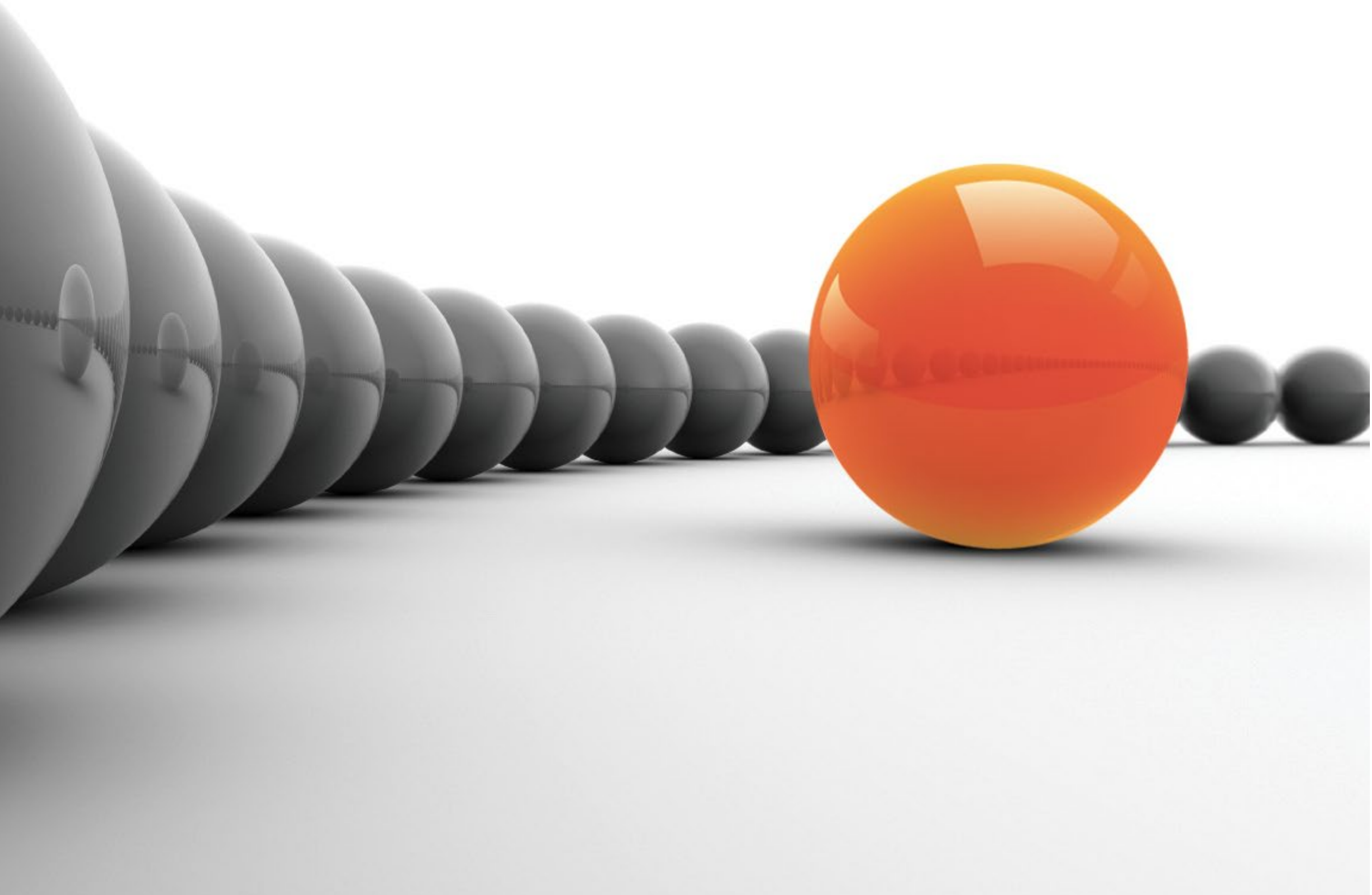
FINANCIAL CONDITION REPORT

COMPRE GROUP

For the period ended 31 December 2022



Contents

Introduction

This Financial Condition Report ("**FCR**") contains quantitative and qualitative information relating to Compre Group ("**the Group**" or "**Compre**"), and Pallas Reinsurance Company Ltd ("**Pallas Re**" or "**the Company**") covering the business performance, governance structure, risk profile, solvency valuation and capital management of the Group and legal entity

This FCR is prepared in accordance with Schedule 3 of the Insurance (Group supervision) Rules 2011. The requirement for Pallas Re to prepare an FCR in accordance with Rule 3 of the Insurance (Public Disclosures) Rules 2015 also applies, however, the Company has received a modification approval from the Bermuda Monetary Authority ("**BMA**"), pursuant to Section 6C of the Act, to file the Group's FCR in lieu of a separate FCR for the Company. This report endeavours to disclose equivalent information that is specific to the Company in accordance with the approved modification conditions.

Compre Group is a legacy specialist with over 30 years of experience in the provision of insurance and reinsurance legacy business solutions. This involves the acquisition and management of insurance and reinsurance companies and portfolios in run-off, the acquisition of legacy business portfolios and the provision of legacy business reinsurance solutions.

This FCR is based on the Group's results and structure as at 31 December 2022.

I. BUSINESS AND PERFORMANCE

a. The insurance group

For the purposes of the FCR, the Group consists of Compre Group Holdings Limited ("**CGHL**") and its subsidiary entities, both regulated and non-regulated. CGHL is an exempted entity limited by shares and is established in Bermuda and currently under the supervision of the BMA.

Pallas Re is a Class 3B reinsurer based in Bermuda and forms part of Compre Group. The Company is limited by shares and is licenced and regulated by the BMA pursuant to the Act.

b. Group supervisor

The BMA is currently the Group supervisor and also the insurance supervisor for Pallas Re. Full details of the BMA are provided below:

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
Bermuda

c. Approved auditor

The approved auditors for CGHL are:

Mazars LLP
30 Old Bailey
London
EC4M 7AU
United Kingdom

The approved auditors for Pallas Re are:

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
Bermuda

d. Ownership details

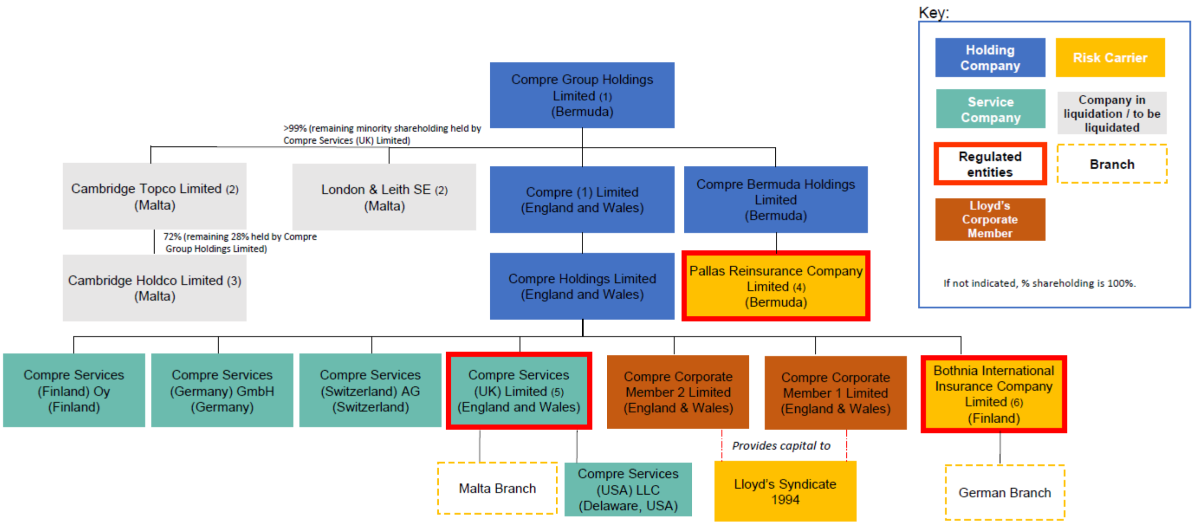
Compre is privately owned by entities controlled by and/or funds managed by private equity firm Cinven Limited ("Cinven") and British Columbia Investment Management Corporation ("BCI"), with the Group's ultimate parent company being Maple TopCo Limited ("Maple TopCo"). The investors are equal partners and jointly own 83.31% of the voting rights and 98.29% of the share capital of Maple TopCo, with the remaining percentages being held by

Compre's management. CGHL is the parent undertaking which prepares group accounts incorporating the results and statements of the Group's subsidiaries.

The immediate parent undertaking of Pallas Re is Compre Bermuda Holdings Limited, a company registered in Bermuda.

e. Group Structure

The Group structure below shows the current legal structure of Compre.



f. Insurance business written

The principal operation of the Group is to acquire and/or reinsure portfolios of discontinued insurance and reinsurance business and proactively manage the claims liabilities acquired. The Group, through its risk-carriers (including Pallas Re), manages the assets that support the liabilities when they fall due and optimizes returns for shareholders. CGHL has operations located in Bermuda, Finland, Germany, Malta, Switzerland, the United Kingdom (**"UK"**) and the United States (**"US"**).

g. Performance of investments and material income & expenses

i. Performance of investments for reporting period

The Group's cash and investments and the net investment income for the period ended 31st December 2022 were as follows:

Investments type	**2022 $000's**	**2021 $000's**
Cash	74,955	127,860
Fixed Income Securities	1,028,164	962,331
Total	**1,103,119**	**1,090,191**

	2022 $000's	**2021 $000's**
Net Investment Income and Other Operating Revenue/Income	**(88,583)**	**1,649**

Pallas Re's cash and investments and the net investment income for the period ended 31st December 2022 were as follows:

Investments type	**2022 $000's**	**2021 $000's**
Cash	22,460	28,141
Fixed Income Securities	859,225	582,670
Total	**881,685**	**610,811**

	2022 $000's	**2021 $000's**
Net Investment Income and Other Operating Revenue/Income	**(50,932)**	**968**

ii. Material income and expenses for reporting period

The Group's expenses for the period ended 31st December 2022 were as follows:

Expenses	2022 $000's	2021 $000's
Claims (net)	121,514	65,953
General and Administration cost	46,561	42,854

Pallas Re's expenses for the period ended 31st December 2022 were as follows:

Expenses	2022 $000's	2021 $000's
Claims (net)	156,711	85,078
General and Administration cost	22,440	13,551

h. Any other material information

During the reporting period, Compre Group, through its group holding undertaking, relocated from Malta to Bermuda. The BMA became the Group supervisor with effect from 1st July 2022. Furthermore, during 2022, Compre raised c. $200m equivalent of subordinated Tier 2 debt in two tranches from a group of institutional investors to support its growth ambitions following a highly successful 2021. Please refer to Appendix 1 for additional supplementary information.

During the year, Compre took significant steps in its ambition to build a centre of excellence for medical malpractice ("**MedMal**") business and entered into the following deals:

- an agreement to acquire a MedMal portfolio of German insurance Basler Sachversicherungs-AG. The portfolio will, subject to regulatory approval, be transferred in its entirety to Compre's Finnish risk-carrier Bothnia International Insurance Company Ltd ("**Bothnia**") and will subsequently be reinsured into Pallas Re;
- the acquisition of a French MedMal portfolio from a European based insurer. The deal was structured as a loss portfolio transfer to be followed by a legal transfer; and
- an agreement to acquire the Irish subsidiary of Covéa, Medical Insurance Company DAC (**MIC**), which provided general liability insurance covering professional MedMal risks. This will also be reinsured into Pallas Re, subject to regulatory approval.

II. GOVERNANCE STRUCTURE

Compre has developed a governance structure that is proportionate to the nature, scale and complexity of its business model and its risk profile. The Board of Directors recognizes the need to have a System of Governance in place which:

- meets regulatory expectations;
- is proportionate to the nature of the business;
- complies with existing requirements;
- is flexible enough to be able to adapt to changes in the regulatory and statutory environment

The System of Governance is based on a number of principles in order to achieve this in particular, sound and prudent management requiring:

- clear organisational structure
- effective communication & information
- common Directors and Senior Managers wherever possible

a. Board and senior executives

i. Structure of the Board and senior executives

Group

The Group Board has the responsibility for setting and monitoring adherence to the strategy and risk framework and is made up of six (6) directors, one (1) of whom is an executive director who is involved in the day-to-day management of the Group, four (4) non-executives and one (1) independent non-executive.

The Group has four (4) Board Committees and an Executive Management Team ("**EMT**"). The Group Board retains responsibility for its obligations at all times whilst delegating authority to the Committees (which operate under defined terms of reference), EMT and the Functional Operating Groups. Depending on activity levels, employees of the Group can be redeployed to support other functional areas. Management emphasises a 'One Team' approach.

In addition to the above, the Group Board has established a risk management model that separates the business's risk management responsibilities into three lines of defence.

Pallas Re

The day-to-day management of Pallas Re is overseen by its management team, with support from the Board of Directors. The Board currently consists of six (6) directors, two (2) of whom are executive directors, one (1) non-executive director and three (3) independent non-executive directors. The Board's oversight role is primarily focused on review of financial reporting, investment decisions, actuarial and regulatory compliance and ensuring that material transactions are subject to an appropriate level of analysis and consideration, including use of appropriately qualified or experienced team members and reputable third-party advisors, as appropriate.

The Board is responsible for ensuring that principles of good governance are observed, has an internal control and risk management framework, and employs a three lines of defence model to manage risk.

ii. Remuneration policy

The Group Board is responsible for the establishment and review of the Remuneration Policy, ensuring alignment with the Group's strategic objectives and corporate governance. This includes sound and effective risk management through the existence of a stringent governance structure. As a result, there is nothing to encourage unnecessary risk-taking. The Remuneration Committee supports the Board on the design of the Group's overall Remuneration Policy.

The Group recognises the need to attract, develop, retain and motivate high-performing employees, provide financial incentives for those accepting promotional opportunities, and improve the Group's position within the current market. Short-term profitability is not rewarded at the expense of long-term performance.

The remuneration package consists of fixed and variable components, as well as a range of benefits. Fixed pay is primarily determined according to the nature of the role the individual performs. In addition, rates are determined for comparable roles in the market. Variable reward comprises of discretionary bonus payments. The variable remuneration depends on the achievement of the combination of the assessment of the performance of the individual and of the overall result of the Group. The Remuneration Committee approves the basis of any bonus scheme for all staff.

It is the Remuneration Committee's responsibility to determine the remuneration of the executive directors.

Pallas Re adopts and follows the Remuneration Policy of the Group.

iii. Supplementary pension or early retirement schemes

Compre Group provides some employees with pension benefits but does not have any early retirement schemes.

iv. Material transactions with shareholders, persons who exercise significant influence, the parent board or its senior executives

Various intra-group transactions happen in the normal course of business. As mentioned under section I(d) above, a minority shareholding in the Group is held by management. Further, some of the Directors of Pallas Re are Board members of the Group Board as outlined under para b(ii) below. In addition, some of the Senior Executives and Board members of the Board also sit on the Boards of other intra-group companies.

There were no other material transaction with shareholders, persons who exercise significant influence, the parent board or its senior executives.

b. Fitness and propriety requirements

i. Assessment process

Individuals assuming a key role within Compre are required to be suitable for their role and are assessed in line with the Group Fit and Proper Policy which sets out the process for such an assessment including the specific requirements concerning skills, knowledge and expertise that are applicable to them.

An initial assessment of fitness and propriety is performed prior to the appointment of any individual assuming a key role, including Board members and senior executives. Fitness and propriety of such individuals are then further formally assessed on an annual basis.

The assessment considers the respective duties to be allocated to that individual and in addition includes the assessment of:

- relevant experience within the insurance sector, other financial sectors or other businesses;
- where relevant, the insurance, financial, accounting, actuarial and management skills of the individual;
- whether the individual has any conflicting interests that may hinder objective decision-making, and whether the individual can avoid or resolve conflicts of interest;
- whether the individual can devote sufficient time to the proposed role taking into consideration the other professional roles and responsibilities;
- whether the individual has adequate professional and personal skills and experience (where applicable individually and collectively) and knowledge of the structure and business of the Group and proper understanding of its risks; and
- the individual's integrity and reputation by considering any criminal, financial, disciplinary and supervisory aspects relevant for the purposes of the assessment.

The individual with the overall responsibility for an outsourced key function or a key operational area is also expected to possess sufficient knowledge and experience regarding the outsourced function to be able to challenge the performance and results of the service provider.

It is ensured that Board members are sufficiently competent to provide for a sound and prudent management of Compre. Directors with a strong knowledge in specific areas may compensate for deficits of other directors in these areas.

Pallas Re adopts the Group Fit and Proper Policy and follows the same assessment process of the Group.

ii. Board and senior executives' professional qualifications, skills and expertise

<u>Group</u>

The below table lists the members of the Group Board as at 31 December 2022:

Members	Role
Emmanuel Clarke*	Chairman and Independent Non-Executive Director
Luigi Sbrozzi	Non-Executive Director
Robert Perry*	Non-Executive Director
Aaron Papps*	Non-Executive Director
Rhonda Ramparas*	Non-Executive Director
Will Bridger*	Executive Director and CEO

**appointed on 29 June 2022*

During the reporting period, Ms Jacqueline King (June 2022), Mr Kevin Sarafilovic (July 2022) and Mr Frank Koster (December 2022) resigned as Board members.

The below table lists the members of Senior Executives of the Group:

Members	Role
Will Bridger	Chief Executive Officer
Simon Hawkins	CEO – Europe & Lloyd's
David Presley	CEO – North America
Mark Lawson	Group Chief Actuary
Ian Patrick	Chief Financial Officer
Brid Reynolds	Chief Risk Officer
Jonathan Zisaruk	Executive Director – Capital, Planning & Projects
Mark Dennis	Interim Chief Operations Officer

Pallas Re

The below table lists the members of the Pallas Re Board as at 31 December 2022:

Members	Role
Rhydian Williams	Chairman and Non-Executive Director
Andrew Smith	Independent Non-Executive Director
Anup Seth*	Independent Non-Executive Director
Robin Masters**	Independent Non-Executive Director
David Presley*	Executive Director
Will Bridger	Executive Director and CEO

**appointed on 4 August 2022*

***appointed on 7 November 2022*

During the reporting period, Mr Simon Hawkins (September 2022) and Mr Anson Aguiar (October 2022) resigned as Board members.

The below table lists the members of Senior Executives of Pallas Re:

Members	Role
Will Bridger	Chief Executive Officer
Brid Reynolds	Chief Risk Officer
Aoife Burke	Head – Group Capital and Management
Thuan Ho	Head of Pricing – North America

Below are the details of the qualifications, skills and expertise of the Board members and the Senior Executives of the Group and Pallas Re:

Emmanuel Clarke

Mr Clarke has had a long and established career in the insurance industry, having spent more than 25 years at PartnerRe, a leading global reinsurer. Over his tenure at PartnerRe, Mr Clarke held various underwriting leadership roles in the company's property and casualty (P&C), specialty lines, and international divisions. Mr Clarke was also the President and CEO of PartnerRe Group. He also serves on various boards. Mr Clarke holds a MSG in Business and Finance from Paris Dauphine University and a MBA in International Business from Baruch College, New York.

Luigi Sbrozzi

Mr Sbrozzi is co-head of the Strategic Financials Fund team at Cinven where he is responsible for origination, execution and portfolio management of investments in the financial services sector. Mr Sbrozzi has over 12 years' experience of investing in financial services across sectors including insurance, banking, specialty finance and payments. He served as a director on a number of boards and also served on audit, remuneration, risk and investment committees. Mr Sbrozzi has a MSc in Finance from Bocconi University, Milan.

Robert Perry

Mr Perry is a member of Cinven's Strategic Financials Fund team and has extensive experience of investing in financial services companies globally. Prior to joining Cinven, Robert worked for over a decade in investment banking advising clients in the European financial services sector on M&A transactions and capital raisings. Following his career in banking, Mr Perry co-founded and co-managed a life reinsurance business. Mr Perry has a BA in Economics and Management from the University of Oxford.

Aaron Papps

Mr Papps is a Senior Portfolio Manager at BCI where he is co-lead of the industrials sector direct private equity investing initiative, with a particular focus on the materials, packaging, chemicals and energy sub-sectors, and is responsible for originating, executing and monitoring various direct private equity investments. Mr Papps has 15 years of investment banking experience (capital markets and M&A) and has served on both large and small company boards. Mr Papps has a BA from the University of Ottawa and is a graduate from Schulich School of Business/Osgoode Hall Law School of York University, where he participated in the joint MBA/LLB program.

Rhonda Ramparas

Ms Ramparas is a Senior Managing Director within the private equity department at BCI Management Corporation New York USA LLC (BCI's wholly owned subsidiary). Ms Ramparas has vast experience in M&A transactions and rollup strategy. Furthermore, she possesses CEO and CFO experience and holds a BCom in Finance from McGill University, Montreal.

Will Bridger

Mr Bridger has been involved in the re/insurance industry for over 20 years in various regulated markets including UK, Ireland, Finland, Sweden, Germany, Malta and Switzerland. Mr Bridger previously assumed the group role of Managing Director – Acquisitions prior to being appointed as CEO of Compre Group in 2018. He is responsible for the strategic development of Compre Group and driving the growth agenda. Mr Bridger was previously a partner at EY advising on M&A activity in the insurance sector.

Rhydian Williams

Mr Williams is a qualified accountant who has worked in the re/insurance industry for over 30 years, mainly in the London and Lloyd's run-off markets. He joined Compre Group in 2010, contributing towards the business plan and participated in business development. Mr Williams resigned from his executive roles within the Group in 2021 and now holds a number of non-executive roles on entities within the Group, including Pallas Re.

Andrew Smith

Mr Smith is currently the Chief Risk Officer and Chief Sustainability Officer at Conduit Re. Mr Smith is a qualified accountant and an experienced risk management professional with a 25-year career in the insurance and reinsurance industry specialising in risk management and corporate governance.

Robin Masters

Ms Masters has a background in finance and investments having held senior executive roles, with the latest being a Chief Investment Officer and Treasurer at ACE Limited. Ms Master has twenty years of experience as independent director and currently holds a number of Board and trustee positions. Ms Masters holds a BA degree in Psychology/Education from William Smith College in USA and is a Chartered Financial Analyst.

Anup Seth

Mr Seth is the CEO at Agam Bermuda and has over 25 years of diversified international experience with a particular focus in providing specialty commercial insurance solutions to multinational companies. Mr Seth has comprehensive knowledge of the Bermuda regulatory framework. Mr Seth has a BSc in Actuarial Science from the London School of Economics and is a Fellow of the Institute and Faculty of Actuaries, UK.

Simon Hawkins

Mr Hawkins has been holding positions of significant responsibility within Compre Group for over four years, including that of Group Chief Financial Officer, Group Chief Operating Officer and most recently that of Chief Executive Officer – Europe & Lloyd`s. Mr Hawkins has 25 years of experience in insurance and reinsurance legacy management with significant experience of the run-off business model, transaction evaluation and run-off performance throughout his career. Mr Hawkins has a BSc (Honours) in Accounting from Cardiff University and is a Fellow of the Association of Chartered Certified Accountants.

David Presley

Mr Presley has nearly 20 years of legacy and reinsurance market experience having held various senior roles within the US market. Mr Presley also worked as an attorney representing a broad range of insurers and reinsurers in arbitrations, asset recovery, commercial litigation matters, commutation negotiations and claim defence. Mr Presley has a BA in International Studies from the University of Washington and a Doctor of Law from the Villanova University School of Law. Mr Presley is a licensed attorney in New York, Pennsylvania, District of Columbia and Washington.

Mark Lawson

Mr Lawson is a qualified actuary with over 20 years of experience in the legacy sector. He is currently the Group Chief Actuary and is responsible for driving all actuarial activities relating to reserving and M&A pricing, including actuarial assessment of M&A valuations and structuring, regulatory capital requirements, capital optimisation, claims reserves and associated technical value creation. Mr Lawson is a Fellow of the UK Institute and Faculty of Actuaries and holds a BSc in Maths and Statistics from the University of Bristol.

Ian Patrick

Mr Patrick is the Group Chief Financial Officer and has over 20 years of experience in the financial services industry mainly as CFO and Board director of non-life and life companies and brokers in a variety of jurisdictions including the UK, USA, France, Jersey, Guernsey, Luxembourg, Switzerland and Liechtenstein. Mr Patrick is a member of the Institute of Chartered Accountants of Scotland.

Brid Reynolds

Ms Reynolds is the Group Chief Risk Officer and has over 15 years of experience within the insurance industry having held various roles in both Ireland and Bermuda, including experiences with the Central Bank of Ireland and BMA. Ms Reynolds is the individual responsible for the Risk and Compliance functions of Pallas Re. Ms Reynolds holds a B.Comm International (French) Honours Degree from the National University of Ireland and is a member of the Institute of Chartered Accountants of Ireland.

Jonathan Zisaruk

Mr Zisaruk is responsible for the Group’s capital management and has over 20 years of experience within the legacy insurance business. He has worked across the entire deal cycle on hundreds of transactions focussing on the assessment of risk, forecasting of portfolios, and optimisation of transactions. Mr Zisaruk is a fellow of the Institute of Chartered Accountants in England and Wales.

Mark Dennis

Mr Dennis in the Group Interim Chief Operations Officer. He is an experienced insurance executive with a background in consulting and software. Mr Dennis works with an active portfolio of business, including Compre. Mr Dennis holds a BA in Systems Analysis from the University of the West England and a MBA from The Open University, Milton Keynes.

Aoife Burke

Ms Burke has over 13 years of experience, holding various actuarial, capital management and risk management roles in both Ireland and Bermuda. Ms Burke is the individual responsible for the capital requirements within Pallas Re. Ms Burke holds a Bachelor of Actuarial and Financial Studies from the University College in Dublin and is a Fellow of the Society of Actuaries in Ireland and a Fellow of the UK Institute and Faculty of Actuaries.

Thuan Ho

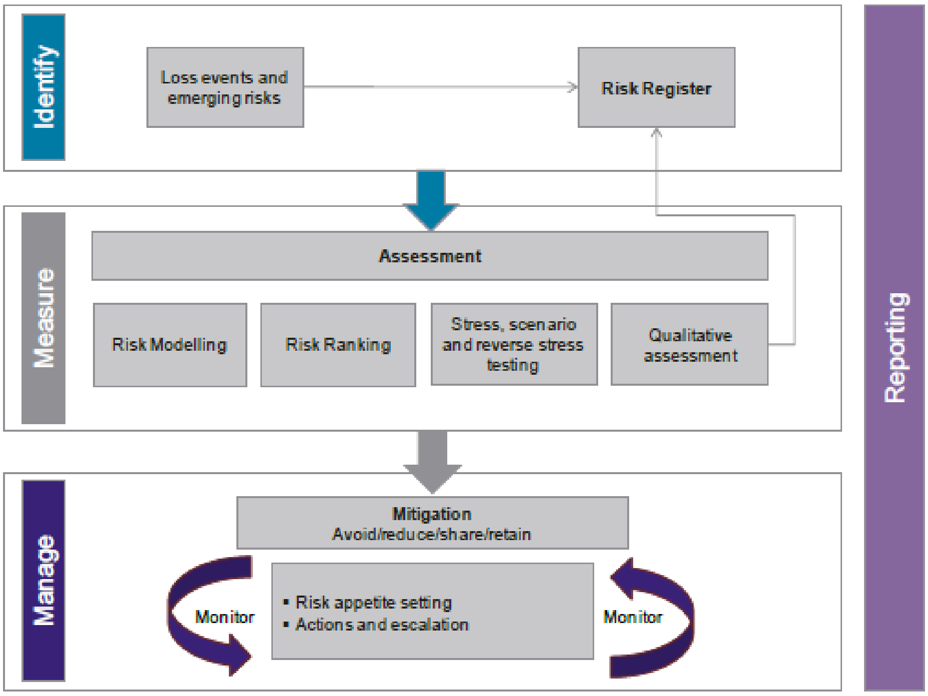
Mr Ho has over 15 years of experience within the insurance industry. Mr Ho is the individual responsible for Pricing at Pallas Re and holds a BCom from the University of New South Wales and is also a Fellow of the Actuaries Institute of Australia.

c. Risk management and solvency self-assessment

i. Risk management process and procedures

The risk management process is key in the delivery of the risk management framework. This process involves continuous engagement between the business and the Risk Management team. Pallas Re's risk management system is aligned with the Group's risk management framework, and therefore this section also applies to Pallas Re.

The diagram below illustrates the process of how, on a continuous basis, the Group ensures to effectively identify, measure, monitor, manage and report risks which it is exposed to.



Risk Identification

A top-down key risk identification and assessment process is undertaken annually, which includes the consideration of emerging risks. This is done via a Risk Management questionnaire by which Risk gathers input from the various business units. The results are then discussed with the Risk and Compliance Committee and Executive Management Team. During these meetings, top risks, emerging risks, and other potential risks, including owners and controls, are discussed. New risks and changes to existing risks are then reflected in the Group's and risk carriers' risk registers.

The identification of new risks may also occur as follows:

- Risk & Compliance Committee meetings and operational areas meetings are held on a quarterly basis to report on changes to existing risks and identify any new risks. The risk register is then amended in accordance with the risk procedures.
- The risk register is reviewed on a quarterly basis to ensure all risk have been collated and been taken into consideration.
- Management is responsible for identifying all material risks to the business and recording these within the risk register.
- Management ensures that the business properly identifies and assesses any risk it faces in the short- and long- term and to which the business is, or could be, exposed.

Risk Measurement, evaluation, and control

It is essential that all identified risks are assessed and measured in a consistent manner thereby allowing the Board to compare different risks and prioritise the most significant for action. Compre does this through a defined risk scoring scale to identify the raw and residual risk ratings for each risk. A quantitative assessment on a scale of 1-5 for likelihood and severity is scored for each risk before taking into consideration what controls are in place to mitigate risks. This is entitled the raw risk rating (likelihood x probability). Subsequently, controls mitigating the risk are considered and the likelihood and severity is scored again on a scale of 1-5 for each risk. This is entitled the residual risk rating. Each identified risk would therefore have a number of controls in place and an owner responsible for the controls. These are reviewed on a quarterly basis in order to ensure that the controls remain in place and any breaches are reported to the Risk & Compliance Committee.

The Management, Risk & Compliance Committee and the Board are responsible to highlight any changes to existing risk levels and to measure new risks developing over time.

Both the Group and Pallas Re also manage risks on an on-going basis in line with their Risk Appetite and the following areas are considered in managing risks – Risk avoidance, Risk reduction, Risk transfer, Risk acceptance.

Risk Monitoring

On a quarterly basis Risk liaises with various risk owners to monitor any changes to existing risks and ensure that any new risks identified during the reporting period are appropriately captured in the risk register of Pallas Re and the Group. Risk also liaises with control owners within the business to assess the effectiveness of the controls and mitigations in place to the existing risks currently captured within the risk register and monitor whether there were any changes or new controls which were already in place during the reporting period but were not yet captured in the risk register.

Furthermore, the following monitoring is carried out on a quarterly basis:

- the minimum and solvency capital requirements of the Group and the Company; and
- the level of reserves held to cover the liabilities of the Group and the Company.

Risk Reporting

On a quarterly basis, the Risk Management function for the Group and Pallas Re provides updates to the respective Risk & Compliance Committee and the Board of Directors on the following four main sections:

- *Risk Register*

The report provides update of any changes to the risk register highlighted during the reporting period. These changes may include any new risks identified for the Company and the Group which were not previously captured in the risk register, any changes to the risk or control owner, any changes to the inherent or residual risk scoring of a particular risk and any additional controls identified during the reporting period.

- *Controls Effectiveness*

As part of the quarterly risk update, the Risk Management function also liaises with control owners within the business to understand the effectiveness of the controls defined in the risk register and whether these controls remain effective. Any breaches are reported to the Risk & Compliance Committee.

- *Solvency Position*

On a quarterly basis, Risk management function also reports on the latest solvency position of the Company and the Group and whether they hold sufficient own funds to meet their capital requirements. The solvency position for the previous quarter is also reported in order to assess any specific deteriorations which may need to be analysed further.

- *Other Risk Updates*

Risk management function also monitors compliance with the Risk Appetite Statements and Tolerance limits defined for the Company and the Group and reports on any breaches to these limits on a quarterly basis. Any proposed changes to the Risk Appetite Statements are also circulated to the Board for approval. Furthermore, Risk have also defined Key Risk Indicators for risk carriers and the Group. KRIs have been developed for each category of risk so we are able to monitor risks and be altered to changes as early as possible. On a quarterly basis, any triggers to KRIs are reported to the Risk & Compliance Committee and the Board.

In addition to the above, on a quarterly basis, a detailed BSCR report and a reserving report are also circulated to the Board providing information on the key movements in capital requirements and own funds between reporting periods, the best estimate reserves and the reserving methodology applied. Furthermore, as mentioned above, at least on an annual basis, Risk circulates the solvency assessment reports to the Board for approval.

Internal Audits are also carried out on an annual basis to ensure controls are in place and are being effective in mitigating the risks. An internal Audit Report is prepared after each audit carried out and is presented to the Board and the Audit Committee.

ii. Implementation and integration of the risk management and solvency self-assessment systems into the group's operations

The overall objective of Compre's risk management strategy is to optimize the balance between return and risk and to embed rigorous risk management throughout the business which enables the Group and Pallas Re to meet their key objectives and to carry out the business plan whilst ensuring appropriate protection for policyholders. The Risk Management policy defines the Group's approach to risk management, identifies the main reporting procedures and explains the roles and responsibilities of the key players within the risk management process. This enables the Group and Pallas Re to adopt good practices in the identification, measurement, management, monitoring and reporting of risks to ensure they are either avoided, reduced to an acceptable level, or managed and contained.

The Group's risk management framework is integrated into its operations through the systems, processes and procedures, and controls developed by management. The Risk and Compliance Committee provides oversight for risk management activities and the Internal Audit function is tasked with reviewing the controls in place to ensure they are effective and provide recommendations to the Board and Risk and Compliance Committee as appropriate.

The Board and management monitor and manage the quantity and quality of capital required to support the Group's business and maintain robust policyholder protection. Alongside the quarterly solvency assessments carried out by the Group and Pallas Re, more regular reviews of the solvency positions are carried out, in particular when considering new transactions and when the risk profile is perceived to have changed, to ensure that the Group and Pallas Re's capital adequacy and liquidity resources are sufficient, based on the risks that arise from the Group and Pallas Re's operations.

iii. Relationship between solvency self-assessment, solvency needs, and capital and risk management system

The Group and Pallas Re continually review their solvency needs, assessing their own view of the capital required to support the business, taking into account the risks faced and potential adverse stressed scenarios, in particular as it acquires new portfolios and the risk profile changes. The Group and Pallas Re ensure that they have sufficient capital to maintain a buffer in excess of the Bermuda Solvency Capital Requirement ("**BSCR**") when considering new transactions, in line with the risk appetite statements.

The solvency self-assessment processes seek to identify and measure all material risks, ensuring that the BSCR standard formula is appropriate to reasonably quantify and capture the risks specific to the Group and Pallas Re, and aids in the decision-making processes regarding those risks that the Group and Pallas Re can eliminate, transfer or retain within their agreed risk appetite and tolerance.

iv. Solvency self-assessment process

The Group's Solvency Self-Assessment ("**GSSA**") and Pallas Re's Commercial Insurer's Solvency Self-Assessment ("**CISSA**") are the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short- and long-term risks that the Group and Pallas Re face or may face and support the determination of funds necessary to ensure that overall solvency needs are met at all times.

The risk assessment for the purposes of GSSA/CISSA process is performed to provide an adequate basis for assessing the solvency needs and includes:

- Identification of significant risks, including those that are not included in the calculations used for the purposes of the BSCR, but are significant and would have a significant impact on the activities and results of the Group and Pallas Re.
- Stress tests or scenario analysis.

The GSSA/CISSA processes require the Group and Pallas Re to assess their own view of risks and associated economic capital needs which may differ from the regulatory capital requirement which provides a minimum capital threshold. In doing so, the GSSA and CISSA consider the strategic objectives of the Group and Pallas Re, their current and future risk profiles, and any capital buffers required.

The Board is ultimately responsible for the GSSA/CISSA report which is produced and approved by the respective Board at least on an annual basis. Where there has been a material change in the risk profile, an ad-hoc GSSA report is produced. The risk function is responsible of coordinating the relevant processes and documentation. The Board is also responsible for reviewing and approving the proposed stress tests and scenarios.

The Group and Pallas Re currently use the BSCR Standard Formula model to determine their regulatory capital requirements, which has been assessed as appropriate given their risk profiles. The GSSA/CISSA processes include all material categories of risk faced by the Group and Pallas Re to ensure that the outputs are representative of their risk profiles and therefore can be used in making business decisions.

To ensure on-going capital adequacy of the Group and Pallas Re, current and future projected capital positions are calculated as part of the capital management process.

The GSSA/CISSA process diagram below identifies the key activities that support the production of the GSSA/CISSA:

d. Internal controls

i. Internal control system

Internal control is an essential part of all business processes and a key method of mitigating risks that are inherent in them. Within the Group and Pallas Re, internal controls are defined as a continuous set of processes carried out by the Board of Directors, senior management and all personnel, designed to provide reasonable assurance of:

- Effectiveness and efficiency of operations
- Reliability of financial and non-financial information
- Adequate control of risks
- A prudent approach to business
- Compliance with laws and regulations, and internal policies and procedures.

Internal controls aim to strengthen the internal operating environment of Compre, thereby increasing its capability to deal with external and internal events and uncover possible flaws and deficiencies in processes and structures.

The internal control system includes:

- Policies and procedures in place for the Group, including the Staff Handbook, which set out appropriate reporting arrangements at all levels of Compre
- the Internal Control framework
- the Compliance Function
- the Risk Management System.

The internal control framework includes the following:

- *Control environment*

A sound control environment is created by management through communication, culture and example. This includes focus on integrity, a commitment to investigating discrepancies, diligence and due care when designing systems and assigning responsibilities. Senior management ensures that reporting lines and appropriate authorities are established and maintained to ensure that the Board is provided with the relevant information that aids in the decision-making process.

- *Risk Management*

Risk management is an essential component of Compre's internal control and is embedded on the following principles:

- Compre specifies its objectives with enough clarity to enable the identification and assessment of risks relating to objectives
- Compre identifies risks to the achievement of its objectives and analyses risks as a basis for determining how the risks should be managed
- Compre considers the potential for fraud is assessing risks to the achievement of its objectives
- Compre identifies and assesses changes that could significantly affect the system of internal control

- *Control activities*

Compre has adopted internal control activities which include the policies and procedures in place for the Group and Pallas Re as well as the day-to-day controls that have been implemented, including but not limited to:

- *Four-eye principle* – Compre ensures that any significant decision involves at least two Board members before the decision is implemented
- *Separation of Duties* – this involves dividing the employee's tasks to reduce the risk of errors or committing fraudulent acts
- *Process Segmentation* – involves splitting sensitive processes (e.g., payroll) between functions/individuals so that each function/employee acts a control over the other

- *Accounting system controls* – controlling access to different parts of the accounting and technical insurance system via passwords, lockouts and electronic access logs which keeps unauthorised users out of the system while providing a way to audit the usage of the system to identify the source of errors or discrepancies
- *Standardised financial documentation* – standardising documents used for financial transactions such as invoices and travel expense reports which help in maintaining consistency in record keeping
- *Periodic reconciliations in accounting systems* – maintaining regular accounting reconciliations to ensure that balances in the accounting system match up with balances in the Group's and Pallas Re's accounts held
- *Approval authority requirements* – requiring managers to authorise certain transactions to add a layer of responsibility to accounting records by proving that transactions have been seen, analysed and approved by a person having the appropriate authority
- *Levels of approval* – requiring several signatures on a technical or non-technical payments depending on the monetary value of the payment
- *IT and security* – The Group has adopted logins, passwords, user identification, appropriate anti-virus protection, firewall, office entry cards and identification cards.

- *Information and communication*

Compre's management is committed to having good communication of responsibilities and expectations and operate on the following principles:

- Compre obtains or generates and uses relevant, quality information to support the functioning of internal control
- Compre internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control
- Compre communicates with external parties regarding matters affecting the functioning of internal control.

ii. Compliance function

The Compliance Function forms part of the Group's 2nd line of defence and is performed by the Chief Risk Officer and assisted by the Head of Group Risk & Compliance. The Compliance Function reports to the Risk and Compliance Committee and the Board of Directors and is responsible for assessing the Group's overall compliance with all relevant minimum standards and regulatory requirements in order to effectively mitigate the risk of non-compliance. The Board is ultimately responsible for ensuring effectiveness of the Compliance Function. The day-to-day responsibilities of the Compliance Function include:

- Advise the Board on compliance with laws and regulations
- Submit regulatory returns on a timely basis including annual and quarterly quantitative reporting templates, FCR and GSSA reports
- Consider possible future changes in the legal environment and their potential effect on the Group
- Advise Compre's management team on compliance risks in relation to new deals.

The Compliance Function at Pallas Re is performed by the Chief Risk Officer and assisted by the Head of Group Risk & Compliance. The Compliance Function reports to the Company's Risk and Compliance Committee and the Board of Directors. The day-to-date responsibilities of Pallas Re's Compliance Function are similar to those at Group level.

e. Internal Audit

The Internal Audit Function forms part of the Group's third line of defence and serves the Board and management of the Group as an independent provider whose activity is designed to add value, independently audit, control and provides advice on how to improve the Group's processes and controls.

This function is outsourced to a local service provider and reports to the Board of Directors of the Group as well as to the Audit Committee of the Group and Pallas Re. The service provider is independent of the Group and does not perform any other function or service to the Group.

The Internal Auditors follow a 3-year internal audit plan that is approved by the Group Audit Committee. The plan captures all the significant activities of the Group the risk carriers within the Group. An internal audit report is prepared after each audit carried out and is presented to the Board and the Group Audit Committee.

f. Actuarial function

The Actuarial Function forms part of the 1st line of defence and is performed by the Group Chief Actuary with assistance from the actuarial team. The key actuarial responsibilities include:

- coordinating the calculation of technical provisions and ensuring that the methodologies and assumptions used in the calculation of the technical provisions are appropriate for the lines of business of the Group;
- ensuring the adequacy of the underlying pricing process in relation to new acquisitions and ensuring sufficient premiums are received to cover future claims and expenses; and
- assisting in the execution of modelling techniques used to estimate loss reserves, policyholder obligations and potential exposures and considering the impact on the Group's liabilities due to climate-related risks.

The Group's Capital Management and Planning team works alongside the Actuarial function to:

- calculate the regulatory capital requirements;
- identify sources of capital and opportunities to achieve capital efficiency;
- develop capital models to enable the Group and its risk carriers to project future capital requirements, ensuring continued compliance with the respective risk appetite statements and regulatory capital requirements; and
- provide quantitative analysis to support the risk management function.

The Actuarial Function for Pallas Re is performed by the Chief Actuary – North America with assistance from the local actuarial team. The key actuarial responsibilities are similar to those of the Group Chief Actuary but at Company level. Pallas Re has appointed Kevin O'Reilly from KPMG Bermuda as the approved Loss Reserve Specialist as required by the Act.

g. Outsourcing

a. Outsourcing policy

The Group only considers outsourcing key functions and/or key operational areas that are uneconomical for the Group to undertake itself or would require a high level of specialisation not available within the Group. The Board of Directors is ultimately responsible for any outsourcing arrangements.

To govern risks derived from the outsourcing of key functions and/or key operational areas, the Group Outsourcing Policy defines a specific monitoring and control process that includes the following minimum requirements:

- Undertaking and documenting an appropriate risk assessment and due diligence process on potential service providers to evaluate all relevant information.
- Entering into clearly written contracts, or service level agreements, the nature and detail of which shall be appropriate to the materiality of the outsourced key function and/or key operational area in relation to the ongoing business of Compre.
- Designating a person within the Group with overall responsibility for each outsourced key function and/or key operational area and who will be responsible for ensuring that adequate and effective oversight is implemented and maintained on an ongoing basis.

Pallas Re adopts the Group Outsourcing Policy and follows the same assessment process of the Group.

b. Material intra-group outsourcing

Group

The Group functions are mostly carried out by individuals employed with group entities in their respective jurisdiction and assigned with the responsibility of a Group key function and/or key area. These are not considered as intra-group outsourcing.

Pallas Re

Pallas Re outsources the Claims function to an entity within the Group. Intra-group entities also provide support to the Actuarial function, Compliance and Risk Management functions.

h. Other material information

No other material information to report.

III. RISK PROFILE

a. Material risks

Compre methodically identifies, assesses, and manages the risks attaching to its activities at risk carrier and Group level with the goal of achieving sustained benefit within each activity and across the portfolio of activities. In view that the business strategy and business model do not vary between risk carriers within Compre, Pallas Re and the Group have very similar risk profiles. Furthermore, there were no significant changes to the risk profile of Pallas Re or the Group during the reporting. In this regard, the Boards of Pallas Re and the Group identified the following material risks to business strategy with mitigations in place to ensure that both Pallas Re and the Group are able to conduct their operations and achieve their objectives.

i. Strategic Risk

Strategic risk is the risk associated with the acquisition and/or reinsuring of run-off portfolios or companies that could result in damage to the Group or Pallas Re either through lack of acquisitions and/or unsuitable acquisitions. The risk is inherent in all phases of the acquisition process – origination, evaluation, execution, and integration.

Compre has a high-risk appetite toward strategic risks with the aim of growing the economic value of the business and by pursuing a growth strategy of acquiring well-diversified books of business which align with the operational capabilities of the organisation.

ii. Insurance risk

Insurance Risk is the risk associated with insurance liabilities acquired and may relate to inappropriate pricing mechanisms, poor data quality, inadequate reserve assessments and claims overpayment.

These risks may lead to underestimation or overestimation of technical reserves.

Compre has a low-risk appetite for adverse loss development.

iii. Market risk

Market risk is the risk of loss or adverse change in the Undertaking's earnings resulting, directly or indirectly, from fluctuations in the levels and volatility of market prices of the assets, liabilities, and financial instruments. The most significant market risk exposure is with respect to Compre's invested assets. Compre has invested in portfolios of investment-grade securities, which is consistent with its investment strategy and appetite and as outlined by the Loss portfolio transfer agreements.

Compre has medium to low-risk appetite towards investment risk.

iv. Credit risk

Credit risk (Counterparty risk) is defined as the risk of financial loss arising from the failure of a counterparty to pay the funds owed to the Company or the Group as a result of counterparty default or a negative change in credit rating.

Compre has a low-risk appetite with respect to counterparty default risk.

v. Operational risk

Operational risk is the risk associated with inadequate or failed operational processes (whether internal or outsourced), Systems, People or from external events. Operational Risk, in the context of Compre's business, encompasses risks associated with failed processes, lack of resources, key person risk, HR risk, fraud, insufficient I.T and information security, inadequate I.T systems and platform and interruptions to business from external events.

Compre has a low-risk appetite with respect to operational risk.

vi. Regulatory & Legal Risk

Regulatory and legal risks are risks of action by regulators or legislators resulting in sanctions or financial penalties as a result of non-compliance with applicable laws, regulations, and conditions to which Compre is subject. This also comprises the risk that Compre fails to implement or adapt to emerging new regulatory or political or legislative changes.

Compre has no appetite for any regulatory infringement or non-compliance with laws and regulations.

vii. Reputational Risk

Reputational risk is the risk of potential for loss of value resulting from any incident of 'reputational damage'.

Compre has a low-risk appetite towards Reputational risk – it is considered unacceptable to have any damaging incidents that will lead to a loss in confidence in management, the business and potentially lead to economic loss.

b. Risk mitigation methods and processes

i. Strategic Risk

The mitigating factors in place to mitigate Strategic risk include the following:

- Use of an extensive network of contacts, internal research, and market intelligence to ensure there is a robust pipeline of opportunities.
- Thorough due diligence process including technical, financial, and legal and the appointment of external advisers where relevant.
- Use of financial models, actuarial evaluations to assess adequacy of claims liabilities, solvency requirements and capital and funding needs.
- Regular monitoring of the Group's ability to access funds from group companies, banks, capital providers and equity providers.

- A detailed integration process to ensure any acquired business is successfully integrated onto Compre's platform.

ii. Insurance Risk

Insurance Risk is mitigated in the following ways:

- Pricing being conservative with extensive use of price buffers, following proper due diligence procedures, experienced staff with knowledge regarding class of business being acquired, cooperation with third party administrators, external reserving review and actuarial pricing and funding models in place.
- Appropriate reserving approach, data quality review & improvement and quarterly review of reserves. The reserving activity is performed jointly by actuarial team and claims team.
- Scheduled and ad hoc reviews and benchmarking provided by external actuarial consultancies.
- Internal use of best estimate for setting reserves, having regard to internal and external advice, and up to-date relevant information in respect of actual or anticipated developments.
- Claims being handled by Third party administrators, who are experienced in managing such claims.
- Data quality review and improvement, review of static claims and adherence to reserving policy.
- Large value claims being reviewed by Board along with monthly review of claims.

iii. Market risk

Market risk is mitigated as follows:

- An investment framework in place based on risk appetites and tolerances built around investment risk.
- Investments and asset selection is carried out in accordance with the investment guidelines and the principles set out in the investment policies and asset liability management policies for the Group (also adopted by Pallas Re). Policies and guidelines are reviewed at least on an annual basis.
- Quarterly review of compliance with investment guidelines and performance of investments along with assessment of asset-liability management.
- Investments are primarily made in marketable, investment grade-rated, short- and intermediate-term securities.
- Cash flow forecasting against bank accounts are carried out on a regular basis.

iv. Credit risk

Credit risk is mitigated in the following ways:

- Credit ratings are monitored and reported on a quarterly basis as part of the investment reports provided by investment managers. Regular monitoring of reinsurance ratings also being carried out and reported on as part of the risk management updates provided to the Risk & Compliance Committee and the Board on a quarterly basis.

- For each significant reinsurance counterparty, a bad debt provision is held based on a loss given default percentage that is applied to the outwards reinsurance reserves which is driven by the relevant credit rating and term of reinsurance recoveries.
- Identification of potentially significant concentrations of individual counterparties.

v. Operational risk

Compre seeks to mitigate operational risk through applying Group policies and procedures as follows:

- Robust and reliable financial and management reporting and forecasting framework, with appropriate controls around data, outputs and review and oversight
- Procedures are revised regularly and as appropriate in line with the best practices and line managers ensure that such processes and procedures are being adhered to daily and as required.
- Fit for purpose reporting mechanisms.
- Document retention processes and policy in place.
- Ongoing strategic expense and cost allocation review
- Appropriately skilled and trained staff along with suitable recruitment strategy and robust human resources policy.
- Succession planning for Key individuals within the business.
- Remuneration policy in place outlining incentives to attract, develop, retain, and motivate high-performing employees.
- Appropriate and robust I.T security measures in place.
- Robust business continuity and disaster recovery plans which are regularly tested.

vi. Regulatory & Legal Risk

Controls in place to mitigate Regulatory and Legal risk include the following:

- Use of GSSA/CISSA and quarterly review of compliance with solvency ratios and reports to the board on regulatory and compliance issues.
- Oversight by compliance function, external and internal audit.
- Review by group legal function and reporting to board on legal issues.
- Third party legal consultants having experience in relevant markets.
- Active management of relationships with local regulator
- Active oversight by Risk & Compliance Committee
- Maintenance and operation of an effective governance framework
- Leverage of specific additional local regulatory and legal expertise as and when appropriate.

vii. Reputational Risk

The control factors identified to mitigate any undue reputational risk include:

- External PR agency used to assist with public relations.

- Strategic alignment with effective Board oversight, effective communications, image, and brand building.
- Regular discussions at Board and Management Team level.
- Monitoring of press articles so we know immediately if there is bad press against the Company or group.

c. Material risk concentrations

Compre identifies two main areas of risk concentration i.e., asset portfolio concentration and liability exposure concentration. The Group has in place an Investment Policy which governs asset risk concentration in relation to asset class, sectors, credit quality and geographical location. The Investment Policy also sets out the Investment guidelines which also include limits depending on asset class and credit quality to ensure the investment portfolio maintains sufficient diversification to mitigate against asset concentration risk. Monitoring compliance to the investment guidelines is carried out on a quarterly basis by the Treasury Department and any breaches are reported to the Investment Committee, Risk & Compliance Committee, and the Board of Directors.

Furthermore, the Investment Policy and Investment guidelines are reviewed at least on annual basis. As for insurance exposure concentration, Compre monitors this on an ongoing basis through the periodic calculation of regulatory capital requirements and through the forward-looking Solvency Self-Assessment Process. These processes are well embedded in the decision-making process of the Group and are one of the key components that steers the Company's underwriting strategy. Compre has a high appetite to grow the value of the business through the acquisition of well-diversified legacy opportunities. To ensure that the Group maintains a well-diversified liability portfolio in terms of lines of business and geographical diversification, a rigorous due diligence process is carried out for potential new deals which includes the projection of capital requirements and an assessment of how well the transaction diversifies with the back-book portfolio.

d. Prudent person principle

Compre's investment strategy is outlined in the Group's Investment policy which complies with the requirements of the 'Prudent Person Principle' as set out in the Insurance (Group Supervision) Rules 2011. Overall responsibility for the investment of assets for the Group and Pallas Re remain with the respective Boards. Compre has engaged a third-party investment manager to manage the asset portfolio of the Group and its risk carriers. The investment policy and guidelines are reviewed at least on an annual basis and ad hoc if any significant developments have occurred that affect the financial markets.

The portfolio of assets is assessed taking into account the security, quality, liquidity, profitability and availability of investments. Limits are also in place for the Compre's exposure to a single counterparty, which ensure that it is not exposed to excessive risk concentration in its investment portfolio. Assets backing liabilities are invested to ensure they match the same currency and duration as liabilities within a tolerance threshold. The position of the investment portfolio is reviewed on a quarterly basis.

e. Material risk stress testing and sensitivity analyses

The Group and Pallas Re perform various stress tests on an annual and ad-hoc basis to determine the adequacy of capital/solvency/liquidity to ensure regulatory requirements are met, and an appropriate buffer remains in compliance with the risk appetite statements. The stress tests performed relate to underwriting risk exposures, financial risk which includes interest rate risk & credit risk, and operational risk. Reverse stress tests are also carried out to identify the extreme scenarios which would lead to the Group failing to meet its regulatory capital requirements.

f. Other material information

No other material information to report.

IV. SOLVENCY VALUATION

a. Asset class valuation bases, assumptions and methods

The Group and Pallas Re use the valuation principles outlined by BMA's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis (which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date). The fair value principles used for the assets are as follows:

- Cash and Cash Equivalents – includes cash demand deposits.
- Accounts Receivable – are recorded at a fair value
- Investments - are valued at quoted market prices. In the absence of an active market, prices are based on observable market inputs.
- Debt obligations – are valued at cost less amortization of issuance costs. No active market exists for the private debt obligations therefore the book value is assumed to be the cost.

b. Technical provisions valuation bases, assumptions and methods

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty contained inherent in the underlying cash flows which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the BMA for each reporting period.

The best estimate for the loss and loss expense provision is calculated by using International Financial Reporting Standards ("**IFRS**") reserves as the starting point and then performing a series of adjustments:

- Removal of prudence margins
- Incorporation of events not in data (ENID).
- Discounting of cash flows.

On 31st December 2022, the total Insurance Technical Provisions for the Group amounted to $ 693.4million comprising the following:

- Best Estimate Net Loss and Loss Expense Provision of $630.3 million
- Risk Margin of $63.1million

On 31st December 2022, the total Insurance Technical Provisions for Pallas Re amounted to $585.9million comprising the following:

- Best Estimate Net Loss and Loss Expense Provision of $ 528.3 million
- Risk Margin of $57.6 million

c. Recoverables from reinsurance contracts

Compre cedes insurance risk in the normal course of business. Reinsurance recoverables are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer policies and are in accordance with the related reinsurance contract.

d. Other liabilities valuation bases, assumptions and methods

The Group's and Pallas Re's liabilities follow the valuations principles outlined by BMA's "Guidance Note for Statutory Reporting Regime" which values liabilities at a fair value basis. All other liabilities are valued on IFRS basis. In the absence of an active market, prices are based on observable market inputs.

e. Other material information

No additional information to report.

V. CAPITAL MANAGEMENT

a. Eligible capital

i. Capital management policy

The Group and Pallas Re are required by the BMA to hold available statutory economic capital and surplus of an amount that is equal to or exceeds the Enhanced Capital Requirement ("**ECR**"). The ECR is the higher of the BSCR standard formula, and the Minimum Margin of Solvency ("**MSM**"). The Group and Pallas Re maintained compliance with their regulatory capital requirements throughout the reporting period.

In June 2022, the Group successfully raised over $200m equivalent of subordinated Tier 2 debt in two tranches from a group of institutional investors. The investors in the notes are specialist international investment funds. This transaction supports the Group's growth ambitions while also further optimising the group's regulatory capital structure.

The primary capital management objective of the Group is to maintain a strong capital base to support the development of its business, protect its policyholders and to meet regulatory capital requirements, on both a Group and risk-carrier basis. Capital is managed efficiently and deployed only to risks that the Group has assessed to be well understood and within risk appetite. The approach to capital management within the Group is consistently applied to the risk-carriers including Pallas Re.

The Group identifies, assesses, manages and monitors the various risks it faces in the course of business both currently and as anticipated over the business planning horizon. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by the Board and management and documented in the Group's risk appetite statement, taking into consideration the Group's risk profile.

ii. Eligible capital categorised by tiers in accordance with the ECR

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

	$000's
Tier 1 Capital	302,138
Tier 2 Capital	201,526
Tier 3 Capital	-
Total Eligible Capital	**503,664**

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

	$000's
Tier 1 Capital	405,796
Tier 2 Capital	25,939
Tier 3 Capital	-
Total Eligible Capital	**431,735**

iii. Eligible capital categorised by tiers to meet the ECR and the MSM

At the end of the reporting period, the Group's Eligible Capital available to meet its MSM and ECR was categorised as follows:

	MSM $000's	ECR $000's
Tier 1	302,138	302,138
Tier 2	75,535	201,526
Tier 3	-	-

At the end of the reporting period, Pallas Re's Eligible Capital available to meet its MSM and ECR was categorised as follows:

	MSM $000's	ECR $000's
Tier 1	405,796	405,796
Tier 2	25,939	25,939
Tier 3	-	-

iv. Eligible capital subject to transitional arrangements

Not applicable.

v. Factors affecting encumbrances on the availability and transferability of capital to meet the ECR

The Group provides funding to Syndicate 1994 to ensure that it meets the requirements set out by Lloyds in the form of "Funds at Lloyds" (FAL). The assets underlying the FAL cannot be used for any other purpose within the Group.

Pallas Re has entered into loss portfolio transfer transactions which require collateral assets to be held in trust accounts, pledged to the benefit for the policyholders of the block of business. These assets cannot be used for any other purpose throughout the Group other than to service the relevant policyholder obligations. The collateral assets are released to Pallas Re as claims are paid and the underlying reserves run off.

vi. Ancillary capital instruments approved by the BMA

Not applicable.

vii. Differences in shareholders' equity versus available statutory capital and surplus

Other than the impact of employing statutory-based technical provision valuation techniques and prepaid expenses, there are no significant differences between GAAP shareholder equity and available statutory capital and surplus.

b. Regulatory capital requirements

i. ECR and MSM requirements at the end of the reporting period

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

Requirement	Actual $000's (exc. %)
Statutory Economic Capital & Surplus	526,981
Minimum Margin of Solvency	93,114
Enhanced Capital Requirement	228,135

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

Requirement	Actual $000's (exc. %)
Statutory Economic Capital & Surplus	431,735
Minimum Margin of Solvency	77,759
Enhanced Capital Requirement	195,717

ii. Non-compliance with the MSM and the ECR

The Group and Pallas Re remained in compliance with the MSM and ECR during the reporting period.

iii. Amount and circumstances surrounding the non-compliance with the MSM and the ECR, the remedial measures and their effectiveness

Not applicable.

iv. Amount of non-compliance with the MFM and the ECR where non-compliance is not resolved

Not applicable.

c. Approved internal capital model

The Group and Pallas Re do not utilise an approved internal capital model to derive its ECR. The ECR is based on the BSCR model.

VI. SUBSEQUENT EVENTS

Structure of Group Board

In February 2023, Mr Anup Seth was appointed as an independent non-executive director on the Group Board. Following this appointment, the Group Board is now currently made up of seven (7) directors, one (1) of whom is an executive director who is involved in the day-to-day management of the Group, four (4) non-executives and two (2) independent non-executives.

Further, in March 2023, Mr Anup Seth was appointed as Chairman of Pallas Re`s Board.

Reinsurance Loss Portfolio Transfer

In March 2023, it was announced that Compre signed an agreement with SiriusPoint Ltd for a ground-up Loss Portfolio Transfer ("**LPT**") on a diversified portfolio of primarily reinsurance business. The LPT covers approximately $1.3bn of reserves comprising several classes of business from 2021 and prior underwriting years. The LPT will be underwritten by Pallas Re.

As one of the largest transactions underwritten in the legacy market, this transaction provides significant diversification and growth to Compre's and Pallas Re's balance sheets.

Appendix 1 – Tier 2 Supplementary Information

Overview

1 An Opportunistic & Selective Approach

- Compre screens acquisition targets in a highly selective manner, resulting in a high quality portfolio of net reserves

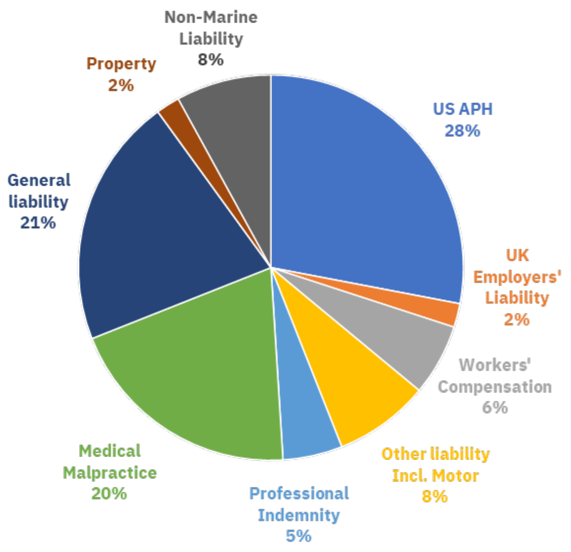
2 Diversified portfolio of insurance risks and duration

- Compre's portfolio is highly diversified across all lines of business and length of liabilities

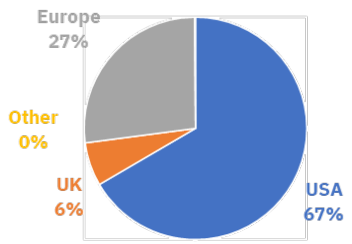
3 A large US portfolio driven by 2021 deal, and an increase in European portfolios in 2022

- North American pillar continues to have the largest geographical exposure
- A French Medical Malpractice portfolio was acquired from a European based insurer in 2022 thereby boosting Europe's share in the pool.

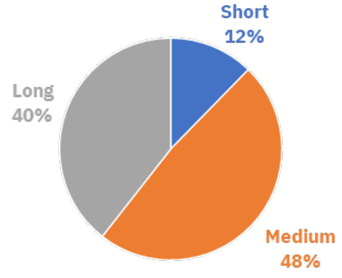
Liabilities by LOB



Liabilities by Geography



Liabilities by Tail



Short = Up to 3 years Medium = 3-6 years Long = Over 6 years

Note: Figures may not sum to 100% due to rounding.

Declaration

We, the undersigned, hereby declare that to the best of our knowledge and belief, this Financial Condition Report fairly represents the financial condition of Compre Group Holdings Limited and Pallas Reinsurance Company Limited in all material respects.

Will Bridger

Group CEO

31st May 2023

Brid Reynolds

Group Chief Risk Officer

31st May 2023