FIDELIS INSURANCE HOLDINGS LIMITED & FIDELIS INSURANCE BERMUDA LIMITED

Financial Condition Report

For the year 1 January 2016 to 31 December 2016

CONTENTS

I. EXECUTIVE SUMMARY

The Financial Condition Report ("FCR") covers the Business and Performance, System of Governance, Risk Profile, Valuation for Solvency Purposes, and Capital Management of the Group and its subsidiaries, as well as Fidelis Insurance Bermuda Limited on a stand-alone basis where appropriate. The report details the Group's risk profile and its solvency and capital needs, and examines how the governance framework and risk management processes support it in identifying, monitoring, and assessing these needs. The Company and its subsidiaries are collectively referred to as the "Group" within this Financial Condition Report.

The administrative body that has ultimate responsibility for all these matters is the FIHL Board of Directors, with the assistance of various governance and control functions in place to monitor and manage the business.

Fidelis Insurance Holdings Limited ("Fidelis", "the Company" or "FIHL") is a holding company which was incorporated under the laws of Bermuda on 22 August 2014. The Company raised capital through two private placements in 2015. The Company has a group of initial founding investors who contributed a significant amount of the initial capital. During 2015, the Company established the following wholly owned subsidiaries: Fidelis Insurance Bermuda Limited ("FIBL"), Fidelis Marketing Limited ("FML") and Fidelis Underwriting Limited ("FUL").

FIBL was incorporated as an exempted company under the laws of Bermuda on 26 February 2015 and writes predominantly property insurance and reinsurance on a global basis. FIBL is registered as a Class 4 insurer under the Insurance Act of 1978 and related regulations of Bermuda (the "Insurance Act") and commenced (re)insurance operations in June 2015. FIBL acts as the designated insurer of the Group.
FUL was incorporated under the laws of the United Kingdom on 28 August 2015 and writes predominantly specialty insurance on a global basis. FUL was licensed in the United Kingdom by the Prudential Regulatory Authority ("PRA") on 4 December 2015 and commenced (re)insurance operations on 1 January 2016.

FML was incorporated on 1 April 2015 and was established to act as an insurance intermediary for FIBL and a service company for FUL.

The business written by the Group is a mix of reinsurance and specialty classes of insurance business written directly or through MGAs. Growth and development of the business will continue to be encouraged and supported by the FIHL and FIBL Boards. The Group expects premium income to significantly increase as it continues to execute its business plans and develop its relationships with distributors and clients. The Boards will continue to monitor the ongoing performance of the Group and FIBL and the capital required to support the business.

A. BUSINESS AND PERFORMANCE

A1. BUSINESS

FIHL was incorporated under the laws of Bermuda on 22 August 2014, and is privately owned, with the following shareholders:

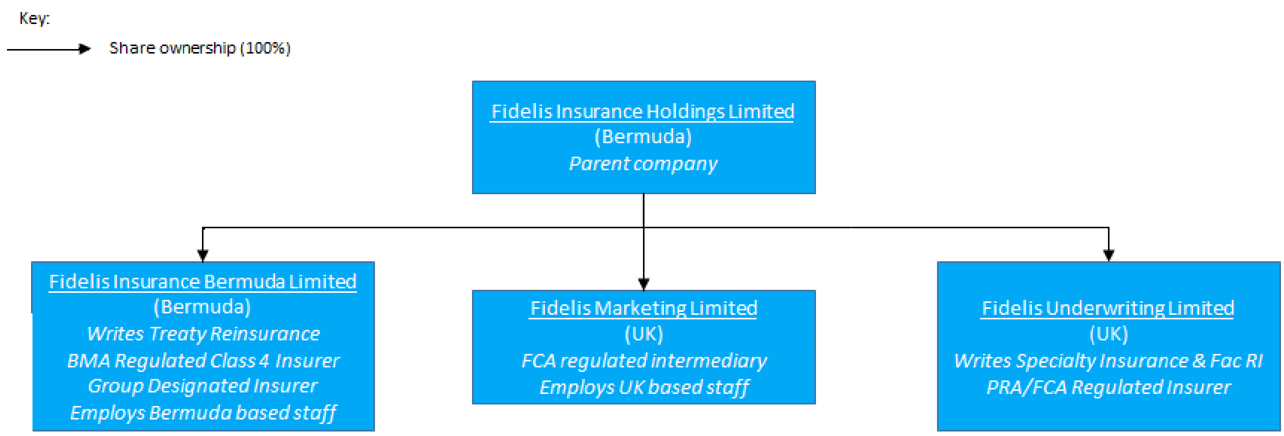
- Crestview FIHL Holdings LP and Crestview FIHL TE Holdings Limited
- CVC Falcon Holdings Limited
- Fidelis Investors LP
- Fidelis Investors Offshore LP
- Pine Brook FEAL Intermediate LP

The above shareholders collectively hold approximately 98% ownership of the Company. The remaining 2% of the Company is owned by a small number of other shareholders, including members of management.

Name of Insurer:	Fidelis Insurance Holdings Limited (Group) Fidelis Insurance Bermuda Limited (Designated Insurer)
Supervisors:	*Group Supervisor* Bermuda Monetary Authority BMA House 43 Victoria Street, Hamilton Bermuda *Insurance Supervisor* Bermuda Monetary Authority BMA House 43 Victoria Street, Hamilton Bermuda
Approved Auditor:	KPMG Audit Limited Crown House 4 Par-la-Ville Road Hamilton, HM 08, Bermuda

A1.1 Group structure

The following provides details of the Group Structure:



A2.1 Insurance business written by the business segment and by geographical region

The Company currently writes nine lines of business: aviation and aerospace, energy, marine, property, credit and political risk, specialty other, property reinsurance, property retrocession and whole account reinsurance. Insureds are located mainly in the EEA and the USA, with underwriting exposures worldwide. All business is underwritten in the United Kingdom or Bermuda.

Reinsurance

Property reinsurance: Property reinsurance is written on a treaty excess of loss basis where the Group provides protection to an insurer for an agreed portion of the total losses from a single event in excess of a specified loss amount. In the event of a loss, most contracts provide for coverage of a second occurrence following the payment of a premium to reinstate coverage for the remainder of the contract period, which is referred to as a reinstatement premium. The coverage provided under excess of loss and quota share reinsurance contracts may be on a worldwide basis or limited in scope to selected perils, regions or geographical areas. Other property reinsurance includes property risks written on proportional treaties, facultative or single risk reinsurance. Risk excess of loss reinsurance provides coverage to a reinsured where it experiences a loss in excess of its retention level on a single “risk” basis. A “risk” in this context might mean the insurance coverage on one building or a group of buildings for fire or explosion or the insurance coverage under a single policy which the reinsured treats as a single risk. This line of business is generally less exposed to accumulations of exposures and losses but can still be impacted by catastrophes, such as earthquakes and hurricanes. Proportional treaty reinsurance provides proportional coverage to the reinsured, meaning that, subject to event limits where applicable and ceding commissions, we pay the same share of the covered original losses as we receive in premiums charged for the covered risks. Proportional contracts typically involve close client relationships which often include regular audits of the cedants’ data.

Property retrocession: Property retrocession is the same as property reinsurance described above, with the difference being that the insureds are reinsurance companies.

Whole account reinsurance: This business operates on the same basis as property reinsurance contracts but provides multi-class coverage. This means that one contract can protect multiple insurance classes such as property, energy, marine, aviation, political violence, under one policy structure and contract. The reinsurance limit is sold on a combined basis which means the limit is shared by all classes.

Specialty

Aviation and aerospace: Given the current state of the aviation market, the Group only writes global excess aviation war liabilities, contingent aviation, and aviation products liability sub-classes for the time being – not aviation hull or general aviation business. The space team supports global satellite operator clients by covering both the launch and in-orbit phases of satellites' life cycles against physical damage or mechanical breakdown to their satellite(s) that impairs their mission capabilities.

Energy: This business provides insurance and reinsurance or retrocessions on either a quota share or excess of loss basis and in addition, provides niche direct energy products.

Marine: The Group provides coverage of reinsurance and direct marine risks, notably operational, pollution or war damage to marine hulls and/or liabilities resulting from such damage.

Property: The Group provides coverage for physical damage to nuclear property.

Credit and political risk: The Group writes business covering clients against a range of perils threatening their various financial and physical assets. Generally, most of the clients are located in developed countries and the assets are located in the emerging markets.

Specialty other: The Group writes a variety of specialised lines some of which are written through delegated authorities, including forestry, transactional risk and legal title business.

Intragroup reinsurance

FIBL has entered into the intra-group reinsurance agreement to diversify its exposures.

A2.1.1 Group Gross Premium Written by line of business (US GAAP)

Group $'000	2016
Aviation & Aerospace	9,343
Energy	11,807
Marine	11,040
Property	2,784
Credit & Political Risk	126,690
Specialty Other	60,857
Property Reinsurance	154,171
Property Retrocession	20,208
Whole Account Reinsurance	6,861
Gross Premium Written	403,761

Gross premiums written were $403.8 million in 2016. Net premiums earned for the year were $142.5 million, or 45% of net premiums written. Earned premiums are substantially lower than written premiums as certain classes, such as credit and political risk insurance, have longer tenors meaning written premiums are earned over a longer period. As premiums are earned over the duration of the contracts, premiums written will take longer to earn.

A total of $91.7 million of net losses were incurred during the year. The majority of losses relate to a Hurricane Matthew loss of $7.4 million, a Jubilee loss of $6.5 million and a Netherland Hail loss of $5.4 million. The net loss ratio was 64.4% for the year ended December 31, 2016. The Group had exposure to two catastrophe events as at 31 December 2016, Hurricane Matthew and Netherland Hail.

Net acquisition expenses were $26.9 million and the ratio of net acquisition expenses to net premiums earned was 18.9%.

A2.1.2 FIBL Gross Premium Written by line of business (US GAAP)

Fidelis Bermuda Insurance Limited (including the impact of intra-group reinsurance) $'000	2016	2015
Aviation & Aerospace	6,937	28,080
Energy	4,889	-
Marine	7,879	-
Property	1,891	351
Credit & Political Risk	75,297	24,990
Specialty Other	29,451	-
Property Reinsurance	152,455	19,244
Property Retrocession	20,208	6,250
Whole Account Reinsurance	6,861	23,100
Gross Premium Written	305,868	102,015

A2.2 Performance of investments & material income & expenses for the reporting period

A2.2.1 Performance of investments for the reporting period

The Company employs a total return strategy by tactically shifting capital and risk between insurance and investments to maximize the return on equity across market cycles. The main goals of the investment policy are to construct a portfolio that remains liquid enough to meet obligations as a Class 4 insurer, and transparent enough to meet regulatory reporting guidelines, while still generating a risk-adjusted return considered reasonable considering the prevailing market opportunities at any point in time. As at 31 December 2016, the Company had separately managed accounts with five external managers through investment management agreements, each with separate investment guidelines. Additionally, five commingled hedge fund investments were held through subscription agreements. The manager/fund strategies and investment types have been chosen specifically to construct an investment portfolio that ensures volatility, beta, and maximum drawdown remain within the risk tolerances of the Group.

The Group's investments are managed by external investment managers through individual investment management agreements and hedge funds through subscription agreements and limited partnership agreements. While there is not one specific index that the Company uses for a benchmark against the portfolio, both the MSCI World Index and HFRX Global Hedge Fund Index are followed. With regards to the fixed income portfolio, the duration has been chosen specifically to match the Group's short tail risk. The benchmark for the Group's fixed income account is the Bank of America Merrill Lynch 1-3 year Ex-BBB Government / Credit index, which typically has a duration of approximately 24 months. Additionally, the portfolio utilizes interest rate futures to aid in protecting against the risk of adverse interest rate movements on the credit securities. Furthermore, foreign exchange forwards are utilized to protect against currency fluctuations when large credit positions are held that are denominated in non-USD currencies. Derivatives are also used on an ancillary basis to adjust portfolio duration, when needed.

The Group holds a low percentage of securitized instruments (agency-backed securities, mortgage-backed securities, and collateralized mortgage obligations) to aid in diversification through investing in alternative credit risk assets. Investment limits have been placed on these assets through an advisory agreement and the company maintains a strict review of the securities held to ensure the guidelines are followed.

Group

The return on investments for the reporting period were as follows:

$000's	2016		2016 %
Investment Strategy	**Fair Value**	**Gain/Loss**	**Return**
Commodities trading	82,677	(9,430)	(5.4%)
Credit	167,217	7,100	4.2%
Equity long/short	69,842	(6,200)	(8.3%)
Event driven	103,730	(14,300)	(0.5%)
Long fixed income	237,380	900	1.1%
Market neutral	128,036	6,500	5.7%
Medium term trends	43,548	(1,500)	(2.2%)
Multi strategy	96,800	3,100	2.0%
Cash and deposits	481,310	962	0.2%
Other investment expenses	-	(2,150)	-
Total	**1,410,540**	**(15,018)**	

FIBL

$000's	2016		2016 %
Investment Strategy	**Fair Value**	**Gain/Loss**	**Return**
Commodities trading	82,677	(9,400)	(5.4%)
Credit	167,217	7,100	4.2%
Equity long/short	69,842	(6,200)	(8.3%)
Event driven	103,730	(14,300)	(0.5%)
Long fixed income	115,210	500	1.1%
Market neutral	128,036	6,500	5.7%
Medium term trends	43,548	(1,500)	(2.2%)
Multi strategy	96,800	3,100	2.0%
Cash and deposits	412,788	720	0.2%
Other investment expenses	-	(2,150)	-
Total	**1,219,848**	**(15,630)**	

A2.2.2 Material income & expenses for the reporting period

Material administrative expenses comprise the following:

Group

$000’s	
Expenses	**2016**
Employment Costs	23,861
Non-employment costs	11,843
IT costs	4,938
Professional and consulting fees	3,554
Total general and administrative expenses	**44,196**

FIBL

$000's		
Expenses	**2016**	**2015**
Employment Costs	11,101	8,433
Non-employment costs	3,561	1,618
IT costs	2,573	373
Professional and consulting fees	805	1,489
Net intercompany recharge	(897)	1,741
Total general and administrative expenses	**17,143**	**13,654**

A3. ANY OTHER INFORMATION

No additional material information to report.

B. SYSTEM OF GOVERNANCE

The Group's governance structure is established to:

- Ensure the enterprise risk management is maintained at high standards;
- Ensure the business is operating in an efficient and effective manner; and
- Align control procedures for units within the organisation based on the risks they carry.

There have been no material changes to the system of governance over the reporting period.

B1. BOARD

Fidelis operates a governance framework whereby the Group sets the ultimate Group strategy, with subsidiaries ultimately responsible for setting their own strategies within the confines of the Group Strategy set by the FIHL Board.

The Group Board of Directors (the "Group Board" or "FIHL Board") is responsible for oversight of the Group's activities, with an emphasis on:

- How the senior executives within the Group implement Group strategy and operational objectives, while ensuring compliance with the Group Board approved risk appetites and tolerances; and
- Ensuring the Group operates in a sound and prudent manner.

The Group Board consists of seven directors, of which there are two executive directors and five non-executive directors. Their roles and responsibilities are outlined in the Group's Bye- Laws and comply with the regulatory requirements of Bermuda. The FIBL Board consists of five directors, of which three are executive directors and two are non-executive directors. Their roles and responsibilities are outlined in FIBL's Bye-Laws and comply with the regulatory requirements of Bermuda.

B1.1 Board changes during the reporting period

FIHL

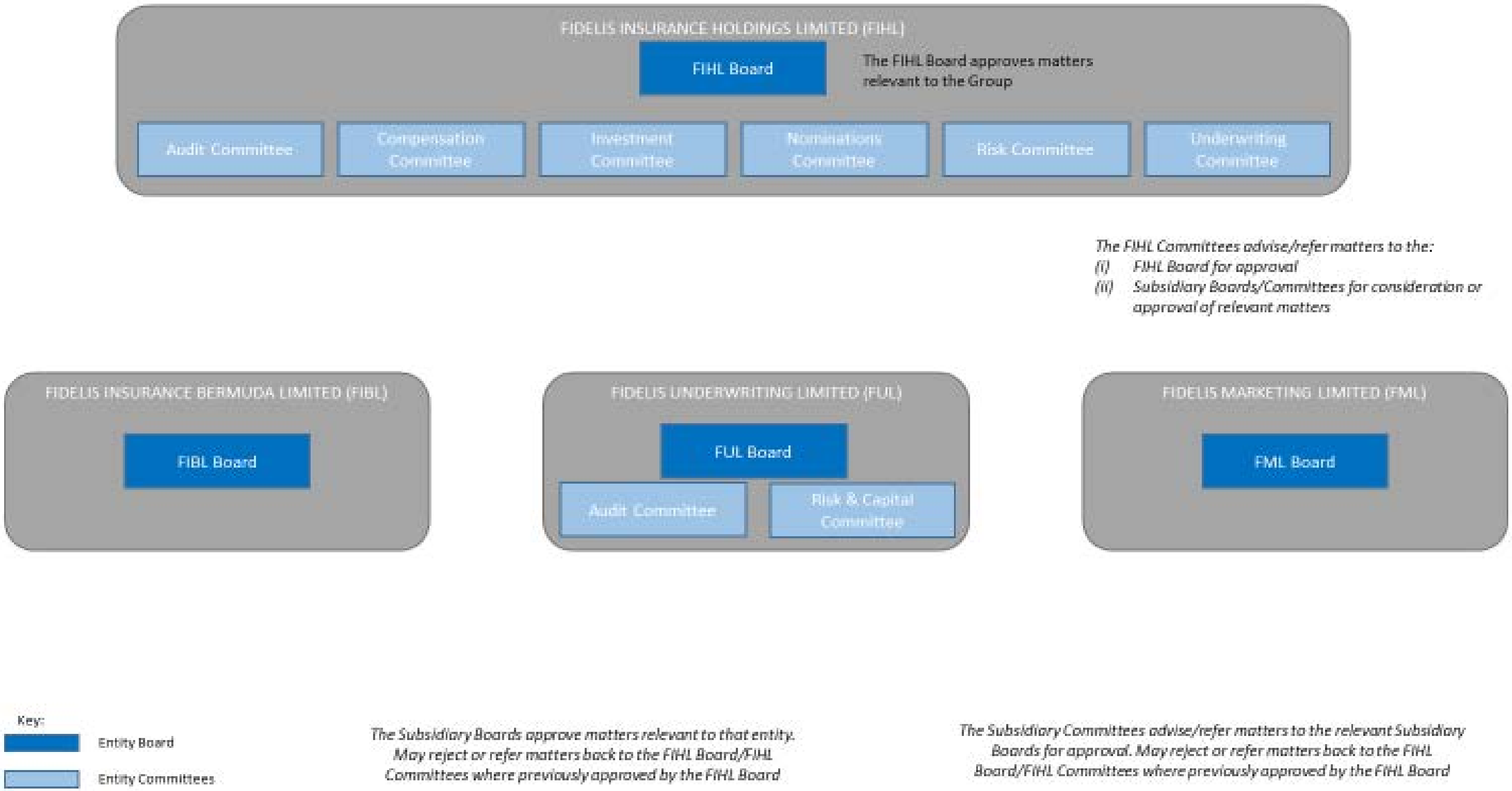
During the reporting period, there were two changes to membership of the Board, Cathleen Iberg was appointed as an independent Non-Executive Director and Scott Schaen resigned as a Non-Executive Director.

FIBL

During the reporting period, there were two changes to membership of the FIBL Board, Laurent Jeanmart was appointed as a Director and Ed Russell resigned from the Board.

B1.2 Board, role, responsibilities and segregation of responsibilities

The diagram below shows an overview of the Group's governance structures:



Entity	Board/Committee	INEDS	Exec	Role	Links into Boards
FIHL	Board	5	2	Considering, deciding on and oversight of Group Strategy, business plans, Group Risk, Solvency & Capital management framework, risk appetites and tolerances, operational objectives and other matters affecting the Group, including matters referred for approval by FIHL Committees and/or Group Management Committees Monitoring Group governance structures to ensure they enable FIBL to perform its role as Designated Insurer effectively	First point of approval for Group matters before matters are cascaded to subsidiary Boards for consideration, challenge and approval. Refers matters relevant to FIBL's role as Designated Insurer to the FIBL Board.
	Audit Committee	5	-	To advise and assist the FIHL and subsidiary Boards in relation to the management of financial reporting and the internal financial control framework of FIHL and the Fidelis Group and oversight of the Internal Audit function and external auditors	Committee Chair reports into FIHL Board and Group General Counsel provides referral/update on any matters of relevance to the subsidiary Boards
	Compensation Committee	5	-	To advise the FIHL Board regarding remuneration of certain members of senior management and to consider and advise the FIHL Board as to the Group Compensation Framework	Committee Chair reports into FIHL Board and Group General Counsel provides referral/update on any matters of relevance to the subsidiary Boards
	Investment Committee	5	2	To advise the FIHL Board on Investment Strategy and monitor investment performance	Committee Chair reports into FIHL Board and Group Chief Investment Officer provides referral/update on any matters of relevance to the subsidiary Boards
	Nominations Committee	5	2	To advise the FIHL Board regarding nomination of Board candidates and succession planning for Directors and Senior Management	Committee Chair reports into FIHL Board and Group General Counsel provides referral/update on any matters of relevance to the subsidiary Boards
	Risk Committee	5	2	To advise the FIHL Board in respect of risk and capital management and oversight of risk management and tolerances	Committee Chair reports into FIHL Board and Group CRO provides referral/update on any matters of relevance to the subsidiary Boards
	Underwriting Committee	5	2	To advise the FIHL Board on the Group's underwriting activities and to monitor exposure accumulations and aggregations	Committee Chair reports into FIHL Board and Subsidiary CEO provides referral/update on any matters of relevance to the subsidiary Boards

Entity	Board/Committee	INEDS	Exec	Role	Links into Boards
FIBL	Board	2	3	Considering and deciding on FIBL Strategy, business plans, operations, risk framework and tolerances and matters affecting FIBL, including matters referred for approval by FIHL Committees or Group Management Committees	Considers, challenges and is the sole point of FIBL approval. Must approve all matters of relevance to FIBL's role as Designated Insurer. Matters referred by the FIHL Board may be approved, approved with subjectivities, amended or rejected by the FIBL Board or referred back to the FIHL Board.

B1.3 Remuneration policy

The Compensation Framework is recommended for approval by the Group Compensation Committee to the FIHL Board. After approval by the FIHL Board the relevant details are reported to the subsidiary boards, including FIBL Board.

The Group's remuneration approach reflects the intent to align shareholder and employee interests by attracting and retaining employees of the highest calibre and motivating them in driving the Group's business plan and build shareholder value. Fixed compensation is based on market norms for the position and total compensation aims to provide above market levels compensation for superior performance. Variable compensation programs are provided to all employees and include a companywide bonus plan and a RSU plan.

INEDs receive a quarterly flat-rate director's fee. They are not eligible for additional non-cash benefits or variable compensation.

B1.3.1 Information on individual and collective performance criteria on which variable components of remuneration is based

The bonus plan performance criteria are comprised of both personal performance and Group performance and is paid annually. Personal performance is evaluated based on achievement of specific objectives and demonstration of cultural values and management responsibilities (where applicable). Group performance is measured against a pre-established target for the annual ROE for the Group. The RSUs contain both service and performance conditions. Generally half of the RSUs grants vest based on service after a three-year period and half of the RSUs vest based on certain performance conditions based on achievement of pre-established targets for the three-year average ROE for the Group.

In addition to the RSUs the Group operates management warrants (also driven by ROE performance) which were issued to the initial group of Fidelis employees (including Executive Directors of FIHL).

B1.3.2 Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

The Group's remuneration policy does not include any supplementary pension or early retirement schemes for members of the board or employees. The Group offers all staff the choice of making contributions into a defined contribution pension scheme, which the Group will match up to a limit.

B1.3.3 Material transactions with the shareholder, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

During the year, the Group has paid quarterly preferred dividends of $27.4 million to holders of the Group's preferred shares.

On 15 December 2016, the Group repurchased 1,685 preference shares at $10,000 per share.

B2. FIT AND PROPER REQUIREMENTS.

B2.1 Fit and proper process in assessing the board and senior executives

The Group operates a group policy on director qualification and a group regulated personnel procedure which governs the recruitment, appointment, approvals, induction, training and ongoing assessment of the Fitness and Propriety of those who effectively run the entities within the Group.

Identification & Appointment

During recruitment, the HR function with the assistance of the Compliance function identifies whether a role is in the scope of the Regulated Personnel Procedure.

The FIHL Nominations Committee is responsible for approving senior management appointments with directorships and recommends for approval by the FIHL Board any Executive or Non-Executive Director appointments. Candidates for director or entity committee roles must meet the requirements of the group policy on director qualification, which sets out the minimum standards expected of Directors

Registration/Approvals

Competency assessments, training needs analyses and background reference checks as appropriate ensure Fidelis can demonstrate that the candidate:

1. Is of good repute and integrity

2. Possesses the required level of knowledge, experience and competence for the role

3. Has the necessary qualifications/training or is undergoing training required to perform the role effectively

Ongoing assurance

The Legal and Compliance functions operate appropriate processes for ongoing assurance of fitness and propriety including but not limited to:

1. Fitness & Propriety declarations

2. Reviews of Board/Committee composition

3. Internal/External Board effectiveness reviews

B2.2 Board and senior executive's professional qualifications, skills and expertise

Below are details of the FIHL and FIBL Boards' qualifications, skills and expertise:

FIHL Board: Executive directors

<u>Richard Brindle: Chief Executive Officer and Chairman</u>

Before helping to establish Fidelis, Richard was the driving force behind Lancashire, founding the company in 2005 and acting as CEO until April 2014. Lancashire's innovative and rigorous underwriting approach meant it consistently outperformed its insurance peers. Richard's insurance career began in 1984 at Posgate and Denby Managing Agency, and since then has included roles at Syndicate 488, Charman Underwriting – where he was the main underwriter – Tarquin Underwriting from 1991 to 1998, and Ascot Underwriting Agency, where he was a non-executive board member.

<u>Neil McConachie: Group Chief Financial Officer</u>

Working closely with Richard Brindle, Neil was instrumental in the set up and success of Lancashire. Between 2006 and 2012, his roles at the company included Chief Financial Officer, Chief Risk Officer, Chief Operating Officer and President. He also served as an Executive Director and, from 2012 until 2014, as a Non-Executive Director. Prior to Lancashire, Neil worked at Stockton Holdings in Bermuda, PricewaterhouseCoopers in

London and Bermuda, and as Senior Vice President, Treasurer and Chief Accounting Officer of Montpelier Re Holdings Ltd.

FIHL Board: Non-executive directors

Charles Collis: Non-Executive Director

Charles is a Director in the corporate department in the Bermuda office of the law firm Conyers Dill & Pearman Limited and is head of the Bermuda insurance practice. Charles joined Conyers in 1990 and became a partner in 1998. Charles specialises in advising on corporate and regulatory matters for insurance and reinsurance companies. Charles has advised on the establishment of numerous commercial insurance and reinsurance companies including advising with respect to their licensing, capital raising, public offerings, mergers and acquisitions as well as on the various ongoing corporate and regulatory issues as they arise. He has also advised on numerous insurance linked securities transactions using special purpose vehicles, traditional reinsurance companies and segregated account companies.

Richard DeMartini: Non-Executive Director

Rich has been a partner of Crestview Partners since 2005 and is a member of their Investment Committee. He is also the head of Crestview's financial services strategy. Prior to Crestview, Rich served as president of the Bank of America Asset Management Group from March 2001 until December 2004. At Bank of America, Rich was responsible for all wealth and asset management activities and oversaw approximately $400 billion in assets under management. He was also a member of Bank of America's operating committee. Prior to Bank of America, Rich retired from Morgan Stanley where he served as chairman and CEO of the international private client group. His 26-year career at Morgan Stanley Dean Witter included roles as president of individual asset management and co-president of Dean Witter & Company, Inc. and chairman of Discover Card. He was also a member of the Morgan Stanley management committee. Rich has served as chairman of the board of the NASDAQ Stock Market and vice chairman of the board of directors of the National Association of Securities Dealers, Inc. Rich received a B.A. from San Diego State University, which he attended on a tennis scholarship.

Cathy Iberg: Non-Executive Director

Cathy is Vice President of Investments at the St David's Foundation, a charitable foundation dedicated to providing and supporting non-profit health related programmes in the US, including the largest scholarship program in Texas for aspiring health professionals, and the largest mobile dental program in the country. Cathy joined the St David's Foundation in December 2015. Prior to her role at the Foundation, Cathy was UTIMCO's (University of Texas Investment Management Company) President and Deputy CIO retiring in August of 2014. At UTIMCO she was responsible for investment oversight of $30 billion in investment assets in addition to the management of public equity, fixed income and hedge fund investments. Her employment with the organisation dates back to April of 1991 when she joined the U.T. System Office of Asset Management, the predecessor to UTIMCO. Previous to joining U.T. System, Cathy practiced in the area of public accounting for 15 years. She has a Bachelor of Science degree in accounting and is a CPA.

Kamil Salame: Non-Executive Director

Kamil is Co-Head of the Financial Services Group for CVC Capital Partners. Prior to joining CVC, Kamil worked for DLJ Merchant Banking Partners where he served as a Partner and Member of the Management Committee. Prior to joining DLJMB, Kamil worked in DLJ's Leveraged Finance Group and DLJ Real Estate Capital Partners. He received a BSc from Georgetown University, an MBA from Columbia Business School and a J.D. from Columbia University School of Law. Kamil is admitted to practise law in New York, Connecticut and Washington, DC.

William Spiegel: Non-Executive Director

William is co-president and a founding partner of Pine Brook Partners, and is responsible for managing Pine Brook's financial services investing activities. He is also a member of Pine Brook's Investment Committee. William has 26 years of private equity investment experience. Prior to joining Pine Brook, he was with the Cypress Group from its inception in 1994 until 2006, managing its financial services and healthcare investing activities. Before joining the Cypress Group, William worked in the Merchant Banking Group at Lehman Brothers. He has served on the boards of directors of 19 companies, including seven publicly traded corporations. William is currently a member of The University of Chicago Polsky Centre for Entrepreneurship and Innovation Advisory Board and the Private Equity Council.

William holds a B.Sc. in Economics from the London School of Economics, an M.A. in Economics from the University of Western Ontario and an M.B.A. from the University of Chicago.

FIBL Board: Executive directors

Benjamin Savill: Chief Executive Officer

Benjamin Savill has nearly twenty years of experience in reinsurance and insurance underwriting. Ben joined Fidelis from Amlin Bermuda, where he led the North American Market Unit. His responsibilities included underwriting Amlin's US reinsurance property portfolio and handling specialty lines business. Ben began his career at Harvey Bowring, a Lloyd's syndicate managed by the Amlin Group. He has been heavily involved in many facets of reinsurance, including the development of internal rating models and portfolio analysis systems, and the integration of proprietary ratings tools and risk analysis methodologies.

Belinda Chiaramonte: Chief Human Resources Officer

Belinda joined Fidelis in 2015 from Expertise, Bermuda's largest management consultant and business process outsourcing company, where Belinda had been a Partner since 2002. Expertise worked mainly with financial services clients, and Belinda served as Practice Leader for the HR consulting, recruitment, accounting and payroll services, among others. Belinda also served as co-Managing Partner, overseeing the group's financial and legal aspects, premises and business development and marketing. Prior to this, Belinda held management positions in operations and human resources at Bacardi Limited, Bank of Bermuda and L D Foods.

Laurent Jeanmart: Chief Investment Officer

Laurent joined Fidelis in 2016. He was previously Global Head of Investment at Platinum Capital Management Ltd, where his responsibilities included overseeing the firm's actively managed funds and its funds of hedge funds. Laurent's early career included roles at BNP Paribas SA, Lazard LLC and GLG Partners LP, where he also served as Head of Hedge Funds Research and Investments at Signia Wealth Ltd prior to joining Platinum.

FIBL Board: Non-executive directors

Daniel Soares: Non-Executive Director and Chair

Daniel Soares is a Certified Management Accountant with nearly 26 years of experience in insurance and reinsurance industry in operations and management roles and three years of experience in Non-Executive Director roles. Dan spent 9 years with Lancashire Insurance Group in roles including Group COO, CEO of Lancashire Insurance Company Ltd and Chair of Lancashire Insurance Company Ltd. Dan's prior experience also includes 3 years with Montpelier Re, 3 years with Novus Management Ltd, 1 year with Expertise Consultancy and 1 year as CFO of Axiom Services Ltd. Dan's insurance career began as an Account Executive at Mutual Risk Management where he served a portfolio of rent-a-captive clients for 9 years. Dan has a BSc from the University of New Haven, Connecticut.

David Ezekiel: Non-Executive Director

David has been a Member of the Institute of Chartered Accountants in England and Wales since 1971 and has been a Fellow since 1978. David was educated at Sherwood College, Nainital, India and undertook his articles of clerkship in London. David has an MBA in Business Administration majoring in Investment Analysis from City University, London. Before establishing International Advisory Services Ltd. ('IAS') in April 1981 (acquired by Marsh Mclennan in 2009), David was a Partner of one of the leading accounting practices in Bermuda: Moore, Stephens & Butterfield. While at Moore, Stephens & Butterfield he was responsible, along with one other partner, for the firm's rapidly expanding insurance auditing department and was responsible for much of the staff training in this area. In September of 2009 IAS was acquired by Marsh and Mr. Ezekiel assumed the position of Chairman & Managing Director of the combined entity, Marsh IAS. David was instrumental in the formation of ABIC (Association of Bermuda International Companies) and served as Chairman of ABIC for 13 years, during which he played a key role in the development of the International Business sector in Bermuda.

In 2005 David was named as 'Insurance Person of the Year' by the Bermuda Insurance Institute (Bll) and 5 years later was presented with the Bll's 'Lifetime Achievement Award'.

B3. RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT.

B3.1 Risk management process & procedures to identify, measure, manage and report on risk exposures

The Group operates the Group Capital, Solvency and Risk Management Framework (“the Framework”) leveraging Group capabilities and governance structures whilst maintaining full accountability with each of the FIHL, FIBL and FUL Boards.

The Group’s approved risk management framework is designed to identify, measure, manage and report on the exposures that Group and FIBL face.

1) Identification – the risk exposures that could materially impact the Group and FIBL in achieving their objectives are identified through the quarterly risk review process with each of the risk owners and emerging risk process.

2) Measurement – these risks are quantified and ranked in the Group’s risk register in terms of the impact that they would have on the Group and FIBL if the risk were to materialise. With respect to the aggregation of the underwriting exposures, these are monitored on at least a quarterly basis to ensure that they remain within the FIHL and FIBL Boards’ approved risk appetite levels.

3) Management - where a risk exposure has exceeded the FIHL or FIBL Board’s risk appetite level or the risk levels are more generally considered to be higher than desirable, management identifies suitable actions to either avoid, transfer or mitigate the risk level.

4) Reporting – a summary of all key material risk exposures is reported to the FIHL and FIBL Boards on a quarterly basis. Where there has been an exceedance in the respective Boards’ risk appetite the

report details management's plans to transfer, avoid or mitigate the risk where appropriate or a proposal to adjust the relevant risk appetite.

The Framework is founded upon a clear understanding and articulation of the risk universe to which the Group and FIBL are, or could be, exposed. This universe encompasses those intrinsic risks that are fundamental to the Group's and FIBL's business (such as underwriting and market risk), operational risks (that may crystallize either independently of, or be correlated with intrinsic risk) and those more subjective yet nevertheless important sources of risk such as emerging risk.

The classification of sub categories of risk into those "core" risks that are actively pursued to optimise FIHL & FIBL's risk adjusted return, and those "non-core" risks that are a necessary consequence of the business but have little or no potential to generate a reward, is reflected throughout the framework.

For each category of risk, the FIHL and FIBL Boards have established risk appetites comprising qualitative statements supported by specific tolerances (expressed in quantitative terms where appropriate) against which risk exposures are monitored and managed. This appetite is adjusted over the business cycle in response to market conditions and the strategic and tactical drivers over the horizon of their respective business plans.

Monitoring and reporting of the risk, capital and solvency position is performed on both an actual and, where meaningful, prospective basis with a frequency that is proportionate to the materiality and volatility of risk presented by each category of risk defined in the universe.

The Group and FIBL have embedded the principles of effective risk management in its core business processes - the forward-looking assessment of risk, capital and solvency adequacy being integrated into the core decision making and continuous processes.

The significant risks that the Group faces are set out below:

Risk Category	Risk Description
Underwriting Risk	This risk arises from two sources – adverse claims development (reserve risk) and inappropriate underwriting (premium risk)
Market Risk	The risk that the value of the Group's assets fall in value or that there are adverse currency swings
Credit Risk	The risk of a default of one of the Group's or FIBL's reinsurers, intermediaries or non-sovereign debt securities
Operational Risk	The risk of losses resulting from inadequate or failures of people, processes, systems or from external events

Each of these risks has been captured in the overall solvency needs of the Group and FIBL through the calculation of the BSCR, the setting and monitoring of risk appetite tolerances for each of the risks, and consideration of how the risk exposures are likely to change over the planning period in both normal and stressed environments.

There are no identified material risks faced by the Group that are not currently considered to be fully included in the BSCR.

B3.2 Risk management and solvency self-assessment governance and structure

The FIHL Board retains sole authority for setting the risk and capital appetite within the context of the overall Group and taking into account any recommendations from the relevant FIBL and FUL Board committees and management.

The FIBL Board retains sole authority for setting the risk and capital appetite for FIBL within the context of the overall Group and taking into account any recommendations from the relevant FIHL and FIBL Board committees and management.

The FIHL and FIBL Boards receive comprehensive risk and capital reporting on at least a quarterly basis and at such other times deemed required due to an actual or projected change in the risk, capital or solvency profile. The Risk Committee, a committee of the FIHL Board, supports the FIHL Board in ensuring the continued effectiveness and appropriateness of the framework - reviewing, challenging and making recommendations upon its outputs.

The Risk Committee and the FIHL and FIBL Boards are supported by management's RRC in the day-to-day maintenance of the framework and its underlying components. It meets approximately every three weeks, which affords an appropriate level of review and challenge. A summary of the RRC work in the period and any issues / recommendations for the respective FIHL and FIBL Boards attention are reported through the CRO Report to the FIHL Risk Committee and FIBL Board.

B3.3 Risk management and solvency self-assessment core processes

The risk, capital and solvency management approach is delivered through a series of business processes operated with a frequency designed to provide on-going management of the changing risk profile and capital position on both a current and projected basis that is proportionate to the risk and capital profile, whilst addressing stated regulatory reporting requirements.

The core elements of the process include:

- **Strategic planning**

The annual strategic planning process provides for a rolling three-year forward-looking analysis and associated projections based on a range of potential economic and market scenarios.

The review revisits restates or updates the Group's strategic risk and return aims and uses reverse stress testing and scenario testing to evaluate the prospective performance of the business model.

The plan is reviewed annually, typically in the respective FIHL and FIBL Board meetings in the second quarter of each year.

- **Business planning**

The business planning process incorporates a forward-looking projection of the risk, capital and solvency profile of the Group and their associated strategies.

It includes an assessment of a range of potential business scenarios, supported by the use of stress testing to test forecast capital adequacy, volatility and viability and to inform capital and liquidity management strategies and their associated contingency plans.

The proposed business plan is subject to FIHL and FIBL Board challenge and approval and formalises the risk / return objectives, risk and capital appetite, underwriting and investment and capital management plans for the coming year against which performance is assessed.

The process involves extensive input from the risk management, the actuarial function and the RRC, with a key output of the process being the CRO's Risk, Capital & Solvency Review covering a series of summary assertions relating to risk, capital and solvency matters noting any exceptions or recommending changes to the risk, capital and solvency appetite.

The plan is typically reviewed and approved by the FIHL and FIBL Boards in the fourth quarter and updated in the first quarter of the following year with the benefit of the year-end and key January renewals and forms the core of the annual solvency assessment process.

- **Quarterly risk, capital and solvency review**

The Group CRO provides the Group Risk Committee and the FIBL Board with a full review of risk, capital and solvency at least quarterly and at any other time as required in the interim in response to a material actual or proposed change in the risk, capital and solvency profile of either the Group or FIBL.

The review provides a quantitative analysis of the risk, liquidity, capital and solvency profile of the Group and/or FIBL against their respective Board-approved risk appetites based on both the actual and projected position. There is also qualitative analysis of the operational and emerging risk environments.

B3.4 Solvency assessment

The solvency assessment process is how the FIHL and FIBL Boards can monitor the risks to the Group and FIBL businesses and assess the impact of those risks on the capital adequacy of each of those businesses. The FIHL and FIBL Boards use the solvency assessment process regarding future business decisions and to ensure that any risk remaining after controls have been applied is within the parameters of the Group's and FIBL's risk appetites.

The Group & FIBL have both maintained and developed their solvency assessment processes on an ongoing basis throughout 2016. In so far as is practical, this has been undertaken by embedding relevant solvency assessment processes into the quarterly reporting. This information includes monitoring the level of risk faced against the FIHL and FIBL Boards' approved risk appetite, strategic developments and their potential impact on the required level of capital. This forms a key part of the solvency assessment and the quarterly reporting to the FIHL and FIBL Boards.

The quantity and type of capital required in aggregate to cover the risks faced by both the Group and FIBL is currently calculated quarterly on the basis of each of the FIHL and FIBL Boards' desire to maintain Economic Capital Headroom over the regulatory capital defined by the BMA BSCR.

For each of the Group and FIBL, the actual and projected coverage over both the BSCR and Economic Capital Requirement are reported in the quarterly CRO Risk, Capital and Solvency Review to the FIHL and FIBL Board respectively which also provides them with confirmation of the Group's and FIBL's headroom over that level required to maintain its AM Best rating following a significant loss event.

Further to this, following the completion of the annual solvency assessments for Group and FIBL, the results are documented and reported to the FIHL and FIBL Boards for review and approval.

B4. INTERNAL CONTROL SYSTEM

B4.1 Description of internal control system

The FIHL Board has ultimate responsibility for ensuring the Group's internal control system is prudent, appropriate and orderly.

The FIHL Board has implemented the three lines of defence model.

All internal controls are recorded in either the control documents or policies and procedures as appropriate, with controls being mapped to the risks in the Risk & Controls Register.

Significant internal policies are approved at Group level by the FIHL Board, with subsequent approval by the subsidiary boards who may either approve the policy, approve subject to amendments or decline to approve the policy, with a resulting referral back to the FIHL Board for reconsideration. Group level policies provide the statement of intent, with internal procedures intended to embed and achieve the policy being driven, owned and approved by senior management.

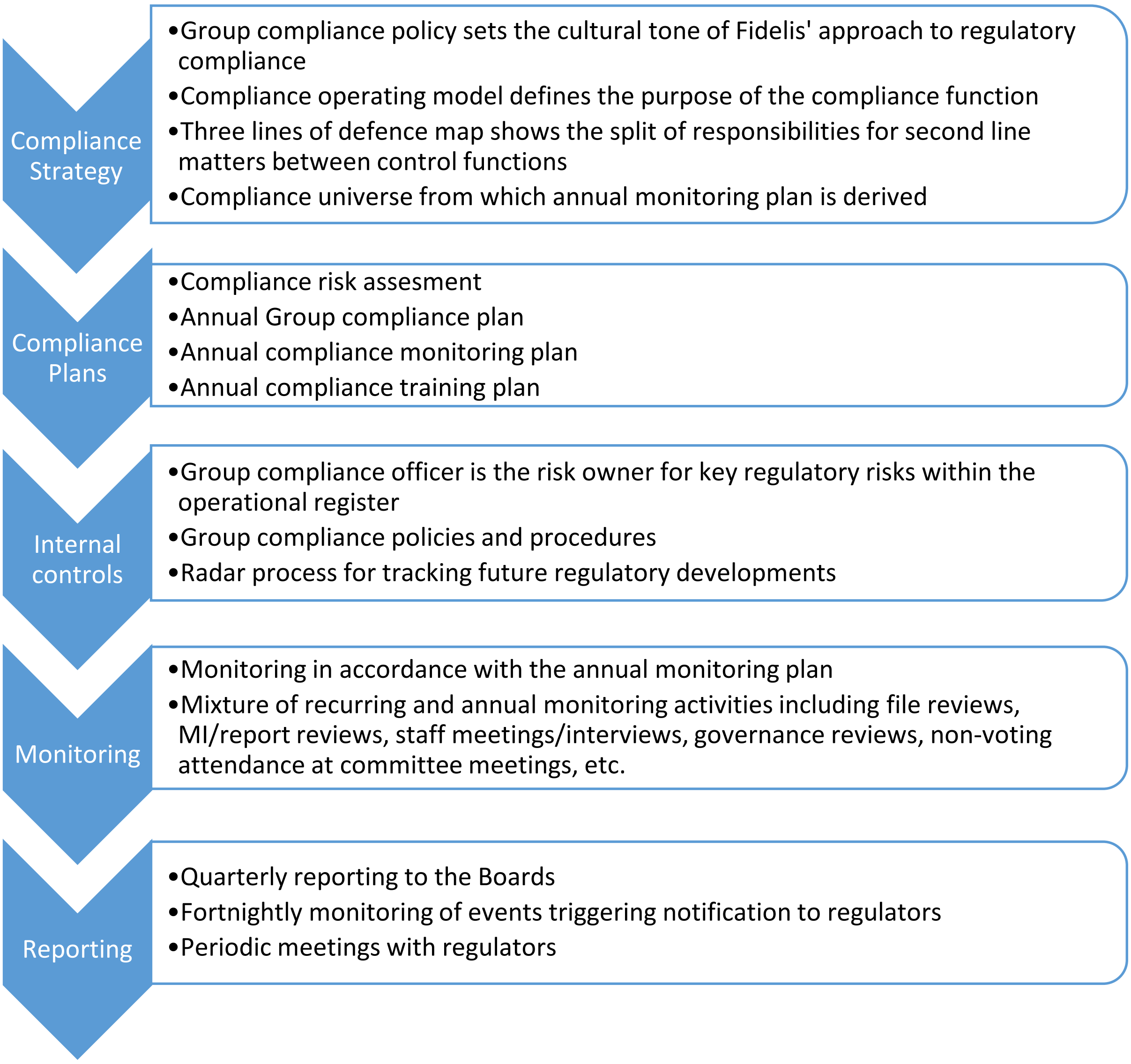
Internal controls have been adopted in such a way as to ensure that they are aligned with each other and to the business strategy and are subject to a risk-based periodic review cycle at least annually. All internal controls are evidenced in such a way as to be capable of second-line monitoring and third-line audits.

The Audit Committee advises and assists the FIHL and subsidiary Boards in relation to the management of the internal financial control framework and financial reporting of FIHL and the Fidelis Group, as well as providing oversight of the Internal Audit function and external auditors.

B4.2 Implementation of the compliance function

The Group compliance function is led by the Group Compliance Officer who reports into the Group General Counsel. The Group Compliance Officer is responsible for the Group and FIBL's compliance oversight and is the Money Laundering Reporting Officer.

A summary of the compliance framework is below:



The compliance function seeks to be a trusted advisor to the business, driving and supporting innovation whilst partnering with the business and regulators to ensure regulatory obligations are met. The compliance function seeks to ensure that the Group and FIBL’s culture and behaviours put clients’ interests at the heart of its business activities and that the Group acts with integrity in the market.

B5. INTERNAL AUDIT FUNCTION

B5.1 Implementation of the internal audit function

The internal audit department is resourced both internally by the Group HIA and through a co-source arrangement with Deloitte Touche Tohmatsu Limited ("Deloitte"). The Group HIA has drafted and the FIHL and FIBL Boards have approved:

- An audit charter;
- An audit universe;
- A budget for co-source resource;
- A three-year plan for the implementation of financial reporting controls; and
- An audit plan.

On a Group basis Group HIA reports to the FIHL Board and Audit Committee and for FIBL, Group HIA reports to the FIBL Board only.

The Group HIA drafted the audit universe based on a number of inputs including the risk & controls register, discussion with management, discussion with the external auditor, KPMG, input from the co-source provider with the overriding factor being the Group HIA's experience and opinion to ensure the audit universe is independent of management and management's view of risk. The audit plan is reviewed regularly, with any changes deemed necessary by the Group HIA approved by the FIHL and FIBL Boards. The Group HIA, with co-source resource, as agreed by the FIHL and FIBL Boards, will then execute the audit plan.

The internal audit department aims to comply with industry best practice wherever possible. This includes the principles set out by the IIA. In 2013 the IIA issued guidance for Effective Internal Audit in the financial services sector. A gap analysis is maintained to identify any areas of noncompliance.

There is a quarterly formal report issued to the FIHL and FIBL Boards reporting on the progress of the audit department, specifically:

- Progress of completion of the audit plan;
- Summary of audit work completed in the quarter including reports issued;
- Progress with the clearance of agreed actions;
- Proposed changes to the plan if necessary;
- Budget usage for co-source; and
- Any other matters.

The Group HIA, in conjunction with the business plan to be approved by the Board in each year, presents an annual audit plan, typically in the fourth quarter, for approval by the FIHL and FIBL Boards.

B5.2 Independence and objectivity of internal audit

The following key procedures are in place to ensure that internal audit is independent and objective:

- Primary reporting line – The Group HIA reports directly to the Chair of the Group Audit Committee.
- Secondary reporting line – The Group HIA's secondary reporting line on a day-to-day basis is to the Group CRO.

- Group HIA Compensation – All compensation arrangements for the Group HIA are subject to Group Compensation Committee review and approval, removing any management influence or decision over the Group HIA's compensation.
- FIHL and FIBL Boards' Private Sessions – The Group HIA has a private session pre-Board meeting with the FIHL Audit Committee Chair and the FIBL Board Chair to discuss in detail the audit report included. This ensures that the Group HIA has the opportunity to relay any serious concerns without management present.
- Agreement of Audit Reports – the Group HIA is responsible for agreeing and issuing all audit reports and being satisfied that any raised actions have been appropriately addressed and closed.
- Internal audit policy – the approved policy provides for the audit team to have unfettered access to all staff, records and information of the Group as they fit while conducting audits.

B6. ACTUARIAL FUNCTION

The actuarial function, led by the Group Chief Actuary, consists of four qualified actuaries, three catastrophe modelling analysts and is supported by an external consultancy, Dynamo Analytics, who provide actuarial support. The actuarial team has industry experience across all key functional areas.

Key responsibilities include the valuation of the technical provisions, opining on the underwriting policy and reinsurance arrangements, as well as building the stochastic capital model. The function is integral to building and maintaining pricing models, as well as carrying out case pricing and catastrophe and exposure modelling.

In addition, the actuarial function contributes towards assessing capital requirements through reserve and premium allocation to geographic zones as part of the capital setting and supporting risk management with respect to risk modelling and stress/scenario/reverse-stress testing.

The function commented on business planning and reserving during 2016 and will comment on all areas in 2017.

It is the responsibility of the actuarial function to report on each of the above areas, and in addition to this, make recommendations to remediate any deficiencies identified.

The Group Chief Actuary is responsible for ensuring that there is sufficient independence in the activities undertaken by the actuarial function. Independence is supported by the following factors:

- All actuaries within the function are members of actuarial associations and subject to both professional and technical requirements.
- An external reserve review is carried out at year-end providing the FIHL and FIBL Boards with an alternative view.
- Key tasks of the function are subject to governance through the Group Audit Committee and/or FIHL and FIBL Boards. All of the Board committees include all non-executive directors ensuring familiarity and adequate challenge.
- All tasks of the function are subject to internal audit on a regular basis which aids identification and escalation of deficiencies.
- The Group Chief Actuary has been notified to the BMA in accordance with BMA requirements.

B7. OUTSOURCING

The Group outsourcing policy applies to any form of agreement between the Group or any of its subsidiaries and an external third party by which that third party performs an insurance or reinsurance activity or undertakes a key function on behalf of the Group which the Group would otherwise do itself. An outsourced service is regarded as critical or important if a defect or failure in its performance had a material, negative impact on the quality and continuity of providing core services to the policyholders; the Groups compliance with the conditions and obligations of its authorisation; the Groups other regulatory obligations.

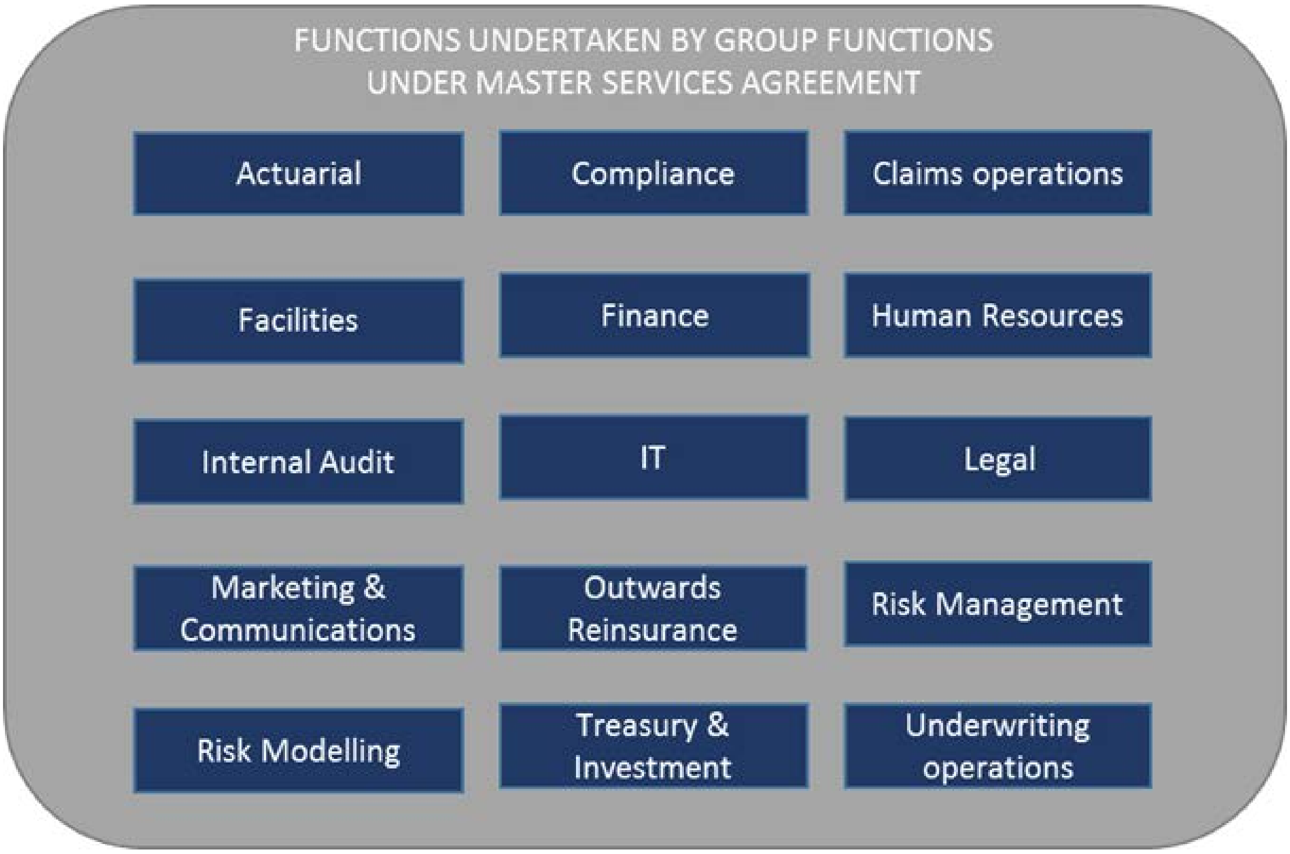
The outsourcing policy requires appropriate consideration and monitoring of the operational, regulatory and other risks associated with the activities to be outsourced.

The Group currently outsources the following critical functions listed below, noting the jurisdiction of the service providers:

- Custodian / Administrator Services – Citco Fund Administration (Cayman Islands) Limited – Canada
- Data Storage – International Business Machines Corporation ("IBM") – United Kingdom
- IT Support – Netitude Limited – United Kingdom
- Actuarial Support – Dynamo Analytics Limited – United Kingdom

B7.1 Material intra-group outsourcing

The Group centralises various functions to Group entities for efficiency and economies of scale. The activities provided are covered under a master intragroup services agreement. The following functions are internally outsourced:



B8. ASSESSMENT OF THE ADEQUACY OF THE SYSTEM OF GOVERNANCE

The system of governance and its effectiveness is subject to annual review by the Compliance function, who reports to the Boards. The Boards consider the Group and FIBL's system of governance to be effective and appropriate for the nature, complexity and scale of the risks inherent in the firm and its business.

B9. OTHER INFORMATION

The Group Compliance Officer performs annual reviews of compliance with the requirements in relation to the system of governance sections of this report. Appropriate action is taken to deal with any findings, changes or updates required.

C. RISK PROFILE

C1 MATERIAL RISKS THE INSURER IS EXPOSED TO DURING THE REPORTING PERIOD

The material risks (when considered in terms of potential for diminution in capital) that the Group is exposed to are those core Underwriting and Investment risks that are taken in order to generate a risk adjusted return.

C1.1 Overview of assessment of underwriting risk

Underwriting risk arises from the Group's general insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Group's underwriting and reinsurance strategies are set within the context of the overall Fidelis strategies, approved by the FIHL and FIBL Boards and communicated clearly throughout the business through policy statements and guidelines. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Premium risk

Building on the foundation of strict underwriting and individual underwriter authorities, the Group operates a system of pre-bind peer review to a high level of sophistication, depth and scope of application.

All new risks and renewals are required to be presented to the daily UMCC, normally prior to terms being offered and in the event of a material change in terms, exposure or pricing from that agreed previously. The daily UMCC is designed to ensure the cooperative and collegiate management of insurance risk, ensure that individual underwriters draw upon the expertise of their peers and avoid silos of underwriting. Where delegated authorities, binders or lineslips are accepted, the master contract will be reviewed at the UMCC although declarations or risks attaching to such covers may not be.

In addition to underwriters, the daily underwriting calls are frequently attended by representatives from actuarial, exposure modelling, capital modelling, risk, claims, legal and compliance functions to provide appropriate expertise and challenge. Regular attendance of the Group CRO provides an additional layer of defence and supports him in keeping abreast of actual, projected and potential emerging risk issues in near real time.

Elemental (e.g. wind, earthquake) and non-elemental (e.g. terror, political risk, financial risk) exposures are monitored based on the range of metrics set out in the risk appetite based upon data from the in-house underwriting system combined with the use of external and proprietary modelling techniques.

For elemental exposure, the Group uses external stochastic catastrophe modelling tools operated in-house by the dedicated modelling team. The results of the modelling are reviewed by the RRC and reported to senior management and the FIHL and FIBL Boards at least quarterly providing modelled OEP curves estimating the PMLs both gross and net of reinsurance for each key peril / geographical zone at a range of return periods.

For non-elemental exposures, where stochastic modelling capabilities are not available, the process considers a range of RRC-approved deterministic RDS designed to represent hypothetical extremes but nonetheless credible potential loss scenarios. These are supplemented by internally modelled loss distributions projecting potential losses at a range of return periods similar to the approach applied to elemental exposures. The deterministic scenarios include, but are not limited to, those defined scenarios that influence the Group and FIBL's BSCR.

Reserving risk

Due to the underlying nature of the business underwritten by the Group and FIBL, the majority of its portfolio benefits from a short period of discovery of loss. The Group and FIBL hold individually evaluated reserves against claims that have been notified. The IBNR reserves held are less material from a risk perspective than the Group's peers, who typically write business with longer latency of discovery rather than the Group's event driven business.

The reserving process reflects the lack of frequency of losses in most of the classes that the Group writes and the initial limited access to the Group's own loss data – drawing upon significant external actuarial input and the use of external benchmarks and reserve triangles.

The loss reserving function aims to set reserves at a level that limits the potential impact of reserve deterioration on overall ROE whilst avoiding the taxation, reputational and regulatory risks that could result from systematic or excessive over-reserving.

The Group has no appetite for setting case reserves below the levels advised by internal or external claims adjusters and counsel, nor does it have appetite to set IBNR reserves below the mean best estimate determined in consultation with internal and external actuaries.

In addition to the review cycle operated by the actuarial function, reserving positions are provided to the Group Audit Committee for their consideration and approval on a quarterly basis, and the level of reserves across all classes is subject to a full external actuarial review annually.

Risk mitigation techniques used for underwriting risk

The Group's strategy for risk mitigation centres on the use of outwards reinsurance for the insurance portfolio.

Outwards reinsurance allows the Group and FIBL to more effectively manage capital, to reduce and spread the risk of loss on insurance and reinsurance business and to limit the Groups exposure to multiple claims arising from a single occurrence.

The main reinsurance treaty for FUL is an intra-group quota share reinsurance treaty with FIBL. The Group also purchases further proportional and non-proportional treaty placements.

Product design and pricing aims to minimise adverse selection of risks and use appropriate rating factors to differentiate between levels of risk.

The Group plans to continue to use outwards reinsurance as its main risk mitigation technique over the business planning time horizon. There are currently no plans for the Group to purchase or enter into any other types of risk mitigation techniques over the planning period.

The FIHL and FIBL Board approved Risk Appetites detail the maximum concentrations that the respective Boards are prepared to accept in relation to underwriting risk in respect of the aggregate impact of PMLs and RDS events across different perils/zones. These concentrations are monitored on at least a quarterly basis. Any exceedance of the risk appetite is reported to the Group Risk Committee and FIBL Board in the quarterly CRO report.

C1.2 Overview of assessment of market risk

The key drivers of Investment Risk are a function of the type of strategies in which the Group chooses to invest which can be grouped broadly in to the following:

Equity long/short or equity long-only

Risk levels are a function of movements in underlying equities and indices, the balance of long/short strategies at any given point and the concentration of investments to individual equities, markets, sectors and geographies.

Event driven

Risk drivers include the uncertainties surrounding the crystallization of the events including mergers, restructurings, takeovers, exchange offers, spin-offs, financial reorganizations and other special situations and, as with all strategies, may be exacerbated through concentrations of exposure.

Relative value

Risk drivers relate to the uncertainties inherent in the consideration of differentials in the relative value of different securities that form the basis of the arbitrage strategy.

Fixed income

The primary drivers of risk in the fixed income portfolio are shifts in the yield curve and credit risk – mitigated through the short duration and high credit quality nature of the portfolio.

Commodities trading

The risk drivers of the commodity trading portfolios relate to adverse movements in the price of the commodities held.

Currency trading

The risk drivers of the currency-related investment strategies relate to adverse movements in the price of the currencies held.

The investment portfolio performance and risk is managed at an aggregate portfolio level. The manager strategies and investment types have been chosen specifically to construct an investment portfolio that ensures credit quality, maturity, volatility, beta, and maximum drawdown remain within the risk tolerances set out in the Risk Appetite. The investment portfolios key metrics are included in the quarterly CRO Report to the FIHL and FIBL Boards.

The Company contracts with FRM and Albourne for the provision of investing advice as relates to the portfolio of Hedge Funds.

The Group's investment guidelines and risk, capital and solvency appetite formalise the Group and FIBL's appetite for investment risk at the portfolio level.

Extensive due diligence of investments is undertaken prior to execution of the transaction. This due diligence considers many aspects of the investment decision including the potential for adverse aggregations and correlations with other elements of the investment portfolio and the underwriting portfolio.

All strategic investment decisions are considered by the RRC and then presented to the Investment Committee prior to being submitted to the FIHL and FIBL Boards for approval. Investment decisions are made in line with the respective company's investment guidelines and the prudent person principle.

The investment portfolio is monitored on a quarterly basis to ensure that the following risk metrics remain within the Board's stated risk appetite:

- The volatility levels of the portfolio;
- The impact of a predefined stress test; and
- Investment manager concentration.

Whilst currency positions are monitored and reported regularly, asset liability matching of foreign exchange positions in aggregate is performed at the level of the Group, limiting mismatches to $5.0m equivalent within 14 days of completion of quarterly management accounts, recognising that doing so at individual operating entity may be disproportionate and in theory potentially trigger inefficient risk management action. FIBL's position is reported in the quarterly CRO report.

C1.3 Overview of assessment of credit risk

Credit risk exposures relate to the potential failure of a third-party to meet their financial obligations to the Group and FIBL. Key areas where the Group and FIBL are exposed to credit risk are:

(i) Reinsurers' share of insurance liabilities;
(ii) Amounts due from reinsurers in respect of claims already paid;
(iii) Amounts due from insurance contract holders;
(iv) Amounts due from insurance intermediaries; and
(v) Investment in non-sovereign debt securities.

Changes to the limits on the level of credit risk by category and territory are approved annually by the FIHL and FIBL Boards. Reinsurance is used to manage underwriting risk; however, this does not discharge FIBL's liability as primary insurer. If a reinsurer fails to pay a claim, the Group and FIBL remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

Reinsurer counterparties

The risk management approach is designed to limit potential counterparty default to a level consistent with the Group's appetite through a combination of:

(i) Appropriate counterparty selection;
(ii) Appropriate levels of diversification in the portfolio;

(iii) Appropriate mitigation in respect of external counterparties with a lower security rating through the use of collateralisation and/or downgrade clauses as appropriate; and
(iv) Monitoring changes in security and taking appropriate remedial action as required.

The Counterparty Security Committee meets half yearly and ad hoc as new partners are proposed and monitors the Group's aggregations which are reported to the FIHL and FIBL Boards on a quarterly basis in the CRO Report.

The FIHL and FIBL Board approved risk appetites detail the maximum concentrations that the respective Boards are prepared to accept in relation to credit risk in respect of the exposure to a counterparty based on their current credit rating and/or their historic performance.

Intermediary counterparty risk

Whilst in theory the Group has significant exposure to counterparty risk in respect of its dealings with insurance intermediaries, in practice these are limited through the use, for the most part, of non-risk transfer terms of business.

As such, the Group and FIBL are prepared to tolerate significant outstanding broker balances reflecting the concentration of business in the markets in which it operates subject to regular monitoring and reporting of material exposures to management and the FIHL and FIBL Boards. Credit control policies and procedures are in place to ensure all money owed to the Group and FIBL are collected and to ensure that all cash received is allocated appropriately. Documented credit control meetings, where delinquent accounts are reviewed, are held monthly and include a representative from underwriting, finance, operations and claims. Underwriters assist with the collection of premiums when required and if no response is forthcoming, a notice of cancellation will be issued.

Non-sovereign debt securities

Credit risk relating to investment in non-sovereign debt securities is the exposure to adverse changes in the creditworthiness of individual investment holdings, issuers, groups of issuers or industries. This risk is managed through the adherence to the investment guidelines with GSAM which state that all securities must be investment grade and through fundamental analysis. The investment portfolio is reviewed on an ongoing basis to ensure adherence to credit limit guidelines. In addition, there are limits on the amount of credit exposure to any one issuer, except for US government securities.

C1.4 Overview of assessment of liquidity risk

Liquidity risk relates to the risk of the Group being unable to meet its liabilities as they fall due because of a lack of available cash.

The Group's exposure to liquidity risk is regularly monitored through its liquidity risk appetite which is dominated by the strategic imperative to maintain a highly liquid investment portfolio in order to enable dynamic portfolio risk/return optimisation.

Subject to maintaining sufficient liquidity in aggregate across entities, the Group has the ability to perform intragroup transactions in the event of temporary liquidity shortfalls at individual entity level thus obviating incurring costs that might result from raising entity-specific liquidity through external means. As such, the Group does not cascade its formal risk tolerance and associated risk reporting requirements to entity level and instead reports the overall Group position to the relevant subsidiary board.

The target minimum level of Group liquidity is designed to ensure that the Company can satisfy policyholder liabilities in a stressed environment requiring sufficient cash liquidity at 5 days, 30 days and 180 days to cover a variety of pre-defined gross man-made and natural catastrophe loss events. The Group's investment guidelines and risk, capital and solvency appetite formalise the Group and FIBL's appetite for liquidity at the portfolio level. This level of required liquidity across the overall portfolio is one of the drivers for the construction and maintenance of the investment portfolio. This results in maintaining liquidity significantly in excess of that which would otherwise be required to support projected outflows related to insurance obligations even in stressed scenarios.

C1.5 Overview of assessment of operational risk

Operational risk relates to the risk of losses arising from adverse external events, or from inadequate or failed processes, people or systems. The Group and FIBL set high standards for their operations and maintain a simple operating structure designed to limit operational risk and ensure effective identification and appropriate action in the event of risks crystallizing.

Operational risk is considered from a range of internal and external sources according to whether it has the potential to exacerbate the intrinsic losses that may be suffered and / or crystallize in a specific financial loss or other adverse impact.

Sources of risk are considered under the following broad categories:

- Failure of a core business process, people or system to contain intrinsic risk within the FIHL and FIBL Boards' approved appetite e.g. failure to underwrite within underwriting authority / maximum Lines;
- Failure of a process, people or system and / or external events leading to a specific financial loss or impact over and above that resulting from intrinsic risk exposures e.g. a failure to comply with anti-money laundering policy resulting in fine or sanction; and
- Failure of process, people of systems leading to loss of opportunity (i.e. not necessarily a capital impact but one that adversely impacts potential risk adjusted returns) e.g. failure to effectively maintain broker relationships leading to a loss of income.

The Group maintains an operational risk and controls register encompassing all material operational risks and the controls designed to prevent, mitigate or detect them.

On an annual basis, and at such points in the development of the Group where material changes are made to the operating structure, relevant risk owners are required to formally reassess and reaffirm the full scope of risks, controls and related assessments for which they are responsible. The review considers whether the risk is stated correctly, whether it is assessed correctly, whether the correct controls are associated to it and whether they are accurately stated and operate effectively.

The resultant assessment is recorded and subject to CRO review, challenge and approval.

In the remaining quarters, the Group CRO meets with individual risk and control owners to discuss any changes to risks, controls or processes. The meeting includes an open discussion encompassing changes to business and processes, new or developing emerging risks and any other topics raised by risk owners.

An assessment of key risks and any material changes in the period is reported by the Group CRO to RCC supported by a summary of key risk assessments. Material changes to the scope, nature or assessments of risks and controls are reported to the internal audit function to inform the audit planning and review process.

In the event of a material operational risk crystallizing, a risk learning exercise will be undertaken to understand the root causes and identify mitigating factors or steps to reduce the probability and / or impact of a recurrence where appropriate.

The conclusions from this exercise and the results of the follow up action will be reported to senior management and agreed with the relevant risk / control owner(s) and summarised in CRO reporting to the RCC and the Board(s).

C1.6 Overview of other material risks

Emerging risks

The Group identifies and monitors new and developing emerging risks through a range of channels including but not limited to:

- Regular communication with underwriters in respect of areas of risk material to their portfolios;
- Liaison with asset managers and advisors in respect of emerging macroeconomic, geopolitical and societal risks;
- Group CRO reviews with risk owners conducted via the operational risk management process;
- Group CRO attendance at underwriting and investment committees; and
- Group CRO review of relevant external inputs, publications and periodic surveys.

An Emerging Risk Register is maintained by the Group CRO and emerging or crystallizing risks are reported to the RCC and the FIHL and FIBL Boards in aggregate through the regular CRO Reporting Process.

In the event of a new or developing emerging risk representing a material risk, the CRO will escalate as appropriate in order that appropriate mitigation can be implemented.

C2. INVESTMENT IN ASSETS IN ACCORDANCE WITH THE PRUDENT PERSON PRINCIPLES OF THE CODE OF CONDUCT

The Group fulfils its obligations to ensure that its assets are invested in line with the prudent person principle by only investing in assets that have been approved by the Investment Committee through Investment Managers that have also been approved by the Investment Committee and Board following the completion of a due diligence exercise. These assets are all considered to be of a high quality and liquid. The investment portfolio is monitored on a regular basis to ensure that it remains within the FIHL And FIBL Boards' stated risk appetite, as well as at an appropriate level of quality and liquidity whilst avoiding excessive concentrations.

The Group's investment activities are subordinated to the Group's ability to meet its liquidity requirements, notably with respect to underwriting activities, in normal circumstances as well as in periods of acute stress. The Group approaches assets-liabilities management conservatively, through liquidity budgeting where a 5-day and 90-day period is considered the most relevant length of time when considering potential liquidity needs.

C3. STRESS TESTING AND SENSITIVITY ANALYSIS TO ASSESS MATERIAL RISKS

The Company undertakes various stress and scenario testing on a quarterly basis to confirm the adequacy of the capital and liquidity in respect of both the regulatory requirements and the maintenance of the Group's credit rating.

These tests consider the impact of various plausible but extreme underwriting and investment shocks to the Group and the liquidity position of the Group following such events.

The underwriting shocks consider the impacts of elemental catastrophe risk (e.g. wind, earthquake) and non-elemental (e.g. terror, political risk, financial risk) loss events. The investment shocks consider plausible but extreme adverse movements in the Group's asset portfolio. A combined underwriting and investment shock is also considered in order to reflect the potential risk of unrelated deteriorations in both portfolios.

The liquidity test considers if sufficient cash liquidity can be obtained within five business days to be sufficient to cover the Group's largest defined gross PML/RDS + proportion of gross loss reserves payable driven by reserving payment pattern assumptions.

Based on the latest results of these tests, management of the Group believes that it has sufficient capital and liquidity to comply with the contractual obligations of the organisation and regulatory requirements upon experiencing losses within its risk tolerance.

C4. ANY OTHER INFORMATION

No additional material information to report.

D. VALUATION FOR SOLVENCY PURPOSES

D1. VALUATION BASES, ASSUMPTIONS AND METHODS TO DERIVE THE VALUE OF EACH ASSET CLASS

The Group has used the economic basis for valuation principles as per the Bermuda Solvency Capital Requirement.

The underlying premise of the economic basis is that both assets and liabilities are valued using market or fair values. The fair value principles used for the assets are as follows:

D1.1 Investments

Group

As at 31 December 2016, the Group had $193.4m of investments in fixed income and short-term investments, and $588.2m of investments in hedge funds, which are all held at fair value.

FIBL

As at 31 December 2016, FIBL had $90.2m (2015: $146.1m) of investments in fixed income and short-term investments and $586.3m (2015: $588.1m) of investments in hedge funds, which are all held at fair value.

The fair value the Group's investment portfolio is estimated using the following techniques:

<u>Fixed Income securities</u>

The Group's fixed income securities portfolio is managed by external investment managers with oversight from the Group's Chief Investment Officer, and the FIHL Board. Fair values for all securities in the fixed income investments portfolio are independently provided by the investment administrator, investment custodians, and investment managers, each of which utilize internationally recognized independent pricing services. Bloomberg is, however, the main pricing service utilized to estimate the fair value measurements for the Group's fixed income securities for corporate and government bonds. Interactive Data Corporation (IDC) is the main pricing service for asset backed fixed income securities.

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

<u>Short-term investments</u>

The Group's short-term investments consist of certificates of deposit, commercial paper and bonds with maturities of less than one year at the time of purchase. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades and broker-dealer quotes.

<u>Investments in hedge funds</u>

The group investments in hedge funds through both separately managed accounts and investments in funds.

The separately managed accounts include equity securities, derivative financial instruments, fixed income securities, repurchase and reverse repurchase agreements and other investments which are valued at fair value as follows:

Equity securities

The Group's equities are traded on major exchanges and are managed by its external investment managers. Fair values are based on unadjusted quoted prices in active markets. The Group's equity securities are widely diversified and there is no significant concentration in any specific industry.

Derivative financial instruments

Exchange-traded derivatives, measured at fair value using quoted prices in active markets. Derivatives without quoted prices in an active market and derivatives executed over the counter are valued using internal valuations techniques that consider the time value of money, volatility, the current market and contractual prices of underlying financial instruments. The valuation techniques and key inputs depend on the type of derivative and the nature of the underlying instrument.

Repurchase and reverse repurchase agreements

No quoted prices exist for such instruments; therefore, fair value is determined using a discounted cash flow technique. Cash flows are estimated based on the terms of the contract. Expected cash flows are discounted using interest rates appropriate to the maturity of the instrument as well as the nature of the underlying collateral.

The Group values its investments in hedge funds and the limited partnership at fair value, which are estimated based on the Group's share of the net asset values as provided by the investment managers of the underlying investment funds.

The Group has elected to use the practical expedient method to record the fair value of the investments in hedge funds and the limited partnership at net asset value (NAV).

D1.2 Cash and cash equivalents

As at 31 December 2016, the Group held $628.9m as cash and cash equivalents. Monies denominated in foreign currency are translated into USD at the period end rate for reporting purposes. Cash and cash equivalents are valued at fair value. As at 31 December 2016, FIBL held $543.3m (2015: $459.4m) as cash and cash equivalents.

D1.3 Insurance and intermediaries' receivables

Insurance and intermediaries' receivables represent premiums owed from policyholders. As at 31 December 2016, the Group held $75.2m of outstanding premiums. Insurance and intermediaries' receivables are held at amortised cost less any impairment losses which approximates to fair value. As at 31 December 2016, FIBL held $15.7m (2015: $1.8m) of outstanding premiums. The non-overdue receivables balance is included in the calculation for the technical provisions.

D1.4 Reinsurance recoverables on paid claims

As at 31 December 2016, reinsurance recoverables on paid claims were $0.5m for the Group. As at 31 December 2016, FIBL held $0.4m reinsurance recoverables on paid claims. For Bermuda solvency purposes, reinsurance recoverables are determined as part of the calculation for technical provisions (see D2).

D1.5 Funds held by ceding reinsurers

The value of funds held by non-affiliated reinsurers as at 31 December 2016 for the Group was $1.4m. At 31 December 2016, FIBL held $1.4m of funds held by non-affiliated reinsurers.

D1.6 Deferred tax asset

Deferred tax is measured using rates enacted or substantively enacted at the balance sheet date that are expected to apply to the reversal of a timing difference. As at 31 December 2016, the Group held $3.8m as a deferred tax asset.

D1.7 Other assets

As at 31 December 2016, the Group's other assets were $2.9m. Other assets are valued at amortised cost less any impairment which approximates to fair value. As at 31 December 2016, FIBL held $1.5m (2015: $1.5m) of other assets.

D2. VALUATION BASES, ASSUMPTIONS AND METHODS TO DERIVE THE VALUE OF TECHNICAL PROVISIONS

At 31 December 2016, the total Technical Provisions (TPs) amounted to $62.0m for the Group and $58.6 for FIBL comprising the following:

Group

	$000's
• Best Estimate Loss and Loss Expense Provision	97,320
• Best Estimate Premium Provision	(52,471)
• Risk Margin	17,196

FIBL

	$000's
• Best Estimate Loss and Loss Expense Provision	87,208
• Best Estimate Premium Provision	(46,112)
• Risk Margin	17,450

D2.1 Technical provisions methodology

The TPs make allowance for "all possible future outcomes" and are based on best estimate cash flows, adjusted to reflect the time value of money using the risk-free discount rate term structures prescribed by the Bermuda Monetary Authority (BMA) for each reporting period. The TPs only cover legally obliged business as at the valuation date. Cash flow projections are performed on a gross and ceded basis and together produce the BE TP on a net basis.

The TPs include an additional risk margin to be added to the BE TP. The risk margin is calculated using the BMA prescribed approach, as the discounted cost of capital of running off all policies that form part of the best estimate, at a rate of 6% per annum.

D2.2 Technical provisions assumptions

The key assumptions underlying the technical provisions calculation are:

- **Expected claims**
  Expected claims on earned business are taken directly from the US GAAP reserves, while unearned claims are determined using IELRs based on industry data and expert judgement.

- **ENIDs**
  The TPs must make allowance for "all possible future outcomes" so an allowance is made for unknown events not considered to be included in the IELRs.

- **Reinstatement premiums**
  Reinstatement premiums are allowed for on inwards and outwards business, to allow for additional inwards premiums following policyholder claims (positive cash flows) and for additional ceded premiums (negative cashflows) following events that trigger recoveries on our reinsurance cover.

- **Expenses**
  The technical provisions make allowance for the expenses incurred in servicing the legal obligations and these include acquisition costs, reinsurance costs, ULAE, administrative and investment expenses. We apply appropriate rates of inflation to future expense cashflows e.g. earnings, general inflation, investment costs.

- **Interest rates**
  The future cashflows are discounted using the risk-free term structures by currency prescribed by the Bermuda Monetary Authority (BMA) for each reporting period.

D2.3 Level of uncertainty associated with the value of technical provisions

Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. A robust assumption setting process is followed in order to ensure the uncertainty is well understood.

D3. VALUATION BASES, ASSUMPTIONS AND METHODS TO DERIVE THE VALUE OF OTHER LIABILITIES

D3.1 Other liabilities

As at 31 December 2016, the Group held other liabilities were $17.7m. Other liabilities are measured at fair value. As at 31 December 2016, FIBL held other liabilities of $5.3m (2015: $11.4m).

D4. ANY OTHER INFORMATION

No additional material information to report.

E. CAPITAL MANAGEMENT

E1. ELIGIBLE CAPITAL

E1.1 Capital management policy and process for capital needs, how capital is managed and material changes during the reporting period

The Group Risk, Capital & Solvency Management approach reflects the short tail nature of its liabilities and the agility hard coded in the core Fidelis business model allowing management to adapt the Group and FIBL's capital and solvency quickly in response to market cycles, events and opportunities. Both the Group and FIBL projects the capital necessary to maintain solvency at a level sufficient to achieve the planned growth whilst meeting both the credit rating whilst agency and regulatory capital requirements at all times. This projection is to a greater degree of precision over a one year horizon and to a more general degree over the longer-term horizon which is believed to be a proportionate approach.

The capital and risk management strategy have not changed materially over the prior year for either the Group or FIBL.

E1.2 Eligible capital categorised by tiers in accordance with the eligible capital rules

At the end of the reporting period, the Company's eligible capital was categorised as follows:

Group

$000's	
Tier 1	1,096,538
Tier 2	287,150
Tier 3	-
Total	**1,383,688**

The majority of capital is Tier 1, the highest quality capital, consisting of capital stock, contributed surplus, and statutory surplus. The Company has an amount of Tier 2 capital (consisting of preference shares), and no Tier 3 Capital.

FIBL

2016

$000's	
Tier 1	1,231,432
Tier 2	-
Tier 3	-
Total	**1,231,432**

2015

$000's	
Tier 1	1,090,787
Tier 2	-
Tier 3	-
Total	**1,090,787**

All of the capital is classified as being Tier 1, the highest quality capital, consisting of capital stock and contributed surplus.

E1.3 Eligible capital categorised by tiers in accordance to the eligible capital rules used to meet ECR and MSM requirements of the insurance act

At the end of the reporting period, the Group and FIBL's eligible capital for its Minimum Margin of Solvency (MSM) and Enhanced Capital Requirement (ECR) was categorised as follows:

Group

2016

$000's	**Eligible Capital Available to Support MSM**	**Eligible Capital Available to Support ECR**
Tier 1	1,096,538	1,096,538
Tier 2	274,135	287,150
Tier 3	-	-
Total	**1,370,673**	**1,383,688**

FIBL

2016

$000's	**Eligible Capital Available to Support MSM**	**Eligible Capital Available to Support ECR**
Tier 1	1,231,432	1,231,432
Tier 2	-	-
Tier 3	-	-
Total	**1,231,432**	**1,231,432**

2015

$000's	**Eligible Capital Available to Support MSM**	**Eligible Capital Available to Support ECR**
Tier 1	1,090,787	1,090,787
Tier 2	-	-
Tier 3	-	-
Total	**1,090,787**	**1,090,787**

E1.4 Confirmation of eligible capital that is subject to transitional arrangements

The Group has no eligible capital that is subject to transitional arrangements.

E1.5 Identification of any factors affecting encumbrances on the availability and transferability of capital to meet the ECR

The Group has entered into contracts with cedants that require the Group to fully collateralise estimates of its obligations calculated by the cedant. Assets are held in trust accounts for the benefit for the cedant. These assets are released to the Group upon the payment of the obligations. Interest income arising from these assets accrues to the Group.

E1.6 Identification of ancillary capital instruments approved by the authority

The Group does not have any ancillary capital.

E1.7 Identification of differences in shareholder's equity as stated in the financial statements versus the available capital and surplus

Other than the impact of employing economic based technical provision valuation techniques, significant differences between GAAP shareholder equity and available statutory capital and surplus include the reduction in available statutory capital for prepaid and fixed assets.

E2. REGULATORY CAPITAL REQUIREMENTS

E2.1 ECR and MSM requirements at the end of the reporting period

At the end of the reporting period, the Group and FIBL's regulatory capital requirements were assessed as follows:

Group

$000's	
Minimum Margin of Solvency	143,720
Enhanced Capital Requirement	492,990

FIBL

$000's	
Minimum Margin of Solvency	121,544
Enhanced Capital Requirement	486,175

E2.2 Identification of any non-compliance with the MSM and the ECR

The Company was compliant with the MSM and ECR requirement at the end of the reporting period.

E2.3 A description of the amount and circumstances surrounding the non- compliance, the remedial measures and their effectiveness

Not applicable.

E2.4 Where the non-compliance is not resolved, a description of the amount of the non-compliance

Not applicable.

E3. APPROVED INTERNAL CAPITAL MODEL

E3.1 Description of the purpose and scope of the business and risk areas where the internal model is use

Not applicable. The Group has not applied to have an internal capital model approved to determine regulatory capital requirements.

E3.2 Where a partial internal model is used, description of the integration with the BSCR model

Not applicable.

E3.3 Description of methods used in the internal model to calculate the ECR

Not applicable.

E3.4 Description of aggregation methodologies and diversification effects
Not applicable.

E3.5 Description of the main differences in the methods and assumptions used for the risk areas in the internal model versus the BSCR model
Not applicable.

E3.6 Description of the nature & suitability of the data used in the internal model
Not applicable.

E3.7 Any other material information
Not applicable.

E3.8 Subsequent events
Nothing to note.

F. GLOSSARY

ABIC – Association of Bermuda International Companies

BE – Best Estimate

BMA - Bermuda Monetary Authority

BSCR – Basic Solvency Capital Requirement

CEO – Chief Executive Officer

CFO – Chief Finance Officer

CHRO – Chief Human Resources Officer

CIO – Chief Investment Officer

CTO – Chief Technology Officer

CRO – Chief Risk Officer

CUO – Chief Underwriting Officer

ECR – Enhanced Capital Requirement

EEA – European Economic Area

ENIDs – Events not in Data

ERM – Enterprise Risk Management

FCR – Financial Condition Report

FIBL – Fidelis Insurance Bermuda Limited

FIHL – Fidelis Insurance Holdings Limited

FML – Fidelis Marketing Limited

FUL – Fidelis Underwriting Limited

GAAP – Generally Accepted Accounting Principles

HIA – Head of Internal Audit

IBNR – Incurred but not Reported

IELR – Initial Expected Loss Ratio

IGR – Intra-group reinsurance

IIA – Institute of Internal Auditors

INED – Independent non-executive Director

LOC – Letter of Credit

MGA – Managing General Agent

MSM – Minimum Margin of Solvency

Net acquisition cost ratio – the ratio of net acquisition expenses to net premiums earned

Net loss ratio – the ratio of net losses to net premiums earned

Net underwriting contribution – net premiums earned less net losses, less net acquisition expenses

OEP – Occurrence Exceedance Probability

PML – Probable Maximum Loss

RCC – Risk committee

RDS – Realistic Disaster Scenario

Risk & Controls Register – the universe of operational risks and controls to mitigate risks

ROE – Return on Equity

RRC – Risk Return Committee, a management committee

RSU – Restricted Stock Unit

TBA – To Be Announced (investment market)

TP – Technical Provisions

ULAE – Unallocated Loss Adjustment Expenses

UMCC – Underwriting and Marketing Conference Call

UPR – Unearned Premium

USA – United States of America

US GAAP – United States General Accepted Accounting Principles

UW - Underwriting

FIDELIS INSURANCE HOLDINGS LIMITED & FIDELIS INSURANCE BERMUDA LIMITED

Financial Condition Report Declaration

For the year 1 January 2016 to 31 December 2016

We declare that to the best of our knowledge and belief, the information in this Financial Condition Report fairly represents the financial condition of the company in all respects:

Signed: ....

Name: Richard Brindle

Position: CEO Fidelis Insurance Holdings Limited

Signed: ....

Name: Charles Mathias

Position: Group Chief Risk Officer