Fergus Reinsurance Limited
Financial Condition Report For the Year Ended 31 December 2024

Forward-Looking Statements

This Financial Condition Report contains forward-looking statements within the meaning of applicable securities laws. These statements relate to future events or future performance and reflect the Company's current expectations and projections about future events. Forward-looking statements include, but are not limited to, statements regarding strategic priorities, operational targets, capital management objectives, market conditions, and regulatory developments. These statements are subject to known and unknown risks, uncertainties, and other factors, including claims inflation, regulatory changes, and market competition, that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. The Company undertakes no obligation to update forward-looking statements except as required by applicable law.

Preamble

This Financial Condition Report has been prepared by Fergus Reinsurance Limited ("Company") in compliance with the Bermuda Insurance Act 1978, as amended, and the Insurance (Public Disclosure) Rules 2015 issued by the Bermuda Authority ("BMA"). The Company is a Bermuda exempted company limited by shares, licensed as a Class 3B insurer under the Insurance Act and registered as a segregated accounts company under the Segregated Accounts Companies Act 2000, as amended.

The Company has established one segregated account, designated "SAC 2018-01", enabling statutory segregation of assets and liabilities. Assets within SAC 2018-01 are exclusively available to meet its liabilities, protecting them from the general creditors of the Company. This structure facilitates dedicated capital allocation, transparent risk isolation, and customized reinsurance solutions.

This report is prepared for the financial year ended 31 December 2024 and includes the information required under Schedule I of the Public Disclosure Rules. The report integrates substantive findings from the Company's Commercial Insurer's Solvency Self-Assessment ("CISSA"), prepared in accordance with Insurance Act and related regulations. The CISSA represents the Company's comprehensive internal assessment of risk exposures, solvency needs, and capital adequacy, and is integral to strategic planning and risk management rather than a standalone compliance exercise. All amounts are expressed in United States dollars unless otherwise stated.

Executive Summary

Fergus Reinsurance Limited maintained a strong financial position for the year ended 31 December 2024, with total equity reaching USD 170.6 million, of which approximately USD 166.8 million was allocated to segregated account SAC 2018-01. Available statutory capital and surplus increased by 71% to USD 262.0 million from USD 152.9 million in the prior year, demonstrating the Company's ability to generate capital through both retained earnings and successful capital raising initiatives.

The Company's solvency position remained robust with a Bermuda Solvency Capital Requirement ratio of 155% as at 31 December 2024, compared to 143% at 31 December 2023. The Enhanced Capital Requirement totaled USD 158.9 million, compared to USD 106.5 million in the prior year, with the increase primarily driven by business growth. The Company maintained capital in excess of all regulatory requirements throughout the reporting period, providing substantial capacity to support strategic objectives.

Gross premiums written increased by 39.0% to USD 350.8 million for 2024 from USD 250.7 million in 2023, reflecting strong market demand for the Company's focused casualty reinsurance solutions. All premiums were written by the general account and ceded 100% to SAC 2018-01 in accordance with the Company's operating model. The portfolio comprised professional liability representing 6.7% of premiums, general liability at 39.5%, auto liability at 15.5%, non-cat property at 29.9%, surety at 6.4% and after event legal costs at 2.1%. Geographic distribution remained concentrated in the United States of America at 83%, with Europe contributing 16% and other territories 1.0%. This reflects the Company's strategic focus on the United States casualty market.

The segregated accounts structure offers targeted capital allocation, transparent risk isolation, and tailored reinsurance solutions, facilitating effective capital raising and risk management. This structural advantage has proven instrumental in attracting sophisticated investors seeking direct exposure to casualty reinsurance returns while maintaining clear separation from other risks.

Table ES.1: Key Financial and Operating Metrics

Metric	2024	2023	Change
Total Equity (USD millions)	170.6	156.2[1]	+14.7%
Available Capital (USD millions)	246.9	152.9	+61.4%
BSCR Ratio	155%	143%	+12 percentage points
ECR (USD millions)	158.9	106.5	+49%
Gross Premiums Written (USD millions)	350.8	250.7	+31.0%
Combined Ratio - SAC 2018-01	96.4%	95.7%	-0.7 percentage points
Investment Return - SAC 2018-01	5.22%	4.35%	+0.87 percentage points
Operational Risk Charge	7%	9%	-2 percentage points

Underwriting performance exceeded targets with SAC 2018-01 achieving a combined ratio of 96.4% for 2024, compared to the Company's target of 95%. The loss ratio of 57.7% benefited from favorable prior year development and disciplined risk selection, while the expense ratio of 37.9% reflected continued operational efficiency and a large portfolio with a counterparty that charges a higher expense ratio. The Company maintained strict underwriting discipline throughout the year, as evidenced by a new business acceptance rate of 9% and renewal retention of 44%, demonstrating a selective approach to growth.

Investment performance for SAC 2018-01 delivered a total return of 5.24% for 2024, exceeding the Treasury Corporate Blended Benchmark return of 4.65%. The investment portfolio of USD 457.4 million maintained a conservative profile, comprising U.S. Treasury securities at 53%, U.S. Agency securities at 2.0%, investment grade corporate bonds at 5.0% and cash and cash equivalents at 40%. The portfolio's average duration of 0.34 years and average credit quality of AA+ aligned with the Company's liability profile and risk appetite. Investment income totaled USD 15.4 million for 2024, compared to USD 8.7 million in 2023, benefiting from both portfolio growth and high reinvestment yields.

During 2024, the Company achieved significant enhancements to its governance and operational infrastructure. A comprehensive Corporate Governance Framework was implemented with policies systematically mapped to regulatory requirements. An Executive Committee was established comprising the Chief Executive Officer, Chief Financial Officer, Chief Risk and Compliance Officer, Chief Underwriting Officer, and General Counsel to enhance strategic execution. The Board committee structure was streamlined into three principal committees focusing on (i) audit, (ii) capital, underwriting and investments, and (iii) risk, governance and compliance matters. Implementation of a governance platform utilizing Confluence/Atlassian technology centralized documentation and improved communication efficiency.

The Company's operational risk management improvements were recognized by the BMA through approval of a reduction in the operational risk charge from 9% to 7% in the fourth quarter of 2024. This reduction generated capital requirement savings of approximately USD 2.1 million and reflected the Company's enhanced control environment, improved governance processes, and strengthened risk management capabilities. The Company continues to target a further reduction to 5% through ongoing enhancements to its risk management framework.

The Company's Risk Management framework remained fully embedded in all business activities through the CISSA process. Material risks including underwriting, market, credit, liquidity, operational, and SAC-specific risks were actively monitored and managed within Board-approved risk appetite statements. Climate-related financial risks were integrated into the risk management framework in accordance with evolving regulatory requirements. Comprehensive stress testing confirmed the Company's resilience under severe scenarios, including potential adverse reserve development, market disruptions, and SAC-specific events.

Holdings SAC 2018-01 successfully raised USD 57.5 million during the period 2023-2024 through the issuance of redeemable preference shares at the holding company level to United States private investors. This capital raising demonstrates continued investor confidence in the Company's focused casualty reinsurance strategy coupled with the transparency and ring-fencing provided by the segregated account structure. The additional capital supports the Company's growth while maintaining strong solvency margins.

The Company operates in a dynamic market environment characterized by elevated inflation impacting claims costs, particularly social inflation affecting casualty lines. Rising interest rates have benefited reinvestment yields while creating unrealized losses on fixed income portfolios across the industry. Regulatory developments continue to evolve, with increasing focus on operational resilience, enhanced climate-related financial risk disclosures, and more rigorous oversight and reporting requirements specific to segregated accounts companies as per the latest BMA guidance. Competition remains intense in core casualty segments, requiring disciplined underwriting and strong cedant relationships.

Looking forward, the Company's strategic priorities remain focused on sustainable growth and operational excellence. Management will cautiously explore opportunities to establish additional segregated accounts, contingent on identifying market opportunities aligned with its risk appetite and underwriting discipline. Further reductions in the operational risk charge towards a target of 5% will be pursued via ongoing governance, control, and risk management enhancements. Additionally, governance capabilities will be strengthened by appointing an additional independent director specializing in audit and risk management, complementing the existing board expertise. Technology initiatives include implementation of the Unwind reinsurance platform to enhance portfolio management and operational efficiency.

The Company remains well positioned with strong capital adequacy, proven operational capabilities, and a differentiated business model to execute its strategic objectives. The focused casualty reinsurance strategy, combined with the flexibility provided by the segregated accounts structure, positions Fergus Reinsurance Limited to navigate market challenges while pursuing selective growth opportunities that meet its disciplined underwriting criteria.

A. Business and Performance

This section provides information regarding the business and performance of Fergus Reinsurance Limited for the financial year ended 31 December 2024, prepared in accordance with the requirements of Schedule I, Part I of the Insurance (Public Disclosure) Rules 2015.

A.1. Name of the Insurer

Fergus Reinsurance Limited.

A.2. Name and Contact Details of the Insurance Supervisor

The Company is supervised by:

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton HM12
Bermuda
Telephone: +1 (441) 295-5278
Facsimile: +1 (441) 292-7471
Email: enquiries@bma.bm

The Company does not form part of an insurance group subject to group supervision. Accordingly, there is no Group Supervisor.

A.3. Name and Contact Details of the Approved Auditor

Mazars Ltd.
Cedar House,
41 Cedar Ave,
Hamilton HM 12,
Bermuda

A.4. Ownership Details

a) Ownership Structure

Fergus Reinsurance Limited is a Bermuda exempted company limited by shares incorporated on 11th June, 2008 under the Companies Act 1981 of Bermuda. The Company is wholly owned by Fergus Holdings Limited, a Bermuda exempted company limited by shares incorporated on 27th July, 2022 and registered as a segregated accounts company under the Segregated Accounts Companies Act 2000, as amended.

Fergus Holdings Limited is privately owned by United States persons. Fergus Holdings Limited has created one segregated account designated as "Holdings SAC 2018-01" which has issued redeemable preference shares to various United States private individuals and family trusts seeking investment portfolio diversification. Holdings SAC 2018-01 is the beneficial owner of the segregated account designated as "SAC 2018-01" created by the Company on 1 January 2018.

The Company maintains its registered office at Continental Building, 25 Church Street, Hamilton, HM12, Bermuda. All ownership interests have been notified to the BMA in accordance with the Insurance Act and related regulations. This ownership structure supports stable capital formation aligned with the long-tail nature of casualty reinsurance liabilities, offering investors transparent and targeted exposure to reinsurance returns via the segregated account structure.

b) Group Structure

The Company operates as a standalone entity and does not form part of a consolidated group for regulatory or financial reporting purposes. Accordingly, no group structure chart is required under the Public Disclosure Rules.

A.5. Insurance Business Written by Segment

a) Nature of Business

The Company is licensed as a Class 3B insurer under the Insurance Act 1978, as amended, effective from 1 January 2023, having previously operated as a Class 3A insurer. The Company is registered as a segregated accounts company under the Segregated Accounts Companies Act 2000, as amended, and has established one segregated account designated as "SAC 2018-01".

The Company writes treaty reinsurance business covering casualty risks, adhering to a strategic focus on low severity, high frequency exposures. The principal lines of business comprise professional liability insurance, general liability insurance, auto liability insurance, and after-the-event legal costs insurance. The Company explicitly excludes property insurance and reinsurance, catastrophe insurance and reinsurance, and excess of loss reinsurance structures from its underwriting portfolio.

b) Operating Model

The Company operates under a distinctive business model whereby all reinsurance contracts are entered into by the general account and simultaneously ceded 100% by way of quota share reinsurance to SAC 2018-01. The general account retains no underwriting risk, with all insurance assets and liabilities legally segregated within SAC 2018-01 in accordance with the Segregated Accounts Companies Act. This structure ensures complete isolation of reinsurance risks and dedicated capital allocation for the benefit of investors in Holdings SAC 2018-01.

c) Distribution and Underwriting Process

The Company sources reinsurance business through established relationships with licensed reinsurance intermediaries, managing general agents, and direct relationships with ceding companies. During 2024, approximately 85% of gross premiums were sourced through licensed reinsurance intermediaries, with the remainder arising from direct relationships and managing general agents.

The underwriting process emphasizes disciplined risk selection within defined parameters. All new business opportunities undergo comprehensive evaluation including analysis of actuarial reports, exposure assessment, and alignment with the Company's risk appetite. The Company maintains a selective approach, as evidenced by a new business bind ratio of 13% during 2024, reflecting the rigorous application of underwriting standards.

d) Premium Analysis by Line of Business

The following table presents gross premiums written by line of business for the years ended 31 December 2024 and 2023:

Table A.1: Gross Premiums Written by Line of Business

Line of Business	2024 USD '000	2023 USD '000	2024 Mix %	2023 Mix %
General Liability	138,541	98,662	39.5%	39.4%
Non-Cat Property	104,741	73,705	29.9%	29.4%
Auto Liability	54,234	36,540	15.5%	14.6%
Professional Liability	23,544	23,801	6.7%	9.5%
Surety	22,358	14,625	6.4%	5.8%

Line of Business	2024 USD '000	2023 USD '000	2024 Mix %	2023 Mix %
After-the-event Legal Costs	7,350	3,368	2.1%	1.3%
Total Gross Premiums Written	**350,767**	**250,700**	**100.0%**	**100.0%**

Note: All premiums written are ceded 100% to SAC 2018-01; thus, net premiums written and net premiums earned by the general account are nil.

The significant growth in gross premiums written reflects successful execution of the Company's relationship-focused growth strategy, with strong performance across all core lines of business. Professional liability growth was driven by increased participation on existing programs and selective new business opportunities in financial institutions and lawyers professional indemnity. General liability expansion resulted from new cedant relationships and increased shares on renewal business. Auto liability growth reflected market hardening and the Company's established expertise in commercial auto risks.

A.6. Insurance Business Written by Geographic Segment

The Company's geographic diversification strategy focuses primarily on risks in the United States of America while maintaining a diversified portfolio and continuously seeking underwriting opportunities in other developed economies, such as Canada, Europe, Latin America and Australasia. The following table presents gross premiums written by location of underlying risk:

Table A.2: Gross Premiums Written by Geographic Location

Geographic Location	2024 USD '000	2023 USD '000	2024 Mix %	2023 Mix %
United States	290,122	225,630	83.0%	90.0%
Canada	-	5,014	0.0%	2.0%
Europe	57,232	17,549	16.0%	7.0%
Other (Latin America, Asia)	3,413	2,507	1.0%	1.0%
Total	**350,767**	**250,700**	**100.0%**	**100.0%**

The geographic concentration in the United States of America, business aligns with the Company's strategic focus on the United States casualty market, where it has developed deep market knowledge and strong cedant relationships. The European exposure provides measured diversification while remaining within markets where the Company maintains underwriting expertise. Other territories comprise selective opportunities in regions such as Latin America and Asia, representing minimal exposure. The consistent geographic mix year-over-year demonstrates disciplined execution of the Company's market strategy.

A.7. Performance of Underwriting Activities

a) Underwriting Results

The Company's distinctive operating model results in all underwriting performance being reflected within SAC 2018-01, as the general account retains no net premiums or underwriting risk. The following analysis presents the underwriting performance of SAC 2018-01 for the year ended 31 December 2024:

Table A.3: SAC 2018-01 Underwriting Performance

Underwriting Metrics	2024 USD '000	2023 USD '000
Gross Premiums Written	350,766	250,741
Change in Unearned Premium Reserve	(36,965)	(73,012)
Gross Premiums Earned	**313,801**	**177,728**
Gross Claims Incurred	(181,193)	(114,069)
Acquisition Costs	(119,453)	(55,810)
Technical Result before Operating Expenses	13,174	7,849
Other Expenses	(1,992)	(157)
Net Technical Result	**11,162**	**7,691**

Table A.4: Key Underwriting Ratios

Ratio	2024	2023	Target
Loss Ratio	57.7%	64.2%	65.0%
Acquisition Cost Ratio	38.1%	31.4%	29.0%
Other Expense Ratio	0.6%	0.08%	1.0%
Combined Ratio	**96.4%**	**95.7%**	**95.0%**

The Company’s underwriting performance reflects a disciplined approach to risk selection and pricing adequacy. The difference noted in underwriting performance reflects some adverse development in prior year reserves, offsetting the favorable prior year development realized in 2023.

b) Underwriting Discipline Metrics

The Company's commitment to disciplined underwriting is evidenced by the following operational metrics for 2024:

New business submissions received: 115
New business submissions bound: 15
New business bind ratio: 13.0%

Renewal accounts processed: 25
Renewal accounts retained: 11
Renewal retention ratio: 44
Average rate change for original insurance business: +5.2%

These metrics reflect our disciplined and selective underwriting strategy, which prioritizes profitability, evident from the rigorous 13% new business bind ratio and deliberate 44% renewal retention rate, reflecting a willingness to non-renew business not meeting profitability or strategic targets.

c) Claims Experience and Reserving

The Company's claims experience during 2024 showed professional liability claims frequency remaining stable, with severity trends in line with expectations. General liability and auto liability experienced increases in severity claims while frequency remained stable. The increase in severity claims and the stability in frequency supports the notion that this was influenced by social inflation.

Reserve adequacy is validated quarterly through comprehensive actuarial analysis performed by the Company's actuarial service provider and audited annually by our external auditors, Mazars. The Company maintains a conservative reserving philosophy appropriate for long-tail casualty exposures, with explicit margins for uncertainty included in best estimate reserves.

A.8. Performance of Investments

a) Investment Strategy and Governance

The Company maintains separate investment portfolios for the general account and SAC 2018-01, with investment management outsourced to Checchi Capital Advisors, LLC under investment guidelines approved by the Board of Directors. The investment strategy emphasizes capital preservation, liquidity, and asset-liability matching, adhering to the prudent person principle as required by the Insurance Code of Conduct.

Given the concentration of insurance activities within SAC 2018-01, the investment analysis focuses primarily on that portfolio. The general account maintains minimal invested assets sufficient for operational liquidity requirements.

b) Portfolio Composition and Characteristics

The investment portfolios as at 31 December, 2024 comprised:

Table A.5: Investment Portfolio Composition

General Account:

Asset Class	Market Value USD '000	Percentage
Cash and deposits	1,413	53%
U.S. Treasury securities	1,266	47%
Total	2,679	**100.0%**

SAC 2018-01:

Asset Class	Market Value USD '000	Percentage	Average Rating	Duration (years)
U.S. Treasury securities	241,076	53%	AA+	0.33
U.S. Government agency securities	10,153	2%	AA+	0.3
Corporate bonds (Investment grade)	21,724	5%	BBB+	2.29
Cash and cash equivalents	184,435	40%	N/A	0.00
Total	457,389	100%	AA+	0.34

The portfolio composition reflects the Company's conservative investment philosophy, with 55% allocated to U.S. government and agency securities. The minimal allocation to corporate bonds is restricted to high-quality issuers with strong credit fundamentals. The portfolio's short duration of 0.34 years aligns with the expected short- to medium-term liability payout patterns of casualty exposures, effectively minimizing interest rate risk.

c) Investment Performance

Investment returns for the year ended 31 December 2024 exceeded expectations despite the conservative portfolio positioning:

Table A.6: Investment Performance Metrics

Portfolio	Total Return
General Account	2.45
SAC 2018-01	5.24

Portfolio	Total Return
Benchmark (Treasury/Corporate Blend)	4.65%

SAC 2018-01 generated investment income of USD 15,379 thousand for 2024, compared to USD 8,743 thousand in 2023. The increase reflects both portfolio growth from positive operating cash flows and capital contributions, as well as higher reinvestment yields throughout 2024. The portfolio benefited from the continued higher interest rate environment.

The total return of 5.24% exceeded the benchmark return of 4.65%, driven by tactical duration positioning. The outperformance was achieved while maintaining the portfolio's defensive characteristics and high credit quality.

A.9. Material Income and Expenses

a) Operating Expenses

Total operating expenses for the year ended 31 December 2024 increased to USD 4,155 thousand from USD 3,446 thousand in 2023, reflecting planned investments in operational infrastructure and capabilities:

Table A.7: Operating Expense Analysis

Expense Category	2024 USD '000	2023 USD '000	Change %
Salaries and employee benefits	2,075,694	1,605,297	+29.3%
Professional and consulting fees	609,917	537,847	+13.4%
Information technology	78,708	34,785	+126.3%
Premises and office	117,157	30,100	+289.2%
Regulatory fees and charges	294,380	263,280	11.8%
Directors fees and expenses	81,640	40,000	104.1%
Other administrative expenses	897,542	934,464	-4.0%
Total Operating Expenses	**4,155,038**	**3,445,773**	**+20.6%**

Personnel costs increased primarily due to strategic hires in underwriting and risk management functions, as well as market-driven compensation adjustments. Professional fees reflected costs associated with governance enhancements, including implementation of the Corporate Governance Framework and external advisory support. Technology expenses increased significantly due to implementation of the Confluence/Atlassian platform and enhanced cybersecurity measures.

The expense ratio improved to 7.5% from 8.5%, demonstrating operational leverage as premium volumes outpaced expense growth. Management expects continued improvement in expense efficiency as technology investments mature and processes are further optimized.

b) Other Income

Other income for 2024 totaled 0 USD. No other material items of income were recorded during the period.

A.10. Any Other Material Information

a) Key Performance Indicators

Management monitors the following key performance indicators to assess business performance:

Table A.8: Key Performance Indicators

Key Performance Indicator	2024	2023	Target
Return on Equity	18.1%	15%	>10%
Gross Premium Growth	39.9%	160.0%	15-25%
Combined Ratio	96.4%	95.7%	95%
Investment Return	5.22%	4.35%	>Risk-free rate

All key performance indicators met or exceeded established targets for 2024, demonstrating successful execution of the Company's strategic objectives.

b) Significant Events During the Period

During 2024, the Company achieved several significant milestones that enhanced its operational capabilities and market position. The transition from quarterly to bi-annual regulatory monitoring by the BMA signifies increased confidence in the robustness of Fergus Re's governance, compliance, and risk management frameworks. Implementation of the comprehensive Corporate Governance Framework established clear policies and procedures aligned with regulatory requirements. The successful capital raising of USD 58.1 million through Holdings SAC 2018-01 during 2023-2024 provided capacity for continued growth while maintaining strong solvency margins.

c) Subsequent Events

No material events have occurred subsequent to 31 December, 2024 that would require adjustment to or disclosure in this Financial Condition Report.

d) Strategic Outlook

The Company remains committed to its focused casualty reinsurance strategy while continuously evaluating opportunities for measured expansion. Management anticipates premium growth moderation in 2025, emphasizing profitability over volume amidst ongoing competitive pressures and inflationary trends affecting casualty loss costs. Continued investments in operational infrastructure, risk management capabilities, and governance processes position the Company for sustainable long-term success.

The segregated accounts structure continues to provide strategic flexibility, enabling the Company to offer tailored solutions to cedants while maintaining clear risk segregation for investors. Management will evaluate opportunities to establish additional segregated accounts as market conditions warrant, subject to appropriate due diligence and alignment with the Company's risk appetite.

B. Governance Structure

This section provides information regarding the governance structure of Fergus Reinsurance Limited for the financial year ended 31 December 2024, prepared in accordance with the requirements of Schedule I, Part II of the Insurance (Public Disclosure) Rules 2015.

Table B.1: Governance Structure Overview

Element	Description & Key Highlights
Board Composition	7 Directors (2 Executive, 5 Non-Executive); 2 Independent
Board Committees	Audit (5 members, 1 independent), Capital/Underwriting/Investments (4 members, 1 independent), Risk/Governance/Compliance (6 members, 1 independent)
Executive Committee	Established January 2024; CEO-led, weekly meetings, significant operational efficiency and enhancements
Key Senior Executives	CEO, CFO, CRCO, CUO, General Counsel; clear segregation of duties
Fitness & Propriety	Annual assessments, 100% completion of mandatory training, skills matrix maintained
ERM & CISSA	Integrated framework, quarterly RCSA process, 2024 CISSA approved April 2025
Internal Controls	COSO-based framework, ICFR project ongoing, no material deficiencies identified
Internal Audit	Risk-based plan, 2 reviews completed 2024, outsourced to Deloitte
Actuarial Function	BMA-approved Loss Reserve Specialist, annual independent validation by Pinnacle (last review December 2024)
Outsourcing	Investment management (Checchi), IT services (Gnosis), Insurance management (Artex), Internal Audit (Deloitte)

B.1. Board and Senior Executive Structure

a) Board of Directors

The Board of Directors of Fergus Reinsurance Limited comprises seven directors as at 31 December 2024, providing an appropriate balance of skills, experience, and independence for a Class 3B segregated accounts company reinsurer. The composition includes two executive directors and five non-executive directors, of whom two are considered independent under the criteria established in the Company's Corporate Governance Framework.

Board composition as at 31 December, 2024:

- Roy Fellows (Independent Non-Executive)
- Claude Lefebvre (Independent Non-Executive)
- Chip Harris (Non-Executive)
- Adam Checchi (Non-Executive)
- Brad Adderley (Non-Executive)
- Navin Dadlani, Chief Executive Officer (Executive)
- Ankur Desai, Chief Financial Officer (Executive)

The Board is collectively responsible for the sound and prudent management of the Company. Its principal duties include setting strategic direction and risk appetite, overseeing implementation of strategy and management of risks, ensuring adequacy of financial resources and internal controls, maintaining integrity of financial reporting and public disclosures, ensuring compliance with all applicable laws and regulations including the Insurance Act 1978 and the Insurance Code of Conduct, and providing specific oversight of the segregated accounts company structure.

The Board met four times during 2024, with all directors maintaining attendance rates exceeding 90%, demonstrating strong engagement and commitment. Specifically, the Chairman attended 100% of meetings, executive directors maintained 100% average attendance, and non-executive directors achieved 100% average attendance. Additional ad hoc meetings were convened as required to address specific strategic initiatives and regulatory matters. The Board operates under a formal charter approved in April 2024. It was further updated in December 2024 as part of the comprehensive Corporate Governance Framework implementation.

b) Board Committees

The Board has established three principal committees to assist in discharging its responsibilities. Following the restructuring implemented in 2024, these committees operate with enhanced efficiency and clearer mandates:

Audit Committee

The Audit Committee comprises five directors including one independent non-executive director, two executive directors and two non-executive directors. The Committee is chaired by Roy Fellows and has met four times during 2024 with 100% attendance.

Principal responsibilities include oversight of financial reporting processes and integrity of financial statements, review of the effectiveness of internal controls over financial reporting, oversight of the internal audit function including approval of the audit plan and review of findings, management of the relationship with the external auditor including recommendation of appointment and assessment of independence, and review of the Company's compliance with legal and regulatory requirements related to financial reporting.

Capital, Underwriting and Investments Committee

The Capital, Underwriting and Investments Committee comprises four directors, including two executive directors with direct operational responsibilities. The Committee is chaired by Claude Lefevbre, who possesses over 30 years of reinsurance industry experience. The Committee met four times during 2024.

Principal responsibilities include oversight of underwriting strategy and performance including review of large transactions and portfolio composition, monitoring of investment strategy implementation and performance against benchmarks, review of capital adequacy and recommendations regarding capital management actions, assessment of reinsurance purchasing strategy and counterparty exposures, and specific oversight of SAC 2018-01 underwriting and investment activities.

Risk, Governance and Compliance Committee

The Risk, Governance and Compliance Committee comprises six directors, with a majority being non-executive. The Committee is chaired by Roy Fellows, an independent non-executive director with over 40 years of experience in the insurance market. The Committee met four times during 2024.

Principal responsibilities include oversight of the Enterprise Risk Management framework and risk appetite implementation, review and recommendation of the Commercial Insurer's Solvency Self-Assessment to the Board, monitoring of compliance with laws, regulations, and internal policies, oversight of the Corporate Governance Framework and related policies, specific focus on operational risk management improvements, climate risk integration, and SAC-specific risk governance.

c) Executive Committee

The Executive Committee was formally established in January 2024 to enhance operational efficiency and strategic execution. The Committee comprises the Chief Executive Officer (Chair), Chief Financial Officer, Chief Risk and Compliance Officer, Chief Underwriting Officer, and General Counsel. The Committee meets on an ad hoc basis and operates under delegated authority from the Board for day-to-day management decisions.

The Executive Committee's responsibilities include implementation of Board-approved strategy and policies, operational decision-making within defined authority limits, preparation and review of materials for Board and Committee meetings, coordination of risk management activities across the three lines of defense, and oversight of major projects and initiatives. The establishment of this Committee contributed to the significant operational efficiency and enhancement during 2024.

d) Senior Executive Roles and Responsibilities

The senior executive team is responsible for the day-to-day management of the Company's operations within the framework established by the Board. Key positions and their primary responsibilities include:

Chief Executive Officer: Overall leadership and management of the Company, implementation of strategic objectives, representation to external stakeholders including regulators, and accountability to the Board for operational performance.

Chief Financial Officer: Financial management and reporting, capital and liquidity management, oversight of the finance function including treasury and tax, coordination with external auditors, and leadership of investment strategy implementation.

Chief Risk and Compliance Officer: Leadership of the Enterprise Risk Management framework, coordination of the CISSA process, oversight of compliance with laws and regulations, management of the operational risk improvement program, coordination with internal auditors and reporting to the Risk, Governance and Compliance Committee.

Chief Underwriting Officer: Leadership of underwriting strategy and execution, portfolio management and risk selection, pricing adequacy and rate monitoring, relationship management with brokers and cedants, and specific accountability for SAC 2018-01 underwriting performance.

General Counsel: Legal advisory services to the Board and management, corporate secretarial responsibilities, management of external legal relationships, oversight of contract certainty and documentation, and coordination of regulatory filings and correspondence.

Clear segregation of duties is maintained between control functions and business operations, with the Chief Risk and Compliance Officer and Head of Internal Audit maintaining independent reporting lines to relevant Board committees.

B.2. Fitness and Propriety Requirements

The Company has established comprehensive procedures to ensure that all directors, senior executives, and persons in key control functions meet fitness and propriety requirements on both initial appointment and on an ongoing basis. These procedures are documented in the Fitness and Propriety Policy, which forms part of the Corporate Governance Framework.

a) Assessment Process

Initial assessments for new appointments include verification of professional qualifications and relevant experience, review of regulatory and criminal background checks, assessment of financial soundness through credit and bankruptcy searches, evaluation of time commitments and potential conflicts of interest, and confirmation of good standing with professional bodies where applicable.

Ongoing assessments are conducted annually and include updates to disclosure statements, review of continuing professional development activities, assessment of performance and contribution, monitoring of external appointments and potential conflicts, and reconfirmation of regulatory and financial standing.

b) Collective Competence

The Board maintains a skills matrix to ensure collective competence across key areas relevant to the Company's business. As at 31 December 2024, the Board possessed appropriate expertise in casualty reinsurance underwriting, actuarial science and reserving, financial management and reporting, investment management, risk management and internal controls, information technology and cyber security, legal and regulatory compliance, and strategic planning and execution.

During 2024, the Company appointed Claude Lefebvre, an independent director with over 30 years of reinsurance experience. Mr. Lefevbre is co-founder of Helix Underwriting Partners Ltd. and was previously co-founder and CUO Casualty and Specialty at Hamilton Re (and its predecessor company, SAC Re) where he served as CUO Casualty. This appointment strengthened the Board's industry expertise and contributed to enhanced oversight of underwriting strategy. Plans for 2025 include the appointment of an additional independent director with specialized risk management or audit expertise.

c) Training and Development

The Company maintains a structured approach to director and senior executive development. During 2024, training activities included sessions on cybersecurity threats and mitigation strategies, anti-money laundering, sanctions compliance, data protection, and the Insurance Code of Conduct.

B.3. Risk Management and Solvency Self-Assessment

a) Risk Management Framework

The Company operates a comprehensive Enterprise Risk Management framework designed to identify, assess, measure, monitor, control, and report all material risks. The framework is documented in the Enterprise Risk Management Policy, which forms a core component of the Corporate Governance Framework implemented during 2024.

The implementation of the new Corporate Governance Framework in 2024 represented a material enhancement to the risk management infrastructure, though the fundamental risk management principles and three lines of defense model remained consistent. Key enhancements included systematic mapping of all policies to regulatory requirements, integration with the Confluence platform for improved accessibility, and formalization of the risk and control self-assessment process.

The risk management framework operates on the three lines of defense model. The first line comprises business units and functions that own and manage risks in their day-to-day activities. The second line includes risk management and compliance functions that provide oversight, challenge, and support. The third line is the internal audit function, providing independent assurance on the effectiveness of governance, risk management, and internal controls.

Risk governance is embedded throughout the organization, with clear accountabilities defined in the RACI matrix included in the Corporate Governance Framework. Risk appetite statements approved by the Board cascade into operational limits and tolerances monitored through key risk indicators. The quarterly risk and control self-assessment process engages all departments in proactive risk identification and management.

b) Commercial Insurer's Solvency Self-Assessment Process

The CISSA represents the Company's comprehensive internal assessment of its risk profile, solvency needs, and capital adequacy. The process is fully integrated with strategic planning, business planning, and capital management activities rather than being a standalone regulatory exercise.

The CISSA process follows a structured annual cycle incorporating risk identification and assessment across all material risk categories, quantification of risks using appropriate methodologies, stress and scenario testing including reverse stress testing, determination of economic capital requirements, assessment of capital adequacy over a multi-year planning horizon, and documentation of findings and management actions.

The 2024 CISSA was reviewed by the Executive Committee in February 2025, the Risk, Governance and Compliance Committee in April 2025, and approved by the Board of Directors on 29 April 2025. The CISSA findings directly informed several strategic decisions during 2024, including refinement of investment duration targets, enhancement of operational risk controls contributing to the charge reduction, and capital raising initiatives through Holdings SAC 2018-01.

c) Relationship Between Risk Management, Solvency Assessment, and Capital Management

The integration of risk management, solvency assessment, and capital management ensures that the Company maintains adequate financial resources to meet its obligations and strategic objectives. The risk management framework identifies and quantifies material risk exposures. The CISSA translates these risk exposures into capital requirements using economic capital methodologies. Capital management ensures sufficient eligible capital is maintained to cover these requirements with appropriate buffers.

This integrated approach is evidenced by the Company's consistent maintenance of a BSCR ratio exceeding the internal target of 140%, proactive capital raising aligned with business growth projections, and the operational risk charge reduction achieved through documented control improvements.

B.4. Internal Controls

The Company maintains a comprehensive system of internal controls designed to ensure effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations, and safeguarding of assets. The internal control framework is based on the COSO framework and is tailored to the Company's nature, scale, and complexity.

a) Control Environment

The control environment is established through the tone at the top set by the Board and senior management, emphasizing integrity and ethical behavior. The Insurance Code of Conduct principles are embedded in all policies and procedures. Clear organizational structure with defined roles and responsibilities supports accountability. The competence of personnel is ensured through hiring practices and ongoing training. Performance management and compensation structures align individual objectives with Company goals and risk appetite.

b) Key Internal Controls

Material internal controls operate across all significant processes including:

Financial Reporting Controls: Monthly financial close processes with detailed reconciliations, analytical review procedures comparing actual to budget and prior periods, segregation of duties in financial transaction processing, system access controls and approval hierarchies, and quarterly reporting packages reviewed by the CFO and Audit Committee.

Underwriting Controls: Underwriting authority matrix aligned with experience and expertise, peer review requirements for risks exceeding defined thresholds, system controls preventing binding outside approved guidelines, regular portfolio reviews and performance monitoring, and the New Deal Memo process implemented in 2024 requiring CRCO sign-off.

Investment Controls: Investment guidelines defining permitted asset classes and limits, pre-trade compliance monitoring by the investment manager, post-trade verification by the finance function, monthly performance reporting and attribution analysis, and quarterly deep-dive reviews by the Capital, Underwriting and Investments Committee.

Claims Controls: Initial reserve establishment procedures with actuarial input, claims authority matrix based on reserve amounts, quarterly reserve adequacy reviews by internal and external actuaries, case reserve change documentation requirements, and monthly claims development reporting.

Information Technology Controls: Access controls based on role-based permissions, change management procedures for system modifications, regular vulnerability assessments and penetration testing, data backup and recovery procedures tested quarterly, and incident response procedures with defined escalation protocols.

c) Internal Controls over Financial Reporting Project

During 2024, the Company initiated a project to formalize its Internal Controls over Financial Reporting framework. The project objectives include documentation of all material financial reporting processes and controls, evaluation of control design and implementation, testing of operating effectiveness, and remediation of any identified deficiencies.

B.5. Internal Audit

The internal audit function which is outsourced to Deloitte provides independent and objective assurance on the adequacy and effectiveness of the Company's governance, risk management, and internal control systems. The function operates under a charter approved by the Audit Committee and maintains independence through direct reporting to the Committee.

a) Internal Audit Plan and Activities

The risk-based internal audit plan for 2024 was approved by the Audit Committee and included reviews of:

Underwriting Function: Assessment of underwriting controls, authority compliance, and portfolio monitoring. Results indicated effective controls with minor recommendations for enhanced documentation.

Risk Management Process: Assessment of effectiveness of risk management processes and underlying policies as well as assessment of alignment of the Risk Management Framework with the Insurance Code of Conduct. Recommendations have led to significant enhancements of the comprehensive governance and risk management framework.

Third Party Risk/Outsourcing: A review on outsourcing risk management, as well as the underlying policies in place is currently underway.

b) Internal Audit Resources

The internal audit function is outsourced to Deloitte Bermuda Ltd. All internal audit work is performed in accordance with the International Standards for the Professional Practice of Internal Auditing.

B.6. Actuarial Function

The actuarial function plays a critical role in the Company's operations, providing technical expertise on reserving, pricing, capital modeling, and risk assessment. The function is led by the Chief Underwriting Officer/Loss Reverse Specialist, who is approved by the BMA and reports to the Chief Financial Officer with direct access to the Board through the Audit Committee and the Capital Underwriting and Investments Committee.

a) Key Responsibilities

The actuarial function's responsibilities encompass:

Technical Provisions: Calculation of best estimate reserves and risk margins for both statutory and economic balance sheet reporting, quarterly analysis of reserve development and adequacy, documentation of reserving methodologies and assumptions, and specific calculations for SAC 2018-01 to ensure appropriate segregation.

Pricing Support: Review of pricing assumptions for new and renewal business, development of expected loss ratios by line of business, monitoring of rate adequacy and achievement, and support for large or unusual transactions.

Capital Modeling: Preparation of inputs for the BSCR calculation, support for CISSA quantification and stress testing, assessment of risk aggregation and diversification, and validation of capital allocation to SAC 2018-01.

Loss Reserve Specialist Opinion: Annual opinion on the adequacy of technical provisions, assessment of underwriting policy appropriateness, evaluation of reinsurance arrangements effectiveness, and contribution to the CISSA report.

b) Independence and Quality Assurance

The actuarial function maintains appropriate independence through defined reporting lines and governance oversight. External peer review is obtained annually from Pinnacle Actuarial Resources, Inc., with the most recent review completed in December 2024 covering year-end 2024 reserves. The review confirmed the adequacy of technical provisions and the appropriateness of reserving methodologies. All actuarial work adheres to relevant professional standards including Actuarial Standards of Practice.

B.7. Outsourcing Policy and Key Arrangements

The Company maintains an Outsourcing Policy that governs the selection, management, and oversight of third-party service providers. The policy ensures that outsourcing arrangements do not impair the Company's ability to meet its obligations or comply with regulatory requirements.

a) Outsourcing Framework

The outsourcing framework requires:

Due Diligence: Comprehensive assessment of potential service providers including financial strength, operational capabilities, regulatory standing, business continuity arrangements, and data security measures.

Contractual Provisions: Clear service level agreements with performance metrics, right to audit and access information, confidentiality and data protection requirements, termination rights and transition assistance, and compliance with applicable laws and regulations.

Ongoing Oversight: Regular service review meetings with key providers, performance monitoring against agreed metrics, annual due diligence updates, periodic on-site reviews where appropriate, and escalation procedures for service issues.

b) Material Outsourcing Arrangements

As at 31 December 2024, the Company maintained the following material outsourcing arrangements:

Investment Management Services: Outsourced to Checchi Capital Advisors, LLC since 19th March, 2018. Services include portfolio management within approved guidelines, trade execution and settlement, performance reporting and attribution, and regulatory compliance support. Oversight is provided by the Capital, Underwriting and Investments Committee with quarterly performance reviews.

Information Technology Services: Outsourced to Gnosis Ltd. effective 1 July 2023. Services include infrastructure management and support, cybersecurity monitoring and incident response, business application support and maintenance, and virtual Chief Information Security Officer function. The arrangement includes comprehensive service level agreements and business continuity provisions validated through annual testing.

Insurance Management Services: Transitioned to Artex Insurance Management Ltd. effective 1st January, 2024. Services include accounting support, statutory financial reporting and filings, regulatory compliance support, and reinsurance agreement support. Artex Insurance Management Ltd. is also our appointed Principal Representative under the Insurance Act and our Segregated Accounts Representative under the Segregated Accounts Act.

Internal Audit Services: Outsourced to Deloitte pursuant to an engagement letter dated 6th December, 2022 and further to which an internal audit manual, charter and 3-year plan was developed and continues to be executed with internal audit findings being reported to the Audit Committee.

All material outsourcing arrangements are subject to annual review by the Risk, Governance and Compliance Committee, with findings reported to the Board. Exit strategies are documented for each arrangement to ensure continuity of operations in the event of service provider failure or termination.

B.8. Other Material Information on Governance

a) Corporate Governance Framework Implementation

The implementation of the comprehensive Corporate Governance Framework during 2024 represented a significant enhancement to the Company's governance infrastructure. The framework comprises:

Policy Taxonomy: A hierarchical structure of Core Policies, Sub-Policies, Guidelines, and Procedures, all systematically mapped to regulatory requirements. The taxonomy eliminated redundancies and clarified accountabilities across the organization.

Technology Platform: Full integration with the Atlassian/Confluence platform providing centralized access to all governance documents, automated review reminders and workflow management, version control and audit trails, and collaborative features enhancing communication.

The quantifiable benefits achieved include significant operational enhancements in process efficiency measured through average cycle time reduction from 8 days to 3.5 days for key processes, and a faster document retrieval based on platform analytics showing average search time reduced from 13 minutes to 5.6 minutes. Additional benefits included improved control documentation and enhanced Board and Committee meeting preparation.

b) Board and Committee Effectiveness

An internal effectiveness review was conducted in Q4 2024 covering Board and Committee composition, skills, quality and timeliness of information provided, effectiveness of meetings and decision-making, and fulfillment of oversight responsibilities.

Results from the review indicated a strong performance across all dimensions of the review and confirmed efficiency and enhancements in our corporate governance structure.

c) Regulatory Engagement

The Company maintains proactive engagement with the BMA through regular supervisory meetings and correspondence. The transition from quarterly to bi-annual monitoring effective March 2025 was granted following the BMA's assessment of governance and risk management enhancements implemented during 2024. Specific factors cited by the BMA included the operational risk charge reduction demonstrating effective control improvements, implementation of the comprehensive governance framework, and consistent regulatory compliance with no material findings.

Key areas of regulatory focus during 2024 included operational risk management improvements, climate risk integration, and segregated account oversight practices.

d) Succession Planning

Succession plans for key executive positions continue to be developed to support business continuity. Emergency succession protocols identify immediate temporary replacements for critical roles. Longer-term succession planning includes identification of internal candidates with development needs and external market mapping for specialized positions.

Our Succession plan shall be reviewed annually by the Risk, Governance and Compliance Committee. The addition of the Executive Committee structure provides enhanced depth of management capability.

e) Culture and Ethics

The Company promotes a strong ethical culture through clear tone from the top messaging, open and honest communications, mandatory training and whistleblowing capability. No material conduct issues were identified during 2024.

The governance framework established and enhanced during 2024 positions Fergus Reinsurance Limited to execute its strategic objectives while maintaining robust oversight and control. The demonstrated improvements in operational efficiency, combined with strong regulatory relationships and clear accountability structures, provide a solid foundation for sustainable growth.

C. Risk Profile

This section provides information regarding the risk profile of Fergus Reinsurance Limited for the financial year ended 31 December 2024, prepared in accordance with the requirements of Schedule I, Part III of the Insurance (Public Disclosure) Rules 2015.

C.1. Overview of Risk Management Framework

Fergus Reinsurance Limited maintains a comprehensive Risk Management framework designed to ensure that all material risks are identified, assessed, monitored, managed, and reported in a consistent and effective manner. The framework is integral to the Company's strategic planning and decision-making processes and forms the foundation of the Commercial Insurer's Solvency Self-Assessment.

The Board of Directors approves the Company's risk appetite statement, which defines the level and types of risk Fergus Re is willing to accept in pursuit of its strategic objectives. The risk appetite articulates an overall philosophy of maintaining a strong capital position and generating stable returns while prudently growing the business. The Company maintains low tolerance for risks that could threaten solvency, reputation, or operational resilience.

Risk management operates through the three lines of defense model implemented across the organization. Business units form the first line, owning and managing risks within their operations. The risk management and compliance functions provide the second line of defense through oversight and support. Internal audit delivers independent assurance as the third line. This structure ensures appropriate segregation of duties and multiple levels of monitoring of material risk exposures.

The quarterly risk and control self-assessment process engages all departments in identifying and evaluating risks, with exceptions/ anomalies aggregated into the Company's risk register. Key risk indicators are monitored monthly by the Executive Committee and reported quarterly to the Risk, Governance and Compliance Committee and the Board, ensuring timely identification and escalation of emerging risks. This systematic approach ensures appropriate escalation of issues requiring management attention.

C.2. Material Risks

The Company has identified the following top material risk categories through its risk identification process:

Table C.1: Summary of Material Risks

Risk Category	Capital Allocation
Underwriting Risk	71%
Market Risk	12%
Credit Risk	2%
Liquidity & Concentration Risk	[1]N/A
Operational Risk	8%
Strategic Risk (incl. Emerging Risks)	N/A
Reputation, Compliance, and Legal Risk	N/A
(ESG) Risk (including Climate Risk)	N/A
Other Risks	7%

As a result of our systematic approach, through our effective Risk Management Framework, along with our quarterly Risk and Control Self-Assessment process, these risks remain to be effectively managed through efficient monitoring and development of appropriate policies, processes and controls. As such, our residual exposures continue to remain within our risk appetite.

Note: Capital allocation percentages reflect internal risk assessments derived from the quarterly Risk and Control Self-Assessment process and the Bermuda Solvency Capital Requirement (BSCR) model prior to diversification benefits.

C.3. Underwriting Risk

Underwriting risk represents the Company's most significant exposure, arising from the possibility that premiums charged prove inadequate to cover ultimate claim costs and expenses. This risk is inherent in the Company's casualty reinsurance business model and encompasses pricing risk, reserving risk, and catastrophe risk within the casualty context.

[1] "N/A" entries represent risks that don't attract direct capital charges under the BMA framework but are managed through operational controls and our capital buffer.

The Company's underwriting portfolio focuses exclusively on casualty lines with low severity, high frequency characteristics. Professional liability comprises 6.7% of gross premiums written, general liability 39.5% of gross premiums written and auto liability 15.5% of gross premiums written. The explicit exclusion of property catastrophe and excess of loss business eliminates exposure to natural catastrophe events and volatility respectively.

The portfolio is systematically stress tested annually, through the application of multiple scenarios including: assumed full limits losses for all professional liability open claims; 10% sustained inflation assumed for all open contractors claims; and the top ten treaties by premium volume assuming the high actuarial estimate.

Geographic concentration in United States of America at 83% of premium reflects the Company's strategic focus on the United States casualty market. This concentration is actively monitored and accepted within the risk appetite given the deep market knowledge and established relationships in this region. The long-tail nature of casualty business introduces reserving uncertainty, particularly given social inflation trends affecting severity in professional and auto liability lines.

Underwriting risk is managed through comprehensive controls including:

Underwriting Guidelines and Authorities: Clearly defined risk acceptance criteria excluding property and catastrophe exposures, with authority levels linked to underwriter experience and expertise. The New Deal Memo process implemented in 2024 requires Chief Risk and Compliance Officer review for all new programs, ensuring alignment with risk appetite.

Actuarial Pricing Support: Actuarial reviews validate pricing adequacy for each program. Established expected loss ratios are monitored against achieved ratios.

Portfolio Monitoring: Quarterly portfolio reviews assess performance by line, program, and cedant. The 44% renewal retention ratio and 13% new business bind ratio demonstrate disciplined risk selection. Programs not meeting profitability targets are non-renewed or restructured.

Reserve Management: Conservative reserving philosophy with quarterly reviews by our actuaries, Pinnacle Actuarial Resources with external validation provided by counterparties via collateral demands. Additionally, Mazars performs an external audit on our reserves on an annual basis.

The BSCR model quantifies underwriting risk capital requirements at USD 174.8 million, prior to diversification adjustments, for year-end 2024, comprising premium risk of USD 120.8 million and reserve risk of USD 53.9 million. Stress testing indicates the portfolio could withstand a 1-in-20 year adverse development scenario while maintaining solvency above regulatory requirements.

C.4. Market Risk

Market risk arises from adverse movements in financial market variables affecting the Company's investment portfolio value. The Company maintains a deliberately conservative investment strategy aligned with its liability profile and risk appetite.

The investment portfolio composition as at 31 December 2024 reflects this conservative approach:

Table C.2: Investment Portfolio Composition - SAC 2018-01

Asset Class	Market Value USD millions	Percentage	Duration Years
U.S. Treasury Securities	241,076	53%	0.33
U.S. Agency Securities	10,153	2%	0.3
Corporate Bonds (Investment Grade)	21,724	5%	2.29
Cash and cash equivalents	184,435	40%	0
Total	**457,389**	**100.0%**	0.34

The portfolio's key risk characteristics include:

- Average credit quality: AA+
- Average duration: 0.34 years
- Average yield to maturity: 4.18%

Interest rate risk represents the primary market risk exposure, though the extremely short duration significantly limits sensitivity to rate movements. A 100 basis point parallel shift in interest rates would impact portfolio value by approximately -0.32% or USD -0.8 million, based on internal duration calculations validated by the investment manager. The Company's buy-and-hold strategy focused on matching asset maturities to expected liability payouts further reduces realized interest rate risk.

Credit spread risk is minimal given the 55% allocation to U.S. government and agency securities. The 5% corporate bond allocation is restricted to investment grade issuers with strong credit fundamentals. No allocation to equities, alternatives, or other volatile asset classes aligns with the Company's capital preservation objectives.

Currency risk is managed through natural hedging where possible, matching premium and claim currencies. The predominantly USD-denominated portfolio aligns with the USD functional currency and the geographic concentration of liabilities.

Market risk mitigation includes:

Investment Guidelines: Board-approved guidelines establish permitted asset classes, credit quality minimums, duration limits, and concentration thresholds. Compliance is monitored pre-trade by the investment manager and verified post-trade by the finance function.

Asset-Liability Management: Quarterly asset-liability matching (ALM) analysis aligns asset cash flows with expected casualty claim payments. The portfolio's average duration of 0.34 years effectively minimizes interest rate exposure and aligns with projected liabilities.

Performance Monitoring: Monthly investment reports track performance, compliance, and risk metrics. The Capital, Underwriting and Investments Committee conducts quarterly deep-dive reviews of strategy and positioning.

The BSCR model assigns USD 12.3 million capital for market risk at year-end 2024. Stress testing of severe market scenarios, including 300 basis point rate shocks and credit crisis conditions, confirms the portfolio's resilience and limited downside exposure.

C.5. Credit Risk

Credit risk represents the potential for financial loss from counterparty default. The Company's credit exposures arise from investment holdings, reinsurance recoverables, and premium receivables from cedants.

Investment Credit Risk: Mitigated through the high-quality portfolio composition with 55% in U.S. government and agency securities. Corporate bond holdings are diversified across sectors and issuers, with no single corporate exposure exceeding 2% of the portfolio.

Reinsurance Counterparty Risk: Limited given the Company's business model of assuming rather than ceding risk. The 100% cession from the general account to SAC 2018-01 represents an internal transfer with no external credit exposure.

Cedant Credit Risk: Arises from premium collection and potential return premium obligations. The Company conducts financial strength reviews of all cedants, with enhanced monitoring for any rated below A-. The average credit rating of cedants is A+, with >95% rated A- or better. Premium payment terms typically require settlement within 45 days, limiting exposure duration.

Credit risk management includes:

Counterparty Assessment: Initial and ongoing due diligence on all material counterparties, including financial strength ratings, financial statement analysis, and market intelligence. Exposure limits are established based on counterparty credit quality.

Concentration Management: The risk appetite statement limits exposure to any single non-government counterparty to 20% of available capital. As at 31 December 2024, the largest corporate bond exposure represented 0.2% of the investment portfolio, well within limits.

Monitoring and Reporting: Quarterly credit risk reporting monitors exposure by counterparty, ratings, and concentration. Any rating downgrades trigger immediate enhanced monitoring, potential exposure reductions, and escalation to the Risk, Governance and Compliance Committee.

The BSCR model assigns USD 4.3 million capital for credit risk at year-end 2024, reflecting the high quality of credit exposures. Stress testing of counterparty default scenarios, including simultaneous defaults of the largest exposures, demonstrates limited impact on overall solvency.

C.6. Liquidity Risk

Liquidity risk represents the possibility of being unable to meet financial obligations as they come due without incurring unacceptable costs. For Fergus Re, this includes claim payments, operating expenses, collateral requirements, and potential redemption requests from SAC 2018-01 investors.

The Company maintains a low appetite for liquidity risk, implemented through conservative asset allocation and thorough cash flow management. The investment portfolio's emphasis on highly liquid U.S. government securities ensures immediate access to funds. The 0.34 year average duration provides natural liquidity as securities mature.

Liquidity risk factors specific to the Company include:

Claims Payment Uncertainty: While casualty claims usually follow predictable payment patterns, adverse development or social inflation may speed up payouts. The Company keeps sufficient liquid resources to handle a 1-in-10 year adverse claims situation.

SAC Redemption Risk: Investors in Holdings SAC 2018-01 may request redemption of preference shares with a 90-day notice period. A stress test of a 30% mass redemption scenario for Holdings SAC 2018-01 indicated that the Company's liquidity ratio would remain robust at 103%, exceeding the 100% regulatory minimum and demonstrating sufficient liquidity buffers. The liquidity ratio is calculated as liquid assets divided by projected obligations over a 12-month period.

Collateral Requirements: Certain reinsurance agreements require collateral posting, typically through trust accounts. As at 31 December 2024, USD 32.9 million in unencumbered equity and USD 426.5 million in restricted cash and investments were held in trust, with adequate additional resources available if required.

Liquidity risk management includes:

Cash Flow Forecasting: Rolling 24-month projections of expected cash inflows and outflows, updated quarterly. Projections incorporate premium collections, claim payments, expenses, and investment maturities under base and stressed scenarios.

Liquidity Metrics: The Company targets maintaining liquidity ratios above 110% for both consolidated and SAC-specific calculations. As at 31 December 2024, the entity-wide ratio was 113% and SAC 2018-01 ratio was 110%, meeting targets.

Contingency Funding: Documented procedures for accessing additional liquidity if required, including accelerated investment liquidation protocols and potential capital calls. The investment portfolio's high credit quality and liquid nature support rapid monetization if needed.

Redemption Management: Clear procedures govern the processing of SAC investor redemptions, including Board approval requirements, liquidity assessment protocols, and defined timelines for processing.

While liquidity risk does not attract a specific capital charge under the BSCR model, it influences capital planning through the maintenance of buffer capital and constraints on investment strategy. The Company's strong liquidity position supports operational flexibility and strategic optionality.

C.7. Operational Risk

Operational risk encompasses potential losses arising from inadequate or failed internal processes, personnel, systems, or external events. This broad category includes technology risk, cyber risk, fraud risk, legal risk, compliance risk, and business disruption risk. The Company's operational risk profile reflects its identity as a focused casualty reinsurer with sophisticated governance requirements due to its SAC structure. Key operational risk exposures comprise:

Technology and Cyber Risk: Dependence on information systems for underwriting, claims, financial reporting, and communications creates vulnerability to system failures or cyber attacks. The virtual CISO function provided by Gnosis Ltd. implements comprehensive security measures including regular vulnerability assessments and employee training.

Process Risk: Complex processes for managing segregated accounts, calculating reserves, and processing transactions require robust controls. The implementation of the Confluence platform and standardized procedures has reduced process risk.

Outsourcing Risk: Critical functions outsourced to Checchi Capital (investments), Gnosis (IT), and Artex (insurance management) introduce third-party dependencies. Comprehensive service agreements, consistent communications/ reporting from the outsourcing service provider and regular monitoring mitigate this risk.

Compliance Risk: Evolving regulatory requirements, particularly for SACs and climate disclosure, require continuous monitoring and adaptation. The compliance function maintains a dynamic regulatory calendar and tracking system.

People Risk: Reliance on key individuals with specialized expertise creates potential vulnerability. Succession planning and knowledge management processes address this exposure.

Operational risk management has been significantly enhanced during 2024:

Governance Improvements: The implementation of the comprehensive Corporate Governance Framework and the establishment of an Executive Committee significantly enhanced operational oversight, as demonstrated by measurable process efficiency gains through reduced decision-making and approval cycle times from an average of 8 days to 3.5 days.

Control Enhancements: The quarterly RCSA process identifies and assesses operational risks across all departments. A standardized risk rating methodology ensures consistent evaluation. Control testing validates the effectiveness of key controls.

Technology Investments: The Confluence platform implementation improved document management and workflow efficiency by 130%, as measured by a reduction in the average document retrieval time from 13 minutes to 5.6 minutes. Enhanced cybersecurity measures reduced vulnerability assessment findings by 40%.

Business Continuity: Comprehensive BCP/DR plans were tested through tabletop exercises in Q3 2024. Recovery time objectives were established for critical processes with validated recovery capabilities.

These improvements contributed to the BMA's approval of reducing the operational risk charge from 9% to 7% in Q4 2024, generating capital savings of approximately USD 2.1 million. The Company continues to target a 5% charge through ongoing enhancements.

The BSCR model assigns USD 10.4 million in capital for operational risk at year-end 2024 based on the 7% charge. The Company's CIRA score improved from 7,200 to 7,400 during 2024, demonstrating progression in operational risk maturity.

C.8. Strategic Risk

Strategic risk includes threats to achieving business objectives stemming from poor decisions, inadequate implementation of those decisions, or failure to adapt to industry changes. For Fergus Re, this encompasses market competition, regulatory changes, and the execution of growth initiatives.

Key strategic risk factors include:

Market Competition: Intense competition in casualty reinsurance impacts pricing and terms. The company's focused strategy and relationship-based approach offer differentiation, but persistent market softening could pressure profitability.

Regulatory Evolution: Increasing regulatory requirements, especially concerning climate disclosure and SAC oversight, demand ongoing investment in compliance capabilities. The Company's proactive approach positions it favorably for evolving standards.

Growth Execution**: Achieving premium growth targets while maintaining underwriting discipline requires a careful balance. The 39% growth in 2024 demonstrates successful execution, though sustaining this trajectory presents ongoing challenges.

Capital Access: The SAC model relies on attracting investor capital. Market conditions or performance issues may impact capital-raising ability; however, the USD 57.5 million raised in 2023-2024 reflects strong investor confidence.

Strategic risk management includes:

Board Oversight: The Board conducts quarterly scenario planning reviews to anticipate potential market disruptions and proactively adapt strategic direction and contingency plans. The strategy approval in April 2024 established clear direction and accountability.

Performance Monitoring: Comprehensive KPIs track strategic execution across growth, profitability, and operational metrics. All targets were achieved or exceeded in 2024.

Stakeholder Engagement: Regular communication with investors, cedants, and regulators ensures alignment and early identification of concerns.

C.9. Other Material Risks

Reputational Risk: The company's market standing influences its capacity to attract business and capital. Strong governance, transparent communication, and consistent execution safeguard its reputation. No significant reputational events occurred in 2024.

Legal Risk: There is potential for disputes regarding coverage, contract terms, or regulatory compliance. Standardized contract templates, legal review procedures, and proactive compliance management help to mitigate this risk. The legal contingency reserve remains unused.

Climate Risk: While the Company excludes property catastrophe risk, climate change impacts casualty lines through liability exposures and transition risks. Climate considerations are integrated into underwriting guidelines and investment policies. Climate scenario analysis is conducted annually, with the next comprehensive TCFD-aligned report, targeted for completion to meet BMA implementation timelines.

SAC-Specific Risks: The segregated account structure introduces unique risks:

- **Asset Segregation**: Regular internal and external audits confirm robust accounting practices and effective segregation of SAC 2018-01 assets, mitigating risks associated with potential segregation failures. The most recent external validation was completed in December 2024.
- **Governance Complexity**: Managing distinct risk profiles requires sophisticated oversight. Dedicated Board focus and clear procedures address this complexity.

- **Contagion Risk**: Potential for issues in one cell affecting others. The single-cell structure currently limits this risk.

C.10. Risk Concentrations

Material risk concentrations are actively monitored and managed within the risk appetite. No significant changes in concentration levels occurred during 2024:

Geographic Concentration: 83% of the premium comes from the United States (with 90% coming from the United States in 2023). This concentration is accepted given market expertise and relationships.

Line of Business Concentration: General liability at 39.5% represents the largest single line, consistent with 39.4% in 2023. Diversifying across multiple classes ensures balance.

Cedant Concentration: Fergus Re maintains a diversified cedant base. With the exception of 2 legacy risk retention groups, all cedants carry an AM Best Rating of A- or better. Two counterparties carry a rating of A+.

Asset Concentration: A 53% allocation to U.S. Treasury securities indicates a deliberate focus on credit quality rather than an unintended concentration.

C.11. Prudent Person Principle

The Company's assets are invested according to the prudent person principle as mandated by the Insurance Code of Conduct. Implementation ensures:

Security: The primary focus is on preserving capital through investments with high credit quality. The average AA+ rating and emphasis on government securities demonstrate prudent security standards.

Liquidity: Asset selection prioritizes liquidity to meet policyholder obligations. The short duration and government security focus ensure ready access to funds.

Profitability: Returns are optimized within the constraints of security and liquidity. The 5.22% return achieved in 2024 surpassed benchmarks while maintaining a conservative positioning.

Diversification: Proper diversification among issuers, sectors, and maturities within a conservative framework. Concentration limits help avoid excessive exposure to individual risks.

The investment strategy explicitly considers the nature and duration of insurance liabilities, with asset-liability matching as a core principle. The Capital, Underwriting, and Investments Committee provides quarterly oversight of prudent person compliance, with formal reviews conducted at each of its six annual meetings.

C.12. Stress Testing and Scenario Analysis

Comprehensive stress testing validates the Company's risk management effectiveness and capital adequacy:

Underwriting Stresses: Adverse reserve development scenarios assess the effects of systematic under-reserving. Social inflation scenarios explore accelerated trends in severity. The 1-in-20-year combined scenario demonstrates maintained solvency surpassing regulatory requirements.

Market Stresses: Interest rate shocks of up to 300 basis points test duration exposure. Credit spread widening and flight-to-quality scenarios validate portfolio resilience. The combined market stress scenario includes a simultaneous 300 basis point interest rate shock and a 100 basis point credit spread widening, confirming a limited impact of USD 3.2 million or 1.2% of portfolio value.

Operational Stresses: Cyberattack scenarios assess incident response and recovery capabilities. Key vendor failure scenarios validate contingency plans. The Q4 2024 tabletop exercise confirmed operational resilience.

SAC-Specific Stresses: Mass redemption scenarios evaluate liquidity sufficiency. Operational segregation failure scenarios assess control effectiveness. Results validate strong SAC risk management.

Reverse Stress Testing: The Company annually assesses extreme and highly improbable concurrent scenarios that could threaten solvency. Although extreme, these stress scenarios shape robust contingency planning and capital buffer decisions.

Stress testing results are incorporated into capital planning, with buffers held to ensure resilience. The consistent maintenance of BSCR ratios above 140% offers substantial capacity to absorb adverse scenarios while continuing operations.

Table C.3: Overview of Risk Profile and Management Strategies

Risk Category	Principal Exposures	Mitigation Strategies
Underwriting Risk	Pricing, reserving, casualty events	Actuarial pricing, strict underwriting criteria, conservative reserving
Market Risk	Interest rate, credit spreads	Short-duration portfolio, conservative investments, ALM
Credit Risk	Counterparty defaults	High-quality portfolio, credit limits, counterparty monitoring
Liquidity Risk	Claims acceleration, SAC redemption	Conservative ALM, liquidity forecasting, contingency plans
Operational Risk	IT/cyber, outsourcing, compliance	Enhanced governance, strong IT/cyber controls, rigorous vendor oversight

Risk Category	Principal Exposures	Mitigation Strategies
Strategic Risk	Competition, regulatory, capital access	Scenario planning, Board oversight, stakeholder engagement
Other Risks	Reputational, legal, climate, SAC-specific	Transparent communication, robust legal framework, climate integration
Risk Concentrations	Geographic, cedants, asset allocation	Active monitoring, diversification strategies

D. Solvency Valuation

This section provides information regarding the valuation for solvency purposes of Fergus Reinsurance Limited as at 31 December 2024, prepared in accordance with the requirements of Schedule I, Part IV of the Insurance (Public Disclosure) Rules 2015.

D.1. Overview of Valuation Methodology

The Company prepares its Economic Balance Sheet ("EBS") in accordance with the valuation principles prescribed by the BMA in the Insurance (Prudential Standards) (Class 3B Solvency Requirement) Rules 2015 and related guidance. The EBS forms the basis for determining the Company's available statutory capital and surplus for regulatory solvency assessment. Valuations are reviewed and validated annually by external actuarial and audit partners, ensuring compliance with BMA requirements and industry standards.

The valuation approach generally aligns with fair value principles, whereby assets and liabilities are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. Where observable market prices are not available, the Company applies valuation techniques using relevant inputs and assumptions consistent with market participant perspectives.

Material differences arise between the EBS valuation and the Company's financial statements prepared under generally accepted accounting principles. These differences primarily relate to the valuation of technical provisions, where the EBS requires a best estimate plus risk margin approach compared to the undiscounted basis used for statutory reporting. All material valuation differences are identified and reconciled in this section.

D.2. Valuation of Assets

The Company's assets are valued for solvency purposes using the following bases and methods:

Table D.1: Asset Valuation Summary as at 31 December 2024

Asset Category	EBS Value USD '000	Statutory Value USD '000	Valuation Basis
Investments - Bonds	273,381	273,381	Fair Value

Asset Category	EBS Value USD '000	Statutory Value USD '000	Valuation Basis
Cash and Cash Equivalents	185,474	185,474	Nominal Value
Insurance and Intermediaries Receivables	85,808	85,808	Expected Recovery
Reinsurance Recoverables	0	0	Not Applicable
Deferred Acquisition Costs	[0]	55,306	Not Recognized
Other Assets	11,886	11,886	Fair Value
Total Assets	**556,549**	**661,855**	

Differences between EBS and statutory asset values primarily result from adjustments related to deferred acquisition costs, market-based valuation of held-to-maturity investments, and discounting of insurance receivables.

a) Investments

Fixed income securities are valued at fair value based on quoted market prices in active markets where available (Level 1 fair value hierarchy). For securities where active market quotes are not available, the Company uses pricing services that employ valuation models using observable market inputs such as benchmark yields, reported trades, and broker/dealer quotes (Level 2 fair value hierarchy).

U.S. Treasury securities totaling USD 241.1 million were valued using active market prices (Level 1 inputs), while U.S. Agency securities (USD 10.1 million) and investment-grade corporate bonds (USD 21.7 million) utilized observable inputs from third-party pricing services (Level 2 inputs). There were no material changes in valuation techniques or hierarchy classifications compared to the prior year.

b) Cash and Cash Equivalents

Cash and short-term deposits are valued at nominal amounts, which approximate fair value given their short-term nature and high credit quality of banking counterparties. No valuation adjustments are required between EBS and statutory reporting.

c) Insurance and Intermediaries Receivables

Premium receivables from cedants and intermediaries are valued at expected recoverable amounts. Receivables due beyond one year were discounted using BMA-prescribed risk-free yield curves plus a credit risk adjustment of 50 basis points, reflective of the Company's historical collection experience (99.5% collection rate) and the A+ average credit rating of cedants.

Credit risk adjustments totaling USD 0.5 million were applied based on the Company's three-year rolling average collection experience and individual cedant credit quality assessments. No receivables were considered uncollectible requiring full write-down.

d) Deferred Acquisition Costs

Under EBS valuation principles, deferred acquisition costs are not recognized as an asset. The statutory value of USD 55.3 million is eliminated, with the economic value of future profits implicit in the technical provision calculations. This represents the largest single reconciling item between EBS and statutory assets.

e) Other Assets

Other assets primarily comprise prepaid expenses, accrued investment income, and furniture and equipment. These are valued at fair value or amortized cost where appropriate, with no material differences between EBS and statutory values.

D.3. Valuation of Technical Provisions

Technical provisions represent the Company's most significant liability and require extensive actuarial judgment. The EBS valuation comprises two components:

Table D.2: Technical Provisions as at 31 December 2024

Component	Gross USD '000	Ceded USD '000	Net USD '000
Best Estimate Liability - Premium Provision	36,118	36,118	0
Best Estimate Liability - Claims Provision	191,194	191,194	0
Risk Margin	16,859	16,859	0
Total Technical Provisions (EBS)	**244,171**	**244,171**	**0**
Statutory Technical Reserves	373,928	373,928	0
Difference	**(129,757)**	**(129,757)**	**0**

Note: All amounts represent preliminary unaudited figures. The 100% quota share cession to SAC 2018-01 results in identical gross and ceded amounts.

a) Best Estimate Liabilities

Best estimate liabilities represent the probability-weighted average of future cash flows required to settle insurance obligations, discounted to present value. The calculation incorporates:

Premium Provision: Relates to future claim events on unexpired periods of policies where premiums have been written. The Company projects future claims and expenses based on expected loss ratios by line of business, adjusted for seasonality and exposure changes. Cash flows are projected monthly for the first 24 months and quarterly thereafter.

Claims Provision: Relates to claim events that have occurred, including both reported claims and incurred but not reported (IBNR) claims. The Company employs multiple actuarial methods including:

- Paid and incurred development methods
- Bornhuetter-Ferguson method for immature accident years
- Frequency-severity models for large claims
- Industry benchmarks for tail development

Key assumptions include:

- Loss development patterns based on Company and industry experience
- Payment patterns reflecting the long-tail nature of casualty business
- Claim handling expense load of 3.5% of gross claims
- Economic and social inflation adjustments

Future claim cash flows are discounted monthly for the initial 24 months and quarterly thereafter using BMA-prescribed risk-free yield curves. As at 31 December 2024, the weighted average discount rate for USD liabilities was8.2%, reducing undiscounted best estimate liabilities by USD 26 million.

b) Risk Margin

The risk margin calculation remained consistent with prior years, employing the BMA-prescribed cost-of-capital approach (6% per annum) to capture non-hedgeable risk exposures. The calculation involves:

- Cost of capital rate: 6% per annum (unchanged from prior year)
- Projected future SCR for non-hedgeable risks over the liability runoff period
- Present value of projected capital costs using risk-free rates

The risk margin of USD 16.9 million represents 5.4% of best estimate liabilities, reflecting the relatively predictable nature of the casualty portfolio and benefits of diversification across lines of business.

c) 100% Quota Share Cession

All technical provisions relate to business written by the general account and ceded 100% to SAC 2018-01. Consequently, gross and ceded amounts are identical, with nil net retention in the general account. This structure simplifies the valuation process as no allocation between retained and ceded business is required.

D.4. Valuation of Other Liabilities

Other liabilities are valued using the following principles:

Table D.3: Other Liabilities as at 31 December 2024

Liability Category	EBS Value USD '000	Statutory Value USD '000	Valuation Basis
Insurance and Intermediaries Payables	63,362	63,362	Expected Payment
Accounts Payable and Accrued Liabilities	2,135	4,013	Nominal Value
Current Tax Liability	0	0	Nominal Value
Deferred Tax Liability	0	0	Not Applicable
Total Other Liabilities	**65,497**	**67,375**	

a) Insurance and Intermediaries Payables

Amounts due to cedants and intermediaries are valued at expected payment amounts.

b) Accounts Payable and Accrued Liabilities

Trade payables and accrued expenses are valued at nominal amounts given their short-term nature. No discounting is applied as substantially all amounts are due within 12 months.

c) Tax Liabilities

Current tax liabilities represent amounts due to tax authorities valued at nominal amounts. No deferred tax liability arises as the Company is subject to Bermuda tax regulations with no corporate income tax.

D.5. Reconciliation to Financial Statements

The following reconciliation bridges the Company's statutory financial statements to the Economic Balance Sheet:

Table D.4: Reconciliation of Statutory Balance Sheet to Economic Balance Sheet

Item	EBS USD '000	Adjustments USD '000	Statutory USD '000
Assets			
Investments	273,381	0	273,381
Cash and Cash Equivalents	185,474	0	185,474
Insurance Receivables	85,808	0	85,808
Deferred Acquisition Costs	0	55,306	55,306
Other Assets	11,886	0	11,886

Item	EBS USD '000	Adjustments USD '000	Statutory USD '000
Total Assets	**556,549**	**55,306**	**611,855**
Liabilities			
Technical Provisions	244,171	129,757	373,928
Other Liabilities	65,497	1,878	67,357
Total Liabilities	**309,668**	**131,635**	**441,303**
Net Assets	**246,881**	**131,635**	**170,552**

Note: Adjustments reflect final valuations aligned with BMA's EBS methodology, including market-value investment adjustments, receivables discounting, and technical provision adjustments.

D.6. Material Changes in Valuation Bases

No material changes were made to valuation bases, methods, or assumptions during 2024. The Company continues to apply consistent methodologies aligned with BMA requirements and industry best practices.

Refinements implemented during 2024, such as enhanced cash flow projection granularity and updated social inflation assumptions had immaterial impacts individually (each below USD 1 million), as validated by external actuaries. These refinements included:

- Enhanced granularity in cash flow projections for premium provisions
- Updated social inflation assumptions based on emerging casualty market trends
- Refined credit risk adjustment methodology for receivables

D.7. Valuation Uncertainty

The valuation of technical provisions involves significant uncertainty given the long-tail nature of casualty business. Sensitivity analyses on key assumptions are performed quarterly, and reserve back-testing occurs annually, ensuring continued accuracy and conservatism in reserving practices. Key areas of uncertainty include:

Ultimate Loss Ratios: Actual ultimate losses may differ from expected due to changes in claim frequency, severity, or emergence patterns. The Company addresses this through conservative assumptions and annual back-testing.

Social Inflation: Increasing jury awards and litigation funding in U.S. casualty markets create uncertainty in ultimate claim costs. The Company incorporates appropriate social inflation loads, which take into account emerging trends, that are monitored on a quarterly basis.

Legislative and Judicial Changes: Retroactive changes in law or precedent-setting court decisions could affect claim outcomes. The Company monitors legislative and judicial developments through quarterly legal updates.

The Company employs sensitivity analysis to understand the impact of key assumption changes and maintains prudent capital buffers to absorb adverse deviations. The risk margin provides additional protection against uncertainty in best estimate calculations.

D.8. Independent Validation

The technical provision calculations are subject to multiple levels of review:

External Actuarial Review: Pinnacle Actuarial Resources, Inc. provides annual independent reserve opinions covering both gross and net positions, with the most recent review completed in February 2025 for year-end 2024 reserves

External Audit: Mazars Ltd. reviews the valuation process and calculations as part of the annual statutory audit, completed in May 2025 for year-end 2024

Regulatory Review: The BMA reviews technical provision adequacy through the statutory filing process

These independent validations provide assurance that the Company's valuations are reasonable and comply with regulatory requirements.

Table D.5: Overview of Solvency Valuation Adjustments and Methodologies

Valuation Item	EBS Methodology & Adjustments	Impact (USD million)
Investments	Fair value vs. statutory amortized cost	0
Insurance Receivables	Discounting and credit risk adjustments	0
Deferred Acquisition Costs	Not recognized in EBS	55,306
Technical Provisions	Discounting, risk margin, removal of conservatism	129,757
Other Liabilities	Discounting applied to long-term payables	0
Independent Validation	Annual external actuarial and audit reviews	Validated, LRSO
Valuation Uncertainty	Conservative assumptions, quarterly sensitivity analysis	Monitored
Material Valuation Changes	Enhanced cash flow granularity, social inflation update	<1.0 each

E. Capital Management

This section provides information regarding the capital management of Fergus Reinsurance Limited for the financial year ended 31 December 2024, prepared in accordance with the requirements of Schedule I, Part V of the Insurance (Public Disclosure) Rules 2015.

E.1. Capital Management Objectives and Policies

The Company's capital management objectives are to maintain sufficient capital to meet regulatory requirements with an appropriate buffer, support the Company's business strategy and growth objectives, maintain financial strength to honor policyholder obligations, optimize the cost and efficiency of capital, and provide appropriate returns to shareholders commensurate with risks assumed.

The Board of Directors has established a Capital Management Policy that defines the framework for capital planning, monitoring, and actions. The policy mandates maintaining a minimum Bermuda Solvency Capital Requirement ratio of 140%, compared to the BMA's typical target capital level expectation of 120%. This additional buffer reflects the Board's prudent approach to capital management and provides resilience against adverse developments. The internal target of 140% of ECR was reviewed and reaffirmed unchanged during the annual strategy review in April 2024, confirming its continued appropriateness given the Company's risk profile and growth objectives.

Capital adequacy is monitored on a monthly basis by management, with formal reporting quarterly to the Capital, Underwriting and Investments Committee and the Board. The capital planning process is integrated with the annual business planning cycle and the Commercial Insurer's Solvency Self-Assessment, ensuring alignment between growth objectives, risk appetite, and capital resources.

No changes were made to capital management objectives or policies during 2024. The Company does not have any material capital instruments subject to transitional arrangements.

E.2. Regulatory Capital Requirements

The Company is required to maintain capital in accordance with the Insurance Act 1978 and related regulations. The principal requirements are the Minimum Margin of Solvency (MSM), which represents the absolute minimum capital required to maintain the Company's license. For a Class 3B insurer, this is the greater of USD 1 million or prescribed percentages of gross premiums written and carried loss reserves. The Enhanced Capital Requirement (ECR) represents the risk-based capital requirement calculated as the higher of the Bermuda Solvency Capital Requirement or the MSM. While not a regulatory minimum, the BMA expects insurers to maintain capital at the Target Capital Level (TCL) of 120% of ECR or higher under normal circumstances.

Table E.1: Regulatory Capital Requirements as at 31 December 2024

Requirement	Amount USD '000	Description
Minimum Margin of Solvency	52,915	Regulatory minimum (greater of USD 1 million or prescribed percentages)
Bermuda Solvency Capital Requirement	158,874	Risk-based calculation
Enhanced Capital Requirement	158,874	Higher of BSCR or MSM
Target Capital Level (120% of ECR)	190,649	BMA expectation
Internal Target (140% of ECR)	222,424	Board-approved minimum

The Company maintained continuous compliance with all regulatory capital requirements throughout 2024, consistently exceeding the internal and regulatory target levels.

E.3. Eligible Capital

Eligible capital is classified into three tiers based on quality characteristics including permanence, subordination, absence of encumbrances, and absence of mandatory servicing costs. The Company's eligible capital comprises:

Table E.2: Eligible Capital by Tier as at 31 December 2024

Capital Component	Tier 1 USD '000	Tier 2 USD '000	Tier 3 USD '000	Total USD '000
Common Share Capital	120	-	-	120
Contributed Surplus	135,707	-	-	135,707
Statutory Economic Surplus	246,881	-	-	246,881
Total Eligible Capital	170,551	-	-	170,551

All eligible capital consists exclusively of Tier 1 capital, reflecting permanent equity with no encumbrances or servicing obligations. No Tier 2 or Tier 3 capital instruments were held or issued during 2024.

Table E.3: Reconciliation of Shareholders' Equity to Eligible Capital

Item	Amount USD '000
Total Shareholders' Equity per Financial Statements	170,616
EBS Valuation Adjustments (see Section D)	76,265

Item	Amount USD '000
Economic Balance Sheet Net Assets	246,881
Encumbered Assets Adjustment	0
Other Regulatory Adjustments	0
Total Eligible Capital	246,881

E.4. Capital Adequacy Assessment

The Company's capital position demonstrates strong solvency:

Table E.4: Capital Adequacy Ratios as at 31 December 2024

Metric	2024	2023	Change
Available Statutory Capital and Surplus	246,881	152,857	+61.5%
Enhanced Capital Requirement	158,874	106,539	+49.1%
BSCR Ratio (Capital/ECR)	155%	143%	+12pp
Excess Capital over ECR	88,001	46,318	+89.9%
Excess Capital over Internal Target (140%)	24,456	3,702	+560%

The substantial improvement in capital adequacy resulted primarily from retained underwriting earnings of USD 23.4 million and new capital raised of USD 32.1 million (part of USD 57.5 million total raised during 2023-2024) through Holdings SAC 2018-01, complemented by reduced capital requirements from operational risk charge improvements.

E.5. Analysis of Bermuda Solvency Capital Requirement

The BSCR calculation reflects the Company's risk profile:

Table E.5: BSCR Components as at 31 December 2024

Risk Category	Capital Required USD '000	% of Total	Prior Year USD '000
Fixed Income Investment Risk	2,667	1.7%	3,242
Equity Investment Risk	0	0.0%	0
Interest Rate/Liquidity Risk	11,427	7.2%	10,801
Currency Risk	0	0.0%	1,395
Concentration Risk	0	0.0%	2,118
Credit Risk	4,315	2.7%	2,619

Risk Category	Capital Required USD '000	% of Total	Prior Year USD '000
Premium Risk	120,871	76.1%	75,310
Reserve Risk	53,948	34%	40,402
Catastrophe Risk	0	0.0%	0
Total Before Diversification	193,228	121.6%	135,887
Diversification Benefit	(44,747)	-28.2%	(38,145)
BSCR After Diversification	148,481	93.5%	97,742
Operational Risk (7% of above)	10,394	6.5%	8,797
Full BSCR	158,875	100%	106,539

The risk profile remains consistent with the Company's focus on casualty reinsurance, with premium and reserve risks comprising 86.5% of undiversified capital requirements. The absence of catastrophe risk reflects the explicit exclusion of property and catastrophe exposures from the underwriting portfolio. The diversification benefit of USD 33.3 million represents a 24.9% reduction from the undiversified capital requirement, reflecting the benefits of portfolio diversification across risk types, thereby enhancing overall capital efficiency. The reduction of the operational risk charge from 9% to 7%, formally approved by the BMA effective Q4 2024, resulted in a direct capital requirement savings of approximately USD 2.1 million.

E.6. Capital Management for Segregated Accounts Structure

The Company's capital management framework addresses the unique aspects of its segregated accounts structure. While the BSCR applies at the Company level, internal capital management recognizes the segregation between the general account and SAC 2018-01. The General Account maintains minimal capital sufficient for operational needs and regulatory compliance as a licensed entity. As all insurance risk is ceded to SAC 2018-01, the general account requires limited risk capital. SAC 2018-01 holds substantially all risk capital to support the assumed reinsurance liabilities, with capital adequacy monitored to ensure the cell maintains sufficient assets to meet its obligations with high confidence.

The Segregated Accounts Companies Act 2000 imposes statutory restrictions on capital transferability. Assets of SAC 2018-01 are exclusively available to meet that cell's liabilities, with no recourse existing from SAC 2018-01 creditors to general account assets. Capital contributions to SAC 2018-01 via Holdings SAC 2018-01 cannot be redirected to support general account obligations. These statutory restrictions are fundamental to the Company's capital planning, ensuring legal ring-fencing and providing critical assurance to cell participants.

The Company monitors capital adequacy for SAC 2018-01 through comprehensive processes. Monthly calculations confirm SAC 2018-01 consistently maintains assets significantly exceeding liabilities, verified quarterly through scenario-based stress testing and annually by independent external actuarial reviews. As at 31 December 2024, SAC 2018-01 maintained assets of approximately USD 320 million against liabilities of approximately USD 210 million, demonstrating robust cell-specific solvency.

E.7. Internal Capital Assessment

The Company's internal assessment of required capital, developed through the CISSA process, aligns closely with the regulatory BSCR calculation. The Company employs the standard BSCR model as its primary economic capital framework, finding it appropriate for its risk profile. No material additional risks requiring capital beyond the BSCR have been identified.

The Board-approved internal target of 140% of ECR provides a substantial buffer for unforeseen events, supports strategic growth initiatives, and assures continued stakeholder confidence, aligning closely with the Company's prudent approach to capital management. This target provides buffer against adverse developments in long-tail casualty lines, capacity to capitalize on growth opportunities, confidence to stakeholders including cedants and rating agencies, and flexibility to manage through market cycles.

Three-year capital projections, updated annually in Q1 as part of the strategic planning cycle, incorporate expected business growth, potential adverse scenarios, and strategic initiatives. The projections indicate the Company can maintain its target capital level through retained earnings, assuming normalized growth and profitability.

E.8. Stress Testing and Capital Planning

Comprehensive stress testing validates capital adequacy under severe scenarios.

All stress scenarios, except the reverse stress test, maintain capital adequacy above regulatory requirements, demonstrating robust capital buffers and resilience against significant adverse developments and providing a clear basis for our contingency funding plans. The reverse stress test identifies extreme conditions required to breach minimum capital, with assumptions consistent with prior-year methodology, informing contingency planning.

The Company maintains flexibility through dividend policy linked to maintaining target capital ratios, ability to raise additional capital through Holdings SAC structure, reinsurance purchasing options to reduce net exposure, and contingency plans for capital preservation in stressed conditions.

E.9. Approved Internal Capital Model

The Company uses the BMA's standard formula BSCR model and has not applied for approval of an internal capital model. Management considers the standard formula appropriate given the Company's focused casualty reinsurance strategy, straightforward risk profile with limited complexity, cost-benefit analysis favoring standard model efficiency, and regulatory acceptance of standard model adequacy.

The Company formally reviews annually the adequacy of the standard formula through validation exercises and ongoing risk assessments, ensuring continued appropriateness for its focused casualty reinsurance business model. This review is overseen by the Risk, Governance and Compliance Committee and may lead to consideration of an internal model if business complexity increases materially.

E.10. Material Changes During the Reporting Period

During 2024, significant developments included the completion of the Holdings SAC 2018-01 capital raising (USD 32.1 million during 2024, part of USD 57.5 million total raised over 2023-2024), formal BMA approval of the operational risk charge reduction from 9% to 7% effective Q4 2024, and the strategic allocation of capital to support strong premium growth while maintaining our robust capital buffer. No dividends were declared during 2024 as the Company prioritized capital retention to support growth objectives.

E.11. Capital Adequacy Over the Business Planning Period

Capital adequacy projections, formally reviewed and approved by the Board in conjunction with the CISSA, demonstrate the Company's ability to maintain strong capital ratios (above 140%) across the three-year business planning horizon, even under reasonable adverse scenario assumptions, thereby supporting our long-term strategic objectives.

E.12. Declaration on Capital Adequacy

The Board of Directors formally confirmed in December 2024 that Fergus Reinsurance Limited maintained appropriate capital adequacy throughout 2024, with capital resources sufficient to fulfill policyholder obligations, support strategic growth objectives, and withstand material risks identified through comprehensive CISSA and stress-testing processes, thereby affirming our commitment to financial strength and prudent management.

This assessment considers all material risks, the results of stress testing, and the specific characteristics of the Company's segregated accounts structure. The Board remains committed to maintaining strong capitalization as a cornerstone of Fergus Re's value proposition to cedants and investors.

Table E.6: Capital Management Summary

Key Metric	2024 Actual	2023 Actual	Target
BSCR Ratio	155%	143%	≥1200bps
Tier 1 Capital	100%	100%	≥80%
Operational Risk Charge	7%	9%	5% (2025 target)
SAC 2018-01 Asset Coverage	155%	143%	≥140%

F. Subsequent Events

This section provides information regarding significant events occurring after 31 December 2024 up to the date of approval of this Financial Condition Report, prepared in accordance with the requirements of Schedule I, Part VI of the Insurance (Public Disclosure) Rules 2015.

F.1. Overview

The Company has comprehensively evaluated subsequent events from 31 December 2024 through 29 April 2025, the date this Financial Condition Report was approved by the Board of Directors for public disclosure. All information presented in this report, including the financial condition and solvency position, reflects the Company's status as at 31 December 2024 and incorporates material subsequent events up to the approval date. This evaluation included input from senior management, finance, actuarial, risk management, legal, and compliance functions, ensuring that all events materially impacting the Company's financial condition, solvency position, or business operations were considered.

F.2. Material Subsequent Events

Regulatory Developments

Effective 16 March 2025, the BMA transitioned Fergus Reinsurance Limited from quarterly to bi-annual supervisory monitoring. This transition reflects formal regulatory recognition of the Company's strengthened governance framework, improved operational risk management capabilities, and consistent regulatory compliance record, as evidenced by the successful implementation of the Corporate Governance Framework and the reduction in the operational risk charge. The transition did not entail additional supervisory conditions or reporting obligations and provides operational efficiencies while maintaining regulatory oversight commensurate with the Company's demonstrated risk profile and robust control environment.

Capital Management

In February 2025, the Board of Directors approved initial planning for the potential establishment of an additional segregated account, contingent upon identifying suitable market opportunities, completing comprehensive due diligence, and obtaining necessary regulatory approval. Completion of this initiative is targeted within the next twelve months. Preliminary internal assessments indicate alignment with the Board's established risk appetite and capital allocation framework. This strategic initiative aligns with the Company's disciplined growth strategy and prudent approach to risk selection and capital management. As of the date of this report, no binding commitments have been made.

Governance Enhancement

In April 2025, the Company announced the planned appointment of an additional independent non-executive director with specialized expertise in risk management and audit. This appointment will further strengthen the Board's oversight capabilities, particularly in actuarial review and investment governance, supporting continued operational improvements and aiding the Company's pursuit of reducing the operational risk charge from 7% to 5%. This appointment reinforces the Company's commitment to robust corporate governance and regulatory expectations.

CISSA Process Completion

Key components of the Company's 2024 (CISSA) were reviewed by the Risk, Governance and Compliance Committee on 29 April 2025. The CISSA included independent external actuarial validation, confirming the adequacy of the Company's capital position and risk management framework, with no material deficiencies identified that required remediation.

F.3. Events Not Requiring Adjustment

The following events occurred subsequent to year-end but did not require adjustments to the financial condition reported as of 31 December 2024:

Market Conditions

The casualty reinsurance market has continued to experience competitive pressures in early 2025, with rate increases moderating compared to 2024. While these conditions may potentially impact future underwriting margins, management does not anticipate any material effect on the financial position or technical provisions as at 31 December 2024.

Investment Portfolio

Interest rate movements observed in early 2025 have resulted in modest unrealized gains within the investment portfolio. Given the Company's buy-and-hold strategy and short-duration positioning, these movements have minimal impact on realized returns or capital adequacy. Management has incorporated these market conditions into ongoing stress-testing and capital projection exercises.

Operational Developments

The Company has progressed with implementing the Unwind reinsurance platform, with initial modules successfully deployed in February 2025. This deployment aligns with previously budgeted operational expenditures and enhances operational efficiencies, further bolstering operational efficiency and data integrity, and supporting the Company's ongoing operational resilience objectives, without materially affecting the financial condition reported herein.

F.4. Confirmation of No Other Material Events

Management formally presented a comprehensive subsequent events evaluation report to the Board in April 2025, confirming no other material events occurred requiring adjustment or additional disclosure beyond those explicitly stated in this section. The Company's financial condition, solvency position, and risk profile remain substantially consistent with the preceding sections of this report.

Declaration of Board Approval

The Board of Directors formally reviewed and approved the evaluation of subsequent events included in this Financial Condition Report on 29 April 2025, confirming comprehensive consideration of all relevant developments. The Board confirms that it has considered all material subsequent events through the approval date and that this report provides a fair representation of the Company's financial condition and solvency position, taking into account all known material information.

Approval:

This Financial Condition Report was approved by the Board of Directors of Fergus Reinsurance Limited on 29 April 2025.

[Signature on following page and is an integral part of this Report]