CATALINA HOLDINGS (BERMUDA) LTD.

FINANCIAL CONDITION REPORT

DECEMBER 31, 2022

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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, Singapore and Malaysia, acquires and manages non-life insurance and reinsurance companies and portfolios, and insurance and reinsurance business in run-off. This Financial Condition Report for the year ended December 31, 2022 has been prepared in accordance with the requirements of the Bermuda Monetary Authority's ("**BMA**") Insurance (Public Disclosure) Rules 2015 and the Insurance (Group Supervision) Rules 2011. It covers the business and performance of the Group and for its BMA regulated subsidiary, Catalina General Insurance Ltd. ("**CatGen**"), as well as their Governance Structure, Risk Profile, Solvency Valuation and Capital Management. CatGen is licensed as a Class 3B general business and Class E long term insurer.

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 transactions. The Group strives for an appropriate capital structure that efficiently allocates the risk to the capital. We use the BMA's Bermuda Solvency Capital Requirements ("**BSCR**") models to assess the Enhanced Capital Requirement ("**ECR**").

Catalina Holdings (Bermuda) Ltd.

At December 31, 2022 CHBL's regulatory capital requirements were assessed as follows:

Table 1 - Group regulatory capital requirements

	2022 US$'000	2021 US$'000
Eligible Capital	1,589,004	1,562,854
Minimum Margin of Solvency	447,213	506,841
Enhanced Capital Requirement	827,432	876,104
Bermuda Solvency Capital Requirement Ratio	**192 %**	**178%**

Catalina General Insurance Ltd.

At December 31, 2022, CatGen's regulatory capital requirements were assessed as follows:

Table 2 - CatGen regulatory capital requirements

	2022 US$'000	2021 US$'000
Eligible Capital	1,814,701	1,056,847
Minimum Margin of Solvency	313,294	294,342
Enhanced Capital Requirement	809,208	654,885
Bermuda Solvency Capital Requirement Ratio	**224 %**	**161 %**

Further details of CHBL 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 House 43 Victoria Street Hamilton Bermuda
Approved Auditor	Deloitte Ltd. Corner House 20 Parliament 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 - Group structure (as at December 31, 2022)

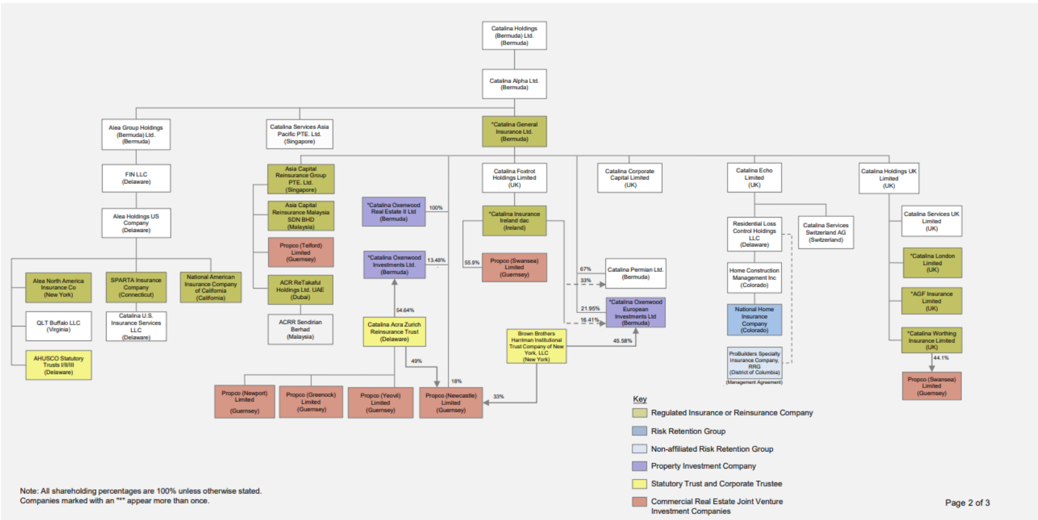
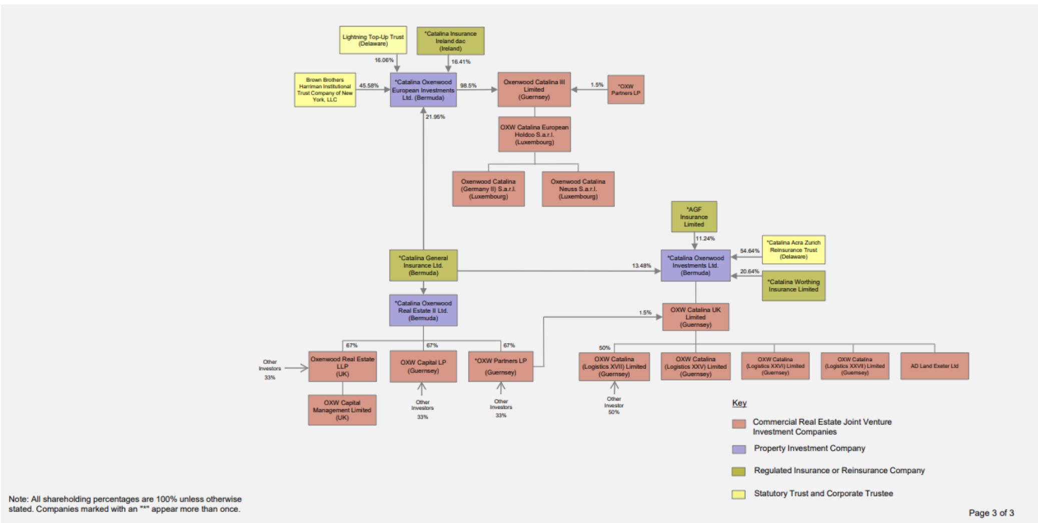


Figure 2 – Group Commercial Real Estate Joint Venture Structure (as at December 31, 2022)



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 CHBL at December 31, 2022 in US$ '000s equivalent was as follows:

Table 3 - Geographical distribution of net loss and expense provisions

	U.S	UK	Other	Total
2022	US$'000	US$'000	US$'000	US$'000
Net Loss reserves	$ 5,323,568	1,113,307	352,174	**$ 6,789,049**
	U.S	UK	Other	Total
2021	US$'000	US$'000	US$'000	US$'000
Net Loss reserves	$ 735,594	1,202,536	788,616	**$ 2,726,746**

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

Table 4 - Distribution of net loss and expense provisions by class of business

	2022		2021	
By material line of business	%	US$'000	%	US$'000
Property	5.0 %	$ 337,574	16.3 %	$ 444,866
Marine, Aviation and Transport	0.8 %	51,998	3.6 %	97,461
U.S Casualty	12.2 %	827,073	25.0 %	682,369
Professional	0.1 %	3,903	1.4 %	39,208
International Motor	0.5 %	32,149	1.9 %	53,025
International Casualty	11.4 %	770,943	40.9 %	1,116,381
Health	1.3 %	84,981	5.8 %	157,363
Other	0.6 %	43,040	4.8 %	130,409
Long-term Insurance Provisions	68.1 %	4,637,388	0.3 %	5,664
Total	**100 %**	**$ 6,789,049**	**100 %**	**$ 2,726,746**

Catalina General Insurance Ltd.

The geographical distribution of net loss and expense provisions for CatGen as at December 31, 2022 was as follows:

Table 5 - Geographical distribution of net loss and expense provisions

	U.S	UK	Other	Total
2022	US$'000	US$'000	US$'000	US$'000
Net Loss reserves	$ 5,261,175	1,115,331	350,070	**$ 6,726,576**
	U.S	UK	Other	Total
2021	US$'000	US$'000	US$'000	US$'000
Net Loss reserves	$ 591,087	1,032,395	313,540	**$ 1,937,022**

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

	2022		2021	
By material line of business	**%**	**US$'000**	**%**	**US$'000**
Property	5.0 %	$ 336,739	13.0%	$ 252,342
Marine, Aviation and Transport	0.8 %	51,545	0.8%	15,285
U.S Casualty	11.4 %	765,763	28.1%	544,098
Professional	0.1 %	3,890	2.0%	38,791
International Motor	0.5 %	32,101	1.4%	26,593
International Casualty	11.5 %	770,910	45.4%	879,674
Health	1.3 %	84,988	6.6%	126,960
Other	0.6 %	43,252	2.5%	47,615
Long-term Insurance Provisions	68.8 %	4,637,388	0.2%	5,664
	100 %	**$ 6,726,576**	**100%**	**$ 1,937,022**

d) Performance from Investing activities

The tables below show the investment income performance for CHBL and CatGen for the year ended December 31, 2022, together with comparatives for the previous year.

Table 7 - CHBL Investment performance

	2022			2021		
	Total Investment Return	**Market Value**	**Return**	**Total Investment Return**	**Market Value**	**Return**
Investment Type	**US$'000**	**US$'000**	**%**	**US$'000**	**US$'000**	**%**
Fixed Maturities	$ (537,676)	$ 2,251,720	(22.2)%	$ (89,151)	$ 2,589,532	(3.4)%
Equities	7	3,560	0.1 %	1,896	6,343	21.9 %
Other investments	45,260	1,215,131	3.6 %	115,006	1,312,133	9.9 %
Cash and cash equivalent	1,390	355,395	0.3 %	700	524,852	0.1 %
Real estate	—	276,839	— %	6,387	250,654	3.6 %
Funds Held	88,100	4,851,878	1.8 %	—	—	— %
Investment expenses	(6,962)			(8,614)		
Total	**$ (409,881)**	**$ 8,954,524**	**(6.0)%**	**$ 26,224**	**$ 4,683,514**	**0.6 %**

Table 8 - CatGen Investment performance

	2022			2021		
	Total Investment Return	**Market Value**	**Return (%)**	**Total Investment Return**	**Market Value**	**Return (%)**
Investment Type	**US$'000**	**US$'000**	**%**	**US$'000**	**US$'000**	**%**
Fixed Maturities	$ (526,787)	$ 2,147,665	(23.0)%	$ 64,272	$ 2,441,482	3.0 %
Equities	281	2,543	7.6 %	1,860	4,830	28.9 %
Other investments	38,310	923,193	3.9 %	111,276	1,035,112	16.7 %
Cash and cash equivalent	1,254	321,503	0.3 %	697	496,011	0.2 %
Real estate	—	276,839	— %	6,387	250,654	3.8 %
Funds Held	88,100	4,851,878	1.8 %	—	—	— %
Investment expenses	(5,966)			(6,464)		
Total	**$ (404,808)**	**$ 8,523,622**	**(6.3)%**	**$ 178,028**	**$ 4,228,089**	**5.4 %**

Investment returns for 2022 for fixed maturities were negatively impacted by increasing rates and spreads over the course of the year. Negative returns were partially offset by positive returns from other investments, especially commercial real estate and direct private equity. Investment returns also benefited from the FABN transaction, included within funds held, closing on 1 November 2022, driven by an overall reduction of yields over the final two months of the year.

e) Material Income and Expenses for the Period

Catalina Holdings (Bermuda) Ltd.

CHBL's main sources of revenue are income from investments and premiums earned. The main expenses arise from insurance claims and the cost of operations. The U.S. GAAP consolidated statement of income for CHBL is shown below:

Table 9 - CHBL Statement of Income Summary	2022 US$'000	2021 US$'000
Net run-off (loss) income	**$ (32,942)**	**$ 37,334**
Net investment income	116,889	107,308
Other revenue gains (losses)	(28,978)	84,383
Total revenues	**54,969**	**229,025**
Total expenses (including Net foreign exchange gains)	**2,254**	**(54,627)**
Income from continuing operations before income taxes	**57,223**	**174,398**
Income tax expense	(9,329)	(3,762)
Net income from continuing operations	**$ 47,894**	**$ 170,636**

The decrease in net income for the year ended December 31, 2022, compared to 2021 is primarily due to a net run-off loss and net losses on investments in the current year, partially offset by net foreign exchange gains.

Catalina General Insurance Ltd.

The U.S. GAAP consolidated statement of income for CatGen is shown below:

Table 10 - CatGen Statement of Income Summary	2022 US$'000	2021 US$'000
Net run-off (loss) income	**$ (38,731)**	**$ 9,221**
Net investment income	111,687	99,364
Other revenue gains (losses)	(27,150)	88,296
Total revenues	**45,806**	**196,881**
Total expenses (including Net foreign exchange gains)	**34,381**	**9,534**
Income from continuing operations before income taxes	**80,187**	**206,415**
Income tax expense	(9,321)	(3,759)
Net income from continuing operations	**$ 70,866**	**$ 202,656**

The decrease in net income for the year ended December 31, 2022 compared to 2021 is primarily due to a net run-off loss and net losses on investments in the current year, partially offset by net foreign exchange gains.

f) Material Transactions for the Period

Primary and Excess General Liabilities Loss Portfolio Transfer

During May 2022 the Company, through its wholly owned subsidiary, CatGen, entered into a conditional master transaction agreement and loss portfolio transfer retrocession agreement covering primary and excess general liability policies underwritten by the cedant's various subsidiaries. Approval from the BMA to enter into this transaction agreement was received on June 23, 2022. Effective January 1, 2022 (the risk transfer date), CatGen assumed net loss reserves of $334 million for a total consideration of $390 million in the form of premium.

Funding Agreement Backed Notes ("FABN") Transaction

On November 1, 2022, the Company, through its wholly-owned subsidiary, CatGen, entered into a retrocession agreement with Athene Annuity Re Ltd ("**AARe**"). AARe is an affiliated company that is owned by Apollo. Approval from the BMA to enter into this transaction agreement was received on November 4, 2022. The agreement is an investment contract classified as a financial derivative. CatGen provides for the payment leg of the contract, while taking on the risk of the receive leg related to the underlying contract's excess spread return over payments made on FABN. As of December 31, 2022, CatGen had $4,831 million of FABN assets and $4,633 million of FABN liabilities recorded in the Economic Balance Sheet.

Restructuring

Effective April 29, 2022, Catalina Holdings UK Limited ("**CHUK**") previously a direct subsidiary of CatAlpha, had its shareholding transferred to CatGen. Effective November 11, 2022, Asia Capital Reinsurance Group Pte. Ltd. ("**ACR**"), previously a direct subsidiary of CHBL, was acquired by CatGen through raising share capital and issuing common shares to CatAlpha. US GAAP numbers in this document are provided on a restated basis, in accordance with US GAAP requirements, which include these two entities in prior year comparative figures.

Discontinued Operations

On August 26, 2022, the Company entered into a share purchase agreement to sell Glacier Re. The sale transaction closed on September 30, 2022. The final cash consideration received was $47.4 million. The sale of Glacier Re qualified as a discontinued operation, the disposal of the business leading to the Company's exit from a major geographical area with significant effects on the Company's operations and financial results.

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.

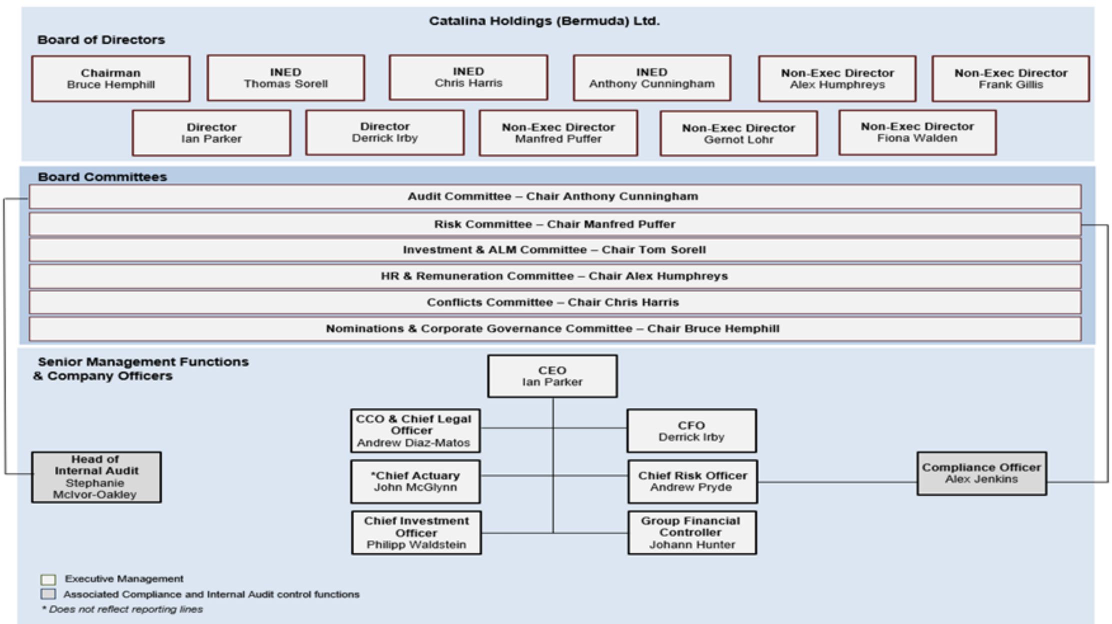
Catalina manages governance at two distinct levels across the Group, at a consolidated Group level and also at the individual operating company level.

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 committee:
    - 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 and compliance with its regulatory obligation.

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 INEDs. Each of the Audit Committee, Conflicts Committee, NomCom and I&ALM Committee is chaired by an INED.

At the subsidiary level, each operating company's constitutional documents give 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 employees. All employees are required to set performance objectives that are aligned to corporate objectives. Employees' 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 incentivised 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 Remuneration Committee 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 2022 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., Apollo Offshore Credit Fund and Apollo Accord Offshore Fund V L.P.. The total fair value of the Group's investments in these funds as of December 31, 2022, is $411.1 million or 10.0% of investments at fair value (2021: $438.5 million or 9.4%).
- The group, through its wholly-owned subsidiary, CatGen, entered into a FABN retrocession agreement with AARe. AARe is an affiliated company that is owned by Apollo.

c) Fitness and Propriety Requirements

Fit and proper process in assessing Board and Senior Executives, and other employees 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 employees 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
- Authorisation 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
Derrick Irby	CHBL CFO & Director	Insurance Executive
Alexander Humphreys	Apollo	Investment Manager
Gernot Lohr	Apollo	Investment Manager
Manfred Puffer	Apollo	Investment Manager
Frank “Chip” Gillis	Athene Life Re	Insurance Executive
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

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.

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 19 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 specialising 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 specialised 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 specialisation 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.

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.

Other Group Senior Executives

Douglas Anthony

Doug Anthony is the Group Treasurer. Doug has over 25 years of finance and treasury experience, including managing finance and treasury operations, structuring capital markets transactions, mergers and acquisitions and related integration activities. For over fifteen years Doug has been working in the insurance industry and 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. Doug 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.

Andrew B. Diaz-Matos

Andrew B. Diaz-Matos is Group Chief Commercial Officer and Chief Legal Officer of Catalina Re. As Chief Commercial Officer, he oversees the insurance business around the world with a focus on profitable runoff income. As Chief Legal Officer, he is responsible for the global legal and secretarial functions for the group and all its subsidiaries. He has 25 years' professional experience, the past 16 in the financial-services sector. Prior to joining Catalina Re in 2022, he was Senior Vice President, General Counsel and Secretary of CapSpecialty, a specialty insurance provider for small and mid-sized business across the United States owned at the time by Alleghany Corp (NYSE:Y). During his tenure there, he led the Law & Compliance, Claims, Human Resources and Administration, and IT functions. From 2006 through 2019, Andrew held positions of increasing legal responsibility at The Hartford (NYSE:HIG). Prior to joining The Hartford, he was the lead lawyer for IBM's (NYSE:IBM) mid-range mainframes business. He began his legal career in the New York office of international law firm White & Case. Mr. Diaz-Matos received his bachelor's degree in philosophy from Boston University and his law degree cum laude from Pace University. He is admitted to the bars of New York and Connecticut. Andrew is a member of the boards of directors of the Hartford Public Library and the Capitol Region Development Authority and is a veteran of the United States Army.

Johann Hunter

Mr. Hunter is a seasoned finance professional with over 16 years of experience in the insurance and reinsurance industry. In 2021, he joined Catalina as Group Financial Controller, where he oversees all financial activities of the company, including accounting, financial analysis, audit, and reporting. Prior to joining Catalina, Johann worked for more than a decade at Allied World Assurance Company (Bermuda), where most recently, he served as Bermuda CFO, overseeing the financial operations of the company. Before that, he worked at PriceWaterhouseCoopers (Bermuda), where he gained extensive experience in financial reporting and auditing.

Johann is a qualified chartered accountant and an associate in reinsurance, and he also holds a Bermuda CPA. He earned a postgraduate degree in Accounting from the University of Johannesburg.

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.

Andrew Pryde

Andrew joined Catalina as the Group Chief Risk Officer in January 2023. Andrew brings extensive insurance expertise having started his career in 1996 as an actuarial consultant and more recently holding the role of Chief Risk Officer since 2011 within both the live and legacy markets. He has developed a reputation for designing and implementing valued and leading-edge risk management frameworks that create competitive advantage. Andrew is an Associate of the Institute of Risk Managers and a Fellow of the Institute of Actuaries. Andrew has a passion for championing mental wellbeing and harnessing the power of data, analytics and technology in insurance.

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.

Changes since our last Financial Conditions Report was submitted

Board

i. Bruce Hemphill was reappointed Chair on 2 February 2022
ii. Caroline Foulger relinquished the Chair on 2 February 2022
iii. Ian Parker was appointed to the Board on 2 February 2022
iv. Caroline Foulger resigned from the Board (and positions on Sub-Committees) on 31 December 2022
v. Dean Dwonczyk resigned from the Board (and positions on Sub-Committees) on 22 March 2023
vi. Derrick Irby was appointed to the Board on 22 March 2023;

Officers

i. John McGlynn was appointed Group Chief Actuary on 13 January 2022
ii. Ian Parker was appointed Group Chief Executive Officer on 2 February 2022
iii. Andrew Diaz-Matos was appointed Group Chief Commercial Officer and Chief Legal Officer on 28 September 2022
iv. Dean Dwonczyk resigned as Group Director of Liabilities on 20 November 2022
v. Johann Hunter was appointed Group Financial Controller on 30 November 2022
vi. Keith Lyon resigned as General Counsel and Secretary on 31 August 2022
vii. Tim Walker resigned as Group Chief Risk Officer on 31 December 2022
viii. Andrew Pryde was appointed as Chief Risk Officer on 27 January 2023
ix. Kim Armstrong resigned as Secretary on 22 March 2023
x. Brenda Lehmann was appointed Secretary on 22 March 2023

d) Risk Management and Solvency Self-Assessment

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

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.

In line with the internal risk management policies of the Group, business unit owners, 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, in line with Board expectations. Acting as part of the 'second line of defence', the Risk Management Function is then responsible for risk oversight, by monitoring business operations, and the effectiveness and integrity of the risk management framework. The General Risk Management Principles provides key inputs into a number of the components and facilitates the monitoring of the current and future risk profile of the Company. The Chief Risk Officer ("**CRO**") coordinates the risk monitoring process, with formal reporting to, and review by, the Board Risk Committee ("**RC**"). 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 Policies

Management believes that the risks and exposures relating to a legacy insurance business can be viewed in the following eight categories:

- Insurance risk;
- Market risk;
- Credit risk;
- Liquidity risk;
- Operational risk;
- Regulatory and legal risk;
- Group risk; and
- Strategic risk.

In order to aid the management of risk, risk policies have been set as documented in the CHBL Risk Management Policy & Framework. In the event that 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.

Risk Management and Solvency Self-Assessment Systems Implementation

CHBL's enterprise risk management is coordinated by the Group Chief Risk Officer and risk management employees, 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 that 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 standardised 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 employees can maximise 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 employees 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 employee training and regular engagement with management to discuss monitoring results:

- Employees 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
- Employees 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 employees 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;
- Employees receive practical scenario based training on the Board’s approach and support for ethical conduct; and also employee 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 mission of the Internal Audit (**"IA"**) function is to enhance and protect organisational value by providing risk-based, independent and objective assurance, advice, and insight to the Board and Catalina staff. The IA function is CHBL's third line of defense, the Group Internal Audit Charter defines the function's purpose, authority and responsibility and position within CHBL and its operating companies. The purpose of the function, described in further detail in The Charter, is to add value and facilitate the improvement of the organisation's effectiveness and efficiency of governance, risk management, and internal control processes.

IA performs its own risk assessment as the basis for the annual internal audit plan that is reviewed and approved by the CHBL Audit Committee (**"AC"**). The audit plan is updated on a regular basis to reflect the Group's evolving risk landscape and assurance needs.

The IA function regularly provides formal updates on its activities to the CHBL and operating company ACs. These updates include audit opinions on the control environment of the specific processes, functions or themes audited, the status of any agreed management actions arising from audits, and the appropriateness of the resources and skills of the IA function. The Group Head of Internal Audit ("**HIA**") meets privately with the CHBL AC Chair at least annually and will immediately report any issue which could potentially have a material impact on the Group's business. IA is authorised to allocate resources, determine audit scopes, select the audit approach, and obtain the necessary assistance and specialised services within or outside the Group to accomplish its agreed audit objectives.

The operating guidance for the IA function is set out in the Catalina Group Internal Audit Framework. This is updated on an annual basis and is aligned with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA).

g) Actuarial Function

The Actuarial function is made up of an in-house actuarial team, located in Bermuda, London, Farmington (Connecticut, USA) and Singapore. All Property and Casualty ("**P&C**") reserves carried by the Company are based on internal actuarial loss reserve reviews. The Company also engages an outside actuarial consulting firm that provides an independent review of a sample 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 2022.

The Approved Actuary for Long-Term business ensures that benefit reserves are calculated to meet the requirements of the insurance laws of Bermuda, are computed in accordance with accepted actuarial reserving practices, make an adequate provision for the long-term business liabilities of CHBL and CatGen under the terms of their contracts and agreements and makes sure that the assumptions are appropriate to the circumstances of the company and the policies in force.

The Group Chief Actuary puts together a report and presents to the Executive Committee and the CHBL Board Reserving Subcommittee the current reserve position of each of the Company's acquisitions on at least an annual basis. There are also separate Loss Reserve Committees for each legal entity. All acquisitions that are booked within that legal entity are included in their Loss Reserve Committee meeting.

h) Outsourcing

Outsourcing Policy and Key Functions that have been outsourced

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.

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 culture 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, including the Chief Risk Officer and Group function heads.

The Board of the relevant operating subsidiary is ultimately responsible for the approval, performance monitoring 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 employees 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

Items a) and b) below have been addressed together:

a) Material Risks to which the Group is exposed during the reporting period

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

The risk profile of CHBL is primarily a reflection of those of its subsidiary operating companies where most of the risk lies. The analysis below outlines, in general, the nature of the risk that affects CHBL's subsidiary operating companies.

Reserve Risk

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

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.

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.

Market Risk

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. 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.

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. 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. 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.

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 matching liabilities with assets in the same currencies. Assets and liabilities by currency are reviewed each month to ensure they are matched where possible and that cash is available to discharge liabilities in their respective currencies. 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. CHBL reviews the net consolidated position by currency and hedges net positions in line with its hedging strategy.

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 risk is managed by maintaining an appropriate mix of investment instruments in line with the Strategic Asset Allocation ("**SAA**").

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. 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 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.

Credit Risk

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 and reinsurance programme. 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 on receivables is minimised by pursuing early commutation where possible. The Group is also exposed to credit risk via its investment 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 the CHBL's Investment Guidelines. 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.

Liquidity Risk

Liquidity risk relates to the possibility that CHBL, including its operating companies, 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. 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.

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. 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. Management adopts an approach to operational risk in proportion to the size of each operating company and its operations. Management believes strongly in setting performance precedents for their employees and ensuring as far as practicable the maintenance of our business systems. Close collaboration with HR and IT allows 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

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

The Group relies on a series of cyber-intrusion prevention processes currently in place to mitigate the probability of cyber-attack and identify and remediate any issues in a timely manner. 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, employee welfare, employee relocation and media communication to IT, Operations and HR specialists respectively.

c) Material Risk Concentrations

CHBL has risk concentration limits included within the various risk policies in relation to counterparties, credit quality, type of investments, insurance liability lines of business and geographical areas. The risk concentration tolerances are monitored on a quarterly basis during the Board Risk Committee at the Group level but also by the Operating companies on a more frequent basis.

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. 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 are:

1. To preserve solvency;
2. To maintain the ability to meet liability payment obligations and operating expenses as they become due;
3. To always manage the portfolios in conformity to the regulatory framework and agreed investment guidelines; and
4. 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.

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.

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.

Credit Risk: Default in reinsurance recoveries

CHBL cedes approximately a third of P&C 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 and this has been considered as part of the stress testing.

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

Management Actions upon Solvency Deterioration

Should the capital coverage for CHBL fall below 150% (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.
A detailed and robust plan could include the following management actions:

- Capital injections into relevant operating subsidiaries via a call on either 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.

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, 2022. 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). The valuation methodology for each material class of asset in the Economic Balance Sheets of CHBL and CatGen is as follows:

- Investments and cash and cash equivalents: Valued at fair value for EBS purposes, consistent with the valuation approach under US GAAP
- Investment Income Due and Accrued: Investment income due and accrued is recorded at fair value in line with U.S. GAAP
- Accounts and Premiums Receivable: Valued in accordance with U.S. GAAP
- Reinsurance Balances Receivable: Valued in accordance with U.S GAAP
- Funds Held by Ceding Reinsurers: Valued in accordance with U.S GAAP
- Sundry Assets:
    - Derivatives are recorded at fair value in line with U.S. GAAP.
    - 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 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 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.

- 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.

b) Technical provisions

General Business

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;
- Deferred income / loss is included within net outstanding losses and loss expenses in the U.S. GAAP audited financial statements and added back for EBS purposes;
- 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;
- Incorporation of expected reinsurance counterparty defaults;
- Incorporation of Events Not In Data ("**ENID**");
- Other adjustments relating to consideration for investment and administration expenses etc.; and
- 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.

Long Term Business

Long Term business consists of FABN, which is classified as a financial derivative for US GAAP purposes. CHBL (and CatGen) provide for the payment leg of the contract, while taking on the risk of the receive leg related to the underlying excess spread return over payments made on FABN. For EBS purposes, in accordance with regulatory requirements, the Company has applied a look-through approach and grossed up both sides of the derivative. The resulting Long Term Technical Provisions are prepared using approved methodologies that reflect the economics of the underlying liabilities, plus a Risk Margin.

At December 31, 2022 Catalina's Technical Provisions on an Economic Balance Sheet basis are as follows:

Table 11 - CHBL Technical Provision and Risk Margin (EBS Basis)

	2022		2021	
	General Business US$'000	Long-Term Business US$'000	General Business US$'000	Long Term Business US$'000
Best Estimate Loss and Loss Expense Provision	$ 2,151,661	$ 4,637,388	$ 2,721,082	$ 5,664
Risk Margin	220,596	6,570	315,975	110
Technical Provision	**$ 2,372,257**	**$ 4,643,958**	**$ 3,037,057**	**$ 5,774**

Table 12 - CatGen Technical Provisions and Risk Margin (EBS Basis)

	2022		2021	
	General Business US$'000	Long-Term Business US$'000	General Business US$'000	Long-Term Business US$'000
Best Estimate Loss and Loss Expense Provision	$ 2,089,188	$ 4,637,388	$ 1,931,358	$ 5,664
Risk Margin	216,329	6,570	262,532	110
Technical Provision	**$ 2,305,517**	**$ 4,643,958**	**$ 2,193,890**	**$ 5,774**

The run off nature of Catalina means that there are minimal future exposures post December 31, 2022, resulting in a nil premium provision.

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 employees 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; and
- 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.

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, 2022.

For the consolidated Group, the value of each material class of Economic Balance Sheet liabilities, other than Technical Provisions, is determined using the following approach:

- **Insurance and Reinsurance Balances Payable:** The valuation methodology for these under U.S GAAP is consistent with the approach for EBS purposes.
- **Commissions, Expenses, Fees and Taxes Payable:** The valuation methodology for these under U.S GAAP is consistent with the approach for EBS purposes.
- **Loans and Notes Payable:** The valuation methodology for debt obligations under U.S GAAP is consistent with the approach for EBS purposes. Certain of CHBL and CatGen's debt obligations have been approved by the BMA as eligible capital, as described in Item 5a.
- **Tax Liabilities:** The valuation methodology for these under U.S GAAP is consistent with the approach for EBS purposes.
- **Accounts Payable and Accrued Liabilities:** The valuation methodology for these under U.S GAAP is consistent with the approach for EBS purposes.
- **Sundry Liabilities:** The valuation methodology for these under U.S GAAP is consistent with the approach for EBS purposes

e) Any other material information

The Company's insurance and reinsurance company subsidiaries are regularly involved in legal proceedings in the normal and ordinary course of business, including litigation and arbitration proceedings in various jurisdictions, relating to direct insurance claims and also assumed and ceded reinsurance claims. Except as set forth below, the Company does not believe that there is any pending or threatened litigation against or by the Company or any of its subsidiaries that is material to the Company. Note that summary disclosure of any matter shall not be construed to mean that such matter is required to be disclosed, that it is material, or that any applicable privilege or confidentiality protection is waived.

SPARTA Insurance Company ("SPARTA"), a Connecticut, USA-domiciled, indirect subsidiary of the Company, has filed suit in the federal district court for the District of Massachusetts against Pennsylvania General Insurance Company ("PGIC") relating to PGIC's failure to administer and pay claims for which it retained responsibility pursuant to PGIC's and its affiliates' and predecessors' transaction to convey SPARTA as a "clean shell." From 2004 to 2021, PGIC and its affiliates, predecessors and successors administered and paid those claims. In 2021, one of those successors was put into liquidation in Pennsylvania and subsequently began refusing to pay claims. PGIC has also denied its own clear obligations under the conveyance documents, resulting in the instant lawsuit.

Item 5: Capital Management

Capital management refers to implementing measures to maintain sufficient capital and assessing the internal capital adequacy of CHBL and CatGen. CHBL 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 2022

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 2022.

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, 2022 the RCF was approximately $326.6 million utilized, leaving an available capacity of approximately $312.4 million.

CHBL utilises 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, 2022 the Group's Eligible Capital was categorised as follows:

Table 15 - Group eligible capital

	Applied to MSM		Applied to ECR	
	2022	2021	2022	2021
	US$'000	US$'000	US$'000	US$'000
Tier 1	$ 1,233,702	$ 1,239,896	$ 1,233,702	$ 1,239,896
Tier 2	308,425	309,974	355,302	322,958
Tier 3	—	—	—	—
Total	**$ 1,542,127**	**$ 1,549,870**	**$ 1,589,004**	**$ 1,562,854**

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

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 BMA

The following instruments have been approved by the BMA 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 16 – Reconciliation of U.S. GAAP shareholders' equity to eligible capital for the Group

	2022 US$'000	2021 US$'000
Total Shareholders' Equity – U.S. GAAP	**$ 976,356**	**$ 1,431,203**
Non-admitted assets - Prepayments	(5,718)	(11,879)
Release deferred income/loss (including fair value adjustments)	(39,993)	(9,513)
Long-term subordinated debt – approved as Other fixed capital	315,724	322,958
Fair value adjustment on Real Estate	(1,291)	—
Remove U.S. GAAP discounting of Periodic Payment Orders	(84,558)	(67,381)
Gross up on FABN derivative	52,934	—
Admin Expenses and ENIDS	(132,905)	(145,711)
Loss reserves discount	735,621	359,152
Risk margin	(227,165)	(315,975)
Eligible Capital	**$ 1,589,004**	**$ 1,562,854**

Catalina General Insurance Ltd.

Capital Management Policy and process for capital needs, how capital is managed and material changes during 2022

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 transactions, 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, payments for services rendered, posting of collateral to counterparties and investment purchases.

Eligible Capital Categorised 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, 2022 the CatGen's Eligible Capital was categorised as follows:

Table 17 – CatGen's eligible capital

	Applied to MSM		Applied to ECR	
	2022	2021	2022	2021
	US$'000	US$'000	US$'000	US$'000
Tier 1	$ 1,707,196	$ 917,103	$ 1,707,196	$ 917,103
Tier 2	107,505	139,744	107,505	139,744
Tier 3	—	—	—	—
Total	**$ 1,814,701**	**$ 1,056,847**	**$ 1,814,701**	**$ 1,056,847**

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

During 2022 CHBL underwent a restructure of certain companies within the group. As a result, effective May 31 and October 31, respectively, CHUK and ACR previously subsidiaries of CatAlpha, had their shareholdings transferred to CatGen. As of those dates, CHUK and ACR, 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, the re-statement of the Company's consolidated financial statements has been retrospectively applied to all previously reported periods.

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 BMA

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 18 – Reconciliation of U.S. GAAP shareholders' equity to eligible capital for CatGen

	2022 US$'000	2021 US$'000
Total Shareholders' Equity – U.S. GAAP	**$ 1,397,710**	**$ 1,074,608**
Non-admitted assets - prepayments	(5,603)	(1,249)
Release deferred income/loss (including fair value adjustments)	5,054	29,126
Long-term subordinated debt – approved as Other fixed capital	70,500	70,500
Fair value adjustment on Real Estate	(1,291)	—
Remove U.S. GAAP discounting of Periodic Payment Orders	(84,558)	(67,381)
Gross up on FABN derivative	52,935	—
Admin Expenses and ENIDS	(115,560)	(92,774)
Loss reserves discount	718,312	306,549
Risk margin	(222,799)	(262,532)
Eligible Capital	**$ 1,814,700**	**$ 1,056,847**

b) Regulatory Capital Requirements

Catalina Holdings (Bermuda) Ltd.

At December 31, 2022 CHBL's regulatory capital requirements were assessed as follows:

Table 19 - Group regulatory capital requirements

	2022 US$'000	Ratio %
Minimum Margin of Solvency	447,213	345 %
Enhanced Capital Requirement	827,432	192 %

Identification of non-compliance with the MSM and the ECR

CHBL was compliant with the MSM and ECR requirement throughout 2022.

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 20 – CatGen's regulatory capital requirements

	2022 US$'000	Ratio %
Minimum Margin of Solvency	313,294	579 %
Enhanced Capital Requirement	809,208	224 %

Identification of non-compliance with the MSM and the ECR

CatGen was compliant with the MSM and ECR requirement throughout 2022.

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 May 19, 2023, the Company, through a wholly owned subsidiary, has entered into a share sale and purchase agreement to acquire the entire issued share capital of a Bermuda (re)insurance company. The acquisition will include net reserves of $504 million (£417 million) related to UK employers' liability. Completion of the transaction is subject to the satisfaction of certain regulatory and other conditions.

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: May 31, 2023

Signed:

Name: Andrew Pryde

Position: Group Chief Risk Officer

Date: May 31, 2023