relative liquidity is conducted by the Chief Financial Officer, Group Treasurer and/or CIO in conjunction with other individuals within the operating companies who are informed with respect to the key drivers of that operating company's cash flows.

Liquidity considerations are a material component of the Group's ALM approach. Divergence from the Group's ALM approach could have an adverse impact on the Group's capital position. For the Group's ALM approach, the weighted average life of investments are typically managed to be slightly shorter than the run-off profile of liabilities. The investment strategy is such that, by policy and design, investment portfolio currencies generally match those of the liabilities, with any excess generally held in U.S. dollars

CHBL's ALM approach uses the balance sheet as a hedging tool; whereby total investments and cash substantially mirror currency splits and expected pay-outs of liabilities as well as shareholder's equity. Monthly monitoring and adjustments are conducted when needed. However, CHBL's ALM approach allows for the flexibility to actively manage currency and duration matching due to developments in the capital markets as well as based on expected volatilities of gross loss reserves, if any.

Liquidity risk, and therefore Market Risk, is sought to be minimised by structuring total investments and cash in a way that the expected cash out-flows, mainly related to gross loss reserves and capital distributions, are covered by current cash and cash equivalents as well as by expected future cash in-flows from investments, i.e. income payments as well as principal repayments.

A further consideration is the relative ratio of pledged versus unencumbered assets backing liabilities. CHBL monitors the degree of collateralisation extant in its operating companies' liabilities. The value of Letters of Credit in CHBL's collateral accounts, Trust Accounts and SICAV's (investment companies with variable capital) that are pledged as collateral to ceding companies are monitored and reported on a monthly basis by the Group's Treasurer.

Operational Risk

Risk exposure

Operational risk relates to the possibility that companies within the Group become exposed to losses occurring as a result of failures within their internal systems and processes.

Operational Risk Exposures, Concentrations, Mitigations and Sensitivities

Management adopt an approach to operational risk in proportion to the size of each operating company and its operations. As the Group acquires more businesses, there is more scope to deal with 'key staff' operational risks associated with individuals and offices, as there is increased scope to use other Group staff and/or offices which will help to mitigate those risks. Management believes strongly in setting performance precedents for their staff, and ensuring as far as practicable the maintenance of our business systems.

Close collaboration with HR and IT will allow the CRO and the local executive team to identify any operational vulnerabilities before they are able to adversely affect business process or maintenance of accounts. Processes and procedures are regularly enhanced.

IT and Cyber-intrusion Risk

System risk is the potential for losses to occur due to failures within the Group's technology and information systems.

Given the reliance among (re)insurers on computer technology, Management is keen to ensure that the regulated operating entities have suitable and immediately available backup, in the event of a failure by one or more of their IT systems.

The Group therefore arranges redundancy for server operations which are mirrored in multiple locations. In the event that a place of work becomes unsuitable for whatever reason, the continuation of daily business is possible. The operating companies have the advantage of the Group having multiple offices in diverse geographical locations, so that mirror sites

may not be affected at the same time. Access to alternative office space is a low priority given that most employees would be able to access systems and networks remotely via the internet to carry out their day to day operations.

The following cyber –intrusion prevention processes are in place:

- Vulnerability Management and Patch management are performed as part of BAU.
- Internal network security is monitored by our Darktrace AI platform;
- Daily report logs are generated on all firewalls and critical notifications are sent out in real time;
- Event logs are monitored on all Servers with a log collection tool at a frequency of every 180 Seconds with immediate notification of critical events;
- Workstations are monitored hourly for critical events;
- A security policy is in place that is kept in line with current best practices;
- An incident response plan is in place for cyber incidents including data breach of sensitive company information and personal identifiable information;
- Support in counter intrusion measures via our data breach partners / insurers; and
- Multi-authentication factors required for remote access.

Disaster recovery is extensively covered in a comprehensive response document and is designed to enable managers to concentrate on their own areas of business restoration, whilst leaving recovery of data and communications, staff welfare, staff relocation and media communication to IT, Operations and HR specialists respectively.

d) Investment in Assets in Accordance with the Prudent Person Principles of the Code of Conduct

The Group's investment portfolio is managed by the Group's investment team in accordance with the Group's Investment Policy. The Investment Policy governs the Group's exposure to market risks. Exposures are controlled by the setting of investment limits in line with CHBL's risk appetite. The Investment Policy is approved by the CHBL and operating company Boards and is applied by the Group Investment team, who are responsible for making and implementing investment decisions on behalf of the operating companies in line with the Investment Policy and risk appetite statements approved by the various Boards.

Each insurance operating company seeks to maximise investment returns within its Board-approved Risk Appetite Statement and requirements of the Prudent Person Principle. The investment management philosophy is implemented through both internal investment management decisions and the assistance of external investment managers to best achieve the objectives of the Investment Policy.

Each insurance operating company's investment policy and related guidelines have been formulated to ensure that they are in accordance with all aspects of the Prudent Person Principle. The investment goals in order of relative importance are:

i. To preserve invested capital;
ii. To maintain the ability to meet liability payment obligations and operating expenses as they become due;
iii. To always manage the portfolios in conformity to the regulatory framework and agreed investment guidelines; and
iv. To earn the best possible risk adjusted total return on invested capital.

e) Stress Testing and Sensitivity Analysis to Assess Material Risks

As part of the CHBL capital setting process, a range of stress tests are carried out in order to assess the sensitivities of key inputs and evaluate the Group's ability to be able to withstand exposure to extreme conditions and events. This provides valuable insight into the financial vulnerability of the Group in response to deterioration in asset and liability values.

The stress tests are based on extreme but realistic events to which the Company could be exposed and close consideration of the risk register has been made in selecting the events giving rise to the various stresses.

In conducting these stress tests, it is important to note that the lines of business having the most impact on the economic balance sheet are long-tailed and therefore will have a limited impact on the one-year time horizon over which the Group's capital is being modelled. The full effect of any stresses will be apparent over the ultimate time horizon.

Stress Tests

The stress tests are primarily with respect to reserve risk, credit risk, market risk and operational risk. These stress tests enhance the ability to quantitatively and qualitatively understand risk factors that could impact the Group's business and risk appetite, and to inform risk and capital decisions.

Despite the stress tests that have been conducted, it is important to remember that CHBL reduces the risk of losses due to adverse claims cost development by carrying reasonable but prudent reserves and operating a portfolio of insurance companies whose claims are well spread by type, date of accident and geographic location. The portfolio effect has meant that isolated adverse development from time to time has been more than offset by reserve redundancies elsewhere in the portfolio.

The following sections discuss each of the stresses that have been applied.

Reserve Risk: Increase in gross claims reserve

Reserve risk is one of the largest contributors to the total economic capital charge and this is a reflection of the Group's focus on risks in run-off.

Careful consideration was given to the classes of business with the largest net reserves and the main uncertainties to which these classes are exposed were used to develop realistic scenarios under which the Group's net reserves could be significantly stressed. The basic stress applied is (unanticipated) deterioration in the level of reserves and is in line with one of the largest risks identified on the risk register that is generic to each individual operating company. The stresses were applied to the following classes of business: Periodic Payment Orders, U.S. Asbestos & Pollution, U.K. Employers' Liability Asbestos and U.S. Workers' Compensation. In addition, a stress was applied for general claims inflation for all classes of business.

Credit Risk: Default in reinsurance recoveries

CHBL cedes approximately 32% of gross reserves to reinsurance counterparties and therefore the losses that it would have to sustain in the event of default of reinsurance recoveries would not be immaterial. A loss given default of 50% of expected reinsurance recoveries has been assumed as a suitable stress on CHBL's credit risk. This is considered to be sufficiently severe and is in line with market practice.

Increase in operational risk charge

Operational risk has the potential to overlap with a number of other risk categories, depending on the exact nature of the risk being considered. Given the nature of CHBL's business strategy, a plausible risk could be failure to conduct adequate due diligence on new acquisitions (in line with strategic risk identified in the group risk register). This could potentially result in material reserve risk losses, regulatory fines and additional legal and compliance costs. A suitable stress scenario based on a theoretical new acquisition has been applied.

Market risk: Investment stress tests

The investment stress tests that have been applied include: a global recession scenario, extreme U.S. yield curve widening, widening of credit spreads (public and private lending), foreign currency shocks and a severe downside stress equivalent to the Great Financial Crisis of 2008. Various combinations of these stresses have also been applied.

Taken individually, none of the stress tests above would reduce the Group's capital ratio below the Target Capital Level of 120%. However, in the unlikely event that all of these stresses occurred instantaneously together it would result in a reduction in economic capital which would materially reduce Group's capital ratio below the target level of 120%. However, even under this extreme scenario CHBL would still remain able to pay all claims. Should such an extreme event occur, non-recourse capital could still be available from which to draw funds.

Based on the results of the stress tests, Management consider the Group to be appropriately capitalised.

Management Actions upon Solvency Deterioration

Should the ICM capital coverage or Group BSCR coverage for CHBL fall below 150% or the Group's minimum target capital ratio, there are several courses of action that would be considered, and one or more of these would generally be taken.

Firstly, for most stress scenarios the run-off nature of the operating companies, and in particular the types of claims liabilities held, make it unlikely that a stress event would occur instantaneously resulting in a sudden and material drop in solvency coverage. Similarly for investment and other stress scenarios, there would often be advance indicators through which the CHBL RC and other governance fora, would see and accordingly build and execute a detailed and robust plan of action with strict and regular (daily/weekly) oversight to limit or prevent adverse outcomes. A detailed and robust plan could include the following management actions:

- Capital injections into relevant operating subsidiaries via a call on either the Shareholder, draw down on the RCF or the issuance of subordinated debt recognised as Eligible Capital;
- De-risking the respective investment portfolios to limit exposures. This could be a change to one or more of asset class, asset duration, counterparty or currency;
- Utilising derivative instruments to protect the asset portfolio;
- Reducing the cost base to preserve cash and liquidity; or
- Soften the position on commutation negotiations to accelerate the number of de-risking deals done.

There are other courses of action available to management which are less immediate and would require regulatory support. These therefore have greater execution risk but include:

- Moving capital between operating entities to those requiring capital;
- Agreement of either intra-Group or external reinsurances; or
- Part VII transfers and other forms of portfolio transfer to reduce capital consumption

.

Prospectively, as reserves and credit exposures are expected to decline, the monetary amounts of all the stresses are expected to continue at the current level or reduce over time as day-to-day operational activities de-risk the balance sheet.

Item 4: Solvency Valuation

a) Assets

Catalina Holdings (Bermuda) Ltd.

Catalina has used the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" for the statutory filing for the year ended December 31, 2021. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis (which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date). For the consolidated Catalina Group, the value of each material class of Economic Balance Sheet assets is provided in the table below followed by commentary on the determination of the valuation basis.

TABLE 13 - VALUE OF EACH BALANCE SHEET ASSET FOR THE GROUP

Economic Balance Sheet Classification	2021 Economic Balance Sheet Value $'000	2020 Economic Balance Sheet Value $'000	Note
Cash and Cash Equivalents	578,797	602,128	1
Quoted Investments	2,834,567	3,048,387	2
Unquoted Investments	272,918	201,092	3
Investments in Mortgage Loans on Real Estate	203,957	100,045	4
Real Estate (less encumbrances)	442,301	324,744	5
Collateral Loans	419,917	266,375	6
Investment Income Due and Accrued	25,811	23,738	7
Accounts and Premiums Receivable	47,911	47,380	8
Reinsurance Balances Receivable	202,999	180,837	9
Funds Held by Ceding Reinsurers	83,740	96,647	10
Sundry Assets	75,427	337,978	11
Investment in Affiliates	8,174	11,184	12
Advances to affiliates	-	-	13
Undrawn Capital	-	106,000	14
Total Assets	**5,196,519**	**5,346,535**	

The fair value principles used for the assets are as follows:

Note 1 - Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments such as liquidity funds, money market funds and other time deposits with commercial banks and financial institutions which have maturities of less than three months from the date of purchase. The fair value of these holdings is determined by using quoted market prices. The valuation basis for the Economic Balance Sheet is consistent with Catalina's U.S. GAAP financial statements.

Note 2 - Quoted Investments

Quoted investments are primarily corporate securities, U.S. government and agency securities, non-U.S. government securities, municipal securities, asset-backed securities and mortgage-backed securities. All quoted investments are held at

fair value based on quoted prices in active markets that are readily and regularly available. The fair value of these instruments does not entail a significant degree of judgement.

Note 3 - Unquoted Investments

Unquoted investments include non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, hedge funds, private equity, private equity funds, private debt funds, debt funds, commercial real estate funds, common trust funds and venture capital funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment. The fair values of most of the unquoted investments have been estimated using the Net Asset Value of the funds reported by the management responsible for administering the funds, where possible. In the absence of such information, the assets are valued based on Catalina's own management's review and judgement of such assets.

Note 4 - Investments in Mortgage Loans on Real Estate

Investments in mortgage loans on real estate primarily relate to investments in a mezzanine debt fund secured on commercial real estate. The fund records its real estate debt at fair value. Prices are determined using observable prevailing market conditions, performance and other similar transactions in the marketplace. Investments in mortgage loans on real estate also includes a commercial mortgage loan that is valued based on Group generated inputs.

Note 5 - Real Estate (less Encumbrances)

Real estate has been valued at fair value based on commercial real estate valuations undertaken by Chartered Surveyors (members of the Royal Institution of Chartered Surveyors). The valuations are prepared by considering the aggregate for the net annual rents receivable and, where relevant, associated costs. Real estate is stated net of the associated loans that were used to partially fund the acquisition of the properties. The loans are secured by a first ranking legal charge over the properties

Note 6 - Collateral Loans

Collateral loans primarily consist of:

A fund that principally invests in a diversified portfolio of leveraged loans, collateralized debt obligations, high-yield bonds, commercial mortgage-backed securities, consumer and commercial asset-backed securities, credit default swaps, bank debt, options, and synthetic securities and indices. The fund is marked to market based on market observable transactions; and Loan notes reflecting an interest over underlying loans primarily secured by receivables

Note 7 - Investment Income Due and Accrued

Investment income due and accrued is recorded at fair value in line with U.S. GAAP.

Note 8 - Accounts and Premiums Receivable

Accounts and premiums receivable are recorded at fair value after consideration of the impairment of any amounts receivable. This item mainly represents premiums due from cedants.

Note 9 - Reinsurance Balances Receivable

Reinsurance balances receivable are recorded at fair value after consideration of the impairment of any amounts receivable. Reinsurance balances receivable relate to paid claims recoverable and other amounts due to the Group under the terms of reinsurance agreements. The amounts are recognised when the claim is paid and generally they are transferred from reinsurance recoverable (reinsurance share of technical provisions). The amounts are recognised net of any amounts that the Group estimates it would be unable to recover from the reinsurer concerned due to insolvency or known liquidity issues, contractual dispute or any reason which, in management's judgement, is likely to warrant a reserve against a particular reinsurer.

Note 10 - Funds Held by Ceding Reinsurers

Funds held by ceding reinsurers are recorded at fair value. Funds held by cedants are a requirement of certain reinsurance contracts. These amounts are generally provided as cash and considered to represent fair value. Determination of fair value for funds held by cedants is after consideration of the impairment of any amounts receivable.

Note 11 - Sundry Assets

Derivatives

Derivatives are recorded at fair value in line with U.S. GAAP. The derivatives relate to interest rate swaps customised to the Group's risk management strategy. The fair values of these derivatives are estimated from significant observable inputs such as non-binding broker-dealer quotes.

Deferred Tax Assets

Deferred tax balances are recognised in relation to all assets and liabilities that are recognised for solvency or tax purposes in conformity with U.S. GAAP with a positive value only recognised where it is probable that future taxable profits will lead to the realisation of the asset.

Intangible Assets

Intangible assets relate to insurance licenses for two of the Group's U.S. insurance subsidiaries. These licenses can be sold separately and the fair value is in line with values realised from recent sales of licenses from the Group's other subsidiaries.

Other Sundry Assets

Other sundry assets include a receivable related to the sale of property held within Oxenwood subsidiaries and funds held by third party claims administrators that are used as a float to pay claims.

Note 12 - Investment in affiliates

The investment in affiliates are investments in Catalina ORE Ltd. ("**CORE**"). CORE was set up as an intermediate holding company for Catalina and its subsidiaries to invest in commercial real estate via Oxenwood Capital LP, Oxenwood Real Estate LLP and Oxenwood Real Estate Capital. The investment in CORE is recorded at estimated fair value using similar principles to the real estate discussed above in Note 5.

Note 13 - Advances to affiliate

Advances to affiliates includes funds held, prepaid administration fees and other receivables from affiliates. Most of the balances relates to funds held by CWIL in relation to the 100% Quota-Share to CatGen.

Note 14 – Undrawn Capital

In December 2019, the BMA provided a conditional Tier 3 Ancillary Capital approval for recognition of up to $150.0 million of the Shareholder Commitment. The Tier 3 Ancillary Capital is limited to 10% of Tier 1 Capital or $150.0 million, whichever is the lower. The Tier 3 Ancillary Capital expired September 30, 2021, therefore undrawn capital is nil at December 31, 2021 and so there is no Tier 3 Ancillary Capital recognized as at December 31, 2021.

Catalina General Insurance Ltd.

TABLE 14 - VALUE OF EACH BALANCE SHEET ASSET FOR CATGEN

Economic Balance Sheet Classification	2021 Economic Balance Sheet Value US$'000	2020 Economic Balance Sheet Value US$'000	Note
Cash and Cash Equivalents	306,192	243,183	1
Quoted Investments	1,986,565	1,900,164	2
Unquoted Investments	159,900	95,929	3
Investments in Mortgage Loans on Real Estate	162,894	74,468	4
Real Estate (less encumbrances)	229,884	72,204	5
Collateral Loans	287,585	184,939	6
Investment Income Due and Accrued	18,098	14,228	7
Accounts and Premiums Receivable	47,843	51,329	8
Reinsurance Balances Receivable	46,311	45,670	9
Funds Held by Ceding Reinsurers	99,568	44,928	10
Sundry Assets	29,092	313,180	11
Investment in Affiliates	11,233	14,258	12
Advances to Affiliates	-	95,624	13
Undrawn Capital	-	-	14
Total Assets	**3,385,165**	**3,150,104**	

Please refer to section above for fair value principles and for notes 1 to 14.

b) Technical provisions

The best estimate technical provision is the sum of the loss and loss expense provision and the premium provision. Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows which is calculated using the cost of capital approach and a discount rate term structure. The discount rate term structures are prescribed by the BMA for each reporting period or set using prescribed BMA guidelines.

The best estimate for the loss and loss expense provision is calculated by using U.S. GAAP reserves as the starting point and then performing a series of adjustments:

- Removal of prudence margins, where appropriate;
- Incorporation of expected reinsurance counterparty defaults;
- Incorporation of Events Not In Data ("**ENID**");
- Other adjustments relating to consideration for investment and administration expenses etc.;
- Discounting of cash flows

The loss and loss expense provision is the discounted best estimate of all future cash flows relating to claim events prior to the valuation date, including claims which have not yet been notified to the (re)insurer. Hence the loss and loss expense provision is calculated as the expected present value of claims incurred, including incurred but not reported claims ("**IBNR**") plus future expenses incurred to settle these claims.

At December 31, 2021 Catalina's total loss and loss expense provisions on an Economic Balance Sheet basis, gross and net of reinsurance, are as follows:

TABLE 15 - TOTAL CLAIM PROVISIONS GROSS AND NET OF REINSURANCE

By material line of business:	Gross Best Estimate 2021 US$'000	Net Best Estimate 2021 US$'000	Gross Best Estimate 2020 US$'000	Net Best Estimate 2020 US$'000
Property	479,583	444,866	311,709	271,298
Marine, Aviation and Transport	127,342	97,461	172,960	127,680
U.S. Casualty	752,015	682,369	562,578	475,947
Professional	39,234	39,208	8,933	8,801
International Motor	53,647	53,025	101,590	100,651
International Casualty	1,872,537	1,116,382	2,716,101	1,292,192
Health – including Periodic Payment Orders	163,353	157,363	232,524	227,683
Other	147,685	130,409	121,411	99,687
Long-term technical provisions	5,664	5,664	10,606	10,606
Total	**3,641,060**	**2,726,747**	**4,238,412**	**2,614,545**

The best estimate for the premium provision is calculated by using the unearned premium provision on a U.S. GAAP basis and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows. The premium provision is the discounted best estimate of all future cash flows relating to future exposure arising from policies to which the (re)insurer is obligated at the valuation date. Hence the premium provision is calculated as the expected present value of future claims from future exposure, plus future expenses incurred to settle these claims, less future premium receivable in relation to future exposure. The run off nature of Catalina means that there are minimal future exposures post December 31, 2021, resulting in a nil premium provision.

Catalina has adopted a deterministic approach to estimating the best estimate of liabilities by making the following adjustments to the U.S. GAAP reserves in the Group's audited financial statements:

TABLE 16 - ADJUSTMENTS FROM U.S. GAAP RESERVES TO ECONOMIC BALANCE SHEET

Increase /(decrease)	2021 US$'000	2020 US$'000	Note
Removal of deferred income / loss (including fair value adjustments)	8,678	20,063	1
Remove U.S. GAAP discounting of Periodic Payment Orders	67,381	88,079	2
Event Not In Data (ENID) included in Economic Balance Sheet	40,440	27,100	3
Expense Provision increase included in Economic Balance Sheet	98,840	78,010	4
Discounting at the Risk-Free Rate	(359,152)	(273,904)	5
Risk Margin	315,975	317,734	6
Total Economic Balance Sheet Liability Adjustments	**172,162**	**257,082**	

Note 1 - Deferred income / loss

Deferred income / loss is included within net outstanding losses and loss expenses in the U.S. GAAP audited financial statements.

Note 2 - U.S. GAAP discounting of Periodic Payment Orders

The U.S. GAAP reserves for Periodic Payment Orders were discounted at 3.0% per annum. This discount was removed as all reserves in the Economic Balance Sheet are discounted at the risk-free rate.

Note 3 - Events Not in Data

A provision for ENIDs is included in the Economic Balance Sheet. The provision is to capture those potential future claims that do not exist in the historical data.

Note 4 - Expense Provision increase

An increased expense provision is included in the Economic Balance Sheet to reflect all cash-flows arising from expenses that will be incurred servicing existing policies during their lifetime. This includes administrative expenses and investment expenses.

Note 5 - Discounting at the risk-free rate

The Economic Balance Sheet technical provisions take into account the time value of money by discounting at the risk-free rate term structure as prescribed by the BMA.

Note 6 - Risk margin

The risk margin represents the amount that another (re)insurer taking on the liabilities would require over and above the best estimate technical provisions. This is calculated using a cost-of-capital approach. The risk margin calculation is dependent on the Bermuda Statutory Capital Requirement which itself is dependent on the best estimate technical provisions.

The main risks and uncertainties associated with the technical provisions relate to the following:

- ENID and Expense provisions: these are subjective (especially ENIDs) and so there are uncertainties associated with these being too high or too low. The ENID adjustment is designed to capture those potential future claims that do not exist in the historical data used for U.S. GAAP reserves calculation. These claims are typically low frequency but with a high severity impact. Historical events which are contained within the Group's historical loss experience are also considered to ascertain whether further scenarios or loadings need to be applied. The active management of claims could result in actual expenses being higher than those assumed in the technical provisions. One cause of this is the cost of the relevant staff who do the active claims management;
- Risk free rates: whilst those used as at a given date are prescribed and provided by the BMA, they are volatile over time;
- Unavoidable risk associated with the technical provisions: claims provisions are best estimates of future costs, both in terms of the amounts of future cash flows, and outcomes will inevitably differ from any prior estimate; and
- The Group's business model is to manage claims actively. The technical provisions assume the run-off of claims over time as they are estimated to become due. This difference results in actual technical provisions tending to reduce over time more quickly than the estimates used in the best estimate of liabilities.

At December 31, 2021 the total loss and loss expense provisions on an Economic Balance Sheet basis for CatGen, gross and net of reinsurance, are as follows:

TABLE 17 - TOTAL CLAIM PROVISIONS GROSS AND NET OF REINSURANCE FOR CATGEN

By material line of business:	Gross Best Estimate 2021 US$'000	Net Best Estimate 2021 US$'000	Gross Best Estimate 2020 US$'000	Net Best Estimate 2020 US$'000
Property	253,017	252,342	8,061	7,552
Marine, Aviation and Transport	16,584	15,285	21,264	19,790
U.S. Casualty	563,736	544,098	391,665	358,549
Professional	38,791	38,791	7,958	7,958
International Motor	26,593	26,593	36,047	35,961
International Casualty	1,584,237	879,674	1,843,713	1,017,726
Health – including Periodic Payment Orders	132,250	126,960	181,465	176,719
Other	50,982	47,615	13,143	9,495
Long-term technical provisions	5,664	5,664	10,606	10,606
Total	**2,671,854**	**1,937,022**	**2,513,922**	**1,644,356**

CatGen has adopted a deterministic approach to estimating the best estimate of liabilities by making the following adjustments to the U.S. GAAP reserves in the Group's audited financial statements:

TABLE 18 - ADJUSTMENTS FROM GAAP RESERVES TO ECONOMIC BALANCE SHEET FOR CATGEN

Increase /(decrease)	2021 US$'000	2020 US$'000	Note
Removal of deferred charge (including fair value adjustments)	(29,273)	(38,296)	1
Remove U.S. GAAP discounting of Periodic Payment Orders	67,381	88,079	2
Event Not In Data (ENID) included in Economic Balance Sheet	28,960	20,666	3
Expense Provision increase included in Economic Balance Sheet	63,814	34,383	4
Discounting at the Risk Free Rate	(306,549)	(243,568)	5
Risk Margin	262,532	257,908	6
Total Economic Balance Sheet Liability Adjustments	**86,865**	**157,468**	

The adjustments are as described in the notes under Table 14

c) Description of recoverables from reinsurance contracts

Recoverables from reinsurance contracts are based on principles similar to the gross best estimate. Reinstatement premiums required to be paid to the reinsurer are included within reinsurance balances payable.

The recoverables from reinsurance contracts balance is adjusted for potential impairment based on counterparty credit rating based on rating agency and experience default statistics.

d) Other liabilities

Similar to the valuation principles for assets, Catalina's liabilities follow the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" which values liabilities at a fair value basis. All other liabilities are valued on a U.S. GAAP basis and settlements not expected to be settled within a year are discounted using the prescribed discount rates provided by the BMA as at December 31, 2021.

For the consolidated Group, the value of each material class of Economic Balance Sheet liabilities, other than Technical Provisions, is provided in the table below followed by commentary on the determination of the Economic Balance Sheet valuation basis.

TABLE 19 - VALUE OF ECONOMIC BALANCE SHEET LIABILITY CLASSES

Economic Balance Sheet Classification	2021 Economic Balance Sheet Value US$'000	2020 Economic Balance Sheet Value US$'000	Note
Insurance and Reinsurance Balances Payable	110,858	75,460	1
Commissions, Expenses, Fees and Taxes Payable	636	710	2
Loans and Notes Payable	427,368	763,901	3
Tax Liabilities	1,978	2,137	4
Accounts Payable and Accrued Liabilities	49,994	35,255	5
Sundry Liabilities	-	15,465	6
Total Other Liabilities	**590,834**	**892,928**	

Note 1 - Insurance and Reinsurance Balances Payable

Insurance and reinsurance balances payable primarily relate to claims that are due to be paid. With these liabilities largely expected to be settled during 2022, in a time of relative benign interest rate volatility, any fair value adjustment is not material.

Note 2 - Commissions, Expenses, Fees and Taxes Payable

Commissions, expenses, fees and taxes payable primarily relate to commissions due on insurance and reinsurance contracts. With these liabilities largely expected to be settled during 2022, in a time of relative benign interest rate volatility, any fair value adjustment is not material.

Note 3 - Loans and Notes Payable

Loans and notes payable include:

CHBL

$319.8 million relating to RCF drawdowns with a variable rate of interest based on LIBOR plus a margin where the margin is determined by reference to the total level of gearing of the Group. The RCF has been entered into relatively recently and is considered to be at current market rates and therefore the face value of the debt is considered to be a reliable indicator of fair value at the valuation date.

$107.5 million relating to floating rate long-term subordinated debt issued by CHBL and by two of CHBL's subsidiaries, Glacier Re and Alea Holdings U.S. Company, prior to their acquisition by Catalina. As similar debt trades infrequently, there have been few observable inputs in terms of valuation benchmarks. The fair value of the subordinated debt is therefore calculated through an internal valuation model. Using judgement, Catalina has determined certain inputs in its valuation model which are not readily observable to determine an appropriate discount rate which is applied to the nominal value of the debt at the valuation date.

CatGen

$39.8 million relating to floating rate long-term subordinated debt issued by CatGen, CII and Glacier Re.

Note 4 - Tax Liabilities

Tax liabilities include current taxes payable and deferred income taxes. Deferred tax liabilities are recognised in relation to all assets and liabilities that are recognised for solvency or tax purposes in conformity with U.S. GAAP.

Note 5 - Accounts Payable and Accrued Liabilities

These liabilities are not subject to valuation adjustment between U.S. GAAP and Economic Balance Sheet. With these liabilities largely expected to be settled during 2022, in a time of relative benign interest rate volatility, any fair value adjustment is not material.

Note 6 - Sundry Liabilities

Subsidiaries of CHBL have assets and liabilities denominated in multiple currencies. From time to time, currency forwards are entered into to eliminate or mitigate currency risk. These derivatives are recorded at fair value in line with U.S. GAAP.

For CatGen, the value of each material class of Economic Balance Sheet liability, other than Technical Provisions, is provided in the table below.

TABLE 20 - VALUE OF ECONOMIC BALANCE SHEET LIABILITY CLASSES FOR CATGEN

Economic Balance Sheet Classification	2021 Economic Balance Sheet Value US$'000	2020 Economic Balance Sheet Value US$'000	Note
Insurance and Reinsurance Balances Payable	62,833	79,813	1
Loans and Notes Payable	39,861	-	3
Accounts Payable and Accrued Liabilities	25,847	66,347	5
Sundry Liabilities	-	2,175	6
Amounts due to affiliates	113	10,134	7
Total Other Liabilities	**128,654**	**158,469**	

The adjustments 1 to 6 are as described in the notes under Table 17

Note 7 - Amounts due to affiliates

This consists primarily of reinsurance balances payable under intercompany reinsurance arrangements.

e) Any other material information

Not applicable.

Item 5: Capital Management

Capital management refers to implementing measures to maintain sufficient capital and assessing the internal capital adequacy of Catalina and CatGen. Catalina and CatGen manage capital to ensure a prudent cushion of Eligible Capital to protect against volatility, to finance new growth opportunities and to meet regulatory requirements. CHBL has a business plan which feeds into the GSSA and which demonstrates capital adequacy is expected throughout the three year planning horizon.

a) Eligible capital

Catalina Holdings (Bermuda) Ltd.

Capital Management Policy and process for capital needs, how capital is managed and material changes during 2021

The primary capital management objectives of the Group are to maintain a strong capital base to meet regulatory capital requirements at all times and to ensure that the Group has capital available to finance future acquisitions and reinsurance transactions. The Group strives for an appropriate capital structure that efficiently allocates the risk to the capital. Other than dividends paid to management shareholders, the Group has not declared dividends and earnings are retained to invest in future transactions. The Group's capital and risk management strategy were primarily unchanged over 2021.

To maintain a strong capital base, the Group identifies, assesses, manages and monitors the various risk sources that it faces in the course of business, both currently and as anticipated over a three-year planning horizon. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management given the Group's risk profile. The Group's risk profile includes an assessment of the material risks faced by the Group, the strength of the Group's enterprise risk management, capital measures derived from proprietary and vendor models, qualitative risks, stress testing and liquidity.

The Group's approach to capital management is to ensure that all insurance and reinsurance operating subsidiaries within the Group have sufficient capital to meet regulatory capital requirements. The Group's most significant insurance and reinsurance operating subsidiaries are based in jurisdictions where risk-based capital models are used to calculate the regulatory capital requirements for insurers and reinsurers. The targeted capital level of the Group and each regulated operating subsidiary is set above regulatory capital requirements. Capital in excess of the targeted levels is retained for future business or distributed to the operating subsidiaries' shareholder. Most of the Group's regulated operating subsidiaries require regulatory approval before declaring a dividend or making a capital distribution.

The potential sources of liquidity to CHBL as a holding company consist of cash flows from proceeds from issuance of equity to shareholders, proceeds from the issuance of debt instruments, dividends and capital distributions from subsidiaries, and borrowings from existing financing relationships. The Group has a $650.0 million Revolving Credit Facility Agreement with National Westminster Bank plc (formerly The Royal Bank of Scotland plc) and other banks. As of December 31, 2021 the RCF was approximately $320.0 million utilized, leaving an available capacity of approximately $330.0 million.

CHBL utilizes cash to fund new acquisitions or capital contributions to subsidiaries, to pay operating expenses, to pay interest and principal on debt obligations.

Eligible Capital Categorised by Tiers in Accordance With the Eligible Capital Rules

Eligible capital represents Catalina's assessment of the quality of its capital resources eligible to satisfy its regulatory requirements. As at December 31, 2021 the Group's Eligible Capital was categorised as follows:

TABLE 21 - GROUP ELIGIBLE CAPITAL

	Applied to MSM		Applied to ECR	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
Tier 1	1,239,896	1,107,988	1,239,896	1,107,988
Tier 2	309,974	276,997	322,958	307,133
Tier 3	-	-	-	106,000
Total	**1,549,870**	**1,384,985**	**1,562,854**	**1,521,121**

The majority of capital is **Tier 1 Basic Capital**, and consists of:

- Fully paid common shares
- Perpetual preference shares
- Additional paid-in capital
- Statutory Economic Surplus
- Minority Interest

In March 2020, $284m of the Shareholder Commitments was drawn down to partially fund the acquisition of ACR.

On October 29, 2021, the Company issued new equity to existing shareholders of $79.7 million, as part of a capital raise by the Company to support future growth.

In 2021, Catalina issued subordinated debt of $25.0 million, with terms and conditions, which resulted in Tier 2 Capital for the Group following approval by the BMA.

Confirmation of Eligible Capital That is Subject to Transitional Arrangements

The Group does not have any Eligible Capital that is subject to transitional arrangements.

Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR

Not applicable.

Identification of Ancillary Capital Instruments That Have Been Approved by the Authority

The following instruments have been approved by the Authority as Ancillary Capital for CHBL:

- €23.8 million floating rate subordinated notes due in January 2027 issued CII, approved by the BMA as Tier 2 Ancillary Capital on July 17, 2019.
- $45.5 million of floating rate subordinated notes due in May 2027 issued by CatGen, approved by the BMA as Tier 2 Ancillary Capital on April 25, 2017.
- $25.0 million of floating rate subordinated notes due in March 2028 issued by CatGen, approved by the BMA as Tier 2 Ancillary Capital March 8, 2018

- €21.3 million of floating rate subordinated notes due January 2030 issued by CHBL, approved by the BMA as Tier 2 Ancillary Capital on November 7, 2019
- €37.5 million of floating rate subordinated notes due January 2031 issued by CHBL, approved by the BMA as Tier 2 Ancillary Capital on December 3, 2020.
- $50.0 million of floating rate subordinated notes due February 2031 issued by CHBL, approved by the BMA as Tier 2 Ancillary Capital on December 21, 2020.
- $54.0 million and €26.0 million of floating rate subordinated notes due in June and December 2035 issued by CHBL approved by the BMA as Tier 2 Ancillary Capital on November 18, 2019.

Identification of Differences in Shareholders' Equity as Stated in the Financial Statements versus the Available Capital and Surplus

The most significant differences in shareholders' equity as stated in the U.S. GAAP financial statements versus the available capital and surplus are the inclusion of approved ancillary capital items (as described above) and the impact of employing statutory based technical provision valuation techniques as discussed in item 4, section (b).

TABLE 22 – RECONCILIATION OF U.S. GAAP SHAREHOLDERS' EQUITY TO ELIGIBLE CAPITAL FOR THE GROUP

	2021	2020
	US$'000	US$'000
Total Shareholders' Equity – U.S. GAAP	**1,431,203**	**1,361,553**
Non-admitted assets	(11,879)	(2,610)
Release deferred income (including fair value adjustments)	(9,513)	(164)
Long-term subordinated debt – approved as Other fixed capital	322,958	294,121
Remove U.S. GAAP discounting of Periodic Payment Orders	(67,381)	(88,079)
Expense provisioning included in loss reserves	(105,266)	(78,010)
Loss reserves discount	359,152	274,118
Risk margin	(315,975)	(317,734)
Allowance for ENIDs	(40,440)	(27,100)
Life present value of future profits adjustment	-	(217)
Undrawn Capital	-	106,000
Other	-	(757)
Eligible Capital	**1,562,858**	**1,521,121**

Catalina General Insurance Ltd.

Capital Management Policy and process for capital needs, how capital is managed and material changes during 2021

The Capital Management objectives of CatGen are aligned with the Group, refer to item 5 section (a).

As a regulated insurance company with regulated operating subsidiaries, CatGen has some additional sources and uses of cash relative to CHBL. In addition to the sources available to CHBL, CatGen can generate liquidity through premium received through its reinsurance transaction, CatGen also has significant liquid assets in its investment portfolio and additional non-liquid assets which can generate liquidity through distributions and disposals. Additional uses of cash for CatGen include claims payments, posting of collateral to counterparties and investment purchases.

Eligible Capital Categorized by Tiers in Accordance With the Eligible Capital Rules

Eligible capital represents CatGen's assessment of the quality of its capital resources eligible to satisfy its regulatory requirements. As at December 31, 2021 the CatGen's Eligible Capital was categorized as follows:

TABLE 23 – CATGEN'S ELIGIBLE CAPITAL

	Applied to MSM		Applied to ECR	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
Tier 1	917,103	1,018,465	917,103	1,018,465
Tier 2	139,744	70,500	139,744	70,500
Tier 3	-	-	-	-
Total	**1,056,847**	**1,088,965**	**1,056,847**	**1,088,965**

The majority of capital is **Tier 1 Basic Capital**, and consists of:

- Fully paid common shares
- Perpetual preference shares
- Additional paid-in capital
- Statutory Economic Surplus
- Minority Interest

On May 27, 2021, Cat Alpha contributed $20.0 million as statutory economic surplus.

On June 22, 2021, Cat Alpha contributed $96.0 million as statutory economic surplus.

During 2021 CHBL underwent a restructure of certain companies within the group. As a result, effective August 1,2021, Echo and Foxtrot, previously direct subsidiaries of CHBL, had their shareholdings transferred to CatAlpha, who immediately thereafter transferred its shareholding to CatGen. As of this date, Echo and Foxtrot as subsidiaries of CatGen, are required to have their results included in the consolidated financial statements of the Company. CHBL remains the ultimate parent and, as the entities are all still considered to be under common control, there statement of the Company's consolidated financial statements have been retrospectively applied to all previously reported periods.

On September 22, 2021, CatGen paid a $60.0 million dividend to its shareholder.

On December 21, 2021, CatGen paid a $50.0 million dividend to its shareholder.

Confirmation of Eligible Capital That is Subject to Transitional Arrangements

CatGen does not have any Eligible Capital that is subject to transitional arrangements.

Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR

Not applicable.

Identification of Ancillary Capital Instruments That Have Been Approved by the Authority

The following instruments have been approved by the Authority as Ancillary Capital for CHBL:

- $45.5 million of floating rate subordinated notes due in May 2027 issued by CatGen, approved by the BMA as Tier 2 Ancillary Capital on April 25, 2017.
- $25.0 million of floating rate subordinated notes due in March 2028 issued by CatGen, approved by the BMA as Tier 2 Ancillary Capital on March 8, 2018.

Identification of Differences in Shareholders' Equity as Stated in the Financial Statements versus the Available Capital and Surplus

The most significant differences in shareholders' equity as stated in the U.S. GAAP financial statements versus the available capital and surplus are the inclusion of approved ancillary capital items (as described above) and the impact of employing statutory based technical provision valuation techniques as discussed in item 4, section (b).

TABLE 24 – RECONCILIATION OF U.S. GAAP SHAREHOLDERS' EQUITY TO ELIGIBLE CAPITAL FOR CATGEN

	2021	2020
	US$'000	US$'000
Total Shareholders' Equity – U.S. GAAP	**1,074,608**	**1,128,035**
Non-admitted assets	(1,249)	(877)
Release deferred income (including fair value adjustments)	29,126	38,093
Long-term subordinated debt – approved as Other fixed capital	70,500	70,500
Remove U.S. GAAP discounting of Periodic Payment Orders	(67,381)	(88,079)
Expense provisioning included in loss reserves	(63,814)	(34,383)
Loss reserves discount	306,549	243,568
Risk margin	(262,532)	(257,908)
Allowance for ENIDs	(28.960)	(20,666)
Other	-	10,682
Eligible Capital	**1,056,847**	**1,088,965**

b) Regulatory Capital Requirements

Catalina Holdings (Bermuda) Ltd.

At December 31, 2021 CHBL's regulatory capital requirements were assessed as follows:

TABLE 25 - GROUP REGULATORY CAPITAL REQUIREMENTS

	2021	Ratio
	US$'000	%
Minimum Margin of Solvency	506,841	306%
Enhanced Capital Requirement	879,082	178%

Identification of non-compliance with the MSM and the ECR

CHBL was compliant with the MSM and ECR requirement throughout 2021.

A description of the amount and circumstances surrounding the non-compliance, the remedial measures and their effectiveness

Not applicable.

Where the non-compliance is not resolved, a description of the amount of the non-compliance

Not applicable.

Catalina General Insurance Ltd.

At December 31, 2021 CatGen's regulatory capital requirements were assessed as follows:

TABLE 26 – CATGEN'S REGULATORY CAPITAL REQUIREMENTS

	2021	Ratio
	$'000	%
Minimum Margin of Solvency	294,342	359%
Enhanced Capital Requirement	654,885	161%

Identification of non-compliance with the MSM and the ECR

CatGen was compliant with the MSM and ECR requirement throughout 2021.

A description of amount and circumstances surrounding the non-compliance, the remedial measures and their effectiveness

Not applicable.

Where the non-compliance is not resolved, a description of the amount of the non-compliance

Not applicable.

c) Approved Internal Capital Model

Catalina Holdings (Bermuda) Ltd.

Description of the purpose and scope of the business and risk areas where the Internal Model is used

Not applicable. CHBL has not applied to have its internal capital model approved to determine regulatory capital requirements.

Where a partial Internal Model is used, description of the integration with the BSCR Model

Not applicable.

Description of methods used in the Internal Model to calculate the ECR

Not applicable.

Description of aggregation methodologies and diversification effects

Not applicable.

Description of the main differences in the methods and assumptions used for the risk areas in the Internal Model versus the BSCR Model

Not applicable.

Description of the nature & suitability of the data used in the Internal Model

Not applicable.

Catalina General Insurance Ltd.

Description of the purpose and scope of the business and risk areas where the Internal Model is used

Not applicable. CatGen has not applied to have its internal capital model approved to determine regulatory capital requirements.

Where a partial Internal Model is used, description of the integration with the BSCR Model

Not applicable.

Description of methods used in the Internal Model to calculate the ECR

Not applicable.

Description of aggregation methodologies and diversification effects

Not applicable.

Description of the main differences in the methods and assumptions used for the risk areas in the Internal Model versus the BSCR Model

Not applicable.

Description of the nature & suitability of the data used in the Internal Model

Not applicable.

d) Any other material information

Not applicable.

Item 6: Subsequent Events

On February 24, 2022, Russian military forces invaded Ukraine. The impact to Ukraine, as well as actions taken by other countries, including new and stricter sanctions imposed by the U.S. and other countries, companies and organizations against officials, individuals, regions and industries in Russia could have a material adverse effect on the markets in which the Company operates. Currently, CHBL and CatGen is not materially impacted by the conflict and related sanctions as it concerns its investments and reserves exposures. The Company will continue to monitor and assess the impact of the conflict and related sanctions as it relates to our operations.

In April 2022, the Group completed a restructuring involving the transfer of CatAlpha's 100% share ownership in Catalina Holdings UK Limited ("**CHUK**") to CatGen by way of an in-specie contribution to surplus. In addition to CHUK becoming a direct subsidiary of the CatGen, CHUK's direct and indirect subsidiaries including Catalina Services UK Limited and regulated UK insurers, became indirect subsidiaries of CatGen.

In May 2022, CatGen entered into a loss portfolio transfer retrocession agreement comprising of primary and excess general liability policies totaling $350 million in liabilities. The LPT Retro is effective from 31st December 2021 and closing and completion of the agreement is subject to satisfaction of various closing conditions, including regulatory approvals.

Approval

To the best of our knowledge and belief the financial condition report fairly represents the financial condition of Catalina Holdings (Bermuda) Ltd. and Catalina General Insurance Ltd. in all material respects.

Signed:

Name: Ian Parker

Position: Group Chief Executive Officer

Date: 18 July 2022

Signed: T.E.S. Walker Digitally signed by Timothy Walker (Qualified Signature) Date: 2022.07.18 14:18:34 +02'00'

Name: Timothy Walker

Position: Group Chief Risk Officer

Date: 18 July 2022