

FIDELIS INSURANCE HOLDINGS LIMITED

Financial Condition Report

For the year 1 January 2022 to 31 December 2022

I.	EXECUTIVE SUMMARY	3
A.	BUSINESS AND PERFORMANCE	8
	A1. BUSINESS	8
	A2. PERFORMANCE	10
B.	SYSTEM OF GOVERNANCE	16
	B1. BOARD AND SENIOR EXECUTIVE	16
	B2. FIT AND PROPER REQUIREMENTS	21
	B3. RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT	26
	B4. INTERNAL CONTROL SYSTEM	29
	B5. INTERNAL AUDIT FUNCTION	30
	B6. ACTUARIAL FUNCTION	32
	B7. OUTSOURCING	32
	B8. OTHER INFORMATION	35
C.	RISK PROFILE	36
	C1. MATERIAL RISKS THE INSURER IS EXPOSED TO DURING THE REPORTING PERIOD	36
	C2. INVESTMENT OF ASSETS IN ACCORDANCE WITH THE PRUDENT PERSON PRINCIPLES OF THE CODE OF CONDUCT	44
	C3. RISK CONCENTRATION	44
	C4. STRESS TESTING AND SENSITIVITY ANALYSIS TO ASSESS MATERIAL RISKS	45
	C5. ANY OTHER INFORMATION	45
D.	VALUATION FOR SOLVENCY PURPOSES	46
	D1. VALUATION BASES, ASSUMPTIONS AND METHODS TO DERIVE THE VALUE OF EACH ASSET CLASS	46
	D2. VALUATION BASES, ASSUMPTIONS AND METHODS TO DERIVE THE VALUE OF TECHNICAL PROVISIONS	47
	D3. VALUATION BASES, ASSUMPTIONS AND METHODS TO DERIVE THE VALUE OF OTHER LIABILITIES	49
	D4. ANY OTHER INFORMATION	49
E.	CAPITAL MANAGEMENT	50
	E1. ELIGIBLE CAPITAL	50
	E2. REGULATORY CAPITAL REQUIREMENTS	52
	E3. APPROVED INTERNAL CAPITAL MODEL	53
F.	SUBSEQUENT EVENTS	54
G.	GLOSSARY	55

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 Fidelis Group and its subsidiaries, as well as Fidelis Insurance Bermuda Limited (“FIBL”) and its subsidiaries, on a separate 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. Fidelis Insurance Holdings Limited (“Fidelis”, “FIHL”, or “the Company”) and its subsidiaries are collectively referred to as the “Group” within this FCR.

FIBL owns 100% of a UK holding company, Fidelis European Holdings Limited, (“FEHL”), which in turn owns 100% of an Irish insurance company, Fidelis Insurance Ireland DAC (“FIID”). These three entities are referred to as the “FIBL Group” within this FCR and all numbers quoted for the FIBL Group are on a consolidated basis.

A copy of this report is available on the Company’s website: <https://www.fidelisinsurance.com/investors/reports>.

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 which are in place to monitor and manage the business.

Throughout this document we have used acronyms and defined these in the glossary, please refer to page 55.

BUSINESS AND PERFORMANCE

FIHL is a holding company which was incorporated under the laws of Bermuda on 22 August, 2014. The Group provides Bespoke, Specialty and Property insurance and reinsurance. Fidelis’ principal operating subsidiaries are:

- FIBL is a Class 4 Bermuda domiciled company which writes most of the Group’s Reinsurance business, as well as writing Specialty and Bespoke lines. FIBL is regulated by the Bermuda Monetary Authority. FIBL acts as the designated insurer of the Group.
- Fidelis Underwriting Limited (“FUL”), is a UK domiciled company which principally writes Specialty and Bespoke insurance, as well as Reinsurance. FUL is regulated by the Prudential Regulation Authority.
- FIID, is a Republic of Ireland domiciled company that writes Specialty and Bespoke insurance and reinsurance within the European Economic Area. FIID is regulated by the Central Bank of Ireland. FIID is owned by a UK holding company that is 100% owned by FIBL.
- Fidelis Marketing Limited (“FML”), a management company which acts as an insurance intermediary to provide marketing services and is authorised by the FCA. The Irish branch of FML was set up to primarily provide services to FIID.

As part of the Group’s strategy to sponsor bespoke underwriting products, FIHL established eight MGAs, all managed by FIHL’s MGA incubator, Pine Walk Capital Limited (“Pine Walk”).

MGA	Coverage
Pine Walk Europe SRL	Provides surety, upstream energy, product recall and marine coverage
Radius Specialty Limited ("Radius")	Provides bespoke coverage in specialist reinsurance lines
Oakside Surety Limited ("Oakside")	Focuses on small and medium-sized enterprises within the surety market
Kersey Specialty Limited ("Kersey")	Focuses on upstream energy physical damage coverage
Perigon Product Recall Limited ("Perigon")	Focuses on product recall and product contamination coverage
Navium Marine Limited ("Navium")	Focuses on insurance across the full range of marine classes
OPEnergy Limited ("OPEnergy")	Focuses on onshore and offshore energy liability, providing public, products and pollution liability
Pernix Specialty Limited ("Pernix")	Pernix writes non payment and political risks insurance

FIDELIS INSURANCE RESTRUCTURING

On January 3, 2023, the Group completed a transaction pursuant to which (i) Pine Walk and its investments in the MGAs, together with FML, were distributed to shareholders to form a new managing general underwriting business ("Fidelis MGU") and (ii) Fidelis MGU was acquired by a consortium of investors (together known as the "Separation Transactions"). Following the consummation of the separation agreement, Fidelis MGU acquired approximately 9.9% of the common shares in the Group.

Immediately prior to the consummation of the Separation Transactions, the Group accelerated the vesting of all unvested RSUs. This resulted in the acceleration of compensation expense of \$21.0 million and an employer tax expense of \$17.3 million in the three months ending March 31, 2023. The RSUs and warrants were exercised on the date of the Separation Transactions, resulting in the issuance of 14,732,262 common shares. The awards were net settled, resulting in a \$50.6 million reduction of additional paid-in capital for the employees' tax obligations with respect to these awards. The exercise of the warrants triggered the payment of cumulative dividends of \$34.1 million.

The separation transactions resulted in certain shareholders receiving cash in lieu of their interest in Fidelis MGU. As a result, the distribution of Fidelis MGU will be recorded at its fair value estimated to be between \$1.7 billion and \$1.9 billion. The distribution of Fidelis MGU to shareholders of the Group will result in the deconsolidation of net assets of \$68.8 million, and the cancellation of 105,790,271 common shares in the Group. Following the Separation Transactions there are 120,404,350 common shares issued and outstanding.

Fidelis MGU will manage underwriting, origination, outwards reinsurance, actuarial and claims services with review and oversight from the Group. Each of FIBL, FUL and FIID has entered a delegated underwriting authority agreement with a relevant entity within the Fidelis MGU group, in each case with effect from January 1, 2023. The agreements have a rolling 10-year term and provide for the payment of the following fees to Fidelis MGU:

- a. A ceding commission of 11.5% of net premiums written of open market business.
- b. A ceding commission of 3% of net premiums written of business sourced via third-party managing general underwriters.
- c. A profit commission of 20% of the operating profit generated on the sourced business, subject to a hurdle rate of return of 5% of underwriting return on equity.
- d. A portfolio management fee of 3% of net premiums written of the business sourced by Fidelis MGU.

In connection with the successful consummation of the Separation Transactions, the Group incurred professional fees of \$28.6 million during the three months ending March 31, 2023.

SYSTEM OF GOVERNANCE

The Group has implemented a simple yet effective system of corporate governance in a way which ensures that enterprise risk management is maintained at a high standard and that the business is operating in an efficient and effective manner. The Group operates a "Three Lines of Defence" model which establishes clear duties, roles and responsibilities in order to manage the full range of risks to which it is exposed. There are clear reporting lines to the Board at all levels within the organisation to ensure that information is appropriately communicated.

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.

The FIHL 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 FIBL Board aligns its system of governance with that of the Group where appropriate.

RISK PROFILE

The Group is exposed to risks from several sources. These include non-life underwriting risk, market risk, credit risk, liquidity risk, operational risk, strategic risk, group risk and emerging risk. The primary risk to the Group is underwriting risk. There were no material changes to the Group's key risk areas in 2022. Each of these risk areas is described in more detail in section C.

The Group 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. The tests are designed to simulate extreme but possible scenarios affecting investments, underwriting and operations either individually or in combination.

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 such scenarios.

On 24 February 2022, the Russian Federation invaded Ukraine resulting in armed conflict in Ukraine and the Black Sea ("Ukraine Conflict"). Subsequently a number of countries, including the United States of America, the United Kingdom, and those in the European Union, placed significant sanctions on Russian institutions and persons which resulted in a devaluation of the Rouble and a fall in the value of Russian fixed income and equity assets, and the prompt withdrawal of companies from Russia without securing their assets. The Group has minimal direct exposure to Russian equities and minimal exposure to fixed income assets impacted by sanctions. The Group has potential exposure to losses associated with the conflict in Ukraine and the Black Sea through certain lines in the bespoke and specialty segments. In the light of the fluid nature of the Ukraine Conflict, detailed reserving models have been developed with input

from pricing, legal, underwriting and claims and an independent view obtained from external actuaries, and the Groups' reserves are aligned. However, given the ongoing nature of the Ukraine Conflict, there remains considerable uncertainty around potential loss estimates. However, the Group does not believe the impact of the Ukraine Conflict will adversely affect the Company's ability to operate as a going concern.

VALUATION FOR SOLVENCY PURPOSES

The Group and FIBL Group have used the economic basis for valuation principles as per BSCR.

CAPITAL MANAGEMENT

The Group's capital management objective is to ensure that the Group maintains, at all times, an appropriate level of capital, in terms of both quantity and quality in line with its risk appetite and capital requirements, and that it fulfils its obligations to measure, monitor, manage and report its capital position, both required and available, internally and externally as required, in accordance with relevant regulatory requirements. Decisions on optimal capital levels are an integral part of the Group's business planning and forward-looking assessment of risk processes which cover a three-year time horizon.

There were no material changes to Fidelis' governance structure and capital management approach during the reporting period. Further details are included in this report.

FIHL

The Group's ECR as at 31 December 2022 is \$816.6 million, with available capital of \$2,640.4 million, resulting in a surplus of \$1,823.8 million and a solvency ratio of 323%.

On 5 May 2020, the Group's Senior Notes were approved as Tier 3 ancillary capital by the BMA, and on 5 October 2020 the BMA approved the Group's Subordinated Notes as Tier 2 ancillary capital. Excluding preference shares, which are eligible Tier 2 capital, the Group's Senior Notes and Subordinated Notes, the Group's remaining capital is Tier 1, the highest quality capital, consisting of capital stock, contributed surplus, and statutory surplus.

2022
\$ millions

	Available capital	Eligible capital
Tier 1	2,134.5	2,134.4
Tier 2	181.5	181.5
Tier 3	324.4	324.4
Total	<u>2,640.4</u>	<u>2,640.3</u>

2021
\$ millions

	Available capital	Eligible capital
Tier 1	2,117.7	2,115.6
Tier 2	181.4	181.4
Tier 3	323.8	323.8
Total	<u>2,622.9</u>	<u>2,620.8</u>

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

\$ millions	<u>2022</u>	<u>2021</u>
Minimum Margin of Solvency	781.4	804.6
Group BSCR	816.6	787.8
Enhanced Capital Requirement	816.6	804.6

FIBL

The FIBL Group's ECR as at 31 December 2022 is \$622.2 million, with available capital of \$1,503.5 million, resulting in a surplus of \$881.3 million and a solvency ratio of 242%. All of FIBL Group's capital is Tier 1, the highest quality capital.

2022
\$ millions

	Available capital	Eligible capital
Tier 1	1,503.5	1,503.4
Tier 2	-	-
Tier 3	-	-
Total	<u>1,503.5</u>	<u>1,503.4</u>

2021
\$ millions

	Available capital	Eligible capital
Tier 1	1,767.8	1,766.1
Tier 2	-	-
Tier 3	-	-
Total	<u>1,767.8</u>	<u>1,766.1</u>

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

\$ millions	<u>2022</u>	<u>2021</u>
Minimum Margin of Solvency	622.2	662.4
Full BSCR	572.3	569.7
Enhanced Capital Requirement	622.2	662.4

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 principal shareholders as at 31 December 2022:

- Capital Z Partners (Fidelis) LP
- Crestview FIHL Holdings LP and Crestview IV FIHL Holdings LP
- CVC Falcon Holdings Limited
- Fidelis Investors LP
- Fidelis Investors Offshore LP
- Pine Brook FEAL Intermediate LP
- Platinum Ivy B 2018 RSC Limited
- SPFM Holdings LLC

The above shareholders collectively hold approximately 95% ownership of the Company. The remaining 5% of the Company is owned by a small number of other shareholders, including management and employees.

Name of Insurer: Fidelis Insurance Holdings Limited (Group)
Fidelis Insurance Bermuda Limited (Designated Insurer)

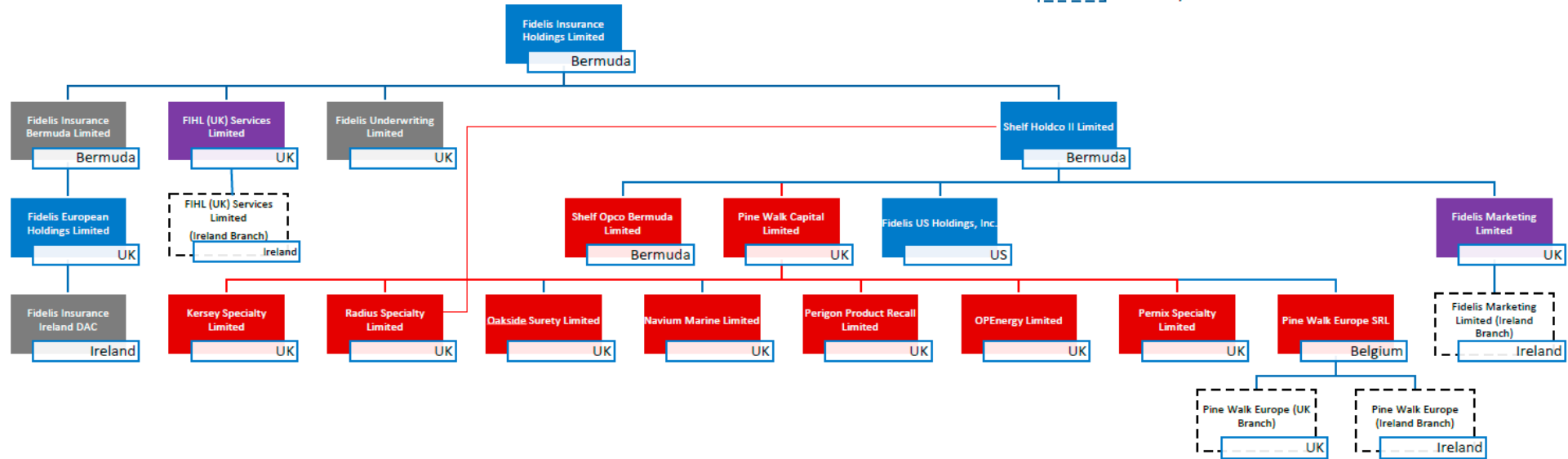
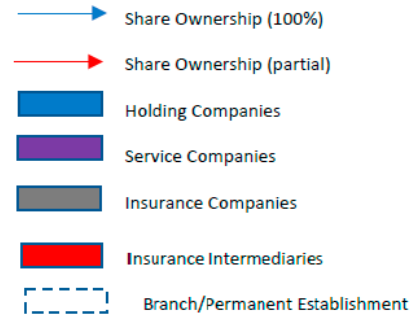
Supervisors: Group Supervisor
Bermuda Monetary Authority
BMA House
43 Victoria Street, Hamilton
Bermuda

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 diagram provides details of the Group structure as at 31 December 2022:



A2. PERFORMANCE

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

The Group manages its business in three pillars:

- Specialty pillar – comprises property direct and facultative, energy, marine and aviation lines of business.
- Bespoke pillar – primarily comprises credit and political risk and other tailored solutions for clients including transactional liabilities and credit insurance such as mortgage and significant risk transfer.
- Reinsurance pillar – primarily comprises property reinsurance

Insureds are located mainly in the EEA and the USA, with underwriting exposures worldwide. All business is underwritten in the United Kingdom, Bermuda or Republic of Ireland.

A2.1.1 Group gross premiums written by line of business (US GAAP)

	2022	2021
\$ millions		
Aviation and aerospace	298.0	172.8
Energy	119.3	92.9
Marine	538.2	249.9
Property	19.9	29.7
Direct and facultative	611.5	543.7
Specialty other	23.8	26.2
Total specialty	1,610.7	1,115.2
Credit and political risk	329.7	258.2
Bespoke other	453.4	329.9
Total bespoke	783.1	588.1
Property reinsurance	557.0	1,004.4
Property retrocession	32.5	59.5
Whole account reinsurance	16.8	20.5
Total reinsurance	606.3	1,084.4
Total	3,000.1	2,787.7

Gross premiums written were \$3,000.1 million (2021: \$2,787.7 million). In 2022, net premiums earned for the year were \$1,504.7 million (2021: \$1,154.2 million). Earned premiums are substantially lower than written premiums as certain classes, such as credit and political risk insurance, have longer tenures meaning written premiums are earned over a longer period. As premiums are earned based on exposure patterns over the contract period, premiums written will take longer to earn.

A2.1.2 FIBL Group (including intra-group reinsurance) gross premiums written by line of business (US GAAP)

	2022	2021
\$ millions		
Aviation and aerospace	194.2	112.7
Energy	51.0	21.7
Marine	320.3	144.4
Property	21.1	25.8
Direct and facultative	301.2	276.7
Specialty other	15.4	18.4
Total specialty	903.2	599.7
Credit and political risk	192.5	228.7
Bespoke other	247.6	144.4
Total bespoke	440.1	373.1
Property reinsurance	459.2	858.8
Property retrocession	32.5	59.7
Whole account reinsurance	16.9	20.5
Total reinsurance	508.6	939.0
Total	<u>1,851.9</u>	<u>1,911.8</u>

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

A2.2.1 Performance of investments for the reporting period (US GAAP)

The Group's primary investment objective is to support the underwriting activities of the Group through capital preservation. Within the investment portfolio the Group looks to optimise total investment return within approved risk appetites and applicable investment constraints. The Group focuses on high quality, short-duration and liquid fixed income assets with a high level of diversification across asset types, sectors and issuers but may seek to enhance total investment return with a small allocation to 'risk' assets. The Group, through its appointed external investment managers, seeks to outperform selected benchmarks over a full investment cycle.

The duration target of the Group's core fixed income portfolio which is designated as backing the Group's liabilities, is set to approximately match the duration of those liabilities. The Group's core fixed income portfolios are managed against a customised blended fixed income benchmark which is aligned with the Board's strategic asset allocation. The benchmark has a target weighted average duration equal to the liability duration and the core fixed income portfolio aims to remain within a tolerance of +/- 0.5 years of the benchmark. Derivatives may be used to adjust portfolio duration, when needed. On occasion, the Group may enter into catastrophe swap derivatives to manage exposure to catastrophe events however this would be considered as an underwriting rather than investment activity.

For the year ended 31 December 2022, the core fixed income portfolio significantly outperformed the blended benchmark as the Group decided to maintain a short-duration positioning through most of the year in a rising yield environment (an upward move in interest rates will drive unrealised losses on fixed income assets, longer duration assets are more sensitive to changes in interest rates).

Within the core fixed income portfolio, the Group has a moderate allocation to securitised instruments (asset-backed securities, agency mortgage-backed securities, commercial mortgage-backed securities and collateralised loan obligations) to aid in diversification and enhance yield. Investment limits have been placed on these assets through the investment guidelines set out in the investment management agreements. The Group performs a regular review of the securities held and runs compliance checks to ensure guidelines are followed.

The return on investments for the Group for the year ended 31 December 2022 were as follows:

\$ millions			
Investment Strategy	Fair Value	Gain/Loss	Return
Cash ¹	1,394.0	3.6	0.4%
Core fixed income	2,307.9	15.6	0.6%
Risk assets	117.1	(12.2)	(6.7%)
Total	<u>3,819.0</u>	<u>7.0</u>	0.2%
Unrealised losses on AFS instruments, net of tax		(94.3)	(2.7%)
Total investment return		<u>(87.3)</u>	(2.6%)

The return on investments for FIBL Group the year ended 31 December 2022 were as follows:

\$ millions			
Investment Strategy	Fair Value	Gain/Loss	Return
Cash ¹	857.6	2.0	0.4%
Core fixed income	1,621.4	14.2	0.8%
Risk assets	117.1	(12.2)	(6.7%)
Total	<u>2,596.1</u>	<u>4.0</u>	0.2%
Unrealised losses on AFS instruments, net of tax		(65.3)	(2.7%)
Total investment return		<u>(61.3)</u>	(2.6%)

The return on investments for the Group for the year ended 31 December 2021 were as follows:

\$ millions			
Investment Strategy	Fair Value	Gain/Loss	Return
Cash ¹	487.7	(0.1)	0.0%
Core fixed income	2,528.8	21.8	1.0%
Risk assets	253.1	14.2	5.6%
Total	<u>3,269.6</u>	<u>35.9</u>	1.2%
Unrealised gains on AFS instruments, net of tax		(35.5)	(1.6%)
Total investment return		<u>0.4</u>	0.0%

The return on investments for FIBL Group for the year ended 31 December 2021 were as follows:

\$ millions			
Investment Strategy	Fair Value	Gain/Loss	Return
Cash ¹	340.6	(0.1)	0.0%
Core fixed income	1,749.0	16.6	1.1%
Risk assets	253.1	14.2	5.6%
Total	<u>2,342.7</u>	<u>30.7</u>	1.4%
Unrealised gains on AFS instruments, net of tax		(26.2)	(1.8%)
Total investment return		<u>4.5</u>	0.2%

¹ Cash balance net of accrued interest, pending trades and internal derivatives

A2.2.2 Material income & expenses for the reporting period (US GAAP)

Material administrative expenses for the Group comprise the following:

	<u>2022</u>	<u>2021</u>
\$ millions		
Expenses		
Employment costs	72.8	64.6
Non-employment costs	30.6	24.2
IT costs	16.8	13.4
Professional, consulting and other fees	53.1	23.3
Total general and administrative expenses	<u>173.3</u>	<u>125.5</u>

Material administrative expenses for FIBL Group comprise the following:

	2022	2021
\$ millions		
Expenses		
Employment costs	31.5	27.3
Non-employment costs	10.8	8.0
IT costs	5.4	4.8
Professional, consulting and other fees	10.8	7.4
	58.5	47.5
Total general and administrative expenses		

A3. ANY OTHER INFORMATION

The Group has a commitment to its communities, which we recognise includes environmental responsibilities. We measure our operational carbon emissions (scopes 1, 2 and 3) with the help of an external consultancy, C Level, and are committed to continuing to offset more than 100% of these emissions through the purchase of high-quality offsets (our current offsets are Plan Vivo certified). We had 150% coverage of our emissions in 2021 and have committed to continuing to offset more than 100% going forward. Through the development of best practices in our business, the Group aims to use no more consumables than are necessary and recycle the maximum of those we do use. The Group also believes that embedding environmental awareness throughout the organisation will be supported by a continuous programme of employee engagement. Other commitments that have been made publicly are detailed in the Fidelis ESG Presentation, available on our website. The Sustainability function is working on various aspects of climate-related strategy and targets, including around understanding the carbon footprint of our underwriting portfolio. The Group is aware of climate laws and regulations in respect of both the ones that are in force and those that are expected to be enacted in the future for jurisdictions in which the Group operates.

The Group takes account of environmental, social and governance issues in its underwriting. In September 2022 we publicly announced the adoption of new ESG underwriting guidelines, detailing in particular the approach to fossil fuels. For instance, we avoid direct involvement in the extraction of coal and any infrastructure specifically supporting coal as a source of energy, as well as excluding direct coverage of tar sands. The business plan uses loss ratios which include a view of risk that accounts for our expected impact of climate change on relevant lines of business. The Group also applies restrictions in its investment portfolio to align with the underwriting approach, with, for example, revenue limits on coal or oil and gas. Furthermore, we are committed to a minimum 3% allocation of the core fixed income portfolio to green, social and sustainability (GSS) bonds.

Further details of the Group's Sustainability initiatives and commitments can be found in the ESG Presentation available on our website: [sustainability at Fidelis](#).

Fidelis established its charitable body, The Fidelis Foundation, in December 2020. Further details regarding The Fidelis Foundation's commitments, including a list of charities supported can be found here: <https://www.fidelismgu.com/sustainability/the-fidelis-foundation>

Governance

The Group has established a governance framework in respect of managing the risks related to climate change. This governance framework includes:

- A summary of the work undertaken in respect of climate change is included in the CRO report to the RCC which is a management committee.
- The legal and compliance department monitor for emerging regulatory requirements related to climate change and communicate these to the relevant areas of the function as appropriate.

Underwriting

Fidelis takes a 4-pronged approach to pricing and managing climate change risk:

- Risk selection - Fidelis limits exposure to writing high frequency perils through a preference to write high layers on programs, along with well-priced lower layers and reducing exposure in middle layers which are more exposed to increased frequency and severity of losses as a result of climate change and secondary perils associated with floods and wildfires without the commensurate increase in rates
- Vendor models - Fidelis uses the most up to date catastrophe models
- Prudent model adjustments - Fidelis loads modelling data prudently to reflect exposure at risk for its view of climate change
- Reality check - Fidelis does not blindly rely on model pricing, weighting to experience when most appropriate

As a result of this approach additional climate change loadings have been added to business plan loss ratios and also to pricing loss ratios for elemental exposed risks.

Investments

The Fidelis Group has established a set of ESG guidelines and restrictions for its investment portfolio.

In respect of the investment portfolio, the Group applies restrictions in investments to align to our views. In this regard we have limitations on investments related to coal, oil and gas, weapons, for-profit prisons and animal welfare, while also holding an allocation to green, social and sustainable bonds.

Operations

The Group does not have any physical assets that may be directly exposed to climate-related events or changes.

Stress and Scenario Testing

Climate change related scenario testing is run over short, medium and long-term horizons on both the underwriting and investment portfolios as a part of the GSSA and CISSA processes.

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 AND SENIOR EXECUTIVE

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 Group Board of Directors.

The Group 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.

As at 31 December 2022, the Group Board comprised eleven directors, of which there are three executive directors and eight 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 six directors, of which three are executive directors and three 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

Board changes that occurred after the reporting period are listed in subsequent events.

FIHL

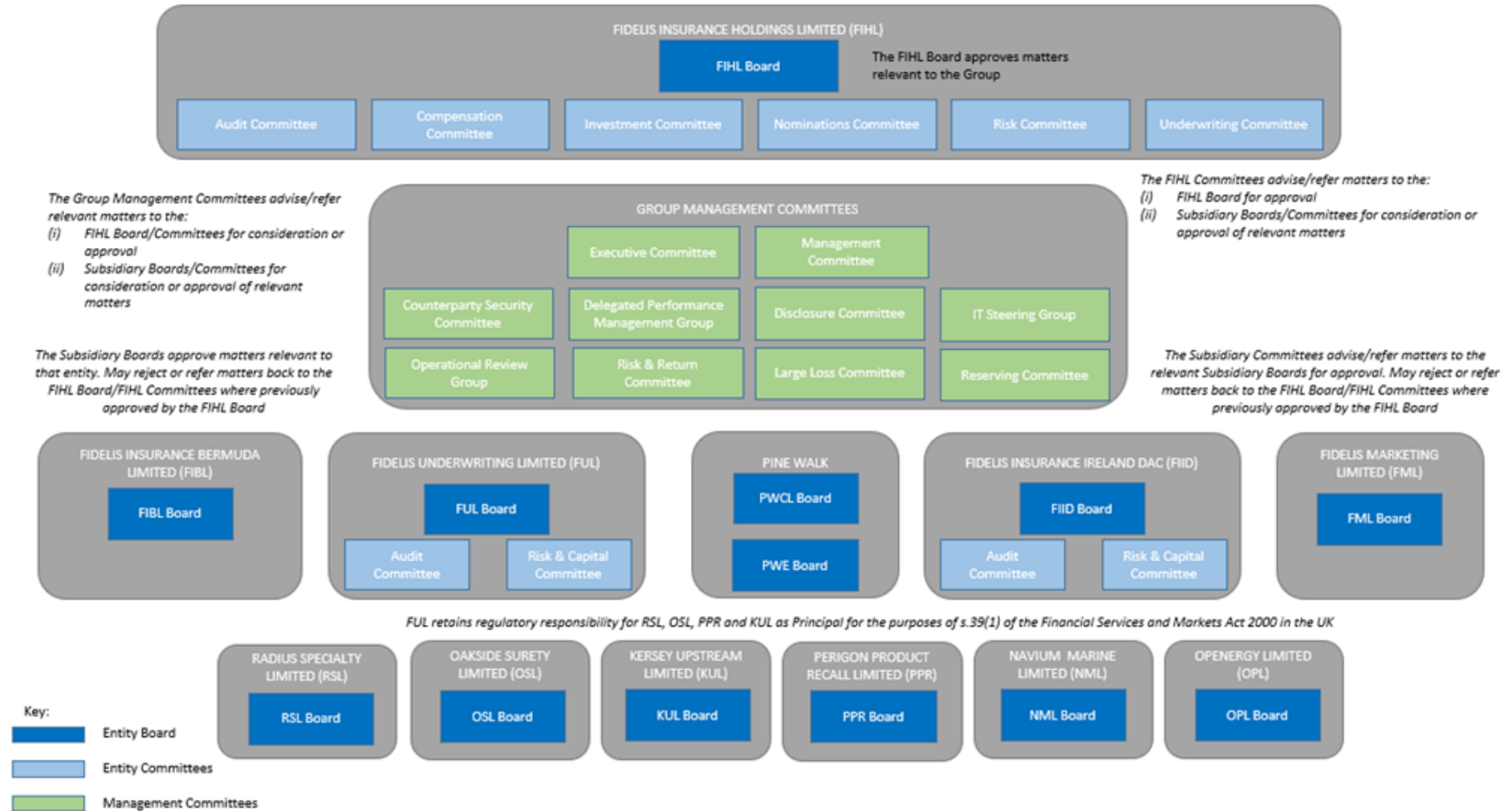
During the period Daniel Burrows was appointed as executive director and Charles Collis, Daniel Kilpatrick and Michael Pearson as non-executive directors of the FIHL Board. Richard DeMartini ceased to be a non-executive director.

FIBL

During the period Bennet Gibson was appointed as an executive director and Richard Holden ceased to be an executive director of the FIBL Board.

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

The diagram and table below give an overview of the Group's governance structures and summarises the role of Group management committees as at 31 December 2022:



Entity	Board/Committee	INEDS	Exec	Role	Links into Boards
FIHL	Board	8	3	Considering, deciding on and oversight of Group strategy, business plans, Group risk, solvency and capital management framework, risk appetites, operational objectives and other matters affecting the Group, including matters referred for approval by FIHL committees and/or Group management committees.	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	6	-	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 provides report into FIHL Board and Group General Counsel provides referral/update on any matters of relevance to the subsidiary Boards.
	Compensation Committee	6	-	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 provides report into FIHL Board and Group General Counsel provides referral/update on any matters of relevance to the subsidiary Boards.
	Investment Committee	6	2	To advise the FIHL Board on Investment Strategy and monitor investment performance.	Committee Chair provides report into FIHL Board and Group Chief Investment Officer or other designee provides referral/update on any matters of relevance to the subsidiary Boards.
	Nominations Committee	6	2	To advise the FIHL Board regarding nomination of Board candidates and succession planning for Directors and Senior Management.	Committee Chair provides report into FIHL Board and Group General Counsel provides referral/update on any matters of relevance to the subsidiary Boards.
	Risk Committee	6	2	To advise the FIHL Board in respect of risk and capital management and oversight of risk management and tolerances.	Committee Chair provides report into FIHL Board and Group CRO provides referral/update on any matters of relevance to the subsidiary Boards.
	Underwriting Committee	6	2	To advise the FIHL Board on the Group's underwriting activities and to monitor exposure accumulations and aggregations.	Committee Chair provides report into FIHL Board and Subsidiary CEO provides referral/update on any matters of relevance to the subsidiary Boards.
FIBL	Board	3 (Inc. Chair)	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. Monitoring Group governance structures to ensure they enable FIBL to perform its role as Designated Insurer effectively.	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 to the FIHL Board.

Entity	Board/Committee	INEDS	Exec	Role	Links into Boards
FUL	Board	3 (Inc. Chair)	2	Considering and deciding on FUL's Strategy and matters affecting FUL, including matters referred for approval by FIHL Committees, FUL Committees or Group Management Committees.	Considers, challenges and is the sole point of FUL approval. Matters cascaded from the FIHL Board may be approved, approved with subjectivities, amended or rejected by the FUL Board or referred to the FIHL Board.
	Audit Committee	3	-	Independent review and challenge of financial and regulatory reporting and the internal control environment, oversight of the Internal Audit function and external auditors.	The Committee Chair reports into FUL Board on the outcome of the audit committee. The Group General Counsel ensures any matters referred to the FIHL Board are also reported to the FUL Board
	Risk & Capital Committee	3	3	To advise the FUL Board in respect of risk and capital management and oversight of risk management and tolerances.	The Committee Chair report into FUL Board. The Group CRO ensures any matters referred by the FIHL Board are also reported to the FUL Board.
FIID	Board	4	2	Considering and deciding on FIID's Strategy and matters affecting FIID, including matters referred for approval by FIHL Committees, FIID Committees or Group Management Committees.	Considers, challenges and is the sole point of FIID approval. Matters cascaded from the FIHL Board may be approved, approved with subjectivities, amended or rejected by the FIID Board or referred to the FIHL Board.
	Audit Committee	3	2	Independent review and challenge of financial and regulatory reporting and the internal control environment, oversight of the Internal Audit function and external auditors.	The Committee Chair reports into FIID Board on the outcome of the audit committee. The European General Counsel ensures any matters referred by the FIHL Board are so referred.
	Risk & Capital Committee	3	2	To advise the FIID Board in respect of risk and capital management and oversight of risk management and tolerances.	The Committee Chair reports into FIID Board. The Group Director of Underwriting ensures any matters referred by the FIHL Board are also referred to the FIID Board.
FML	Board	-	2	Considering and deciding on FML Strategy and matters affecting FML.	Considers, challenges and is the sole point of FML approval. Matters cascaded from the FIHL Board may be approved, approved with subjectivities, amended or rejected by the FML Board or referred 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, the FIBL Board. The FIBL Board does not deem it necessary to establish a separate FIBL Compensation committee and believes it appropriate that such matters, on the basis of the proportionate size and risk profile of the Company, be addressed by the Group 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 to drive 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 level compensation for superior performance. Variable compensation programs are provided to all employees and include a Group-wide bonus plan and a RSU plan.

Independent non-executive directors ("INEDs") receive a quarterly directors' fee. They are not eligible for additional non-cash benefits or variable compensation.

In addition to the above, certain senior staff are required to commit, by way of an annual declaration, that they have not and will not enter into any personal hedging strategies in relation to their variable remuneration or to otherwise undermine their risk alignment with the Fidelis Group in their variable remuneration.

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 the bonus 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. For the majority of employees, two-thirds of the RSU grants vest based on service after a three-year period and one-third 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 and underwriting profit relative to an agreed peer group. For the Executive Committee and for the Group CEO the RSUs are more heavily weighted towards performance conditions to increase alignment with shareholder interests.

In addition to the RSUs the Group operates certain management warrants 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 other key function holders. The Group offers all staff the choice of making contributions into a defined contribution pension scheme, subject to applicable pension rules.

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 paid quarterly preferred dividends for a total of \$5.3 million (2021: \$5.3 million) to holders of the Group's preferred shares.

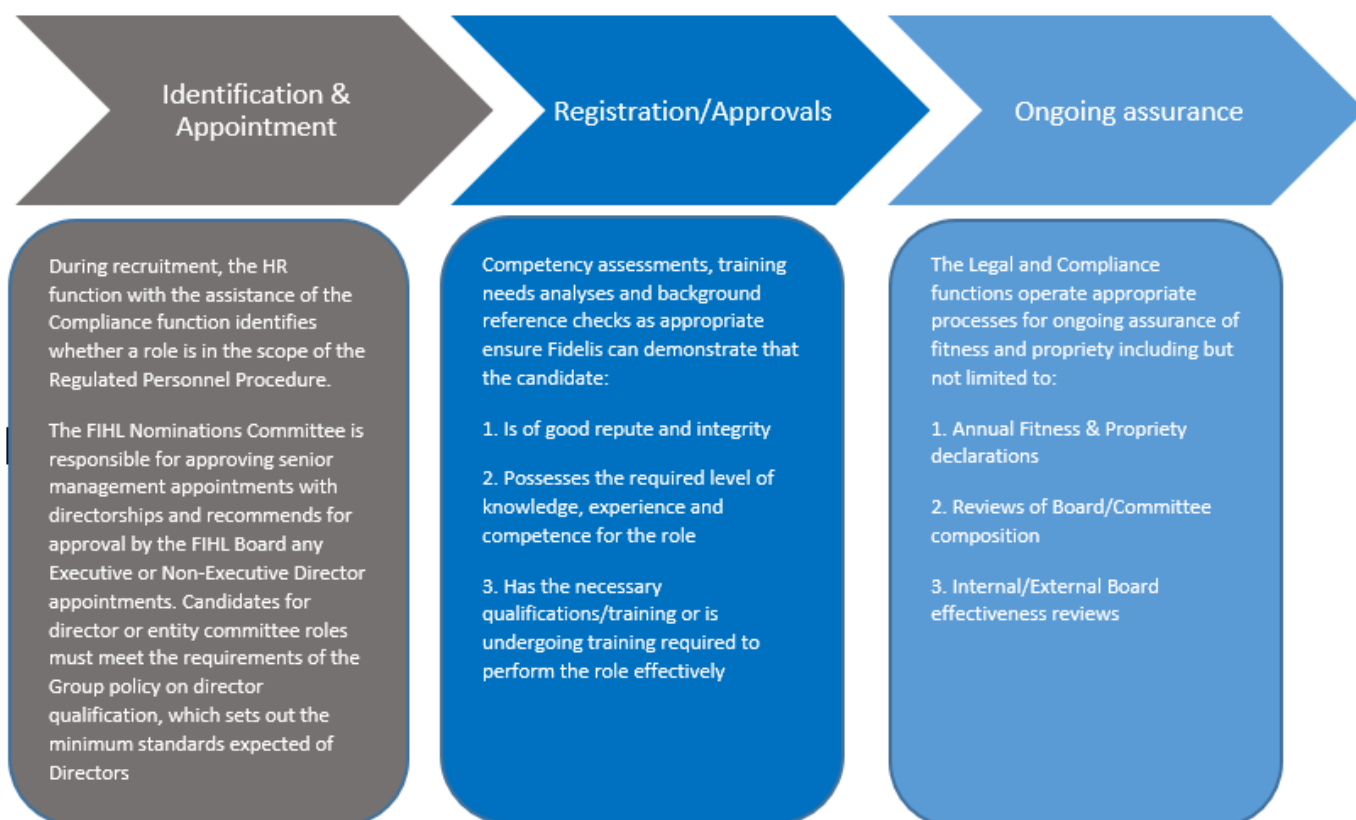
During 2022 FIHL received a distribution from FIBL of \$215.0 million (2021: \$75.0 million). During 2021, FIHL received a distribution from another group company of \$6.3 million.

No capital contributions were received during 2022 or 2021 for FIBL Group.

B2. FIT AND PROPER REQUIREMENTS

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

Fidelis 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.



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

Below are details of the FIHL and FIBL Board members and senior executive's (as at 31 December 2022) qualifications, skills and expertise:

FIHL: Executive directors

Richard Brindle: Chairman, Group Chief Executive Officer and Group Chief Underwriting Officer

Before helping to establish Fidelis, Richard was the driving force behind Lancashire Holdings Limited ("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.

Charles Mathias: Group Director of Underwriting

Charles has over three decades of broking and underwriting experience. He joined Fidelis in 2015, from Lancashire where he was Chief Risk Officer with responsibility for the Group's Enterprise Risk Management. He started at Lancashire at its launch in 2005, and his roles for the Group also included Chief Underwriting Officer of the Bermuda entity and Group Underwriting Operations Director. Prior to 2005 he held a number of roles with brokers and MGAs in London, the USA and Mexico. Charles is also a member of the Executive Committee.

Daniel Burrows: FIBL Executive Chairman and Group Managing Director (Group CEO effective January 2023)

Mr. Burrows joined Fidelis in 2015. Prior to this he was co-CEO of Aon Benfield's Global Re Specialty (GRS) division from 2013 to 2015. Specializing in non-marine retrocession and the aviation, marine and energy sectors, among others, Mr. Burrows supported Aon Benfield's business hubs across North America, Europe, the Middle East, Africa and Asia Pacific. Prior to this, he was Deputy CEO of the GRS division from 2008 until 2013. Mr. Burrows began his career as a non-marine property broker at Greig Fester in the 1980s, later joining the retrocession team and then leading that team following a merger with Benfield in 1997.

FIHL Board: Non-executive directors

Daniel Brand

Mr. Brand joined CVC in 2009 and is a partner leading CVC's U.S. private equity activities in financial services and co-leading CVC's U.S. private equity activities in business services. Mr. Brand also represents CVC on the boards of directors of CFGI, Medrisk, Republic, Teneo and Worldwide Express. Prior to joining CVC, Mr. Brand worked at DLJ Merchant Banking Partners and Credit Suisse in the investment banking division covering financial institutions. Mr. Brand holds a B.A. in Economics with a Certificate in Finance from Princeton University, and an M.B.A. from Harvard Business School.

Faris Cassim

Mr. Faris is a Portfolio Manager in the Private Equities Department at ADIA. Since joining in January 2014, Faris has been involved in a number of ADIA investments in the financial and business services sectors. Prior to joining ADIA, Faris worked in the corporate development and investment banking groups at UBS from January 2010 to December 2013. Faris holds a Master in Finance from ETH Zurich and a Bachelor of Science in Mathematics from Ecole Polytechnique Federale de Lausanne.

Charles Collis

Mr. Collis joined Conyers Law Firm in 1990 and is a Director in the Corporate Department and Head of the Bermuda Insurance and Reinsurance Practise.

Dana LaForge

Mr. LaForge joined Pine Brook in June 2020 and is a partner on the financial services investment team and a member of Pine Brook's Investment Committee. Mr. LaForge also represents Pine Brook on the boards of directors of Amedeo Capital Limited, Belmont Green Limited, and Clear Blue Financial Holdings. He also serves as a chairman of the board of a venture philanthropy fund, the Myeloma Investment Fund. Prior to joining Pine Brook, he was the founder and managing director of Colonnade Financial Group from 2002-2020, a spin out from Deutsche Bank created to manage a private equity portfolio. Prior to Colonnade, from 1985-2002 Mr. LaForge served in numerous senior executive roles at Deutsche Bank, Alex Brown and its predecessor companies, Bankers Trust and BT Alex. Brown, also serving as the head of the North American financial institutions group in investment. Mr. LaForge holds a Bachelor of Science in Commerce and Accounting from Washington & Lee University and a Master of Business Administration from Harvard Business School.

Cathy Iberg

Ms. Iberg 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. Ms. Iberg joined the St David's Foundation in December 2015. Prior to her role at the Foundation, Ms. Iberg was UTIMCO's (University of Texas Investment Management Company) President and Deputy CIO and retired in August 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 organization 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, Ms. Iberg practiced in the area of public accounting for 15 years. She has a B.Sc. degree in accounting from the Southern Illinois University and is a Certified Public Accountant.

Daniel Kilpatrick

Mr. Kilpatrick joined Crestview in August 2009 and is a partner and member of the Crestview Investment Committee. He is also the head of the financial services strategy. Mr. Kilpatrick also is on the boards of directors of AutoLenders, Congruex, DARAG Group, Protect My Car, WildOpenWest, LLC and Venerable Holdings. He was previously on the boards of Accuride Corporation, Camping World Holdings, ICM Partners, Industrial Media, NYDJ Apparel and Symbion. Prior to joining Crestview, Mr. Kilpatrick worked at the Yale Investments Office. Mr. Kilpatrick received an M.B.A. from Stanford Graduate School of Business and a B.A. from Yale University.

Michael Pearson

Mr. Pearson has over 35 years of experience in the insurance industry and was the Chief Risk Officer at Lancashire from March 2010 until February 2013. Mr. Pearson has held roles as Head of Internal Audit in both the Lloyd's and company markets and Chief Risk Officer roles in the UK and Bermuda. He is a chartered accountant and a fellow of the Chartered Insurance Institute

William Spiegel

William is Executive Chairman of Randall & Quilter Investment Holdings. Prior to joining Randall & Quilter, he was a managing partner and co-founder of Pine Brook Partners from July 2006 to January 2020, responsible for managing Pine Brook's financial services investing activities. He was also a member of Pine Brook's Management and Investment Committees from July 2006 to January 2020. William has 30 years of private equity investment experience. Prior to joining Pine Brook, he was with the Cypress Group from its inception in April 1994 until July 2006, managing its financial services and healthcare investing activities. Before joining the Cypress Group, William worked in the Merchant Banking Group at Lehman Brothers from September 1990 until April 1994. He has served on the boards of directors of over 20 companies, including eight 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.

Senior Executives

James Brennan: Group Head of Compliance - Qualified Chartered Accountant with 15 years experience in the (re)Insurance industry, with a focus on risk, compliance and audit.

Michael Cottell: Group General Counsel and Group Company Secretary - Graduated from Oxford in 2001. He is a qualified solicitor having trained at Clifford Chance then moved to an Insurance firm (DAC Beachcroft). He has been at the Fidelis Group since 2017 and manages the legal team day to day.

Phillip Murfett: Chief Risk Officer - Over a decade of experience in (re)insurance exposure management across property, specialty and bespoke lines. Phillip has operated in the Lloyd's market through Hiscox and Brit and Bermuda market since joining Fidelis in 2015.

Hinal Patel: Group Chief Financial Officer - Mr. Patel joined Fidelis in 2015. Prior to that he was the Bermuda Chief Actuary at Catlin. After graduating from the London School of Economics, Hinal began his career at actuarial consultancy Bacon & Woodrow. He went on to work for Mercer, before joining Catlin in the London office in October 2003, with responsibility for providing actuarial support to the reinsurance business group. His role expanded in 2009 to oversee the actuarial support for the short tail classes of business in the UK. He was appointed Chief Actuary for Catlin Bermuda in 2011. Within that role, Hinal oversaw the actuarial, catastrophe modelling and capital functions for the Bermuda entity. Hinal is a member of the Executive Committee.

David Smith: Group Chief Investment Officer - Mr. Smith joined Fidelis in 2019 as Group Chief Investment Officer. Previously, he served as Head of Investments and Treasury at Chaucer Syndicates Limited from June 2013, before being promoted to the position of Head of Risk and Investments in January 2017. Between January 2007 and May 2010, Mr. Smith worked for Harbor Point Re Limited in Bermuda, where he was Vice President of Investments and Treasury. When Harbor Point Re Limited merged with Max Capital in May 2010, Mr. Smith moved to the UK to work as Assistant Director of Investments for Alterra at Lloyd's. Between June 2005 and June 2006, Mr. Smith was an International Financial Reporting Standards Project Accountant at the Bank of Ireland. Mr. Smith started his career in June 2001 at KPMG, where he worked as an accountant in both Bermuda and Ireland. Mr. Smith is a member of The Chartered Professional Accountants of Bermuda and is a Chartered Financial Analyst charter holder. He holds a Bachelor of Arts degree from the University of Reading in Accounting and Economics.

Jonny Strickle: Group Chief Actuarial Officer - Mr. Strickle joined Fidelis after having spent 3 years as Head of Reserving for China Re's Lloyd's syndicate, from January 2017. Between September 2009 and January 2017, Mr. Strickle worked as a consultant at EY on a number of actuarial projects. Mr. Strickle is a Fellow of the Institute and Faculty of Actuaries, and holds both a Bachelor's and a Master's degree from the University of Warwick.

FIBL Board: Executive directors

Daniel Burrows: FIBL Executive Chairman and Group Managing Director (Group CEO effective January 2023)

Dan was appointed Executive chairman on 13 May 2021. Dan joined Fidelis in 2015. Prior to this he was co-CEO of AonBenfield's Global ReSpeciality (GRS) division from 2013 until 2015. Specialising in non-marine retrocession and the aviation, marine and energy sectors, among others, he supported all of AonBenfield's business hubs across North America, Europe, the Middle East, Africa and Asia Pacific. Prior to this, he was Deputy CEO of the GRS division from 2008 until 2013. He began his career as a non-marine property broker at Greig Fester in the 1980s, later joining the retrocession team and then leading that team following a merger with Benfield in 1997. Dan is a member of the Executive Committee.

Philip Vandoninck: Chief Executive Officer of Socium and FIBL

Philip joined Fidelis in 2015 after a highly successful decade with Hiscox. Joining Hiscox's Belgian office in 2004, he moved to the non-marine treaty reinsurance team at Hiscox's Lloyd's syndicate before helping to set up the company's Bermuda office in 2005. In Bermuda, he underwrote within an extensive global property reinsurance and retrocession portfolio, becoming Head of International Property Reinsurance

Business in 2013. With the creation of Hiscox Re, Philip became Chairman of International Reinsurance, responsible for underwriting in Bermuda, London and Paris. Philip is a member of the Executive Committee.

Bennet Gibson: FIBL Chief Financial Officer

Bennet is a Qualified Chartered Accountant and joined Fidelis in 2019. Before joining Fidelis Bennet spent 7 years at Tokio Millennium Re Ltd where he acted as the Financial Controller of the Bermuda branch. Prior to that Bennet spent 5 years with KPMG.

FIBL Board: Non-executive directors

Nigel Clark: Non-Executive Director

With over 41 years of experience in the Property & Casualty Treaty reinsurance business, Nigel worked in the London reinsurance market for the first 12 years before moving to Bermuda in 1989 where he continued until taking voluntary retirement at the end of 2018.

For the first 15 years of his career, Nigel was involved in the underwriting side of the business both in London and in Bermuda. During this time Nigel developed experience in a broad range of classes of business, predominantly in the Non-Marine area, writing a profitable book of business in both property & casualty related classes. Clients ranged across all aspects of the industry, from direct insurers to retrocessional buyers. Nigel had responsibility for both the inwards business as well as the ceded reinsurance buying strategy and execution, including traditional, parametric and other non-traditional products.

Transferring to the reinsurance broking side of the business in 1993, Nigel has had senior roles with four different broking companies, including the establishment of two brand new offices in Bermuda for London based broking companies. Nigel's experience has included the development and handling of both property & casualty placements for a myriad of (re)insurance clients, largely emanating from London, USA & Bermuda, but also at various times from Europe and Australia. Clients have ranged from large global multi-line entities to small industry specific mutual or captive companies to ILS funds.

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 (BII) and 5 years later was presented with the BII's 'Lifetime Achievement Award'.

Daniel Soares: Non-Executive Director and Chair

Daniel is a Certified Management Accountant with over 25 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.

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 Risk, Capital and Solvency Management Framework ("the framework") leveraging Group capabilities and governance structures whilst maintaining full accountability with each of the FIHL, FIBL, FUL and FIID Boards.

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

- Identification – the risk exposures that could materially impact the Group and FIBL Group in achieving their objectives are identified through the quarterly risk review process with each of the risk owners and the emerging risk process.
- Measurement – these risks are quantified and ranked in the Group's operational risk register in terms of the impact that they would have on the Group and FIBL Group 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.
- Management - where a risk exposure has exceeded the FIHL or FIBL Board's risk appetite or the risk levels are more generally considered to be higher than desirable, management identifies suitable actions to either transfer, avoid or mitigate the risk level.
- 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.

The framework is founded upon a clear understanding and articulation of the risk universe to which the Group and FIBL Group are, or could be, exposed. This universe encompasses those intrinsic risks that are fundamental to the Group's and FIBL Group's business (such as underwriting and market risk), operational risks (that may crystallise 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 subcategories of risk into those "core" risks that are actively pursued to optimise the Group and FIBL Group'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 appetite 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 the 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, and reported quarterly as part of the CRO report.

The Group and FIBL Group 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 strategic decision making and continuous monitoring processes.

The significant quantifiable risks that the Group faces in the current business plan are set out below:

Risk Category	Risk Description
Non-life underwriting risk	This risk arises from three sources – adverse claims development (reserve risk), underwriting (premium risk) and catastrophe exposures (catastrophe risk).
Market risk	The risk that the value of the Group’s or FIBL Group’s assets falls or that there are adverse currency movements.
Credit risk	The risk of default of one of the Group’s or FIBL Group’s reinsurers or a premium receivables counterparty.
Operational Risk	The risk of losses resulting from inadequate or failed people, processes, systems or from external events.

Each of these risks has been captured in the overall solvency needs of the Group and FIBL Group 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.

Other than liquidity risk, which is not explicitly captured by the BSCR, there are no identified quantifiable material risks faced by the Group or FIBL Group that are not currently considered to be included in the BSCR. The details as to how the Company monitors and mitigates against liquidity risk are detailed in section C1.4.

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, FIID 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 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 as required due to an actual or projected change in the Company’s 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 FIHL 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 and recommendations for the respective FIHL and FIBL Boards’ attention are reported through the CRO report to the FIHL Risk Committee and FIBL Board. The Board and committees are supported by the risk management and solvency self-assessment core processes, actuarial, compliance, legal and audit functions.

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

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

The core elements of the process include:

Strategic Planning

The annual strategic planning process provides projections based on a range of potential economic and market scenarios.

The review revisits and restates the Company's strategic risk and return aims to evaluate the prospective performance of the business model.

The strategy is reviewed annually by the FIHL and FIBL Board.

Business Planning

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

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

The proposed 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 risk management, the actuarial function, and the RRC, with a key output being the CRO's review of the business plan 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 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 outwards reinsurance placement 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 the risk, capital and solvency profile 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 as well as considering a forward-looking view of the risks that it faces. There is also qualitative analysis of the operational and emerging risk environments. It therefore addresses the core elements of the GSSA and CISSA on a quarterly basis.

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 to inform their 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 and FIBL have both maintained and developed their solvency assessment processes on an ongoing basis throughout 2022. 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 as well as the AM Best and S&P rating agency capital requirements.

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 Boards respectively which also provides them with confirmation of the Group's and FIBL's headroom over that level required to maintain its AM Best and S&P ratings 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.

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.

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 and Controls Register.

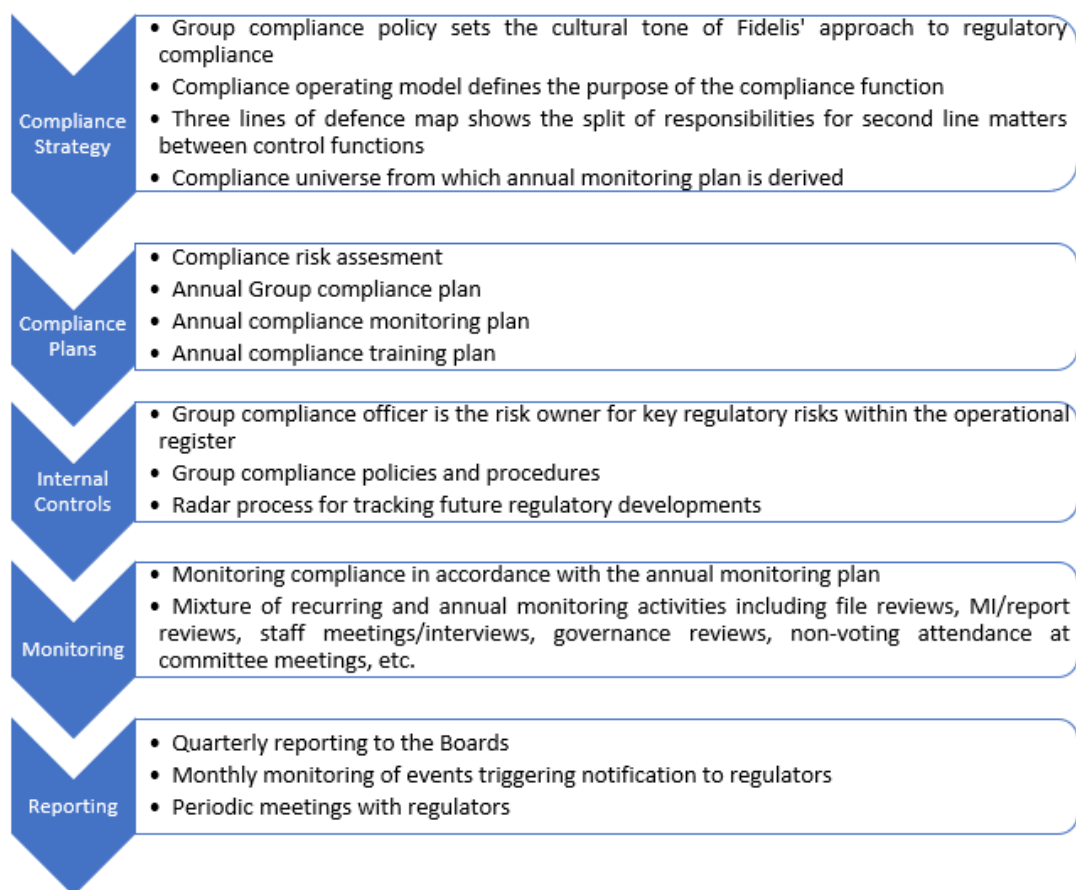
Internal controls have been adopted in such a way as to ensure that they are aligned with each other and to the business strategy and are subject to a risk-based periodic review cycle. All key internal controls are recorded in the risks and controls register so as to be capable of second line monitoring 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 Execution of the compliance function

The Group compliance function is led by the Group Head of Compliance who reports into the Group General Counsel. The Group Head of Compliance 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 a number of internal audit staff across the three offices, and through a panel of co-source service providers. The Group HIA has drafted and the FIHL Audit Committee and FIBL Board have approved:

- An audit charter;
- An audit universe;
- A budget for co-source resource;
- A rolling plan for testing of financial reporting controls; and
- An annual audit plan.

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

The Group HIA drafted and maintains the audit universe which is presented to the FIHL Audit Committee and FIBL Board annually as part of the audit plan approval process. The audit plan is risk-based and

constructed using several inputs including the risk and controls register, discussion with management, discussion with the external auditor, KPMG, and input from the co-source providers. The overriding factor in deciding what is on the audit plan is the Group HIA's experience and opinion to ensure the audit plan 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 Audit Committee and FIBL Board. The Group HIA, using in-house or co-source resource, as agreed by the FIHL Audit Committee and FIBL Board, 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 2017 the IIA issued guidance for Effective Internal Audit in the financial services sector. A gap analysis is maintained to identify any areas of non-compliance.

There is a quarterly report issued to the FIHL Audit Committee and FIBL Board reporting on the activities of Internal Audit over the prior quarter, 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;
- Overdue 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 each year, presents an annual audit plan, typically in the fourth quarter, for approval by the FIHL Audit Committee and FIBL Board.

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 has a direct reporting line 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 CFO.
- Group HIA compensation – All compensation arrangements for the Group HIA are subject to Group Compensation Committee review and approval, removing any management influence over the Group HIA compensation.
- HIA Appraisal – this will be performed in the first instance by the Group CFO and is then reviewed and approved by the Chair of the Group Audit Committee.
- FIHL Audit Committee and FIBL Board 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 can relay any serious concerns without management present. As per the FIHL Audit Committee agenda there is a standing agenda item for the Group HIA to have a closed session with the Committee members.
- Agreement of audit reports – the Group HIA is responsible for agreeing and issuing all internal 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 see fit while conducting audits.

B6. ACTUARIAL FUNCTION

The actuarial function, led by the Group Actuary, consists of a number of actuaries across pricing, reserving and capital. The function is also supported by an external consultancy, Dynamo Analytics, who provide actuarial support and peer review. The actuarial team has industry experience across all key functional areas.

Key responsibilities include the valuation of the TPs and EBS, 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 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.

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 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 independent 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. These committees include 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; and
- The Group 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 where the latter performs an insurance or reinsurance activity or undertakes a key function on behalf of the Group which the Group would otherwise perform itself. An outsourced service is regarded as critical or important if a defect or failure in its performance would have a material, negative impact on:

- The quality and continuity of providing core services to the policyholders;
- The Group's continuing compliance with the conditions and obligations of its authorisation;
- The Group's ability to comply with other regulatory obligations.

The outsourcing controls require appropriate consideration of the operational, regulatory and other risks associated with the activities to be outsourced, both prior to signing the agreement and in monitoring after the agreement is signed.

Where there is critical or important outsourcing arrangement, the outsourcing controls require the following levels of additional scrutiny:

Prior to executing the arrangement

- Enhanced due diligence
- Minimum contractual requirements
- Board approval of the outsourcing arrangement
- Parent Board approval if executed by FIBL and critical for the Group as a whole
- Notification to relevant regulators, as required

After executing the agreement

- Frequent monitoring by the function owner of the outsourcing relationship
- Quarterly Board reporting by the compliance function
- More stringent renewal requirements

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

Function	Location of outsourced service provider	Rationale for outsourcing	Function responsible for oversight
Investment custodian / administrator and investment accounting services	United States of America	Administration of, and accounting for a portfolio of fixed-income securities is a technical job that requires significant investment in people and technology. At current size of assets, it would be not economical to do this in-house. Outsourcing enables the Group to have its portfolio independently priced and appropriately reported.	Finance
Data storage	United Kingdom	The Fidelis IT strategy is to seek best available capability providers across as few external providers as possible. Outsourcing allows scalable data storage capabilities.	IT
TPs and other Actuarial Support	United Kingdom	The Group would not currently be able to economically perform the level of actuarial and technical work required for calculating, evaluating and monitoring TPs.	Actuarial

Function	Location of outsourced service provider	Rationale for outsourcing	Function responsible for oversight
Underwriting systems support	United Kingdom	The Fidelis IT strategy is to seek best available capability providers across as few external providers as possible. The outsourcer's expertise is utilised for design and maintenance of underwriting system and a new claims and policy administration system.	IT
Claims management support	United Kingdom	The outsourcer provides key support for the Group's growth by supplying claims related service which would be beyond its internal capacity. These include monitoring claim alerts, assessing and actioning claim files.	Claims

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. OTHER INFORMATION

The Group Head of Compliance 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 “intrinsic” underwriting and investment risks that are taken in order to generate a risk adjusted return.

C1.1 Overview of assessment of non-life 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 claims volatility from prospective earned exposure (premium risk), and reserving assumptions quantifying the loss reserves for historical earned exposure (reserve risk). 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 Group strategy, 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.

Risk mitigation techniques for non-life underwriting risk

Premium risk

Building on the foundation of strict underwriting and individual underwriter authorities, the Group operates a system of 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 (or “the call(s)”), normally prior to terms being offered and in the event of a material change in terms, exposure or pricing from that agreed previously. The call 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 as well as by the Operational Review Group although declarations or risks attaching to such covers may not be.

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

The FIHL and FIBL Board-approved risk appetites detail the maximum concentrations that the respective Boards are prepared to accept in relation to premium risk in respect of the aggregate impact of PML 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.

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

For elemental exposures, modelling leverages the use of external stochastic catastrophe modelling tools operated in-house by the dedicated Fidelis modelling team. The results of the modelling are reviewed by the RRC and reported to senior management and FIHL and FIBL Boards at least quarterly providing

modelled OEP curves estimating the PML both gross and net of reinsurance for each significant 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 extreme 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.

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

A key aspect of the Group's strategy for risk mitigation centres on the use of outwards reinsurance for the inwards portfolio. Outwards reinsurance allows the Group and FIBL Group to more effectively manage capital, to reduce and spread the risk of loss on insurance and reinsurance business and to limit the Group's exposure to multiple claims arising from a single occurrence.

There are four elements of the Group's core reinsurance programme – quota share, occurrence excess of loss, catastrophe bonds and ILW. The Group also purchases further proportional and non-proportional treaty placements as deemed necessary by the relevant entity CUO on behalf of the relevant Board. A key reinsurance treaty for FUL and separately for FIID are intra-group quota share reinsurance treaties that both cede business to FIBL.

The Group plans to continue to use outwards reinsurance as one of its main risk mitigation techniques over the business planning time horizon.

Reserving risk

As the majority of the Group's and FIBL Group's portfolio is expected to benefit from a short period of discovery of loss, the reserves will relate to claims notified against which they hold individually evaluated case reserves and IBNR. These reserves are therefore less material from a risk perspective than peers, with longer tail business.

The Group and FIBL Group aim to set reserves at a level that limits the potential impact of reserve deterioration on overall return on equity whilst avoiding the taxation, reputational and regulatory risks that could result from systematic or excessive over-reserving.

The Group's and FIBL Group's stated risk tolerance level is that it 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 between our internal and external actuaries.

In addition to the quarterly review cycle operated by the Fidelis actuarial function, the level of reserves across all classes are subject to a full external actuarial review annually.

The Company began making payments from 2021 to settle obligations with lending banks relating to the termination of lease arrangements, following missed financing payments by an insured. The company has been recovering amounts via the sale and lease of repossessed property.

C1.2 Overview of assessment of market risk

The Group and FIBL Group seek to optimise investment return whilst focusing on ensuring they maintain sufficient capital to meet solvency requirements and maintain sufficient liquid funds to meet liabilities when they fall due. Exposure to market risk is therefore limited to the extent that investment strategies are balanced by these primary objectives.

Market risk is divided into three subcategories: investment risk, currency risk, and asset and liability matching risk.

Investment Risk

The key drivers of investment risk are a function of the type of strategies in which the Group chooses to implement which can be grouped broadly into the following:

Fixed income

The primary drivers of risk in the fixed income portfolio are shifts in the yield curve (interest rate risk) and the credit quality of the investment (spread risk).

The investment portfolio performance and risk are managed at an aggregate portfolio level. The investment strategy and investment types have been chosen specifically to construct an investment portfolio that ensures the credit quality, duration, and value at risk remain within the risk tolerances set out in the risk appetite. The investment portfolio's key metrics are included in the quarterly CRO Report to the FIHL and FIBL Boards.

Risk assets: Opportunistic fixed income UCITS fund, equity and commodity linked structured notes and a small legacy investment in a credit opportunities hedge fund.

Risk drivers for the opportunistic fixed income UCITS fund include interest rate risk, spread risk, default risk (of lower quality bonds) and currency risk (changes in exchange rates impacting debt securities denominated in currencies other than USD).

Risk drivers for the indexed-linked structured note include geopolitical tension, a decline in the macroeconomic environment, uncontrolled inflation, supply chain disruption, higher interest rates (impact on the present value of future cash flows), central bank policy (monetary tightening), recessionary pressures and uncertainty over the lasting damage to the economy from coronavirus.

Risk drivers for the credit opportunities hedge fund 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.

Risk mitigation techniques used for investment risk

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

Extensive due diligence of investments is undertaken prior to finalising these investment guidelines. 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.

A strategic asset allocation exercise is undertaken regularly in conjunction with the investment managers which takes into account the Group and FIBL Group's risk tolerance levels and investment objectives. The Investment Committee is responsible for all strategic investment decisions. The Investment Committee has delegated certain strategic investment decisions to management providing the investment has approval of the Group CEO, Group CFO, Group CRO, Group CIO, Group CUO and the Group Chief Actuary, and the Group remains in compliance with its overall investment risk appetite. Investment decisions are made in line with the respective company's investment guidelines and the prudent person principle.

The aggregate risk level is managed through the adherence to the Investment Policy and the investment guidelines in place with the external investment managers. The investment portfolio is monitored and reviewed on an ongoing basis to ensure adherence to these guidelines. In addition, there are limits on the amount of credit exposure to any one issuer, except for US government securities.

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

- The average portfolio duration;
- The average credit rating;
- The minimum credit quality at the time of purchase; and
- Value-at-Risk

The Group monitors interest rate risk on a quarterly basis by calculating the duration of the core fixed income investment portfolio. Duration is an indicator of the sensitivity of the assets to changes in current interest rates.

The high credit quality nature of the core fixed income portfolio provides a level of mitigation against spread risk.

The risk of the Group experiencing a loss of principal on the equity indexed-linked structured notes is reduced through the inclusion of 'buffers'. The buffers provide varying levels of protection against the structured notes from experiencing a principal loss. At year-end the equity index linked structured note included a 10% 'hard' downside buffer (the Group will receive full return of principal providing the index is not below 90% of the initial starting point at maturity, if the index is below 90% of the initial starting point, the Group will receive a return of principal which is 10% higher than the return of the index).

Currency risk

Currency risk exposures arise due to assets and liabilities being held in differing currencies. Whilst the Group accepts a degree of currency risk as a natural consequence of operating across multiple currencies, it has no desire for speculative exposure as a means to value creation.

Risk mitigation techniques used for currency risk

The Group's risk appetite limits currency mismatches to \$5.0m equivalent per currency within 14 days of completion of management accounts, recognising that doing so at individual operating entity may be disproportionate and in theory potentially trigger inefficient risk management action.

Recognising that the variability in individual currencies is something over which the Group has no control, it therefore seeks to limit its actual exposure to currency risk through asset liability matching including, and where appropriate, currency hedging strategies that are undertaken at the Group level taking into account FIBL Group's own exposures.

The Group's and FIBL Group's actual net currency matching exposure is reported in the quarterly CRO report to the FIHL Board and the FIBL Board.

Asset and liability risk

Asset and liability risk is defined as the risk that the Group either does not have available sufficient financial resources to enable it to meet its medium to long term financial obligations due to, for example, a currency or duration mismatch in its assets and liabilities.

These risks arise from open market positions in interest rate and currency products, both of which are exposed to general and specific market movements.

Risk mitigation techniques used for asset and liability risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It manages these positions within a risk management framework that incorporates a Board-approved risk appetite limit that

defines the maximum currency and duration mismatches that are allowed, as well as the investment portfolio being developed to ensure that investment proceeds and returns and available cash are in excess of obligations under insurance contracts.

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 Group. Key areas where the Group and FIBL Group are exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Amounts due from insurance intermediaries.

Reinsurance is used to manage and mitigate underwriting risk; however, this does not discharge the primary insurer's liability.

If a reinsurer fails to pay a claim, the primary insurer 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 its reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. In certain circumstances, deposits from reinsurers are also held as collateral.

Risk mitigation techniques used for credit risk

Reinsurer counterparty risk

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

- Appropriate counterparty selection;
- Appropriate levels of diversification in the portfolio;
- Appropriate mitigation in respect of external counterparties with a lower security rating through the use of collateralisation and/or downgrade clauses as appropriate; and
- Monitoring changes in security and taking appropriate remedial action as required.

The Counterparty Security Committee meets at least half yearly, and ad hoc as new partners are proposed. The RRC 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 Group 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 the 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 Group are collected

and to ensure that cash received is allocated appropriately. Due to the significant growth in the company, unallocated cash and overdue balances have increased. Appropriate steps have been taken to reduce overdue amounts and the time taken to allocate cash.

Credit control meetings, where delinquent accounts are reviewed, are held weekly 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 may be issued.

Exposures to individual policyholders, groups of policyholders are also monitored on an ongoing basis through the company's credit control processes.

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 to a lack of available cash. FIHL has unconditionally guaranteed all FUL's and FIID's financial obligations.

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

Risk mitigation techniques used for liquidity risk

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. This obviates incurring costs that might result from raising entity-specific liquidity through external means. As such management do not believe it necessary to cascade formal risk tolerances and associated risk reporting requirements to entity level and instead report the overall Group position to all Boards.

The target minimum level of Group liquidity, as defined by the Group Board risk appetite, is designed to ensure that the Group 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 Group'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 liquidity levels being maintained 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 Group set high standards for its operations and maintain a simple operating structure designed to limit operational risk and ensure effective identification and appropriate action in the event of risks crystallising.

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 crystallise 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 or processing backlogs; and

- Failure of process, people or 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.

Risk mitigation techniques used for operational risk

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 a quarterly basis, the Group CRO and/or a member of the risk management function meets with individual risk owners to discuss and document 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 the risk owners.

On at least 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 reassess and reaffirm the full scope of risks, controls and related assessments for which they are responsible.

The resulting assessment is recorded and subject to review, challenge and approval by the risk management function.

A disaster recovery plan and a business continuity plan are both in place to mitigate the impact to the Company of a failure in the Group's IT systems or a loss of access to its premises.

In respect of key person risk, the Group has succession plans in place that are reviewed and updated on at least an annual basis to mitigate the impact of the departure of key individuals from the organisation.

An assessment of key risks and any material changes in the period is reported by the Group CRO to the RCC supported by a summary of key points from the risk owner discussions. 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 crystallising, 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

Emerging risks are defined as the risks that are either previously unknown, or which were to some extent known but that are evolving in unexpected ways, and that have the potential to develop in such a way as to impact the balance sheet.

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;
- The Group CRO's and other members of the risk management function's reviews with risk owners conducted via the operational risk management process;
- The Group CRO's attendance at underwriting and risk committees; and

- The Group CRO's and other members of the risk management function's review of relevant external inputs, publications and periodic surveys.

Risk mitigation techniques used for emerging risks

An emerging risk register is maintained by the risk management function and emerging or crystallising 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.

Reinsurance availability risk

Reinsurance availability risk refers to the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost. The inability may emanate from a variety of reasons such as unfavourable market conditions.

This risk does not include reinsurer default risk which is covered under C1.3.

Risk mitigation techniques used for reinsurance availability risk

All reinsurance purchases must be authorised appropriately to ensure alignment to strategy and risk appetite and in accordance with operating guidelines.

The majority of the Group's elemental reinsurance programs renew on January 1st, however exposures are not all written at 1st January, which can result in basis risk which is monitored continually throughout the year. The Group and FIBL Group also benefits from the catastrophe bonds purchased on a multi-year coverage basis and also enters into facultative reinsurance arrangements to manage their exposures in Bespoke and Specialty lines.

Group and strategic risk

Group and strategic risk are defined as the risk of impact on shareholder value, earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Within this definition the Group has identified four key sub-categories of risk:

- **Communication risk:** The risk that the Group fails to define, maintain or adequately communicate its strategy and, as a result, cannot take advantage of strategic opportunities;
- **Capital planning risk:** The risk that the Group has insufficient capital at the right time to take advantage of strategic opportunities;
- **Reputational and regulatory risk:** The risk that adverse events or circumstances negatively affect the reputation of the Group with its rating agencies, regulators, policyholders, intermediaries, existing or prospective investors; and
- **Group contagion risk:** The risk that adverse events or circumstances affecting one or more business units or entities damage the solvency, liquidity, results or reputation of other entities or the overall Group.

Risk mitigation techniques used for Group and strategic risk

Group risk is assessed, managed, monitored and reported as part of the Group's risk management processes. The Group seeks to manage strategic risks to the business by ensuring that the business strategies and resources are compatible with the strategic goals and the economic situation of the markets in which it operates.

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

The Group is required to invest the assets in line with the “prudent person principle”. The prudent person principle defines that the assets must be invested in a manner that a “prudent person” would – that is that the decisions are generally accepted as being sound for the average person. The Group fulfils its obligations by only investing in assets that have been approved by the Investment Committee through the Investment Managers that have also been approved by the Investment Committee and Board following the completion of a due diligence exercise. These assets are highly diversified across asset types, sectors, geographies and issuers, and in aggregate, considered to be consistent with the Group’s investment objectives and risk appetite constraints. 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 maintaining 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 asset-liability management conservatively, through liquidity budgeting where a 5-day, 30-day and 180-day period is considered the most relevant length of time when considering potential liquidity needs.

C3. RISK CONCENTRATION

The material risk concentrations that the Group and FIBL Group are exposed to relate to underwriting risk, market risk and credit risk.

Underwriting risk

The material underwriting related concentration risks that the Group and FIBL Group are exposed to are in respect of an aggregation of losses from an elemental catastrophe event; a single insured man-made event; or multiple related insured man-made events.

The risk is mitigated through underwriting a diverse portfolio of business in terms of the classes of business, geographic location and industry. The purchase of outwards quota share and excess of loss reinsurance is used to further mitigate concentration risk. The underwriting exposures are monitored on a quarterly basis to check that they remain within the respective Board’s risk appetite based on the PML at defined return periods or the impact of pre-defined RDS. As at the end of 2022 the largest of the Group’s and FIBL Group’s PML exposures, on a gross basis, were to South East US/Gulf/Caribbean clash windstorms.

Market risk

In respect of market risk, the material concentration risk that the Group and FIBL Group are exposed to relates to the counterparties of its investment portfolio. This exposure is monitored on a quarterly basis and reported to the Group and FIBL Boards. There are investment guidelines in place that state the maximum percentage of the portfolio that can be invested in an asset class and the minimum levels of credit quality required.

Credit risk

Through the purchase of outwards reinsurance, the Group and FIBL Group have counterparty exposures. These are mitigated through the Group and FIBL Board-approved risk appetite statements, which specify the maximum exposures to any unrelated single counterparty, or group of counterparties having a common ultimate parent entity (per the AM Best definition) and specifies these limits according to their AM Best rating or track record of operation in respect of collateralised counterparties. The reinsurance counterparty exposure to the Group and FIBL Group are monitored on a quarterly basis.

C4. STRESS TESTING AND SENSITIVITY ANALYSIS TO ASSESS MATERIAL RISKS

The Group 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 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, aviation, economic risk) loss events.

The liquidity test considers if sufficient cash liquidity can be obtained within 5, 30 and 180 business days to be sufficient to cover defined gross PML/RDS losses plus a 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.

C5. ANY OTHER INFORMATION

C5.1 Climate Change

Climate change represents one of the greatest long-term risks of change for the insurance industry. Fidelis keeps the principle of double materiality at the forefront of its approach to climate change. Therefore, Fidelis considers its impact on climate change – including through its underwriting – as well as the impact of climate change on Fidelis. Fidelis seeks to embed thinking about climate change into its risk management framework, both in terms of physical risk and transition risk. Physical risk (the impact of climate change on the frequency and severity of extreme weather events) is integrated into our risk models, while transition risk is addressed mainly by ensuring our underwriting portfolio is positioned for the shift towards a low-carbon economy.

C5.2 Ukraine / Russia

On 24 February 2022, the Russian Federation invaded Ukraine resulting in armed conflict in Ukraine and the Black Sea. Subsequently a number of countries, including the United States of America, the United Kingdom, and those in the European Union, placed significant sanctions on Russian institutions and persons which resulted in a devaluation of the Rouble and a fall in the value of Russian fixed income and equity assets, and the prompt withdrawal of companies from Russia without securing their assets. The Group has minimal direct exposure to Russian equities and minimal exposure to fixed income assets impacted by sanctions. The Group has potential exposure to losses associated with the conflict in Ukraine and the Black Sea through certain lines in the bespoke and specialty segments. In the light of the fluid nature of the Ukraine Conflict, detailed reserving models have been developed with input from pricing, legal, underwriting and claims and an independent view obtained from external actuaries, and the Groups' reserves are aligned. However, given the ongoing nature of the Ukraine Conflict, there remains considerable uncertainty around potential loss estimates. However, the Group does not believe the impact of the Ukraine Conflict will adversely affect its ability to operate as a going concern.

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. All numbers in this section are sourced from the economic balance sheet. The fair value principles used for the assets are as follows:

D1.1 Investments

Group

As at 31 December 2022, the Group had \$2,307.9 million (2021: \$2,529.5 million) of investments in fixed income and short-term investments, and \$117.1 million (2021: \$253.1 million) of investments in risk assets, which are all held at fair value, as well as accrued interest of \$10.9 million (2021: \$12.1 million).

FIBL Group

As at December 2022, FIBL Group had \$1,621.4 million (2021: \$1,749.0 million) of investments in fixed income and short-term investments and \$117.1 million (2021: \$253.1 million) of investments in risk assets which are all held at fair value, as well as accrued interest of \$7.3 million (2021: \$8.0 million).

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

Core Fixed Income Portfolio

The Group's core fixed income portfolio is managed by external investment managers with oversight from the Group's Chief Investment Officer, the Group's Chief Financial Officer, and the FIHL Board of Directors. Fair values for all securities in the core fixed income portfolio are independently provided by the investment administrator, investment custodians, and investment managers, each of which utilise internationally recognised independent pricing services.

Short-term investments

The Group's short-term investments consist of 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.

Other quoted investments

The Group's other investments consist of investments in an opportunistic fixed income UCITS fund, equity and commodity linked structured notes, a residual balance in a credit hedge fund investment and exchange-traded and OTC derivatives measured at fair value using quoted prices in active markets or the fund's quoted NAV. 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.

D1.2 Cash and cash equivalents

As at 31 December 2022, the Group held \$1,407.9 million (2021: \$476.0 million) 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 2022, FIBL Group held \$847.7 million (2021: \$333.0 million) as cash and cash equivalents.

D1.3 Insurance and intermediaries' receivables

Insurance and intermediaries' receivables represent premiums owed from policyholders. As at 31 December 2022, the Group held \$113.7 million (2021: \$101.8 million) 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 2022, FIBL Group held \$11.7 million (2021: \$30.6 million) of outstanding premiums. The non-overdue receivables balance is included in the calculation for the TPs.

D1.4 Reinsurance recoverables on paid claims

As at 31 December 2022, reinsurance recoverables on paid claims were \$159.4 million for the Group (2021: \$256.7 million). As at 31 December 2022, FIBL Group held \$94.8 million (2021: \$164.9.0 million) reinsurance recoverable on paid claims. For Bermuda solvency purposes, reinsurance recoverable on unpaid claims are determined as part of the calculation for TPs (see D2).

D1.5 Funds held by ceding reinsurers

The value of funds held by non-affiliated reinsurers as at 31 December 2022 for the Group was \$0.4 million (2022: \$1.6 million). At 31 December 2022, FIBL Group had \$0.3 million (2021: \$0.1 million) of funds held by non-affiliated reinsurers.

D1.6 Deferred tax asset / liability

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 2022, the Group had a deferred tax asset balance of \$49.0 million (2021: \$8.6 million), and FIBL Group had a balance of \$0.0 million (2021: \$0.8 million).

D1.7 Other assets

As at 31 December 2022, the Group's other assets were \$36.6 million (2021: \$1.8 million). Other assets are valued at amortised cost less any impairment which approximates to fair value. As at 31 December 2022, FIBL Group held \$45.3 million (2021: \$12.5 million) of other assets.

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

At 31 December 2022, the total TPs in the economic balance sheet amounted to \$1,449.7 million (2021: \$968.3 million) for the Group and \$1,172.2 million (2021: \$694.8 million) for FIBL Group comprising the following:

Group	2022	2021
\$ millions		
Best Estimate Loss and Loss Expense Provision	1,054.0	626.2
Best Estimate Premium Provision	322.4	260.1
Risk Margin	73.3	82.0

FIBL Group

	2022	2021
\$ millions		
Best Estimate Loss and Loss Expense Provision	876.2	536.0
Best Estimate Premium Provision	229.4	99.4
Risk Margin	66.7	59.5

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 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 Best Estimate TP on a net basis.

The TPs include an additional risk margin to be added to the Best Estimate 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 TPs calculations 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.
- Events Not in Data - 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 - Prudently we allow for no inwards reinstatement premiums (e.g. positive cashflows). Additional ceded premiums (negative cashflows) following events that trigger recoveries on our reinsurance cover were considered, and no allowance was made based upon expert judgement and business knowledge.
- Expenses - The TPs make allowance for the expenses incurred in servicing the legal obligations of contracts and these include acquisition costs, reinsurance costs, ULAE, administrative and investment expenses. We apply appropriate rates of inflation to future expense cashflows.
- Interest rates - The future cash flows are discounted using the risk-free term structures by currency prescribed by the Bermuda Monetary Authority for each reporting period.

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

There is inherent uncertainty within the cash flows that relate to insurance contracts, which could arise due to volatility within the claims reserve, losses occurring within the unearned exposure, policy cancellations and other areas. Actual experience is expected to deviate from expectations. The Group’s estimates are subject to additional uncertainty due to the high exposure to potential large losses (due to the nature of the business written and the number of multi-year deals with large volumes of premium yet to be received).

As part of the technical provision process, a suite of sensitivity tests is run for FUL and FIID to better understand the materiality of key assumptions and how sensitive the overall best estimate technical provision is to changes in the underlying assumptions. FIBL is reviewed as appropriate by an independent advisor.

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

D3.1 Other liabilities

As at 31 December 2022, the Group had other liabilities of \$112.9 million (2021: \$49.9 million) on the economic balance sheet. Other liabilities are measured at fair value. As at 31 December 2022, FIBL Group had other liabilities of \$69.8 million (2021: \$89.4 million).

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 Group's capital and solvency quickly in response to market cycles, events and opportunities. Both the Group and FIBL Group project the capital necessary to maintain solvency at a level sufficient to achieve the planned growth whilst meeting both the credit rating agency and regulatory capital requirements. 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 Group.

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

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

Group	2022	2021
\$ millions		
Tier 1	2,134.4	2,115.6
Tier 2	181.5	181.4
Tier 3	324.4	323.8
Total	2,640.3	2,620.8

On 5 May 2020, the Group's Senior Notes were approved as Tier 3 ancillary capital by the BMA, and on 5 October 2020 the BMA approved the Group's Subordinated Notes as Tier 2 ancillary capital. Excluding preference shares, which are eligible Tier 2 capital, the Group's Senior Notes and Subordinated Notes, the Group's remaining capital is Tier 1, the highest quality capital, consisting of capital stock, contributed surplus, and statutory surplus.

FIBL Group	2022	2021
\$ millions		
Tier 1	1,503.4	1,766.1
Tier 2	-	-
Tier 3	-	-
Total	1,503.4	1,766.1

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 eligible capital for the MSM and ECR was categorised as follows:

Group 2022		
	Eligible Capital Available to Support MSM	Eligible Capital Available to Support ECR
\$ millions		
Tier 1	2,134.4	2,134.4
Tier 2	181.5	181.5
Tier 3	-	324.4
Total	<u>2,315.9</u>	<u>2,640.3</u>
2021		
	Eligible Capital Available to Support MSM	Eligible Capital Available to Support ECR
\$ millions		
Tier 1	2,115.6	2,115.6
Tier 2	181.4	181.4
Tier 3	-	323.8
Total	<u>2,297.0</u>	<u>2,620.8</u>
FIBL Group 2022		
	Eligible Capital Available to Support MSM	Eligible Capital Available to Support ECR
\$ millions		
Tier 1	1,503.4	1,503.4
Tier 2	-	-
Tier 3	-	-
Total	<u>1,503.4</u>	<u>1,503.4</u>
2021		
	Eligible Capital Available to Support MSM	Eligible Capital Available to Support ECR
\$ millions		
Tier 1	1,766.1	1,766.1
Tier 2	-	-
Tier 3	-	-
Total	<u>1,766.1</u>	<u>1,766.1</u>

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 and FIBL Group have entered into contracts with cedants that require the Group and FIBL Group to fully collateralise estimates of their obligations calculated by the cedant. Assets are held in trust accounts for the benefit of the cedant or letters of credit are issued. These assets are released to the Group and FIBL Group upon the payment or extinction of the obligations. Interest income arising from these assets accrues to the Group and FIBL Group.

Fungibility and transferability of Group and FIBL Group capital is also impacted by the individual solvency requirements of the three insurance subsidiaries of the Group and by FIID's solvency capital requirements for the FIBL Group.

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

On 5 May 2020, the Group's Senior Notes were approved as Tier 3 ancillary capital by the BMA, and on 5 October 2020 the BMA approved the Group's Subordinated Notes as Tier 2 ancillary capital.

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

Significant differences between GAAP shareholder equity and available statutory capital and surplus include the classification of preference shares as equity, the impact of employing economic based technical provision valuation techniques, the reduction in available statutory capital for prepaid and fixed assets within available statutory capital and surplus. In addition, for FIBL Group, the portion of encumbered assets held in relation to another group company's product that does not directly relate to FIBL's business, is recognised as a liability on FIBL Group's balance sheet.

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 Group's regulatory capital requirements were assessed as follows:

Group	<u>2022</u>	<u>2021</u>
\$ millions		
Minimum Margin of Solvency	781.4	804.6
Group BSCR	816.6	787.8
Enhanced Capital Requirement	816.6	804.6
FIBL Group	<u>2022</u>	<u>2021</u>
\$ millions		
Minimum Margin of Solvency	622.2	662.4
Full BSCR	572.3	569.7
Enhanced Capital Requirement	622.2	662.4

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

The Group and FIBL Group were 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 used

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.

F. SUBSEQUENT EVENTS

On January 3, 2023, the Group completed a transaction pursuant to which (i) Pine Walk and its investments in the MGAs, together with FML, were distributed to shareholders to form a new managing general underwriting business (“Fidelis MGU”) and (ii) Fidelis MGU was acquired by a consortium of investors (together known as the “Separation Transactions”). Following the consummation of the Separation Agreement, Fidelis MGU acquired approximately 9.9% of the common shares in the Group.

Immediately prior to the consummation of the Separation Transactions, the Group accelerated the vesting of all unvested RSUs. This resulted in the acceleration of compensation expense of \$21.0 million and an employer tax expense of \$17.3 million in the three months ending March 31, 2023. The RSUs and warrants were exercised on the date of the Separation Transactions, resulting in the issuance of 14,732,262 common shares. The awards were net settled, resulting in a \$50.6 million reduction of additional paid-in capital for the employees’ tax obligations with respect to these awards. The exercise of the warrants triggered the payment of cumulative dividends of \$34.1 million.

The Separation Transactions resulted in certain shareholders receiving cash in lieu of their interest in Fidelis MGU. As a result, the distribution of Fidelis MGU will be recorded at its fair value estimated to be between \$1.7 billion and \$1.9 billion. The distribution of Fidelis MGU to shareholders of the Group will result in the deconsolidation of net assets of \$68.8 million, and the cancellation of 105,790,271 common shares in the Group. Following the Separation Transactions there are 120,404,350 common shares issued and outstanding.

Fidelis MGU will manage underwriting, origination, outwards reinsurance, actuarial and claims services with

review and oversight from the Group. Each of FIBL, FUL and FIID has entered a delegated underwriting authority agreement with a relevant entity within the Fidelis MGU group, in each case with effect from January 1, 2023. The agreements have a rolling 10-year term and provide for the payment of the following fees to Fidelis MGU:

- a. A ceding commission of 11.5% of net premiums written of open market business.
- b. A ceding commission of 3% of net premiums written of business sourced via third-party managing general underwriters.
- c. A profit commission of 20% of the operating profit generated on the sourced business, subject to a hurdle rate of return of 5% of underwriting return on equity.
- d. A portfolio management fee of 3% of net premiums written of the business sourced by Fidelis MGU.
- In connection with the successful consummation of the Separation Transactions, the Group incurred professional fees of \$28.6 million during the three months ending March 31, 2023.

In January 2023 Allan Declair and Hinal Patel were appointed as directors and Helena Morrissey as non-executive director and chair of the FIHL Board. Richard Brindle, Charles Matthias, Michael Pearson and William Spiegel ceased to be directors of the FIHL Board.

In January 2023 Philip Vandoninck resigned as CEO and executive director of FIBL and was replaced by Allan Declair.

On 22 November 2022, the FIBL Board approved a distribution to FIHL of \$60.0 million which was paid in the first Quarter of 2023. FEHL received a distribution from FIID of \$4.4 million.

Subsequent events following the year end 31 December 2022 have been evaluated up to and including 31st May 2023, the date of issuance of the Group financial condition report.

G. GLOSSARY

ABIC – Association of Bermuda International Companies

ADIA – Abu Dhabi Investment Authority

AFS – Available-For-Sale

BCAR – Best’s Capital Adequacy Ratio

BE – Best Estimate

BMA - Bermuda Monetary Authority

BSCR – Bermuda Solvency Capital Requirement

CBI – Central Bank of Ireland

CEO – Chief Executive Officer

CFO – Chief Finance Officer

CISSA – Commercial Insurer’s Solvency Self-Assessment

CIO – Chief Investment Officer

CTO – Chief Technology Officer

CRO – Chief Risk Officer

CUO – Chief Underwriting Officer

ECR – Enhanced Capital Requirement

EEA – European Economic Area

ERM – Enterprise Risk Management

FCA – Financial Conduct Authority

FCR – Financial Condition Report

FIBL – Fidelis Insurance Bermuda Limited

FEHL – Fidelis European Holdings Limited

FIHL – Fidelis Insurance Holdings Limited

FIID – Fidelis Insurance Ireland DAC

FML – Fidelis Marketing Limited

FUL – Fidelis Underwriting Limited

FUSH – Fidelis US Holdings, Inc

GAAP – Generally Accepted Accounting Principles

GSAM – Goldman Sachs Asset Management

GSSA – Group Solvency Self-Assessment

HIA – Head of Internal Audit

IBNR – Incurred but not Reported

IELR – Initial Expected Loss Ratio

IGR – Intra-Group reinsurance

IIA – Institute of Internal Auditors

ILW – Industry Loss Warranty

INED – Independent non-executive Director

LOC – Letter of Credit

MGA – Managing General Agents

MSM – Minimum Margin of Solvency

NAV – Net Asset Value

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

OEP – Occurrence Exceedance Probability

ONTA – Omega National Title Agency, LLC

PML – Probable Maximum Loss

PRA – Prudential Regulatory Authority

RCC – Risk and Capital Committee

RDS – Realistic Disaster Scenario

Risk and Controls Register – Encompasses all material operational risks and the controls designed to prevent, mitigate or detect risks to the business achieving its strategic objectives

ROE – Return on Equity

RRC – Risk and Return Committee, a management committee

RSU – Restricted Share Unit

TAV – Title Agency Ventures, LLC

TBA – To Be Announced (investment market)

TPs – Technical Provisions

ULAE – Unallocated Loss Adjustment Expenses

UMCC – Underwriting and Marketing Conference Calls

UPR – Unearned Premium Reserve

USA – United States of America

US GAAP – United States General Accepted Accounting Principles

FIDELIS INSURANCE HOLDINGS LIMITED & FIDELIS INSURANCE BERMUDA LIMITED
Financial Condition Report Declaration

For the year 1 January 2022 to 31 December 2022

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

Signed: 

Name: Daniel Burrows

Position: CEO Fidelis Insurance Holdings Limited

Signed: 

Name: Michael Pearson

Position: Group Chief Risk Officer