

FIDELIS UNDERWRITING LIMITED
Annual report and financial statements
For the year ended 31 December 2021

Strategic report

The directors present their strategic report for the year ended 31 December 2021.

Business review

Fidelis Underwriting Limited (“FUL” or, “the Company”) is a 100% directly owned subsidiary of Fidelis Insurance Holdings Limited (“FIHL”) and is part of the Fidelis Group (“the Group”), which also comprises Fidelis Insurance Bermuda Limited (“FIBL”), Fidelis European Holdings Limited (“FEHL”), Fidelis Insurance Ireland Designated Activity Company (“FIID”) and Fidelis Marketing Limited (“FML”). FUL is regulated by the Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”).

The Group also comprises Pine Walk Capital Limited (“Pine Walk”), Pine Walk Europe SRL, Radius Specialty Limited (“Radius”), Oakside Surety Limited (“Oakside”), Kersey Specialty Limited (“Kersey”), Perigon Product Recall Limited (“Perigon”), Navium Marine Limited (“Navium”) and OPEnergy Limited (“OPEnergy”). Radius, Oakside, Kersey, Perigon, Navium and OPEnergy act as Managing General Agencies (“MGAs”) for business which is written in FUL.

In the year to 31 December 2021 the Company made a profit after tax of \$50.7 million (2020: \$24.1 million) and wrote \$1,323.8 million of gross premium (2020: \$723.1 million), the increase in which was mainly driven by increased volumes in marine, property direct and facultative and property reinsurance business. The Company experienced catastrophe losses during the year in relation to Hurricane Ida and US Winter Storm Uri.

Additionally, the Company began making payments in 2021 to settle obligations with lending banks relating to the termination of lease arrangements, following missed financing payments. It is management’s expectation that the Company will recover amounts paid via the sale or lease of repossessed property, and this has been recognised within other debtors in these financial statements.

The Company received capital contributions of \$75.0 million in March 2021 from FIHL for the issue of one share (2020: \$245.0 million, four shares) in order to support business growth.

The COVID-19 crisis continues to impact businesses since the World Health Organization declared the disease to be a global pandemic in March 2020. Management has recognised the impacts in these financial statements as appropriate. Areas within the financial statements that have a potential to be impacted include valuation of the Company’s investment portfolio and net reserves for losses and loss expenses. The potential for losses arising from COVID-19 have been and will continue to be monitored and discussed by management, and are currently immaterial.

The directors have considered and applied their statutory duty to promote the success of the Company under S172 of the Companies Act 2006, and in so doing, have regarded the issues, factors and stakeholders relevant to each of the following:

The likely consequences of any decision in the long term

As part of the business planning process, which is reviewed three times a year, the possible consequences of decisions made including those in the longer term, are considered. These decisions are also considered on an ongoing basis within the ORSA report, looking three years forward. Additionally, the Company will undertake an ORSA if there is a material change to the risk profile of the organisation. All strategic decisions, including changes to FUL’s capital, corporate and Board structures, dividend declarations and changes to accounting and outsourcing policies, are approved by the Board as per the Board Terms of Reference and Matters Reserved for the Board.

The interests of the Company's employees

A set of legally compliant, culturally appropriate and best practice human resources policies underpins the interests of the Company’s employees. The human resources function delivers an annual performance management and compensation review which includes the benchmarking of employees’ salaries against market data and a calibration of fairness and consistency across multiple variables including function, gender, and ethnicity. The performance management system in particular takes a balanced score card approach which includes assessment against the Fidelis ethos; a key element of the working culture. Ownership for professional development sits with employees and is supported by managers and by the human resources infrastructure which includes a learning and development portal housed on the Group’s intranet. The Company has a vision for diversity and inclusion, “Bring Your Whole Self to Work”. This vision, and the associated diversity and inclusion strategy and annual plan is intended to establish a culture whereby all employees can thrive and share in the rewards of a successful business.

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The need to foster the Company's business relationships with suppliers, customers and others

Statistics regarding our adherence to supplier payment terms are regularly reviewed and published. We track the speed of claims payments to our customers and review this on a weekly basis. As a regulated financial services company, FUL is obliged to treat its customers fairly at all times.

The impact of the Company's operations on the community and the environment

FUL has a commitment to its communities, which we recognise includes environmental responsibilities. In line with our Group Carbon Positivity Policy, we measure our carbon emissions and purchased 200% of our 2020 carbon emissions in equivalent carbon credits. 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 best achieved through a continuous programme of employee engagement. Historically, the Group has been a net carbon positive firm. Other commitments that have been made publicly are detailed on the Group's internet site: <https://www.fidelisinsurance.com/corporate-responsibility/Our-Commitments>. The Environmental, Social and Governance ("ESG") working group is determining what climate related strategy/targets FUL should be working towards. As a part of this process the ESG working group is also estimating the potential impact on the business that it writes and the assets that it invests in. The Company 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 the jurisdictions in which the Company operates as that could affect its assets. The Company achieves this through monitoring legal developments and maintaining a log of relevant regulatory developments.

FUL takes account of environmental, social and governance issues in its underwriting. We avoid direct involvement in the extraction and use of coal in generating energy. In political risk underwriting, we require and review social, economic and environmental impact studies for infrastructure projects. For the 2022 business plan FUL has made some explicit allowances to increase loss ratios to account for increases in natural catastrophe losses across the market in recent years in response to the impact of climate change. The Group has also run the PRA's 2019 biennial climate change scenario against its underwriting and investment portfolios. Based on the 2022 viewpoint, the impacts on the Group are not currently considered to be material. We consider animal welfare as a top priority and decline risks associated with intensive farming, abattoirs and seek to avoid direct involvement in activities such as animal testing. The Company also 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.

Further details regarding the Group's commitments to its communities can be found here: <https://www.fidelisinsurance.com/corporate-responsibility/Our-Commitments>

The desirability of the Company maintaining a reputation for high standards of business conduct

FUL has a compliance function which 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 FUL's culture and behaviours put clients' interests at the heart of its business activities and that FUL acts with integrity in the market.

The need to act fairly between members of the Company

All interactions with other Group entities are carried out at arm's length and are governed by service level agreements.