Financial Condition Report

Sompo International Holdings Ltd.

For the year ended December 31, 2023

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Introduction

This report has been prepared in compliance with the public disclosure requirements of the Insurance (Group Supervision) Rules 2011 of the Bermuda Monetary Authority (the "BMA"). In fulfillment of the public disclosure rules, this report contains information regarding Sompo International Holdings, Ltd. ("Sompo International") and its group of companies ("the Group"). In line with BMA reporting requirements for 2023, the financial information, consolidated financial results and financial position included in this report (inclusive of the enhanced capital requirement and minimum solvency margin) are those of Endurance Specialty Insurance Ltd. ("ESIL", "the Company") and its subsidiaries on a consolidated basis. ESIL is the Bermuda domiciled, Class 4, designated insurer of the Group. All other information provided in this report for the Group refers to the entire group of companies of Sompo International. Refer to the Organizational Chart - Appendix A. All financial information reported is on the basis of International Financial Reporting Standards except where noted. The amounts reported in tables are expressed in thousands of United States dollars, except for ratios, share and per share amounts. The amounts reported in text are expressed in millions of United States dollars.

Part 1. Business & Performance

Item 1.b. Group Supervisor

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton HM 12
Bermuda

Sompo Holdings, Inc. ("Sompo Holdings"), the parent company to Sompo International, is a publicly-owned holding company, formed under the laws of Japan, whose capital stock is traded on the Tokyo Stock Exchange. It is regulated by the Japanese Financial Services Agency ("JFSA"). On May 9, 2017, the BMA invoked sub-group supervision on the Group. JFSA will continue to be the Group Supervisor for Sompo Group.

ESIL is also regulated by the Bermuda Monetary Authority.

Item 1.c. Group Auditor

Ernst & Young Ltd
3 Bermudiana Road
Hamilton HM 08
Bermuda

Item 1.d. Ownership Details

Sompo International, a Bermuda domiciled holding company, is the parent company for the Group consisting of regulated and non-regulated companies. Sompo International was incorporated in Bermuda on March 24, 2017 and is a wholly owned subsidiary of Sompo Holdings.

ESIL is a wholly owned subsidiary of Sompo International.

Item 1.e. Group Structure

As of May 31, 2024 the Group consists of fifty nine various entities domiciled across North America, South America, Europe and Asia, as noted in Appendix A. The Group underwrites property and casualty commercial insurance and reinsurance and personal lines insurance on a global basis.

Item 1.f. Business Written

ESIL monitors the performance of its underwriting operations through review of discrete information related to its three reportable segments, Insurance, Reinsurance and Consumer. Within Insurance and Reinsurance, the Company writes a variety of different types of commercial insurance and reinsurance. For reporting purposes, management has combined its many business units into Strategic Business Units ("SBUs"), including within the Insurance Segment;

- AgriSompo - includes lines of business pertaining to agricultural risks on a worldwide basis;
- North America - includes US based professional lines, property, marine, energy, casualty and other specialty lines of insurance; and
- Global Markets - includes non-US based professional lines, property, marine, energy, casualty and other specialty lines of insurance.

and within the Reinsurance segment;

- Global Catastrophe - includes reinsurance lines covering catastrophe risks on a worldwide basis;
- Global Casualty - includes reinsurance lines covering casualty, motor and professional liability risks on a worldwide basis;
- Global Property - includes reinsurance lines covering property risks on a worldwide basis; and

- Global Specialty - includes reinsurance lines covering specialty risks on a worldwide basis with engineering, aviation, marine, energy, trade credit & surety and structured & financial lines being the material lines within.

The Consumer segment comprises the Company's personal lines of business including motor,travel, fire, engineering,personal accident, health and medical.

The following table provides a summary of ESIL and subsidiaries' insurance business written by business segment for the year ended December 31, 2023:

	Insurance	Reinsurance	Consumer	Total
Revenues				
Gross premiums written	$ 9,641,468	$ 4,194,516	$ 894,243	$ 14,730,227
Ceded premiums written	(4,477,518)	(508,946)	(151,638)	(5,138,102)
Net premiums written	5,163,950	3,685,570	742,605	9,592,125
Net premiums earned	$ 5,081,669	$ 3,578,238	$ 705,841	$ 9,365,748

The following table provides ESIL and subsidiaries' gross premiums written by segment and line of business for the years ended December 31, 2023 and 2022:

Business Segment	**2023**	**2022**
Insurance		
AgriSompo	$ 2,791,117	$ 3,371,932
North America	4,732,810	4,555,576
Global Markets	2,117,541	1,435,441
Total Insurance	$ 9,641,468	$ 9,362,949
Reinsurance		
Global Catastrophe	$ 489,876	$ 482,357
Global Casualty	2,405,577	2,529,914
Global Property	468,021	377,152
Global Specialty	831,042	730,492
Total Reinsurance	$ 4,194,516	$ 4,119,915
Total Consumer	$ 894,243	$ —
Total	$ 14,730,227	$ 13,482,864

Changes in gross premiums written for ESIL and subsidiaries for 2023 versus 2022 were mainly driven by the following factors:

Insurance Segment

- Decrease in AgriSompo due to declining commodity prices across cotton and soybeans;
- Increase in North America was driven by higher than expected rate increases and firm market conditions, most notably US Property and Casualty lines; and
- Increase in Global Markets was driven by premium growth in EMEA and Asia Pacific ("APAC") as a result of improved premium rates and new business/broker relationships. Also during 2023 Turkey and a number of APAC subsidiaries were merged into ESIL consolidated group from Sompo International along with their related commercial business.

Reinsurance Segment

- Overall increase in Reinsurance due to strong renewals and new business in Global Specialty and Global Property.

Consumer Segment

- Increase in Consumer is due to the acquisition of Turkey and a number of APAC entities which write consumer business during 2023.

Net premiums written in 2023 increased by $0.7bn, or circa 7.7%, compared to 2022 as a result of the growth in gross premiums across the Insurance, Reinsurance and Consumer segments.

The following table provides the gross premiums written by the geographic location in which the risk originated for the years ended December 31, 2023 and 2022:

	2023		2022	
Asia	96,039	1 %	142,306	1 %
Australasia	245,823	2 %	184,793	1 %
Canada	151,809	1 %	110,012	1 %
Europe	875,594	6 %	934,155	7 %
Japan	40,935	— %	32,493	— %
United States	10,281,897	69 %	9,176,317	68 %
Worldwide	2,771,336	19 %	2,658,585	20 %
Other	266,794	2 %	244,203	2 %
Total	14,730,227	100 %	13,482,864	100 %

Worldwide refers to policies covering multiple geographic locations.

Item 1.g.(i). Investments

The Group and its subsidiaries' investments are governed by its investment policy which provides guidelines and limits on the weighting of investments by class. The application of the prudent person principle within the Group's investment policy is discussed in *Item 3.b.Asset Investing*. Fixed maturity investments are the predominant asset class with the balance consisting of equity securities and alternative funds.

The fair value of the ESIL and subsidiaries investments by class as of the years ended December 31, 2023 and 2022 was as follows:

	December 31, 2023	December 31, 2022
Short-term investments at FVTPL[(1)]	$ 364,914	$ 65,019
Equity securities at FVTPL	907,817	549,989
Alternative funds at FVTPL		
Hedge funds	$ 259,592	$ 277,117
Private investment funds	473,520	454,729
Other investment funds	22,246	19,620
Total alternative funds	$ 755,358	$ 751,466
Fixed maturity investments at FVTPL		
U.S. government and agencies securities	2,175,794	1,935,470
U.S. state and municipal securities	136,275	119,476
Foreign government securities	380,127	132,603
Government guaranteed corporate securities	17,719	14,608
Corporate securities	6,793,112	4,837,845
Residential mortgage-backed securities	3,831,004	2,856,773
Commercial mortgage-backed securities	1,369,778	1,057,502
Collateralized loan and debt obligations	886,818	823,183
Asset-backed securities	831,119	616,533
Total fixed maturity investments	16,421,746	12,393,993
Total investments	$ 18,449,835	$ 13,760,467

(1) The Group designates its fixed maturity investments, short-term investments and equity securities as at fair value through profit or loss ("FVTPL") because they are managed on a fair value basis and their performance is monitored on this basis.

Total return by asset class for the years ended December 31, 2023 and 2022, respectively was as follows (in thousands of U.S dollars):

	2023	2022
Cash and cash equivalents	$ 151,702	$ 32,809
Fixed income investments[(1)] at FVTPL	1,100,952	(838,616)
Equity securities at FVTPL	107,243	(68,445)
Alternative funds at FVTPL	32,293	27,223
Derivative financial instruments	1,916	(665)
Disposal of subsidary	17	1,567
Total gross return	$ 1,394,123	$ (846,127)
Investment management expenses	(37,325)	(22,251)
Total net return	$ 1,356,798	$ (868,378)

(1) Fixed income investments comprises of short-term investments and fixed maturity investments.

The annualized net earned yield and total return of ESIL and its subsidiaries investment portfolio for the years ended December 31, 2023 and 2022 and market yield and portfolio duration as of December 31, 2023 and 2022 were as follows:

	2023	2022
Annualized net earned yield(1)	5.52 %	3.28 %
Total return on investment portfolio(2)	7.08 %	(7.53)%
Total return on investment portfolio analyzed:		
Short term investments	4.74 %	1.02 %
Fixed maturity investments	6.79 %	(8.17)%
Equity securities	20.93 %	(21.54)%
Other investments	5.64 %	3.34 %
Market yield(3)	6.32 %	5.71 %
Portfolio duration(4)	3.16 years	3.35 years

(1) The actual net earned income from the investment portfolio after adjusting for expenses and accretion of discount and amortization of premium from the purchase price divided by the average market value of assets.
(2) Net of investment manager fees; includes realized and unrealized gains and losses.
(3) The internal rate of return of the investment portfolio based on the given market price or the single discount rate that equates a security price (inclusive of accrued interest) for the portfolio with its projected cash flows. Excludes other investments and operating cash.
(4) Includes only cash and cash equivalents and fixed income investments managed by the Group's investment managers.

Investment portfolio total return was 7.08% in 2023. The 2023 portfolio return was within managements' expectations. Core fixed income, high yield and equities had strong positive performance for the year.

Item 1.g.(ii) Material Income and Expenses

Gross and Net Premiums Written and Earned

See discussion of premium movements in *Item 1. f.* above.

Net Losses and Loss Expenses

ESIL and its subsidiaries' reported net losses and loss expenses by segment and SBU for the years ended December 31, 2023 and 2022 are as follows:

Business Segment	**2023**	**2022**
Insurance		
AgriSompo	$ 1,303,220	$ 1,531,080
North America	2,196,023	1,766,181
Global Markets	669,861	509,086
Total Losses Incurred	4,169,104	3,806,347
Prior Year (Adverse) Loss Development	(630,386)	(129,946)
Current Accident Year Losses Incurred	$ 3,538,718	$ 3,676,401
Net loss ratio	82 %	77.5 %
Reinsurance		
Global Casualty	$ 1,287,344	$ 1,349,887
Global Catastrophe	157,955	229,359
Global Property	283,906	273,359
Global Specialty	374,924	267,575
Total Losses Incurred	2,104,129	2,120,180
Prior Year Favorable (Adverse) Loss Development	(95,577)	1,627
Current Accident Year Losses Incurred	$ 2,008,552	$ 2,121,807
Net loss ratio	59 %	60 %
Consumer		
Total Losses Incurred	$ 484,334	$ —
Net loss ratio	69 %	— %

In the Insurance segment the net loss ratio increased by 4.5 percentage points in 2023 compared to 2022. The general increase is as a result of management actions to strengthen pre-2019 accident year reserves particularly on North America Casualty Lines.

In the Reinsurance segment, the net loss ratio reduced by 1 percentage point in 2023 compared to 2022. The general decrease was as a result of 2023 experiencing lower incidence of catastrophe activity partially offset by adverse Prior Year Loss Development.

Due to merger and acquisition activity ESIL has acquired consumer business during the year in particular from Turkey and some Asian countries. This is a new development for 2023 with no material comparative for 2022.

ESIL and subsidiaries participate in lines of business where claims may not be reported for many years. Accordingly, management does not believe that reported claims are the only valid means for estimating ultimate obligations. Ultimate losses and loss expenses may differ materially from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. The overall loss reserves were established by the actuaries, approved by the Group's Loss Reserve Committee and reflect management's best estimate of ultimate losses.

Part 2. Governance Structure

The governance structure of the Group stems from the Board of Directors of Sompo International (the "Board of Directors" or "Board"). The Board of Directors is selected to oversee and guide the Group's management and business. The Board has adopted a set of Corporate Governance Guidelines to assist in the exercise of its responsibilities. Collectively the Board of Directors, its committees and the senior executives of the Group play an integral part in executing the Group's Enterprise Risk Management ("ERM") framework and best practices are implemented properly to meet its various regulatory and corporate requirements.

Item 2.a. Parent Board and Senior Executives

The following are the directors and senior executives as of May 31, 2024:

Name	Position
James A. Shea	Director, Chief Executive Officer and Executive Chairman of the Board
Shinichi Hara	Director
Mikio Okumura	Director
Nicholas C. Walsh	Non-Executive Director
Nicolas Burnet	Chief Financial Officer
Christopher A. Donelan	Chief Executive Officer, Global Reinsurance
Emmanuel Brulé[1]	Group Chief Risk Officer
Windy Lawrence	General Counsel and Secretary
Joy McCune [3]	Chief Human Resources Officer
Carrie L. Rosorea	Chief Accounting Officer

Note 1: Satyan Sawhney resigned as Chief Risk Officer effective July 10, 2023 and was succeeded by Emmanuel Brulé .
Note 2: Brian W. Goshen resigned as Chief Administrative Officer effective April 2, 2024.
Note 3: Joy McCune was appointed Chief Human Resources Officer effective April 2, 2024.

Endurance Specialty Insurance Ltd.

The following are the directors and senior executives as of May 31, 2024:

Name	Position
James A. Shea	Director and Executive Chairman of the Board
Christopher A. Donelan	Director and Chief Executive Officer
Nicolas Burnet	Director and Chief Financial Officer
Nicholas C.Walsh	Non-Executive Director
Carrie L. Rosorea	Chief Accounting Officer
Emmanuel Brulé[1]	Chief Risk Officer
Greg A. Garside	Secretary and Principal Representative

Note 1: Emmanuel Brulé was appointed as Chief Risk Officer effective September 1, 2023

Item 2.a.(i) Structure, Roles, and Responsibilities

The Board oversees management's performance on behalf of Sompo Holdings. The Board's primary responsibilities are (1) to select, oversee and determine compensation for the Chief Executive Officer who, with senior management, run the Group's affairs on a day-to-day basis, (2) to monitor management's performance to assess whether the Group is creating value for Sompo Holdings in an effective, efficient and ethical manner and (3) to periodically review the Group's long-range plan, business initiatives, capital management and budget matters. The Board appoints the Chairman of the Board, who may be an officer or former officer of the Group if the Board determines that it is in the best interests of the Group and Sompo Holdings. The roles of Chairman and Chief Executive Officer may be held by the same person or may be held by different people.

Various operational and corporate risk governance responsibilities of the Board have been delegated to Board Committees as defined within the respective Committee charters. Typical responsibilities include ensuring that each significant operational area maintains appropriate policies and procedures, and that these policies and procedures are reviewed on at least an annual basis. In addition, the Audit, Risk & Compliance Committee Charter empowers the committee to review any accounting and internal control policies and procedures within the Group. Governance activities of the Board are documented within Board minutes, drafted and maintained in accordance with applicable law.

The Board and its committees meet throughout the year on a set schedule, and also hold special meetings and act by written consent from time to time as necessary. The Board has delegated certain responsibilities and authority to the committees as noted above and described below. Committees report regularly on their activities and action to the Board.

The membership of each committee as at May 31, 2024 is noted as follows:

Board	Audit, Risk & Compliance Committee	Nomination & Compensation Committee	Capital Management and Investment Committee
• James A. Shea (Chair) • Shinichi Hara • Mikio Okumura • Nicholas Walsh	• Yoshihiro Uotani (Chair) • James A. Shea • Mikio Okumura • Nicholas Walsh	• Shinichi Hara (Chair) • James A. Shea • Mikio Okumura	• James A. Shea (Chair) • Mikio Okumura • Nicolas Burnet • Tsutomu Yamaguchi • Shinichi Hara

The Audit, Risk & Compliance ("ARC") Committee oversees and focuses on risks related to the Group's financial statements, the financial reporting process, and the Group's corporate governance policies and practices. The Committee has responsibility for monitoring risks within the following categories:

- Significant accounting policies, changes & restatements
- Taxation & adherence to tax operating guidelines
- Third party solvency (credit risk); transfer pricing; management of run-off business
- External auditor relationship
- Segregation of relationship
- Code of business conduct & ethics
- Charitable contributions & political actions
- Legislative affairs
- Corporate governance structure & reputational matters
- Underwriting - controls & financial reporting
- Loss Reserving - adequacy & financial reporting
- Ceded Reinsurance - credit risk & financial reporting
- Regulatory reporting requirements

The ARC also oversees the Group's risk management framework, with the purpose of identifying and managing the risks that threaten the Group and its solvency, monitor adherence to risk appetite, monitoring the Group's risk adjusted returns on capital and reviewing with management the Group's insurance, investment and operational risks and controls. The ARC is responsible for monitoring risks to the achievement of the Group's objectives in each of the following areas:

- Financial strength and flexibility
- Capital efficiency and earnings stability
- Financial resilience
- Operational resilience
- Sustainability

The Nomination & Compensation Committee oversees and is responsible for the nomination of members and evaluation of the policies and processes of the Board. In addition, it has responsibility to evaluate the risks and rewards associated with the Group's compensation and benefits programs. The committee is also responsible for monitoring risks in these categories:

- Compensation & benefits
- Succession planning
- Human resources
- Culture & behavior
- Employee relations

The Capital Management and Investment Committee is charged with overseeing the risks within the Group's investment portfolio and capital structure. The Committee is responsible for monitoring risk within the following categories:

- Capital management
- Liquidity
- Interest rate/inflation changes
- Commodity price volatility
- Credit/default risks
- Financial strength ratings
- Foreign exchange

Additionally, in conjunction with the ARC, the Capital Management and Investment Committee is responsible for monitoring the policies and procedures of the Group's investments. The ARC also works in tandem with the Capital Management and Investment Committee in monitoring the risks associated with the Group's investment correlations. As part of ensuring financial resilience, the ARC is responsible for monitoring the risk of catastrophe aggregation arising from both natural and man-made events.

Item 2.a.(ii) Remuneration Policies and Performance-Based Criteria

The Compensation and Performance based criteria for the senior executives of the Group and ESIL consists of four principal elements of compensation: base salary, annual incentive compensation, long-term incentive compensation, and employee benefits/ other compensation. Base salary is the guaranteed element of the Group's compensation structure and is paid to its employees for ongoing performance throughout the year. The Group's annual incentive compensation program supports the Group's strategy by linking a significant portion of its employees' total compensation to the achievement of critical business goals on an annual basis. All of the Group's employees are eligible to earn annual incentive compensation.

The Nomination & Compensation Committee believes the inclusion of long-term incentive compensation in the Group's compensation structure fosters the appropriate perspective in management, given that the ultimate profitability of the insurance or reinsurance underwritten by the Group may not be fully known for years. In addition, the Compensation Committee seeks to align the interests of the Group's employees with the Group's ultimate shareholders to the greatest extent practicable. Finally, long-term incentive compensation, which potentially is forfeited in the event of the departure of an employee from the Group, has the ability to retain valuable executive talent within the organization. Each of the senior executive officers is eligible to earn long-term incentive compensation.

The Group offers a core set of employee benefits in order to provide its employees with a reasonable level of financial support in the event of illness or injury and enhance productivity and job satisfaction through programs that focus on employees' health and well-being. The benefits provided are similar for all of the Group's employees, subject to variations as a result of local market practices. The Group's basic benefits include medical, dental and vision coverage, disability insurance and life insurance. The Group also offers all employees the opportunity to participate in the Group's defined contribution retirement savings plans.

Item 2.a.(iii) Supplementary Pension and/or Early Retirement Schemes

The Group does not have any supplementary pension programs or early retirement schemes for any of the members of its Board of Directors nor any of the senior executives.

Item 2.a.(iv) Shareholder Controllers and Material Transactions

As a wholly owned subsidiary of Sompo Holdings, the Group does not have any external shareholders and therefore does not have any shareholder controllers.

The Group did not have any material transactions in the reporting period with persons who exercise significant influence or senior executives other than those associated with the compensation arrangements previously disclosed.

ESIL is a wholly owned subsidiary of the Group and therefore does not have any shareholder controllers.

ESIL did not have any material transactions in the reporting period with persons who exercise significant influence or senior executives other than those associated with the compensation arrangements previously disclosed.

Item 2.b. Fitness & Propriety

Item 2.b.(i) Parent Board and Senior Executives

The Board of Directors' Nomination & Compensation Committee oversees the process utilized by the Group inclusive of ESIL in assessing the fitness and propriety of a member of its Board. In connection with each Annual General Meeting, and at such other times as it may become necessary to fill one or more seats on the Board of Directors, the Nomination & Compensation Committee will consider in a timely fashion potential candidates for director that have been recommended by the ultimate parent company, the Company's directors, the Chief Executive Officer or members of senior management.

The Nomination & Compensation Committee may also determine to engage a third-party search firm as and when it deems appropriate to identify potential director candidates for its consideration. The Nomination & Compensation Committee will meet as often as it deems necessary to narrow the list of potential candidates, review any materials provided in connection with potential candidates and cause appropriate inquiries to be conducted into the backgrounds and qualifications of each candidate. During this process, the Nomination & Compensation Committee also reports to and receives feedback from other members of the Board of Directors and meets with and considers feedback from the Chief Executive Officer and other members of senior management. Interviews of potential candidates for nomination are conducted by members of the Nomination & Compensation Committee, the Chief Executive Officer and other members of senior management.

The personal characteristics, attributes, bases for evaluation, process for renomination of current directors are set forth in the Director Nomination Policy and are discussed below. The Director Nomination Policy is intended as a component of the framework within which the Board, assisted by the Nomination & Compensation Committee, nominates candidates to serve as members of the Board.

Under the Director Nomination Policy, the Board of Directors should retain flexibility to select those candidates whom it believes will best contribute to their overall performance. Candidates to be selected by the Board of Directors should possess personal characteristics consistent with those who:

- have demonstrated high ethical standards and integrity in their personal and professional dealings;
- possess high intelligence and wisdom;
- are financially literate (i.e., who know how to read a balance sheet, an income statement, and a cash flow statement, and understand the use of financial ratios and other indices for evaluating company performance);

- ask for and use information to make informed judgments and assessments;
- approach others assertively, responsibly, and supportively, and who are willing to raise tough questions in a manner that encourages open discussion; and/or
- have a history of achievements that reflect high standards for themselves and others.

In addition, under the Director Nomination Policy, candidates for the Board of Directors should have one or more of the following attributes:

- a record of making good business decisions;
- an understanding of management "best practices";
- relevant industry-specific or other specialized knowledge;
- a history of motivating high-performing talent; and
- the skills and experience to provide strategic and management oversight, and to help maximize the long-term value of the Group for its shareholders.

The composition of the current Board includes directors with diverse backgrounds, including seasoned insurance and reinsurance industry executives, investment management veterans, investment professionals, financial experts and those with significant experience operating global enterprises at the executive level.

In the case of current directors being considered for renomination, the director's history of attendance at Board of Directors and committee meetings, the director's tenure as a member of the Board of Directors and the director's preparation for and participation in such meetings are also taken into consideration under the Director Nomination Policy.

Similarly, the Board of Directors applies the same concepts and ideologies in evaluating the fitness and propriety of the senior executives. Potential candidates are sought who exhibit the same personal characteristics and attributes as noted for Board of Directors nominees.

Item 2.b.(ii) Professional Qualifications

The professional qualifications and expertise of the members of the Sompo International Group's Board of Directors and senior executives are described as follows:

James A. Shea – Executive Chairman of the Board

James Shea was appointed Executive Chairman of the Board of Directors, Sompo International Holdings Ltd. and Chief Executive Officer of Overseas Insurance and Reinsurance Business, Sompo Holdings, Inc. and Chief Executive Officer, Sompo International Holdings Ltd. in September 2021. Having served in various senior level positions in Canada, the U.S., UK, France, Japan and Singapore throughout his career. He was most recently CEO of Zurich Insurance Group's Global Commercial Insurance Business and member of their Executive Committee from 2016 until 2021. Prior to that, he served as the President of Global Financial Lines for AIG in New York and CEO of Commercial Insurance for AIG in Asia Pacific. Earlier in his career, Mr. Shea held several senior underwriting and general management roles. He holds a bachelor's degree in political science from McGill University.

Mikio Okumura – Board Member

Mikio Okumura was appointed an Executive Director of Sompo International in March 2019. An executive officer of Sompo Holdings, Inc. since April 2015 and director since June 2016, he was appointed Group Chief Operating Officer and President in April 2022. Previously, he served as Group Chief Strategy Officer since April 2019, business owner of Nursing Care & Healthcare at Sompo Holdings since April 2017 and Chairman and Executive Officer of Sompo Care Inc. Mr. Okumura joined the Group in 1989 and, throughout his more than thirty year tenure with Sompo Holdings, has held leadership roles within investment banking, the overseas insurance business, and corporate planning.

Shinichi Hara – Board Member

Shinichi Hara is Group Chief Human Resource Officer, Senior Executive Vice President and Executive Officer, of Sompo Holdings, Inc. He has been in the current position since April 2019. He served as Senior Vice President, General Manager, Global Business Planning Department from August 2017 to March 2019. Throughout his thirty-year tenure with Sompo

Holdings, he had long been involved in the asset management division, and has leadership experience in a wide range of areas, including Investor Relations, corporate planning, and overseas insurance business.

Nicholas C. Walsh – Independent Board Member

Nicholas Walsh was appointed a Non-Executive Director of Sompo International Holdings Ltd. in June 2022. Mr. Walsh spent 42 years with AIG, where he served in numerous leadership positions. He retired in 2014 as Vice Chairman of AIG Property and Casualty Inc. and previously served as Executive Vice President of AIG Inc., CEO of AIG's international general insurance business and chair of several AIG regional companies. Mr. Walsh has extensive experience on internal boards and international societies. Since 2020, he has been an independent director of McGill and Partners Ltd. and McGill Global Solutions LLC, serving on all board committees. From 2014 to 2019, Mr. Walsh was an independent director of Jardine Lloyd Thompson (JLT) PLC, a London-based multinational insurance broker, where he served as a member of Remuneration, Compensation and Nomination Committees and Audit and Risk Committees, and as a director of JLT's U.S. subsidiaries. Mr. Walsh holds dual British and American citizenship. He was educated at Wellington College, United Kingdom, before studying Business Administration at CEPAC in Brussels, Belgium.

In addition to the directors noted above, the biographies of the Group's senior executives are:

James A. Shea, Chief Executive Officer
(as noted above)

Windy L. Lawrence, General Counsel and Secretary

Windy Lawrence was appointed General Counsel and member of the Commercial P&C Executive Team of Sompo International in September 2021. Prior to joining the Group, Ms. Lawrence held multiple legal and regulatory roles and was responsible for the transformation and operational, legal, and regulatory integrations of major organizations. She has also led legal and compliance teams supporting life insurance, property and casualty insurance and broker-dealers. A native of New York, Ms. Lawrence is admitted to practice law in New York and is also active in many community and civic matters.

Nicolas Burnet, Chief Financial Officer

Nick Burnet was appointed as the Chief Financial Officer of Sompo International Holdings Ltd in March of 2023. Prior to joining the Group, Mr. Burnet was the Chief Financial Officer of PartnerRe. He has held various leadership positions in the industry and spent nearly 16 years with Zurich Insurance Group and has over 28 years of financial services industry experience. Nick has worked across various geographies in management roles including New York, Zurich, Bermuda and Philadelphia. He holds a bachelor's degree from Saint Joseph's University and an MBA from Cornell University's Johnson Graduate School of Management.

Christopher A. Donelan, Chief Executive Officer, Global Reinsurance

Chris Donelan was appointed Chief Executive Officer, Global Reinsurance in March 2020, having previously served as the Deputy CEO for Global Reinsurance, Chairman of North America Reinsurance and CUO of Global Casualty Reinsurance. Prior to joining the Group in October 2013, Mr. Donelan held senior underwriting, claims and reinsurance management positions with various insurance and reinsurance organizations. With nearly 30 years of industry experience, he has a successful track record of building and leading global reinsurance portfolios. Mr. Donelan holds a MBA in Insurance and Risk Management from St. John's University and holds both the Chartered Property Casualty Underwriter and Associate in Reinsurance designations.

Carrie L. Rosorea, Chief Accounting Officer

Carrie L. Rosorea was named Chief Accounting Officer of the Group and of ESIL effective February 2013. Ms. Rosorea joined Endurance in 2005 and has held several financial reporting and controller positions of increasing responsibility, most recently Group Finance Director. Prior to joining Endurance, from October 2000 to April 2005, Ms. Rosorea served as a Controller at Alta Partners, a San Francisco-based private equity firm. Previously, Ms. Rosorea worked as an Assistant Controller at XL Mid Ocean Reinsurance Company Ltd. and as a Senior Accountant in the audit practice of Deloitte & Touche LLP, both in the United States and Bermuda. Ms. Rosorea is a Certified Public Accountant.

Emmanuel Brulé, Group Chief Risk Officer

Mr. Brulé was appointed as the Chief Risk Officer ("CRO") of Sompo International Holdings Ltd. in July of 2023. Prior to joining the Company, Mr. Brulé was the Chief Executive Officer of Sanlam Pan Africa General Insurance (formerly SAHAM Group). Mr. Brulé also held numerous leadership positions during his 14 years with AIG, including Chief Risk Officer for EMEA and President of Commercial Lines for EMEA. Throughout his 30-year career in insurance and reinsurance, Mr. Brulé has worked across various geographies including Bermuda, Casablanca, London, Zurich and Paris. Mr. Brulé holds a master's degree in chemical engineering from École Centrale de Paris, France.

Joy McCune, Chief Human Resources Officer

Ms.McCune was named Chief Human Resources Officer in March 2024. She brings a wealth of experience and expertise to our organization, having served in various Human Resources ("HR") leadership roles over the past 30 years. Her commitment to fostering a positive workplace culture, promoting diversity and inclusion, and driving long-term growth by attracting and retaining top talent aligns perfectly with our values and objectives. Joy most recently served as Head of Organizational Capabilities at Silicon Valley Bank. Prior to that, she was Chief HR Officer at Boston Private and Boston Financial Data Services, respectively, and spent 18 years with State Street Corporation in various senior HR positions. Joy holds a bachelor's degree in sociology from the University of Massachusetts.

ESIL

The professional qualifications and expertise of the members of ESIL's Board of Directors are described as follows:

James A. Shea
(*as noted above*)

Christopher A. Donelan
(as noted above)

Nicolas Burnet, Chief Financial Officer
(as noted above)

In addition to the Directors noted above, the qualifications of ESIL's other senior executives are:

Christopher A. Donelan, Chief Executive Officer
(as noted above)

Carrie Rosorea, Chief Accounting Officer
(as noted above)

Emmanuel Brulé, Chief Risk Officer
(as noted above)

Greg A. Garside, Secretary and Principal Representative

Greg Garside is the Group Controller and Senior Vice President of Sompo International Ltd. He also serves as Treasurer and Compliance Officer of Blue Capital Management Ltd., an affiliate company. He previously served as the Chief Financial Officer of Blue Capital Reinsurance Holdings Ltd. a provider of insurance-linked investment solutions and has held a number of financial reporting and controller positions of increasing responsibility since joining ESIL in 2002. Prior to joining ESIL, Mr. Garside served as Assistant Controller at LaSalle Re Ltd. and worked in the insurance audit practice at KPMG in Bermuda. Previously, Mr. Garside was a trainee accountant at Moore Stephens Chartered Accountants in London. Mr. Garside is a member of the Institute of Chartered Accountants in England and Wales.

Item 2.c. Risk Management and Solvency Self-Assessment

Risk Strategy and Governance

The Group's risk strategy is aligned to the business objectives of the Group. As a specialty (re)insurer operating in the global insurance and reinsurance marketplace, it is central to the achievement of the Group's business objectives that it seeks insurance and investment risk through the specialty products that it underwrites, and the investments made with the assets of the business. In undertaking this activity, the Group accepts exposure to other risks that it does not seek and for which it is not rewarded.

The principles underpinning the Group's risk management strategy include:

- The Group seeks to protect capital, liquidity, earnings and reputation, in line with its risk appetite;
- The Group sees risk as more than just a potential for loss, but also as a potential for opportunity;
- The Group only seeks risks that it has the capabilities and expertise to understand and to manage;
- The Group only accepts risks that provide a level of reward commensurate with the risk assumed;
- The Group uses its people, systems, processes and controls to minimise its exposure to risks for which it is not rewarded, subject to cost benefit considerations; and
- The Group defines the risk preferences and tolerances within which it will normally operate to achieve its business objectives.

The Group's approach to risk management is based upon the belief that risk management activity should be embedded across the business, leverage a diversity of skills, tools and people whilst being supported by a strong culture of risk awareness and engagement. In particular, the risk management system is designed to support the successful execution of the Group's business strategy by aligning the risk appetite to business objectives and inculcating a risk management culture that influences decisions from board level through to individual employees.

Risk management responsibilities are clearly defined across the Group and are segregated across three 'lines of defence' that vary in the level of independence they have from the day-to-day running of the organization, specifically:

- The first line of defence, business risk management, describes the infrastructure of processes, systems and controls owned by members of the business charged with responsibility for day-to-day operations. Ownership for each of the identified business risks is allocated to an appropriate member of the management team who is responsible for the design and operating effectiveness of the associated control framework in place to manage risk.
- The second line of defence, risk management, describes the risk oversight activity, encompassing risk assessment, monitoring and reporting, undertaken by both the Risk and Compliance functions. Specific attention is given to monitoring how the risk profile of the Group compares to the Board approved appetite statements regarding risk preference and tolerance. The risk function may provide support and guidance to the first line with respect to the design of their control framework.
- The third line of defence, internal audit, describes the risk assurance work done independently of the operation of the business and the risk function to determine that controls are being operated adequately, risks assessed appropriately and that the risk management framework remains effective.

The Board has overall responsibility for approving the strategy and risk appetite of the Group at least annually. The Board has delegated responsibility for overseeing the risk management framework to the ARC which meets on a quarterly basis to receive reports and management information from the Chief Risk Officer who is responsible for the Risk Function.

The risk governance of the Group also benefits from management committees and risk forums including the Management Risk Committee ("MRC"), which is responsible for the implementation of the group wide enterprise risk management ("ERM") framework, and its risk sub-committees, these are specialist groups responsible for the identification, assessment and management of specific drivers of risk across the enterprise.

Risk Management System

The risk management system of the Group encompasses the following key components: risk identification, assessment, response and monitoring. The risk management system supports the business in monitoring strategy execution and also in informing decisions around the evolution of the strategy over time.

The risk management system operates in the following ways:

I. **Identify**: The Group has a strong risk culture promoted by business leadership and supported by the remuneration structure. Risk is seen as more than just a potential for loss, but also as a potential for opportunity. A proactive approach to developing and maintaining risk awareness is built into the Group's processes and is an important consideration spanning the management of both the asset and liability sides of the balance sheet.

II. **Assess:** The Group maintains a collaborative approach to assessing risk and performance, generating insight and preserving consistency by bringing an appropriate mix of disciplines, perspectives and tools together to address the challenges of quantifying risk and of understanding uncertainty. Underpinning this, the Group has established a robust framework for the development of risk intelligence internally, the acceptance of externally developed risk intelligence, and the on-going review and independent validation of utilized intelligence.

III. **Respond**: The Group has established processes, systems and management information to embed risk and performance analytics in the decision-making framework across the business. Systems have been established to synthesize and deliver risk insight to the point of decision making whilst processes are maintained to ensure continued engagement between decision makers and analytics teams.

IV. **Monitor:** The Board approves the policies, appetites and tolerances. A suite of risk management reports is provided to oversight and management committees to assist them in discharging their delegated oversight and decision-making responsibilities. The business implements a control environment and assigns individual accountability for identified risks and key business controls, documented in the risk register.

Training on the risk management system and specifically risk appetites is provided to the Board, management and all staff, as appropriate.

Solvency Assessment

The quarterly Own Risk and Solvency Assessment process ("ORSA") is integral to the Group's risk management system and promotes a strong risk management culture by embedding a forward-looking assessment of the risk profile into the decision-making system.

In particular the ORSA process supports the understanding of the performance prospects, risk profile and on-going solvency requirements of the Group and each group company with regard to the Group's strategy, risk appetite and target solvency requirements. Specific consideration is paid to the potential shocks or risks the Group may face over its strategic planning horizon. The outputs of the ORSA guide ongoing business planning and capital management activities.

The ORSA process encompasses:

- Determination of the current and future solvency and liquidity position under expected conditions;
- Stress and scenario testing, including reverse stress testing, informed by an evaluation of the key emerging, emergent and emerged risks;
- Ongoing assessment of the quality and quantity of funds necessary to ensure risk based capital needs are met at all times; and
- Risk based capital needs are assessed on both a regulatory basis (using the Bermuda Solvency Capital Requirement) and the internal Group Capital Model. Both of these encompass the primary risk exposure areas as stated in item 3(a).

The findings of the ORSA assessments are reported to the ARC and MRC quarterly. In the event of a material change to the business or following a major event additional ORSA assessments will be conducted in a timely manner. At least annually, the Risk Function compiles the outputs from the ORSA into a formal annual ORSA report which goes through a review and sign off process by the Board ARC. The BMA refers to this report as the Group Solvency Self-Assessment.

Item 2.d. & 2.d.(i). Internal Controls

The Company operates an internal control system in accordance with the 'Three Lines of Defence' model . Specifically:

- 1st Line of Defence - Operational Management Controls, are those operated within core business functions where risk is owned and managed.

- 2nd Line of Defence - Risk Management and Compliance functions, which monitor and facilitate the implementation of effective risk management and control practices and aids and guidance to the first line of defence in reporting adequate risk information through the Company's operations.

- 3rd Line of Defence - An Internal Audit function, which provides assurance to the Company's Board as to the effectiveness of the first and second lines of defence through a risk-based program of testing, quality assurance, and assessment.

The controls operated in the Company combine preventative controls and detection controls, designed to monitor that the Company operates within its stated risk appetites and tolerances.

The Company's internal control framework is overseen by the ARC. The ARC's oversight of the internal controls framework includes the following summary[1] of responsibilities, in accordance with the Company's ARC charter:

- Review the adequacy and effectiveness of the Company's accounting and internal control policies and procedures on a regular basis, including the responsibilities, budget and staffing of the Company's internal audit function, through inquiry and discussions with the Company's independent auditors and management of the Company.

- Review with management the Company's administrative, operational and accounting internal controls, including any special audit steps adopted considering of the discovery of material control deficiencies, and evaluate whether the Company is operating in accordance with its prescribed policies, procedures and codes of conduct.

- Receive periodic reports from the Company's independent auditors and management of the Company to assess the impact on the Company of significant accounting or financial reporting developments.

- Establish and maintain free and open means of communication between and among the Board, the Committee, the Company's independent auditors, the Company's internal audit department and management, including providing such parties with appropriate opportunities to meet separately and privately with the Committee on a periodic basis.

- Establish clear hiring policies by the Company for employees or former employees of the Company's independent auditors.

- To review and approve on a periodic basis the Company’s framework for the assessment and management of risk, including the definition of applicable categories of risk, standards in relation to each category of risk and appropriate risk tolerances.

- Review and assess the effectiveness of the Company’s compliance program in ensuring compliance with relevant regulatory and legal requirements.

- Discuss guidelines and policies governing the process by which senior management of the Company and the relevant departments of the Company assess and manage the Company’s exposure to risk, as well as the Company’s major financial risk exposures and the steps management has taken to monitor and control such exposures.

Additionally, the Company assesses the effectiveness of internal controls over financial reporting in accordance with Sompo Holdings' Group Basic Policy on Internal Controls over Financial Reporting for each fiscal year to confirm there are no material weaknesses.

Item 2.d.(ii) Compliance Function

The compliance function of the Group is overseen by a designated Chief Compliance Officer. The Chief Compliance Officer's role is to (a) act as an advisor to the Board of Directors, the Chief Executive Officer and the ARC on matters relating to compliance and (b) monitor and report on the results of the compliance/ethics efforts of the Group to the Board of Directors, the Chief Executive Officer and the ARC.

The Compliance Function exists within the Group to secure, inter alia, the following objectives:

[1] This is a representative summary. Additional responsibilities are clearly documented in the Audit, Risk and Compliance Committee Charter.

- To advise the Board on compliance with all relevant regulations and legislation within Compliance scope;
- In conjunction with the Legal Department to assess the impact on the Group of material changes in the legal or regulatory environment within Compliance scope;
- To facilitate the identification, assessment and mitigation of compliance and regulatory risk;
- To oversee and monitor compliance with regulatory requirements within Compliance scope by the Group; and
- To produce and implement a plan to achieve the objectives with which the Compliance Function is charged.

To achieve the objectives set out above the Compliance Function operates (alongside the Risk Function) as part of the Group's second line of defense and reports at least quarterly to the Group's Board, or designated committee(s), on its operations and activities. The activities of the Compliance Function are divided into the following strands of activity:

- Business advisory: ensuring that the Board, senior management, and staff of the Group are aware of the obligations and requirements imposed on them by the applicable regulatory regimes;
- Compliance monitoring: providing regular and prompt identification and assessment of compliance risk and the day-to-day operation of compliance tools, policies and procedures;
- Regulatory affairs: managing the relationship of the Group with its regulators; and
- Reporting on all of the above strands of activity to the Group's Board.

Supplementing the Chief Compliance Officer's role are the Group's regulatory and operational compliance functions. The Regulatory Compliance function is charged with ensuring compliance within each of the jurisdictions the Group operates in. For each regulatory jurisdiction, the Chief Financial Officer, the General Counsel, or their respective delegates with responsibility for the pertinent geographic location, continually monitor the regulatory environment for requirements that may impact the Group. In the event of a new regulatory requirement being proposed and depending upon the underlying nature of the regulatory requirement, all filings may be managed at the local level or, alternatively, the Chief Financial Officer and General Counsel may establish a dedicated project team at the corporate level to which the responsibility of creating and submitting the filing is delegated. The project team may include, but not be limited to specialists within the Finance, Legal, Internal Audit and Risk Management functions. As required, the Legal function assists to draft the necessary Group policies and procedures in accordance with the requirements of applicable laws and regulations. The Compliance function is further charged with the responsibility to investigate and resolve all issues of non-compliance.

Operational Compliance should occur within all business units and functions as necessary by establishing and executing controls to mitigate Compliance risk. This is essential to an effective compliance program and includes senior management's commitment to support compliance and inform employees of the importance of both complying with Laws and Regulations and prompt reporting of any potential violations of Laws and Regulations within the organization. All employees must ensure that their professional conduct complies with Laws and Regulations. Operational Compliance is monitored and reported through the actions of the Internal Audit function. The responsibilities of Internal Audit and its role in operational compliance are explained below in *Item 2.e. - Internal Audit*.

Item 2.e. Internal Audit

The purpose of the Internal Audit's ("IA") function is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Company by challenging the effectiveness of the framework of controls that enable risk to be assessed and managed. IA assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control. The internal audit activity's responsibilities are defined by the SIH ARC as part of their oversight role.

At least annually, the Chief Audit Executive will submit to Executive Management and the ARC an internal audit plan (including schedule of audits and resources) for review and approval. The audit plan covers all SIH's functions and business units and encompasses in its scope all SIH entities. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management, the SIH ARC and entity-specific audit committees. The Chief Audit Executive will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the SIH ARC through periodic reporting.

A written communication will be provided following the conclusion of each audit and will be distributed as appropriate. IA results will also be communicated to the ARC.

The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for the anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The internal audit activity. Through a standard follow-up process, IA will be responsible for appropriate follow-up on engagement findings monitoring and recommendations. All findings will remain open to SIH[2] , the ARC or SIH Board, as well as any relevant entity-specific audit committee, until the risks identified have been addressed by management.

The Chief Audit Executive will periodically report to Executive management and the ARC on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.

The internal audit activity remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgment. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or processes being examined.

The Chief Audit Executive will confirm to the board, at least annually, the organizational independence of the internal audit activity.

<u>Item 2.f. Actuarial Function</u>

Group Functions

The Actuarial Functions at the Group operate in various segments of the organization. The Group Chief Risk Officer and the Group Chief Reserving Officer are responsible for the oversight of these functions with the support of the Chief Pricing Actuaries for the Group's businesses and the Ceded Reinsurance Officer. Actuarial Functions are provided with the necessary authority to carry out their roles by the Board and are operationally independent of the Group's other key functions.

The **Reserving actuaries** review the Group's loss and loss expense reserves on a quarterly basis for both current and prior accident years using the latest claims data. The Group uses multiple methods, supplemented with its own actuarial and professional judgment, to establish its best estimate of loss and loss expense reserves.

The Reserving analysis for the Group's business units uses data from the claims and underwriting data systems. This data is subject to review and quality checks by members of the Information Technology, Finance, and Actuarial teams. The Actuarial reserving function performs the quarterly reserving analysis, using approved reserving techniques. Reserve estimates are adjusted for any ceded reserves, which are estimated based on the underlying characteristics of the ceded treaty terms.

Each quarter an internal peer review is performed of the loss reserve estimates to determine whether they reasonably represent the contractual liabilities to which the Group is exposed. All reserve estimates are consolidated within the quarterly loss reserve study and are presented to the Group Reserve Committee for review and approval. The committee consists of representatives of various disciplines from within the Group.

The Risk function is responsible for the development and maintenance of the Group Capital Model ("GCM"), primarily used to support on-going solvency monitoring, earnings volatility monitoring, IFRS 17 risk adjustment, ceded reinsurance assessments and return on risk allocated capital assessments. The GCM is operated in line with the Board-approved capital model policies in

[2] Reporting to entity level Board and Governance committees

terms of model governance, change, validation and documentation. The Group Capital Model Sub-Committee, a sub-committee of the MRC, consists of representatives from risk, underwriting, pricing, reserving, investments and finance functions, and seeks to provide on-going assurance that the model is well maintained and appropriate for its intended uses.

Insurance Pricing Function

The Insurance Pricing Function is divided into North America Commercial P&C and Global Markets Commercial P&C with oversight by a Central Pricing & Analytics team – and Pricing analysis at these business units are overseen by a head of pricing for each unit who report to the relevant Chief Underwriting Officers. The CEOs of North America Commercial P&C and Global Markets Commercial P&C are ultimately responsible for ensuring business written by the segment is adequately priced.

To achieve this objective, actuarial pricing models have been developed, by line of business, to provide a standardized means by which submissions can be consistently and objectively rated. All models require peer review and user testing as part of the standard pricing model development process. Prior to deployment within the business, all models require sign-off by a sub-committee of the Underwriting Committee and the relevant lead actuary.

Guidelines have been developed and disseminated identifying the triggering premium thresholds (by line of business) at which actuarial pricing and/or peer reviews are required. Rate changes and achieved rating levels are monitored. This information is used as a key input to the Reserving team's selection of initial expected loss ratios.

Reinsurance Pricing Function

Reinsurance Pricing analysis is overseen by the Head of Pricing for Reinsurance. The CEO of Global Reinsurance is ultimately responsible for ensuring business written by the segment is adequately priced.

To achieve this objective, a main treaty/portfolio actuarial pricing model has been developed to provide a standardized mean by which treaty submissions can be consistently and objectively rated. Additionally, vendor models are licensed and used on a few very specialized lines. All model updates require actuarial testing before deployment. All deals are priced by actuaries (i.e. models are only used by actuaries).

All actuaries have personally assigned thresholds (by line of business, premium etc.) at which a peer review from another actuary is required. Pricing loss ratios, rate changes (insofar provided by clients) and achieved rating levels are monitored. This information is used as a key input to the Reserving team's selection of initial expected loss ratios.

Item 2.g. Ceded Reinsurance Function

The purchase of ceded reinsurance is coordinated by the Head of Ceded Reinsurance who works with the business and various functional areas, including the Chief Risk Officer, to determine coverage needs. The Ceded Reinsurance team ensures an appropriate reinsurance structure is developed and the submission is built to present to market. The Head of Ceded Reinsurance ensures that the data contained within the submission is both accurate and that the narrative outlining the business' strategy is relevant. All draft contracts undergo a legal review. The reinsurance also undergoes a risk transfer analysis based on final terms and conditions. All purchases are made through a pre-approved counterparty panel with the constituents selected on the basis of their financial strength rating and other background criteria. In the event of credit downgrades, approved counterparties are removed from the panel. The Ceded Reinsurance Function formally advises the Claims and Finance functions of all in force ceded reinsurance treaties to ensure that appropriate recoveries are obtained and reinsurance cessions properly recorded.

Item 2.h. Outsourcing

Item 2.h.(i) Outsourcing Policy

The Group has established standards, processes, roles and responsibilities for the Group's arrangements of services to be provided by unaffiliated third parties. Outsourcing arrangements are supported by individual contracts and/or service level agreements. Before an outsourcing arrangement is entered into, the Group assesses the impact of the proposed arrangement, including reviewing the qualifications of the service provider. For all material outsourcing arrangements based on the size and criticality of service, the Group applies the following due diligence and selection criteria.

The Group's outsourcing due diligence includes three main components:

- Formal reviews of the proposed outsourcing arrangements by the appropriate internal departments, including Legal and Procurement;

- Request For Proposal ("RFP") requirements provided that single source procurement may be permitted with the approval of Legal and Procurement; and

- Reviews by requester and the key management personnel to ensure that no conflicts of interest exist in engaging the outsourcer.

The selection criteria process is agreed in advance by the requester and other reviewing parties (Legal, Procurement, IT) and considers the following factors, among others:

- demonstrated quality (financial and technical abilities);

- specialized knowledge and resources;

- control framework;

- conflicts of interest;

- value-add services as differentiators;

- long-term viability and pricing;

- availability of an adequate Business Continuity Plan; and

- risks from outsourcing and mitigation.

Outsourcing arrangements that have cleared due diligence and met the appropriate selection criteria are reviewed to determine if an RFP is applicable. Where an RFP process is deemed appropriate, a reasonable number of competitive bids should be obtained to ensure quality services are being received at an appropriate price.

For any proposed outsourcing arrangement not subject to an RFP process, the requester must provide formal justification for single source procurement and obtain approval from Legal and Procurement.

In all outsourcing situations where outsourcers will access the Group's non-public information and/or systems, outsourcers will be required to sign a non-disclosure agreement.

The Group has defined key management personnel within its members that are authorized to approve an outsourcing arrangement should the arrangement satisfy the due diligence and selection criteria. The key management personnel are prescribed in the Group's "Authorized Approvers" policy document and include the requirements for adequate specifications for the services to be entered into and a general ledger account and activity code where appropriate.

The major service arrangements the Group has under its outsourcing policy are with BlackRock Inc., Clearwater Analytics, Gallagher Basset Services Inc., Resource Pro LLC and DXC. Blackrock, Inc. provides the Group with various investment management and risk analysis services, while Clearwater Analytics provides investment accounting services. Gallagher Basset Services Inc. handles claims globally for specified insurance lines. Resource Pro LLC processes submissions and other administrative work for North America Insurance. DXC provides support in processing submissions, claims, cash collection and allocation and provides various information technology support services.

<u>Item 2.h.(ii) Intra-group outsourcing</u>

The Group has various intra-group reinsurance, loans, and other arrangements amongst its members. These arrangements are overseen by the Group's Intercompany Governance Committee ("ITGC") of senior management. The ITGC establishes, maintains, and authorizes intercompany agreements and includes members from the Finance, Legal, Tax, Risk and Underwriting departments. It meets at least twice a year and more often as necessary to review specific transactions.

The ITGC has established the following key controls:

- All agreements and material modifications are reviewed and agreed by the ITGC. Approval is then obtained from the Chief Financial Officer and General Counsel; and

- Communication of agreements and material changes is made to the CEO and the senior executive officers.

All intra-group outsourcing functions are also reviewed by the Audit Committee of the Board of Directors. Additionally, the Group has an intra-group administrative services agreement amongst its entities. The primary services agreements are a consolidated tax sharing agreement amongst its US Holding company and its various US entities; and an administrative services agreement which allows for the provision of certain administrative services between and among the wholly-owned entities of the Group, including, but not limited to: general management; finance-related services; information technology; and facilities and equipment.

Part 3. Risk Profile

Item 3.a. Material Risks & Risk Mitigation Measures

The Group is exposed to a range of risks that arise out of its underwriting and investment activities as well as its general operations. This section summarizes the Group's approach to risk management for each category of material risk exposure:

Insurance Risk

The Group seeks risk through its (re)insurance underwriting activities to generate financial earnings. The main risks assumed through underwriting activity can be sub-divided into premium risk, catastrophe risk and reserve risk.

- Premium risk is the risk of systematic mispricing which could arise due to changes in the legal or external environment, changes to the supply and demand of capital, and companies' using inadequate information to make decisions. This risk could affect multiple classes across a number of underwriting years;

- Catastrophe Risk refers to the potential for large losses to arise from multiple independent insured policies as a result of a single cause. This definition applies to all classes of business written, in all territories, and includes both natural and man-made causes, for example: earthquakes, hurricanes, marine or aviation incidents, acts of terrorism, cyber events, or systemic malpractice; and

- Reserve risk describes the potential that provisions set aside to meet claims payments in respect of events that have occurred turn out to be inadequate. This risk is most pronounced for medium and long tailed business where the typical period between loss occurrence and ultimate claim settlement can be very long, in these cases unanticipated changes in the legal landscape (e.g. tort reform) or external conditions (e.g. inflation) can have a material impact on the adequacy of claims provisions. For short-tailed business reserve uncertainty can be significant immediately following a major event, however the typically shorter reporting and settlement periods mean this risk is unlikely to persist and compound over time.

The Group uses a range of techniques to manage these risks as set out below:

Premium risk

- The Group recruits experienced underwriters with proven track-records and good standing in the market. Underwriting Letters of Authority ("LOA") are the primary tool for promulgating and implementing underwriting risk preferences and limits. The LOAs document permitted lines of business, territories, maximum premium and exposure limits and the underwriters' responsibility towards the peer review process. The LOA also sets out any restrictions for classes of business or exposures that an underwriter is not permitted to underwrite. The LOAs are consistent with established underwriting strategy and guidelines and detail an underwriter's ability to legally bind contracts on behalf of the Group. The underwriting process is supported by pre- and post-bind peer reviews, as well as independent reviews;

- The Group has fully integrated its internal actuarial and modelling staff into the underwriting and decision-making process. The Group uses in-depth actuarial and risk analyses to evaluate transactions prior to authorization, assessing and charting pricing changes and rate adequacy. In addition to internal actuaries and risk professionals, external specialists may also be used to provide support in developing and utilizing robust risk intelligence to inform underwriting decisions;

- In addition to technical and analytical practices, underwriters use a variety of underwriting tools, including specific contract terms, to manage exposure to loss. These include occurrence limits, aggregate limits, reinstatement provisions and loss ratio caps. Exclusions and terms and conditions to eliminate particular risks or exposures deemed outside of the intent of coverage are also considered; and

- The Group has established a framework to enable the business to regularly assess and monitor performance drivers on a portfolio basis. The approach generates insight by integrating the analytics across a number of disciplines (including pricing, reserving, claims, capital modelling and exposure management) and engaging with underwriting teams regularly to pro-actively monitor and respond to underwriting performance trends on both an absolute and risk adjusted basis.

Catastrophe risk (natural and man-made)

- Catastrophe risk is managed by monitoring and limiting the accumulation of exposure (such as within geographical proximity for natural catastrophe exposures) maintaining a diverse portfolio of exposures across different business lines, and through purchasing outwards reinsurance protections;

- The exposures of the Group are diversified by product, geography and sector consistent with the Group's objectives to be a global (re)insurer and generate stable earnings. The risk function maintains enterprise-wide exposure and coverage data enabling frequent identification and monitoring of any build up in concentrations of exposures;

- The Group has defined limits for the maximum amount of accumulation risk it is prepared to accept, both for natural and man-made events. The exposure management function of the Group ensures that all sources of potential loss accumulation are proactively identified and assessed to support effective accumulation limit management in accordance with this framework. These assessments are supported by proprietary and third-party risk analytics including a comprehensive suite of disaster scenarios. The assessments of catastrophe loss potential are governed by the MRC; and

- The outwards reinsurance purchasing strategy is reviewed at least annually, with reference to the objectives of the business, risk appetite, and prevailing market conditions or trading opportunities. This assessment is overseen by the SIH Ceded Reinsurance Committee.

Reserve risk

- The actuarial function maintains a best estimate reserving process that integrates planning, pricing and exposure information to establish a feedback loop between the reserving and underwriting processes. At least annually, each class of business is subject to a detailed reserve review where actuarial and statistical techniques are used to derive loss reserve estimates from the most recently available data, as well as current information on future trends in claims severity and frequency, judicial theories of liability and other factors;

- The results of the actuarial reserve reviews are discussed regularly with underwriting leaders for each product line and are monitored against the booked reserve estimates to ensure that in the aggregate, across all classes, booked reserves are considered adequate, as defined in the approved risk appetite. Additionally, the best estimates are compared against experience each quarter by undertaking an analysis of actual versus expected experience as well as other appropriate validations of assumptions, methodology, and results. The quarterly reserve analysis is reviewed by and discussed with underwriters, actuaries, claims, finance and senior management prior to submission to the Group Reserving Committee. The Group Reserving Committee reviews the sufficiency of the estimated loss reserves and appraises the adequacy and effectiveness of the loss reserving practices of the Group;

- In respect of individual claims and/or events where the potential for reserve development is material, reserve selections are informed by an update of the loss circumstances provided by the claims team. For large events the initial loss estimates are determined by the claims team with input from underwriting and exposure management as appropriate; and

- Oversight of loss reserves is provided by the ARC, which meets quarterly to receive reserving information and discharge its oversight duties including monitoring reserve adequacy.

Market risk

Market risk describes the Group's exposure to external influences on assets resulting in financial losses or gains from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, currency exchange rates, equity prices and credit spreads.

The Group manages market risk through both a system of limits and a strategy to optimize the interaction of risks and opportunities, both of which are documented in an investment management policy. To ensure diversification of the investment portfolio and avoid excessive aggregation of risks, limits on asset types, economic sector exposure, industry exposure and individual security exposure are placed on the Group's investment portfolio and monitored on an ongoing basis.

The Group uses a number of capital-at-risk models, which include scenario-based measures, value-at-risk and credit impairment calculations to evaluate its investment portfolio risk. Portfolio risk is affected by four primary risk factors: asset concentration, asset volatility, asset correlation and systematic risk. The Group continuously evaluates the applicability and relevance of the models used and makes adjustments as necessary to reflect actual market conditions and performance over time.

Oversight of investment management is provided quarterly by the Board Capital Management and Investment Committee.

Liquidity risk

Liquidity risk represents the risks where the short-term liability obligations cannot be met by the Group due to the inability to convert assets into cash. Such a scenario can be driven by a lack of buyers in an inefficient market.

When financial markets experience a reduction in liquidity, the Group's ability to conduct orderly investment transactions may be limited and may result in declines in fair values of the securities in the Group's investment portfolio. In addition, if the Group requires significant amounts of cash on short notice in excess of normal cash requirements (which could include claims following a major catastrophe event) in a period of market illiquidity, the Group may have difficulty selling its investments in a timely manner and may have to dispose of its investments for less than what may otherwise have been possible under other conditions.

The Group maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. These liquid funds are regularly monitored and the majority of the Group’s investments are in highly liquid assets which could be converted into cash in a short time frame and at minimal expense. Cash is generally bank deposits and money market funds.

Oversight of liquidity management is provided quarterly by the Board Capital Management and Investment Committee.

Credit Risk

The Group distinguishes between various forms of credit exposure including the risk of issuer default from instruments in which the Group invest, such as corporate bonds, counterparty exposure in a direct contractual relationship, such as reinsurance, retrocessional and fronting activities, the credit risk related to premium receivables, including those from brokers and other intermediaries, and the risk assumed through insurance contracts, such as credit and surety lines of business. The Group has established risk limits with respect to the aggregation of credit risk from these various forms of credit exposure, which are monitored and managed on an ongoing basis.

The Group has exposure to credit risks primarily as a holder of fixed maturity investments, short-term investments, equity securities and other investments. The Group’s risk management strategy and investment policy is to invest in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to particular ratings categories and any one issuer. In addition, through a tiered approach based on issuer ratings, the Group has limited its exposure to any single corporate issuer.

The Group also has exposure to credit risk as it relates to losses recoverable on paid and unpaid losses where the Group has purchased ceded reinsurance and retrocessional coverages. For reinsurance recoverables related to ceded reinsurance agreements, the Group remains obligated for amounts ceded in the event that its reinsurers or retrocessionaires do not meet their obligations. Accordingly, when ceded reinsurance or retrocessional reinsurance is purchased, the Group requires its reinsurers to have strong financial strength ratings and, in certain cases, require posting collateral. The Group evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis. All fronting arrangements across the Group are subject to and approval by the Group Chief Risk Officer.

For credit risks related to insurance and assumed reinsurance premium receivables, the Group's largest credit risk exposure is related to third-party agents, brokers, and other intermediaries. It arises where premiums are collected from customers to be paid to the Group, or to pay claims to customers on behalf of the Group. The Group has policies and standards to manage and monitor credit risk related to intermediaries. The Group requires intermediaries to maintain segregated cash accounts for policyholder money. The Group also requires intermediaries to satisfy minimum requirements of capitalization, reputation and experience, and provide short-dated business credit terms.

For direct premium receivable, the Group has no significant concentration of credit risk, as the Group has a large number of internationally dispersed debtors with unrelated operations.

In relation to credit related underwriting, exposure is monitored and managed on an enterprise-wide basis through a combination of robust underwriting guidelines for each underwriting team and defined limits on the maximum amount of exposure acceptable to the Group from an individual insured/obligor considering the credit quality of the counterparty.

Operational Risk

Operational risk represents the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks include, for example, employee or third-party fraud, business interruptions, inaccurate processing of transactions, information technology failures, the loss of key employees without appropriate successors, and non-compliance with reporting obligations.

The Group seeks to mitigate operational risks through the application of strong risk governance, processes and controls throughout its business and has specific processes and controls in place to manage high-priority operational risk matters such as business resilience and the oversight of third parties that provide key business services on an outsourced basis.

Individual accountability for all key business risks and controls is clear and documented in the risk register. Through the Risk & Control Self-Assessment framework, each risk owner is responsible for assessing the design and operating effectiveness of their control environment, and, to the extent any gaps or deficiencies exist, assessing the corresponding impacts and level of operational risk / exposure to the Group.
The Group also has in place an incident reporting process which consists of a set of steps that is followed by risk and control owners to report and address incidents related to operational risk. The incident reporting process typically includes identifying and classifying the incident, assessing the impact / severity of the incident, investigating the root cause, and implementing corrective actions to prevent similar incidents in the future. The process also involves reporting the incident to relevant stakeholders, such as senior management, regulators, or customers, as required. The aim of the process is to ensure that incidents are promptly and effectively addressed, with a focus on minimizing their impact on the organization and its stakeholders.

The internal audit function is responsible for performing an independent review of the adequacy and effectiveness of the Group's internal controls. The audit function considers the operational risk self-assessment process in the development of its audit universe and annual risk-based audit plan. In executing the audit plan a feedback loop also exists whereby audit findings and recommendations are considered by management and the risk function to ensure alignment with the risk registers and self-assessment ratings. All key findings and exceptions are reported to the ARC.

Other Risks

In addition to the risks identified above, a few key risks are outlined below:

- ***Strategic Risk***: Risk includes the risk of missed business opportunities, non-achievement of corporate or Group strategy and impact on competitive positioning and the value of the Group brand. It includes the risks of making strategic decisions that do not add value, environmental conditions preventing the strategy from being executed, strategy is not executed effectively or consistently, a diminution of the reputation of the Group, and having inadequate crisis response management.

The Group mitigates strategic risk through the recruitment of an appropriately experienced Group CEO with a proven track record of delivering on initiatives of strategic importance to the Group. This includes supporting the CEO with an experienced and aligned executive team that collectively possess the breadth and diversity of skills needed to challenge, inform and support the successful execution of the Group's strategy. The remuneration of the executive team is set to create strong alignment with the successful execution of the strategic priorities of the Group. The strategic priorities are set to be: specific and measurable; consistent with the corporate mission and values; and, realistic in the context of the Group's capabilities and operating environments.

To support the Group's strategic efforts, the executive team ensures that the necessary resources are in place across the Group to implement the Group's strategic plans. This includes ensuring management information is in place to measure and monitor the execution of strategic initiatives including the ability to provide timely analysis of the Group's competitive position, market dynamics, competitive threats and changes that impact markets and business environments in which the Group operates.

- ***Group Risk:*** Risks to the Group arising specifically from being a part of a wider corporate group. These are additional risks to which the Group is exposed which arise from the interrelationships that form due to ownership and management structure of the Group, including its relationship to its ultimate corporate parent, Sompo Holdings. Types of risks include material intra-group transactions and exposures and managing accumulation and contagion risks within the Group.

To mitigate Group risk, the Group has established a framework for monitoring the potential impact of a major stress event/s within the Group, including an assessment on the expected availability and ability to transfer capital between or among Group Companies. The Group has appropriate internal reinsurance arrangements in place as well as other capital support mechanisms (e.g. net worth agreements) to ensure that all Group Companies have the ongoing ability to pay claims as they fall due and are able to meet regulatory capital requirements.

- ***Emerging Risks:*** Emerging risk is defined as newly developing or changing risks which are difficult to quantify and which may have a major impact on the organisation. The Group operates various emerging risk identification processes which capture and assess the potential impact and appropriate actions necessary to manage emerging risks.

- ***Legal Risk:*** Legal risk includes the risk of failing: (i) to identify new or modified laws and regulations applicable to the business segments, corporate, and the Group; or (ii) to follow external laws/regulations and internal policies, processes, and standards. This risk is mitigated and controlled by compliance with the Group's internal controls and procedures.

The Group mitigate legal risks by proactively identifying new or modified laws and regulations applicable to the business, ensure compliance policies and procedures are in place to address such laws and regulations, ensure employees are aware and trained on such policies and procedures, and regularly monitor, test and report compliance with the Group's policies and procedures.

The Group employ suitably qualified attorneys, paralegals, and regulatory staff professionals across the Group's business segments and jurisdictions to ensure compliance with local regulations and laws including internationally recognized contract certainty standards. The Group ensure that the maintenance of, management of and access to records meets requirements established by laws and regulations.

- ***Sustainability Risk***: Sustainability risk refers to the potential negative impacts on environmental, social, and governance ("ESG") factors that may affect the long-term viability and resilience of the Group. The Group has been designing and executing its ESG strategy, a key component of which is its response to the risks associated with climate change. Climate change will have a material impact on the global economy, and as an insurer and asset manager, the Group plays a role in facilitating the world's green transition. Thus, the Group has taken a multi-faceted approach to climate change risk assessment and management, as described below. The following are the key elements of climate change risk facing the Group:

    - Physical risk involves the risk that that shifts in the frequency, severity, or other characteristics of natural catastrophes due to climate change may lead to an increase in insurance payments, leading to a possible deterioration in underwriting results;

    - Transition risk involves the risk associated with the transition to a decarbonized society. Technological progress or the introduction of stricter laws and regulations aimed at transitioning toward a decarbonized society could result in structural changes to many industries. Transition risk could also have an impact on the value of the Group's investment assets. It also introduces reputational risk if the Group fails to adequately address the energy transition; and

    - Liability risk involves customers who may have contributed to climate change or who have failed to ensure that their companies were sufficiently protected from the effects of climate change. The Group considers this both a prospective and retrospective risk; the latter in the form of reserve risk for its liability classes of business.

In addition to risks associated with climate change, the Group faces other sustainability risks, such as those associated with diversity and inclusion or human rights. Sustainability risks are managed through adherence to the Company's corporate values and active engagement with stakeholders.

The existing Board-approved risk management framework sets forth the roles and responsibilities of those overseeing the implementation and monitoring of the risk management framework, which encompasses those risks facing the Group, including climate change. As greater understanding of financial risks from climate change develops, the risk management framework continues to evolve to reflect the distinctive elements of this risk to ensure effective management and oversight, including enhancement of scenario testing in this area.

Additionally, the Group's parent, Sompo Holdings, has made sustainability and climate change key components of their Medium-Term Management Plan, which includes establishment of a Sustainability Management Office and a Chief Sustainability Officer, a Head of Sustainability at the Group, as well as the pursuit of several climate change related commitments. Most notably, Sompo Holdings has committed to becoming net zero in its underwriting and investment activities by 2050. To achieve these goals, the Group has been working to measure and reduce its carbon footprint associated with insurance and investment activities, engage its insurance customers and investees, and grow its portfolio of products designed to insure the transition

<u>Material Events Update</u>

The Company does not have material exposure to any recent external events (e.g. Ukraine War, Israel/Hamas conflict), however we continue to monitor our financial resilience and adapt our risk management in order to manage any adverse impact to the Company from the current geopolitical and macroeconomic uncertainty. The Company and ultimate parent have considerable financial resources, undertake regular stress, scenario and reverse stress testing, and as such are well placed to manage market events.

Item 3.b. Asset Investing

The Group's investment strategy is designed to protect book value and generate appropriate risk adjusted returns to grow book value, while providing sufficient liquidity to meet our operating cash needs. The investment portfolio is designed to diversify risks, including interest rate, credit, structure and equity risks. Our investment portfolio is managed by our Chief Investment Officer and a team of investment professionals. Our investment team is experienced in direct portfolio management, asset allocation, managing external investment manager relationships and risk management. Our investment team uses specialized analytical tools to evaluate risk and opportunity in investments to facilitate a risk managed, opportunity oriented approach to investing consistent with the requirements of our Investment Policy. We utilize external portfolio managers to oversee most of the day-to-day activities of our investment portfolio, and our investment professionals actively monitor our investment managers' performance and compliance with our Investment Policy and with the specific investment guidelines applicable to each investment manager. We use quoted values and other data provided by nationally recognized third-party pricing sources as inputs to our process for determining the value of our investment portfolio that is carried at fair value in our financial statements.

Our Investment Policy establishes authority for our investment activities and specifies risk tolerances and minimum criteria on the overall credit quality and liquidity characteristics of the portfolio. This includes limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities or investing in certain industries. Our investment managers may be instructed to invest some of the investment portfolio in currencies other than U.S. dollars based upon the business we have written, the currency in which our loss reserves are denominated or regulatory requirements.

Our Investment Policy incorporates a traditional policy limit approach to each type of risk, thus setting a maximum amount of capital that may be exposed at any one time to particular types of securities and investment vehicles. We develop and maintain an investment risk profile, including the establishment of risk limits, which is reviewed and revised by the Capital Management and Investment Committee of the Board of Directors based on market conditions and our developing needs and includes estimates of the maximum and expected levels of investment risk relative to shareholders' equity that will be taken over a 12 month period. In determining our investment decisions, we consider the impact of various catastrophic events on our invested assets, particularly those to which our insurance and reinsurance portfolio may also be exposed, in order to protect our financial position. In addition, as part of our risk management processes, we maintain a watch list of securities that management considers to be at risk due to industry and/or issuer specific issues or securities potentially subject to future impairments. These securities are subjected to further internal analysis to evaluate their underlying structures, credit characteristics and overall industry and security specific fundamentals until they are sold, mature or it is deemed that further review is no longer necessary.

In managing the Group's invested assets, the Group applies the SIH Policy and Principles. Our Policies and Principles state that all investment decisions will be made within the context of their impact on shareholder value and in accordance with the Prudent Person Principle. The Capital Management and Investment Committee of the Board of Directors is charged with the oversight and governance of the Group's investment strategies, policies and guidelines, and limits as noted above in *Item 2.a.(i) Structure, Roles, and Responsibilities.*

Item 3.c. Stress Testing and Sensitivity

Stress and scenario testing forms part of the ORSA process and allows us to better understand the Group's business by assessing the Group's ability to meet solvency and liquidity requirements in stressed conditions. The stress and scenario testing framework seeks to leverage a variety of opinions in order to generate the most insight to the business. The testing process is facilitated by the risk function and can be performed on either a top-down basis or a bottom-up basis. The process uses assumptions derived by appropriate internal or external experts/analysis, seeks approval for scenario selection and assumptions from executive management or if considered appropriate the Board. The results of all such testing are reviewed with senior management to elicit management observations and responses prior to communication to the Board.

Part 4. Solvency Valuation

The Group is supervised by the BMA (see *Item 1.b.* above) and is required to meet certain solvency requirements on a group basis. During 2016, the BMA achieved Solvency II regulatory equivalency with the European Union, and as such the BMA instituted a solvency valuation basis or Economic Balance Sheet ("EBS") as a key component of its regulatory reporting requirements. Except where specifically noted by the BMA, assets and liabilities should be valued at fair value in line with generally accepted accounting principles ("GAAP") for EBS valuations. The BMA's EBS framework applies prudential filters to certain balance sheet classes and non-admits certain assets to form the basis for their solvency valuations.

Item 4.a. Asset Valuations

For solvency valuation purposes, cash, cash equivalents, investments, and accrued income on investments are recorded on the same valuation basis as they are under International Financial Reporting Standards ("IFRS") in the Group's audited financial statements.

ESIL and subsidiaries designates its fixed maturity investments, short-term investments and equity securities as at FVTPL because they are managed on a fair value basis and their performance is monitored on this basis. Securities designated as FVTPL are carried at estimated fair value, with related net unrealized gains or losses recognized on the Consolidated Statements of Profit and Comprehensive Income (Loss). Investment transactions are recorded on a trade date basis.

Equity securities are carried at estimated fair value, with related net realized and unrealized gains or losses included in net income/loss.

ESIL and subsidiaries determines the fair value of its trading investments and equity securities in accordance with current accounting guidance, which defines fair value and establishes a fair value hierarchy based on inputs to the various valuation techniques used for each fair value measurement. The use of valuation techniques for any given investment requires a significant amount of judgment and consideration of factors specific to the underlying investment. Fair value measurements determined by ESIL and subsidiaries seek to maximize observable inputs and minimize the use of unobservable inputs.

ESIL and subsidiaries determines the estimated fair value of each individual security utilizing the highest level inputs available.

Other investments within the investment portfolio are comprised of (i) hedge funds, private investment funds and other investment funds that generally invest in senior secured bank debt, high yield credit securities, distressed debt, macro strategies, multi-strategy, equity long/short strategies, distressed real estate, and energy sector private equity ("alternative funds") and (ii) investments in a non-public entities where the Group has significant influence ("investments in associates"). Interests in associates are accounted for using the equity method. Under this method, the investment in an associate is initially recognized at cost. Subsequent to initial recognition, the carrying amount of the investment is adjusted to recognize changes in the Group's proportionate share of net assets of the associate since the acquisition date. Adjustments are made to the investee's accounting policies, where necessary, to be consistent with the Group's accounting policies. Due to the timing of the delivery of the final valuations reported by the managers of certain of alternative funds, investments in those funds are estimated based on the most recently available information including period end valuation statements, period end estimates, or, in some cases, prior month or quarter valuation statements.

On occasion ESIL enters into investment repurchase agreements whereby ESIL sells securities and repurchases them at a future date for a predetermined price. These investment repurchase agreements are accounted for as secured borrowings and are recorded at the contractual repurchase price plus accrued interest. The securities to be repurchased are the same, or substantially the same, as those sold. The fair value of the underlying securities is included in fixed maturity investments in ESIL's Consolidated Balance Sheet. The use of the cash received from the counterparty pursuant to the repurchase agreement is not restricted. The obligation to return the cash is included in payable under repurchase agreements in the Consolidated Balance Sheet. In these repurchase transactions, the securities sold by ESIL (pledged collateral) may be sold or repledged by the counterparties with whom the repurchase agreement is executed.

Cash equivalents include highly liquid short-term deposits and securities with maturities of ninety days or less at the time of acquisition. Cash equivalents are valued at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities. Fixed maturity investments, bank deposits and investments in money market funds with maturities of greater than ninety days and less than one year are classified as short-term investments.

Insurance premiums receivable and payable (net of any allowance for bad debts) are analyzed to determine the amount of premiums actually due at the balance sheet date or currently due, versus those due in the future. The net amounts currently due are deemed to be received within one year and are recorded in the EBS. The net amounts which have been deemed as not yet due are deducted from the premiums receivable asset/premiums payable liability and included in the valuation process noted below for determining the technical provisions.

Reinsurance balances recoverable represent monies due to ESIL and subsidiaries from third parties for insurance losses paid or unpaid by ESIL and subsidiaries on their behalf. Amounts recoverable from reinsurers are estimated in a manner consistent with the provisions of the reinsurance agreements and consistent with the establishment of ESIL's reserve for losses and loss expenses. Reinsurance recoverables are segregated into those which are recoverable on paid losses and those which are based upon estimates or unpaid losses. Reinsurance recoverables on paid losses are deemed as more than likely to be received within the next fiscal year and are reported in the EBS. Reinsurance recoverables on unpaid losses and estimates are included in the valuation process noted below for determining the technical provisions.

The insurance and reinsurance balances receivable represent funds withheld by ceding reinsurers. The funds withheld relate to premiums, profit commissions, claims and/or funds advanced for claims. The receivables are analyzed to determine which amount if any are deemed as more than likely to be received in a period greater than one year. Amounts that are deemed as such are discounted using the BMA's prescribed discount rates for the reporting period. Differences between the original balance and the discounted values are deducted from insurance and reinsurance balances receivable and offset against ESIL's statutory capital and surplus.

Prepaid reinsurance premiums and deferred acquisitions costs are considered as a component in determining the technical provisions in the EBS. Therefore, these amounts in their entirety are deducted from ESIL's total assets and, in the case of prepaid reinsurance premiums, included in the base amounts utilized to calculate the technical provisions as noted below in *Item 4.b*.

ESIL's remaining assets includes the value of its derivative instruments, balances due from investment sales, particular intangible assets, deferred tax assets, and other assets. Unless noted in other assets, fixed assets are not an admissible asset and are excluded from the EBS. Similarly right of use leased assets do not transfer any economic benefit, and therefore the asset and liabilities are excluded from the EBS.

Derivative assets in the EBS are reported at the same valuation basis as they are under IFRS in the audited financial statements. Current accounting guidance requires the recognition of all derivative financial instruments including embedded derivative instruments, as either assets or liabilities in the Consolidated Balance Sheets at fair value. ESIL and subsidiaries may use various derivative instruments such as foreign exchange forwards, future and option contracts; industry loss warranty swaps; interest rate futures, swaps, swaptions, and options; credit default swaps; commodity futures and options; weather swaps and options; loss development covers; and to-be-announced mortgage-backed securities. These derivative instruments are used to manage exposure to interest rate and currency risk, to enhance the efficiency of the investment portfolio, to economically hedge certain risks, and as part of its weather risk management business. These derivative instruments do not qualify, and are not designated, as hedges. Derivatives are recorded at fair value with changes in fair value and any gains or losses are recognized in net realized and unrealized gains losses, net foreign exchange gains losses, or other underwriting loss in the IFRS basis Consolidated Statements of Income and Comprehensive Income. Where ESIL and subsidiaries have entered into master netting agreements with counterparties, or has the legal and contractual right to offset positions, the derivative positions may be netted by the counterparty.

Balances due from investment sales represent the net funds to be received from the sale of investments and are usually attributable to timing differences between sales dates and settlement dates which are typically 2-3 days. As such the reported value is the fair value measurement on a IFRS basis.

In general, goodwill and intangible assets are not considered admitted assets in the EBS. However, the BMA's EBS guidance does allow for intangible assets to be admitted as recognized if it is probable that the expected future economic benefits will flow to the insurer and that their value can be measured reliably. The assets must be separable, and there should be evidence of exchange transactions for the same or similar assets indicating they are saleable in the market place. If a fair value measurement of an intangible asset is not possible, then such an asset should be excluded. ESIL has reviewed and analyzed the nature of the items included within its intangible asset balance and determined that the US state licenses at its US insurance entities meet this criteria. Where available the aggregate of the mid-point of the valuation ranges for each license is recognised and reported as an intangible asset in the EBS.

ESIL's deferred tax assets ("DTAs") on a IFRS basis are reviewed and analyzed within the following EBS criteria. DTAs are ascribed a positive value where it is probable that future taxable profit will be available against which the DTA can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits. Should a DTA meet this criteria the actual value to be recognized is the aggregate of the deferred tax asset matched by future profits discounted to their net present value based upon the discount rates as published by the BMA.

Other assets include receivables and other recoverable balances from rent deposits, current tax receivable, and other fixed assets. As with goodwill, prepayments or prepaid expenses are not admissible assets under the EBS basis and therefore are excluded. Rent deposits and current tax receivables are deemed as readily realizable and therefore are valued and reported at their IFRS valuation basis with no applicable prudential filters for EBS reporting purposes. ESIL's other fixed assets consist of a building, land and vehicles which are wholly owned or leased by ESIL and its subsidiaries. These assets are analyzed and valued to determine whether or not a readily realizable value exists.

Item 4.b. Technical Provisions

General insurance business technical provisions are to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a standard approach discount rate term structure published by the BMA, BMA Standard Approach Rates. Under the BMA's EBS framework, general insurance business (non-life) technical provisions are comprised of three main components:

- Best estimate of premium provisions
- Best estimate of loss and loss expense provisions
- General Insurance business risk margin

Under the EBS regime, the best estimate premium provision is the expected present value of future cash flows relating to future claim events on existing policies and future premiums falling within the contract boundary definition and not yet due premiums. Existing policies include incepted but unearned and bound but not incepted policies. The initial expected plan loss ratio by planning classes are applied to the unearned premium and bound premium to come up with an estimation of the total undiscounted claims. The claims cashflows are discounted using the relevant BMA Standard Approach Rates.

The best estimate of the loss and loss expense provisions reported in the EBS reflect the probability-weighted average of future cash flows, discounted using the relevant BMA Standard Approach Rates.

The events that may not be adequately reflected in the data, known as ‘Binary Events’ or ‘ENIDs’ (Events Not In Data set), are also reflected in the best estimate. Cash flows arising from ongoing administration of the in-force policies, including any commission payments, any premium collection costs and investment related expenses have been included within the best estimate. The best estimate of recoverable amounts are calculated and shown separately.

The last component of the technical provision is the risk margin. The Risk Margin is an additional provision for the uncertainty in the future cash flows. This reflects the expected cost of capital required for a third party to run off all legal obligations. The risk margin for the Group is calculated using the BMA's prescribed cost of capital approach. This approach calculates a cost of capital by applying a BMA prescribed factor against the enhanced capital requirement ("ECR") of the BSCR discounted over a 30 year period at the risk free discount rates as determined by the BMA.

ESIL's consolidated EBS technical provisions and risk margin as at December 31, 2023 were as follows:

Net Premium Provisions	$	(302,870)
Net Loss and Loss Expense Provisions		11,388,776
Risk Margin		698,484
Total General Business Insurance Technical Provisions	$	11,784,390

Item 4.c. Reinsurance Recoverables

As noted above in *Item 3.a. Material Risks & Risk Mitigation Measures*, the Group utilizes third party reinsurers as part of its underwriting risk management strategy. Included as part of that strategy, the Group has established a Ceded Reinsurance Policy which provides governance over the Group's ceded reinsurers and their selection.

The Group purchases quota share, facultative and excess of loss reinsurance across most Insurance lines of business. In the Reinsurance segment, the Group purchases proportional and excess of loss retrocessional coverage on the catastrophe line of business, and proportional coverage on the specialty line of business. The Group's U.S., U.K. and Bermuda insurance operating subsidiaries use proportional and excess reinsurance to protect larger limits on certain business written by the Insurance segment. The Group's agriculture Insurance line of business participates in a crop reinsurance program sponsored by the U.S.

federal government and utilizes third party reinsurance covers. Excess reinsurance coverage is often purchased in relation to the property insurance line of business to protect against catastrophic events.

The Group remains obligated for amounts ceded in the event that its reinsurers or retrocessionaires do not meet their obligations, except for amounts ceded to the U.S. federal government in the agriculture line of business. Accordingly, the Group has evaluated the reinsurers and retrocessionaires that are providing reinsurance and retrocessional protection and will continue to monitor the stability of its reinsurers and retrocessionaires. At December 31, 2023, ESIL and its subsidiaries held collateral of $1,219.5 million, related to its ceded reinsurance agreements. The balance of ceded reinsurance recoverables for ESIL and its subsidiaries at December 31, 2023 was distributed as follows based on the ratings of the reinsurers:

Rating		
AAA	$	3,185
AA+, AA, AA-		3,779,069
A+, A, A-		2,882,342
BBB+, BBB, BBB-		745,339
Other / Not rated		164,761
Total	$	7,574,696

The balances reported in the table above are on a IFRS basis. The balances are discounted at the BMA prescribed risk free rates as noted above in *Item 4.b. Technical provisions* to determine their valuation on an EBS basis.

Item 4.d. Other Liabilities Valuations

Insurance and reinsurance balances payable and commissions, expenses, fees and taxes payable represent amounts due to insurers and reinsurers under current insurance contracts. The amounts payable include premiums, taxes, underwriting expenses, fees, taxes, and profit commissions. As noted in *Item 4.b.* above the amount of advanced premiums payable are included in the calculation of the best estimate of premium provisions. The components of ESIL's insurance and reinsurance payables are reviewed and analyzed to determine which amounts if any are deemed as not readily realizable within the next fiscal year. Those amounts deemed as such are discounted at the risk free discounted rates as published by the BMA.

Tax liabilities on a IFRS basis include current income tax and deferred tax liabilities. The values are reviewed and analyzed using the BMA's EBS guidance which states that current tax liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period and in conformity with the Group's IFRS financial statements. Deferred tax liabilities are valued on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with the EBS requirements and the values ascribed to assets and liabilities as recognized and valued for tax purposes.

Accounts Payable and Accrued Liabilities include accrued operating expenses, accrued interest expenses, accrued miscellaneous tax expenses, general accounts payable related to the weather risk management business, salary related payables and general other payables. Payables are reviewed and analyzed to determine which amounts if any are deemed as not readily realizable within the next fiscal year. Those amounts deemed as such are discounted at the risk free discounted rates as published by the BMA. Those amounts deemed as a readily realizable within the next fiscal year are recorded at their IFRS value.

Sundry liabilities include derivative liabilities, investments pending settlement, and deposit liabilities for contracts which have assessed as not having risk transfer. The Group's derivative liabilities are valued in accordance with the Group's audited IFRS financial statements as noted above in *Item 4.a.* above.

Investments pending settlement represent the net funds to be paid from the purchase of an investment and are usually attributable to timing differences between purchase and settlement dates which are typically 2-3 days. As such the reported value is the fair value measurement on a IFRS basis.

The Group's deposit liabilities are based upon insurance contracts which have been assessed as not transferring significant risk. Since these deposit liabilities are net reserves on these contracts, the reserves have been discounted using the risk free discount rates as provide by the BMA with their EBS valuation reflective of the discounted values.

Part 5. Capital Management

Sompo International is a holding company which relies primarily upon the dividends and other distributions from its various entities. As a result, the Group proactively manages its capital base through the utilization of underwriting revenues, reinsurance and prudent risk management.

Item 5.a. Eligible Capital

Item 5.a.(i) Capital Management Policy

The Group's capital management policy is aimed at ensuring the Group maintain sufficient levels of risk based capital and financial flexibility as required by the Group's clients, the Group's various regulatory bodies, rating agencies, and the Group's strategic business purposes. The Group assesses the various capital level requirements and internally establishes an appropriate minimum capital level that satisfies all. Incorporated within this assessment is the focus on retaining earnings to build capacity and reinvest in the Group's business.

Item 5.a.(ii) Eligible Capital by Tiers

ESIL's eligible capital as at December 31, 2023 is comprised of the following capital tiers as per the BMA's classifications:

Tier	Description		
1 Basic	Total Tier 1	$	9,746,996
2 Basic	Total Tier 2		278,969
	Total Eligible Capital	$	10,025,965

Item 5.a.(iii) Eligible Capital by Tier for Regulatory Capital Levels

ESIL's eligible capital composition by tier available to meet its minimum solvency margin ("MSM") and ECR as at December 31, 2023 is as follows:

Tier				Applicable to MSM		Applicable to ECR
1	$	9,746,996	$	9,746,996	$	9,746,996
2		278,969		278,969		278,969
	$	10,025,965	$	10,025,965	$	10,025,965

Item 5.a.(iv) Eligible Capital Transition

Not applicable.

Item 5.a.(v) Eligible Capital Encumbrances

ESIL's Tier 1 Basic eligible capital is reduced by the amount of assets which are encumbered for other than securing policyholder obligations. The regulatory requirements also provide an adjustment between tiers in respect of assets encumbered where those assets held are in excess of the policyholder obligations. See *Item 5. a.(ii)*.

Item 5.a.(vi) Ancillary Capital Instruments

See *Item 5.a.(iv)*.

Item 5.a.(vii) Adjustments to Statutory Capital and Surplus

ESIL's shareholders' equity on an IFRS basis is adjusted by various prudential filters to arrive at ESIL's statutory capital and surplus as per the Bermuda regulatory requirements. ESIL currently applies seven types of primary adjustments to ESIL IFRS shareholders' equity to produce the Bermuda statutory economic capital and surplus on an EBS basis described as follows:

- **Technical Provisions**: adjustments for the impact of the revaluation of the insurance related items to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure as prescribed by the BMA.
- **General Business Risk Margins**: adjustments under the cost of capital approach for the impact of the uncertainty associated with the probability-weighted cash flows or the compensation the Group would require in order to bear the risk of holding additional funds to meet cash flows.
- **Deferred Tax Assets**: the aggregate of the deferred tax asset matched by future profits discounted to their net present value based upon the discount rates for EBS as published by the BMA. Deferred tax assets specifically recognized as a result of the new Corporate Income Tax Act 2023 are treated as non-admitted assets for the 2023 return.
- **Intangible Assets:** the aggregate fair value of intangible assets deemed as saleable in the market place, such as the Group's insurance licenses.
- **Fixed Assets:** adjustments to eliminate those fixed assets which are deemed as not having a readily realizable value.
- **Non-Admitted Assets:** adjustments for the impact of goodwill and prepayments which are not admitted under the BMA's statutory regulations.
- **Additional Approved Capital Instruments:** as noted above in *Item 5 a. (vi)* these are not applicable for ESIL.

Item 5.b. Regulatory Capital Requirements

Under the supervision rules promulgated by the BMA, ESIL and subsidiaries are required to maintain available statutory capital adequacy and surplus at a level equal to or in excess of its ECR, which is established by reference to either the BSCR or an approved internal capital model. In addition, under the supervision rules ESIL and subsidiaries are required to maintain available statutory capital adequacy and surplus at a level equal to or in excess of the MSM.

Item 5.b.(i) ECR and MSM for the Reporting Period

As of the year ended December 31, 2023, the ESIL Consolidated ECR was $5,008.1 million and its MSM was $1,502.1 million.

Item 5.b.(ii), (iii) and (iv) Compliance

ESIL has consistently remained in compliance with the ECR and MSM requirements.

Item 5.c. Approved Capital Model

ESIL utilizes the regulatory capital model as prescribed by the BMA (the BSCR) in determining its ECR. Where capital modifications are permitted by the BMA, company specific capital factors are used.

Part 6. Subsequent Event

On March 26, 2024, an 80% interest in PT Sompo Insurance Indonesia ("Sompo Indonesia") was contributed to the Company by Sompo International. The IFRS book value of Sompo Indonesia as of December 31, 2023 was $72.0 million.

Dividends
On March 11, 2024, the Sompo International Holdings Ltd. Board of Directors declared the payment of an ordinary dividend of $619.4 million to Sompo Japan Insurance Inc, which was settled on April 4, 2024.

On March 13, 2024, the Endurance Specialty Insurance Ltd. Board of Directors declared the payment of an ordinary dividend of $106.0 million to Sompo International Holdings Ltd., which was settled on April 4, 2024.

Part 7. Declaration

We, the Chief Executive Officer and Chief Risk Officer of the Group, do hereby certify that to the best of our knowledge and belief, this financial condition report fairly represents the financial condition of Sompo International Holdings Ltd. and Endurance Specialty Insurance Ltd. in all material respects.

CHIEF EXECUTIVE OFFICER

/s/ JAMES A. SHEA May 31, 2024
James A. Shea

CHIEF RISK OFFICER

/s/ EMMANUEL BRULE May 31, 2024
Emmanuel Brulé

Part 8. Appendix

Item 8.a. Appendix A - Organizational Chart