CONVEX GROUP LIMITED

Financial Condition Report

December 31, 2023

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Executive summary

Convex Group Limited ("CGL") is a Bermuda-based holding company for the Convex group of companies (collectively, the "Group", the "Company", or "Convex"). Convex was incorporated under the laws of Bermuda on October 24, 2018. Through its subsidiaries with operations in Bermuda and the United Kingdom, the Company primarily offers property and casualty ("P&C") insurance and reinsurance focused on large commercial clients with complex insurance requirements.

Convex Re Limited ("CRL") is the Bermuda-based reinsurance company of the Convex Group Limited and is licensed by the Bermuda Monetary Authority ("BMA"). CRL was incorporated under the laws of Bermuda on November 21, 2018 and is 100% owned by CGL. CRL is registered as a Class 4 insurer under The Insurance Act 1978 of Bermuda, amendments thereto and related Regulations ("The Act").

This Financial Condition Report ("FCR") is based on the Insurance (Public Disclosure) Rules 2015 which came into effect on January 1, 2016. These rules specify the requirement for commercial insurers to prepare an FCR and requires that it be made publicly available on the insurer's website. This report provides a discussion on the Company's business and performance (section A), governance structure (section B), risk profile (section C), solvency valuation (section D), capital management (section E) and subsequent events (section F).

This report is primarily based on the Economic Balance Sheet ("EBS") of CGL and CRL as at December 31, 2023. In addition, certain sections include information based on the consolidated financial statements for the year ended December 31, 2023 which have been prepared in accordance with the accounting principles generally accepted in the United States ("U.S. GAAP").

CRL filed its statutory financial return for the reporting period on a consolidated and unconsolidated basis. CRL has been exempted from submitting a separate Financial Condition Report by the BMA. Disclosures that are the same across the legal entities (such as governance, for example) are mentioned once in the Group FCR, and areas where there are differences across the legal entities (such as business and performance, capital management, risk profile, solvency valuation, and subsequent events) are disclosed separately so that the reader of the document would obtain the same understanding of the legal entities as if reading a separate FCR.

"Convex" is used when disclosures are the same across the legal entities. References to the specific legal entities (i.e., "CGL" or "CRL") is used to denote when there are differences between the legal entities. CGL and CRL each refer to the respective consolidated entities.

Business and performance

In 2023, CGL and its subsidiaries focused on continued business growth, which has resulted in an increase in gross written premium to $4,217.6 million (2022: $3,035.4 million). Convex maintained its prudent approach to risk retention which led to significant use of reinsurance protection resulting in net written premiums of $2,841.0 million (2022: $2,023.1 million.

In 2023, underwriting results showed an improvement from the previous year and the Company reported its first net profit. In addition to expected attritional losses, the Company was exposed to a number of large events from both man made and natural perils including the Turkey earthquake, Hawaii wildfire, Cyclone Gabrielle, and Italian hailstorms. However, the losses from these large events were in line with expectations given the Company's market share. The Company also benefited from favourable development on prior year events. The Company continues to assess the propensity for inflationary pressures to impact each class of business, and applies what it believes are appropriate assumptions considering the latest inflationary outlook. The Investment result benefited from strong core fixed income returns, driven by high starting yields on the portfolio and a meaningful fall in risk-free yields during the last quarter of 2023.

Expenses increased in 2023, due to a combination of continued growth of the Company and increased investments in strategic projects across the Company to continue building our infrastructure and systems to support the Company's rapid growth.

As a result of these factors, CGL made a net profit of $503.2 million in 2023 (2022: net loss of $(142.3) million, and CRL made a net profit of $560.9 million in 2023 (2022: net loss of $(65.8) million).

Future outlook

Convex entered a dislocated market in 2019 against a backdrop of volatility and we are pleased with the scale and market presence we have achieved thus far.

The global geopolitical landscape remains volatile, and as we look ahead to 2024, the specialty insurance and reinsurance market remains dynamic. Uncertainty remains in the market with respect to a number of areas, including the impact of the ongoing war in Ukraine and the developing conflict in the Middle East.

The hard work Convex has undertaken since inception to build strong underwriting, relevance in the market, scale and resilience means we are well placed to continue achieving growth and become our clients' favourite insurer.

Ukraine/Russia conflict

Convex remains deeply concerned by the ongoing conflict in Ukraine and the tragic impact on the people of Ukraine and the global community. The Company continues to comply with government guidance and sanctions and it is closely monitoring legal and factual developments relating to the situation. The Actuarial, Claims, Underwriting, Legal and Compliance teams remain closely aligned in understanding and managing the uncertainties and impact to Convex as the picture continues to evolve.

System of governance and risk

The Board of Directors is responsible for promoting the long-term success of the Company and for setting strategy. It does so with a determination to protect the interests of policyholders, customers, its shareholder and other stakeholders. The Board ensures that there is a strong system of governance, that risk management and financial controls are robust and that the key functions are adequately resourced and empowered to advise management and the Board.

Overall organisational risks

The Risk Management function oversees the management of all organisational risks and continues to enhance the mechanisms used to identify, quantify and manage accumulated exposures within the limits of Convex's risk appetite. The steering of the overall risk strategy is directed by the Board of Directors.

Insurance risk

Insurance risk arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inadequate claims reserves; and
- Inadequate reinsurance protection.

The adequacy of Convex's insurance reserves is reviewed by the Group Reserve Committee and approved by the Convex Board of Directors.

Market risk

Financial risk arises through Convex's holdings in financial assets, financial liabilities, insurance/reinsurance assets and policyholder/cedant liabilities. The key financial risk is that the net asset value of Convex reduces as a result of movements in financial markets and/or credit defaults, affecting the Company's solvency and liquidity position.

The key drivers of financial risk are: interest rate risk, currency risk, credit risk, and inflation risk. A Financial Market Risk framework is in place to enable Convex to manage market risk using risk appetite limits, risk monitoring, stress and scenarios tests and formal reporting.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where Convex is exposed to credit risk are:

- Fixed income securities, that include investments in sovereign and corporate bonds, and collateralised securities;
- Insurance exposures arising from the political and credit risk line of business;
- Reinsurance assets, where credit risk arises in relation to the reinsurance asset held;
- Other assets, including bank deposits; and
- Insurance assets and receivables.

Convex has in place concentration limits and monitors its exposure to a single counterparty, or groups of related counterparties and subcategories of market risk (e.g. interest rate risk, equity risk, etc.).

Liquidity risk

Liquidity risk is defined as the risk that Convex is unable to settle its financial obligations when they fall due. Liquidity risk is inherent to the business model of insurance companies given the delay between receiving an asset in the form of premium income and when liabilities fall due. A liquidity risk framework is in place to enable the firm to manage its liquidity position under normal and stressed conditions.

Operational risk

Operational Risk is defined as the risk of greater than expected losses due to the failure of internal processes, people or systems, or from external events.

In order to facilitate the identification and management of operational risk, Convex breaks down Operational Risk into the following sub-categories: people, process, IT, regulatory, data, conduct and outsourcing & third-party service provider risk.

Valuation for solvency

Assets and liabilities have been valued for solvency purposes in accordance with the US generally accepted accounting principles ("GAAP") shown in section D of this report.

Capital management summary

Convex's solvency and minimum capital positions are determined based on the jurisdictions in which it operates. These jurisdictions and capital requirements/models include:

1. Bermuda – BMA BSCR model;
2. U.K. & Luxembourg – Solvency II Standard Formula; and
3. Guernsey – Guernsey Financial Services Commission ("GFSC") Insurance Business (Solvency) Rules and Guidance, 2021

CGL

CGL's eligible capital by Tier under BMA definitions is summarized in the table below (USD in thousands).

	2023 $000s	2022 $000s
Tier 1 Available Capital	3,727,027	2,556,268
Tier 2 Available Capital	—	—
Tier 3 Available Capital	—	400,000
Total Eligible Capital	**3,727,027**	**2,956,268**

A. Business and performance

A.1. Business overview

A.1.1. Name of the insurance group

Convex Group Limited

Convex Re Limited
Point House, 6th Floor
6 Front Street
Hamilton HM11
Bermuda

A.1.2. Name and contact details of the insurance group supervisor

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton, Bermuda
Telephone: (441) 295-5278

A.1.3. Name and contact details of the approved group auditor

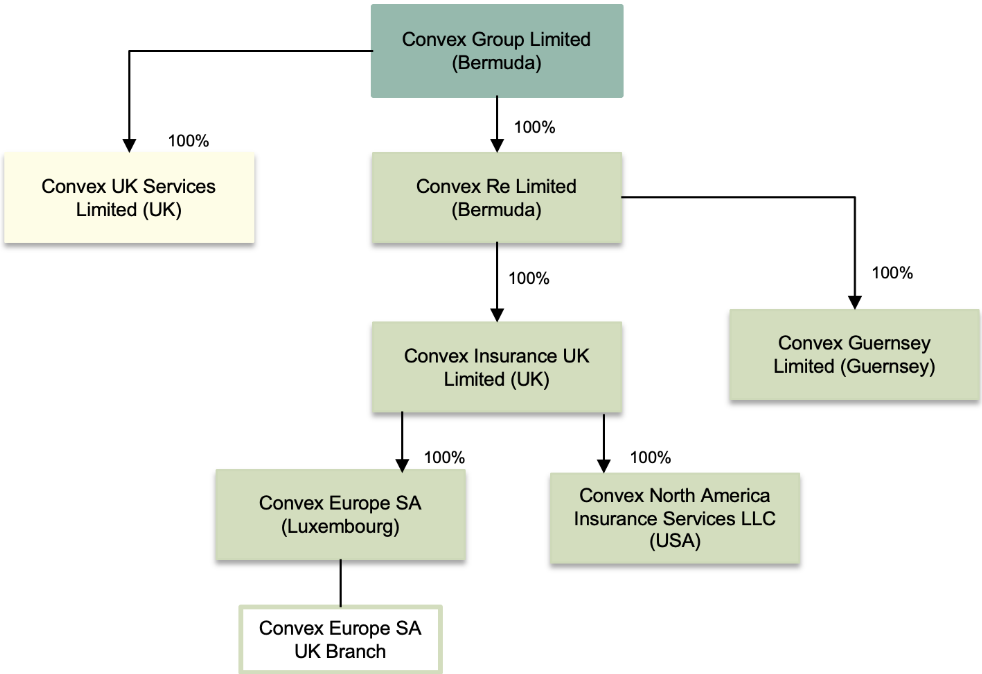
PricewaterhouseCoopers Ltd. (Bermuda)
Washington House
4th Floor, 16 Church Street
Hamilton HM11
Bermuda

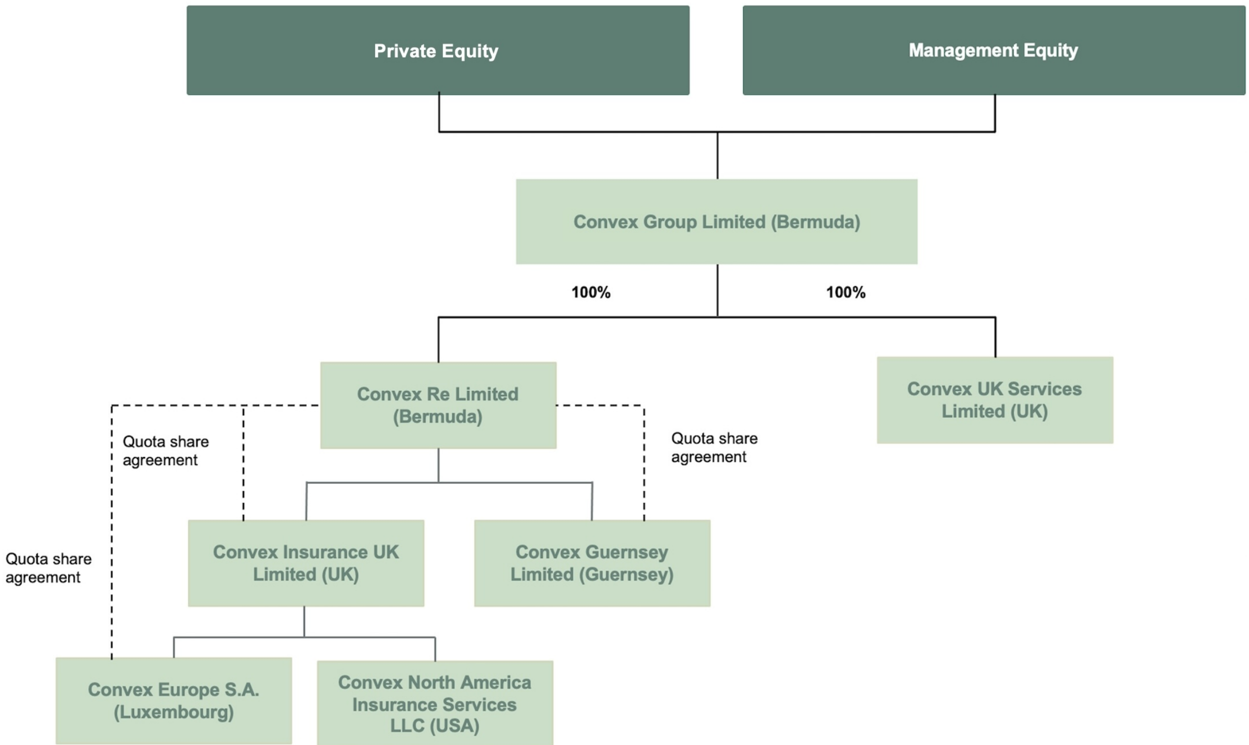
A.2. A description of the ownership details including proportion of ownership interest

The ownership interest of Convex can be viewed in the Group structure chart below. We note that, except where noted, CGL is the ultimate parent owning 100% of all subsidiary companies depicted in the chart, including CRL. CRL is a direct subsidiary of CGL.

Convex's private equity-limited partners through managing partner Onex hold approximately 96% of the total voting shares of the Company with the remaining voting ownership interest (4%) held by the directors, senior management and employees, as well as families and friends of Convex's founders.

A.3. Group structure chart for the Company





Convex Group is a property and casualty insurance and reinsurance carrier focused on large commercial clients with complex insurance requirements.

Convex has a streamlined organisational structure consisting of:

- **Convex Group Limited (“CGL”):** Holding company in Bermuda
- **Convex Re Limited (“CRL”):** Bermuda operating company, which seeks to be the best-in-class specialty P&C reinsurer focusing on complex risks
- **Convex Insurance UK Limited (“CIL”):** UK operating company, closely aligned with the Bermuda operating company
- **Convex UK Services Limited (“CSL”):** a services company, which is the main employing and contracting entity in the UK for efficiency and operational purposes
- **Convex Europe S.A. (“CES”):** European operating company, closely aligned with the UK operating company
- **Convex Guernsey Limited (“CGU”):** Guernsey operating company
- **Convex North America Insurance Services LLC (“CUS”):** US Managing Agency

A.4. Insurance business written by business segment and by geographical region during the reporting period

Convex has only one business segment which writes insurance and reinsurance business. The following table sets forth the gross premiums written allocated to the territory of coverage exposure for the periods ended December 31, 2023 and December 31, 2022, respectively (USD in thousands):

Geographical Region	2023 $000s	2022 $000s
North America	2,438,654	1,762,449
Europe (including UK)	1,101,336	780,309
Africa and Middle East	158,300	108,013
Rest of World	519,312	384,603
Total	**4,217,602**	**3,035,374**

A.5. Performance of investments by asset class and details of material income and expenses incurred during the reporting period

Convex’s aggregate investment portfolio was primarily invested in investment grade fixed income securities during 2023 (93%), with the remaining modest allocation to risk assets. Over the period, the CGL aggregate investment assets produced a total investment return of 5.50% (2022: -3.25%), and the CRL investment assets produced a total investment return of 5.55% (2022: -3.19%). Both portfolios positive returns were predominately driven by high starting yields and coupon income earned throughout the year. A sharp decrease in risk-free yields towards the end of 2023 supported the return generating positive mark to market unrealized gains.

In 2023, the duration of the investment portfolio was extended as central banks approached the peak in policy rates. As at December 31, 2023, the duration of the investment portfolio was modestly short relative of the aggregate liability benchmark.

The prior year total investment income has been re-presented to conform with the current year method of reporting, which excludes the impact of exchange rate movements, in order to align with the presentation of total investment return in the financial statements.

CGL

During the periods ended December 31, 2023, and December 31, 2022, respectively, the net investment returns were derived from the following sources (USD in thousands):

	2023 $000s	2022 $000s
Fixed maturities and short-term investments	131,690	66,466
Cash and cash equivalents	8,390	1,351
Total gross investment income	140,080	67,817
Accretion/(amortization) of premium on fixed maturity investments	1,723	3,176
Investment expenses	(2,422)	(1,672)
Total net investment income	139,381	69,321
Realized (losses)/gains	(23,687)	(32,892)
Change in unrealized (losses)/gains	124,717	(143,466)
Total net investment income	**240,411**	**(107,037)**

CRL

During the periods ended December 31, 2023, and December 31, 2022, respectively, the net investment returns were derived from the following sources (USD in thousands):

	2023 $000s	2022 $000s
Fixed maturities and short-term investments	121,078	61,855
Cash and cash equivalents	5,252	871
Total gross investment income	126,330	62,726
Accretion /(amortization) of premium on fixed maturity investments	1,812	3,369
Investment expenses	(5,124)	(3,490)
Total net investment income	123,018	62,605
Realized losses	(22,885)	(32,147)
Change in unrealized losses	116,489	(123,617)
Total net investment income	**216,622**	**(93,159)**

CGL

As at December 31, 2023, the fair values of the investment portfolio of CGL totalled $4.8 billion and were split by asset class as follows (USD in thousands):

2023	Amortized Cost or Cost $000s	Fair Value $000s
U.S. government and government agency	2,203,244	2,190,973
Agency residential mortgage-backed securities	328,426	323,920
Non-agency residential mortgage-backed securities	516	500
U.S. corporate	1,031,951	1,019,826
Non-U.S. corporate	312,405	314,193
Non-U.S. government and government agency	35,045	34,185
Asset-backed securities	468,805	467,805
Commercial mortgage-backed securities	13,988	13,152
Total fixed maturities	4,394,380	4,364,554
Short-term investments	140,443	140,505
Other investments(a)	275,174	314,603
Total investments	**4,809,997**	**4,819,662**

a. Investment partnerships

As at December 31, 2022, the fair values of the investment portfolio of CGL totalled $3.6 billion and were split by asset class as follows (USD in thousands):

2022	Amortized Cost or Cost $000s	Fair Value $000s
U.S. government and government agency	1,597,295	1,528,535
Agency residential mortgage-backed securities	92,583	81,123
Non-agency residential mortgage-backed securities	1,008	963
U.S. corporate	826,900	787,963
Non-U.S. corporate	309,470	292,895
Non-U.S. government and government agency	34,901	33,624
Asset-backed securities	226,525	218,254
Commercial mortgage-backed securities	8,492	7,617
Total fixed maturities	3,097,174	2,950,974
Short-term investments	441,326	441,799
Other investments(a)	154,283	177,460
Total investments	**3,692,783**	**3,570,233**

a. Investment partnerships

CRL

As at December 31, 2023, the fair values of the investment portfolio of CRL totalled $4.3 billion and were split by asset class as follows (USD in thousands):

2023	Amortized Cost or Cost $000s	Fair Value $000s
U.S. government securities	2,129,485	2,115,779
Agency residential mortgage-backed securities	327,253	323,286
Non-agency residential mortgage-backed securities	431	418
U.S. corporate	989,657	978,705
Non-U.S. corporate	311,618	313,459
Non-U.S. government and government agency	35,045	34,185
Asset-backed securities	238,115	237,427
Commercial mortgage-backed securities	11,715	10,998
Total fixed maturities	4,043,319	4,014,257
Short-term investments	138,340	138,402
Other investments	182,801	197,337
Total investments	**4,364,460**	**4,349,996**

As at December 31, 2022, the fair values of the investment portfolio of CRL totalled $3.4 billion and were split by asset class as follows (USD in thousands):

2022	Amortized Cost or Cost $000s	Fair Value $000s
U.S. government and government agency	1,538,183	1,470,502
Agency residential mortgage-backed securities	91,993	81,123
Non-agency residential mortgage-backed securities	842	805
U.S. corporate	790,318	754,301
Non-U.S. corporate	305,766	289,432
Non-U.S. government and government agency	34,901	33,624
Asset-backed securities	219,656	211,653
Commercial mortgage-backed securities	6,937	6,347
Total fixed maturities	2,988,596	2,847,787
Short-term investments	434,616	435,206
Other investments	91,912	93,602
Total investments	**3,515,124**	**3,376,595**

Details of Material Income and Expenses

CGL

The below table provides summaries of CGL's material income and expenses line items for the periods ended December 31, 2023, and December 31, 2022, respectively (USD in thousands):

	2023 $000s	2022 $000s
Revenues		
Gross premiums written	4,217,602	3,035,374
Net premiums earned	2,337,078	1,686,496
Net investment return	240,411	(107,037)
Expenses		
Losses and loss expenses		
Current period	1,273,799	1,143,245
Prior years	(48,488)	(114,909)
Total losses and loss expenses	1,225,311	1,028,336
Policy acquisition costs	458,248	280,162
General and administrative expenses	391,415	306,908

CRL

The below table provides summaries of the CRL's material income and expenses line items for the periods ended December 31, 2023, and December 31, 2022, respectively (USD in thousands):

	2023 $000s	2022 $000s
Revenues		
Gross premiums written	4,217,602	3,035,374
Net premiums earned	2,337,078	1,686,496
Net investment return	216,622	(93,159)
Expenses		
Losses and loss expenses		
Current period	1,273,799	1,143,245
Prior years	(48,488)	(114,909)
Total losses and loss expenses	1,225,311	1,028,336
Policy acquisition costs	458,248	280,162
General and administrative expenses	341,299	274,049

Highlights for CGL and CRL for the periods ended December 31, 2023 and December 31, 2022 were as follows:

Gross premiums written for the period ended December 31, 2023 amounted to $4.2 billion (2022: $3.0 billion). Convex underwrites a significant amount of its reinsurance business through three brokers:

Broker	2023	2022
Marsh & McLennan Companies, Inc.	25.2 %	28.2 %
Aon Benfield	19.3 %	19.8 %
Arthur J. Gallagher	10.0 %	7.9 %

Net premiums earned for the period ended December 31, 2023 amounted to $2.3 billion (2022: $1.7 billion).

Reinsurance contracts can be written on a risks-attaching or losses-occurring basis. Under risks attaching reinsurance contracts, all claims from cedants' underlying policies incepting during the reinsurance contract period are covered, even if they occur after the expiration date of the reinsurance contract. In contrast, losses occurring reinsurance contracts cover all claims occurring during the period of the contract, regardless of the inception dates of the underlying policies. Any claims occurring after the expiration of the losses occurring contract are not covered.

Insurance and reinsurance premiums written are recorded at the inception of the policy. Insurance premiums on binders and reinsurance premiums are estimated based on information received from brokers, ceding companies and reinsureds, and any subsequent differences arising on such estimates are recorded in the periods in which they are determined. For contracts where initial premium is based on an estimate, the amount of premium ultimately received may differ materially from the amounts initially estimated in the consolidated financial statements. These estimates are reviewed regularly and, as new information becomes known, the recorded premiums are adjusted as necessary. These adjustments sometimes lead to an increase or decrease in expected premiums. Adjustments to premium estimates, if any, are recorded in the period in which they become known.

Premiums written are earned on a pro-rated basis over the term of the related policy or contract. For direct insurance, and for facultative and losses-occurring reinsurance contracts, the earnings period is generally the same as the term of the related contract or policy. For reinsurance contracts written on a risks-attaching basis, the earnings period is based on the terms of the underlying contracts and policies and is generally assumed to be 24 months. The portion of the premiums written applicable to the unexpired terms of the underlying contracts and policies in force is recorded as unearned premiums.

Losses and loss expenses for the period ended December 31, 2023 was $1,225.3 million (2022: $1,028.3 million), a loss ratio of 52.4% (2022: 61.0%). Incurred losses and loss expenses consists of gross losses and loss expenses of $1,722.7 million (2022: $1,569.7 million) and estimated reinsurance recoveries of $497.4 million (2022: $541.4 million).

Major event / non-major event losses

Details of Convex's losses and loss expenses for the periods ended December 31, 2023, and December 31, 2022, respectively were as follows (USD in thousands):

	2023 $000s	2022 $000s
Major Event		
Current period	—	284,420
Prior years	(24,125)	(48,792)
Sub-total	(24,125)	235,628
Non-Major Event		
Current period	1,273,799	858,825
Prior years	(24,363)	(66,117)
Sub-total	1,249,436	792,708
Total losses and loss expenses	**1,225,311**	**1,028,336**

Policy acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal business, and consist principally of commissions and brokerage expenses. These costs are deferred and amortized over the period in which the related premiums are earned. Acquisition costs are shown net of commissions earned on reinsurance ceded. However, if the sum of a contract's expected losses and loss expenses and deferred acquisition costs exceeds related unearned premiums, a premium deficiency is determined to exist. In this event, deferred acquisition costs are immediately expensed to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs, then a liability is accrued for the excess deficiency. There were no significant premium deficiency adjustments recognized during the periods ended December 31, 2023, or December 31, 2022. Policy acquisition costs also include profit commissions, which are recognized on a basis consistent with our estimate of losses and loss expenses. Policy acquisition cost ratio for the period ended December 31, 2023 was 19.6% (2022: 16.6%).

General and administrative expenses for the period ended December 31, 2023 totalled $391.4 million (2022: $306.9 million) for CGL. For CRL these expenses totalled $341.3 million for the period ended December 31, 2023 (2022: $274.0 million). General and administrative expenses include staff costs, office and infrastructure related expenses, business expenses and management fees.

A.6. Any other material information

There is no other material information to report.

B. Governance structure

B.1. Board and senior management

The Board's role is to be collectively responsible for promoting the long-term sustainability of the Company, generating value for shareholders in a manner which also allows it to discharge its responsibilities to its stakeholders whilst maintaining compliance with legal and regulatory requirements. The Board sets the purpose, strategy and values of the Company and seeks to ensure that the culture within the Company is aligned with these. The Board of the respective subsidiaries are responsible for setting the respective Company's risk appetite and satisfy themselves that financial controls and risk management systems are robust, while ensuring the Company is adequately resourced. It also ensures that there is appropriate dialogue with shareholders on strategy and remuneration.

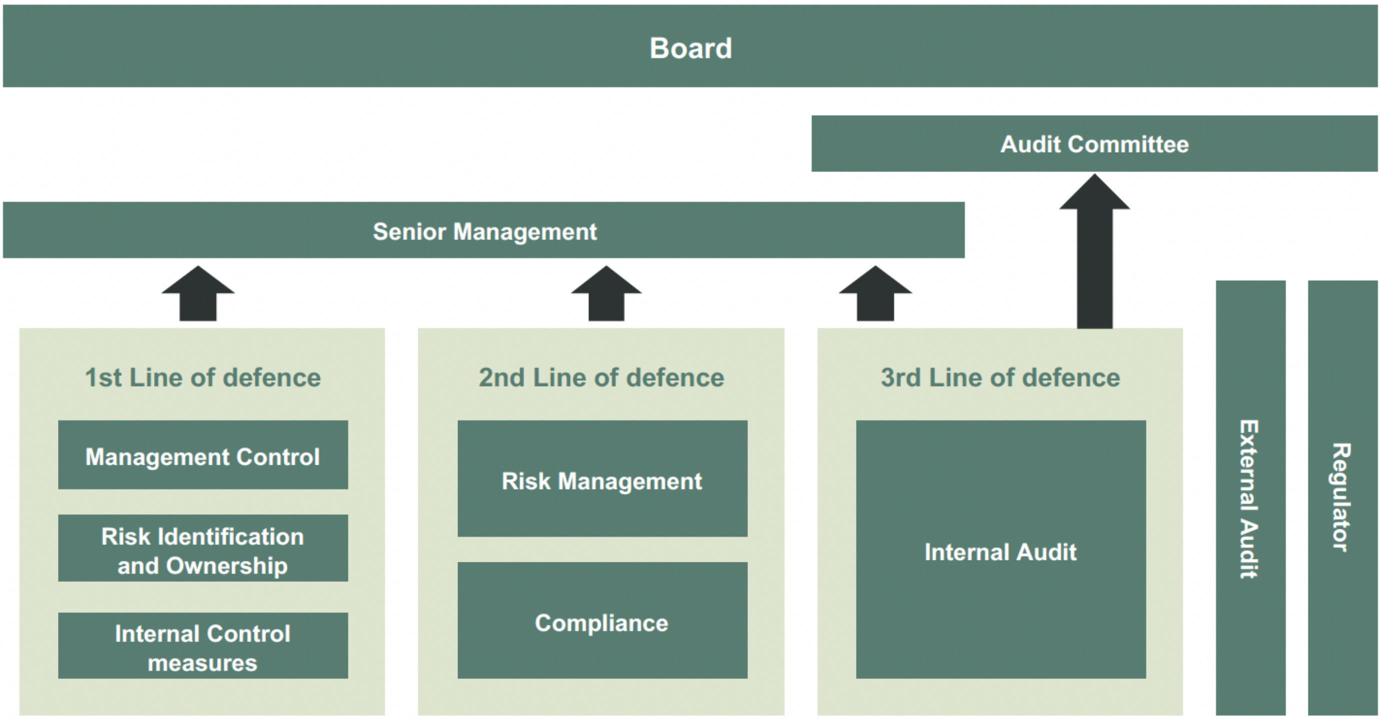
The Board's responsibilities include taking account of other stakeholders including employees, policyholders and customers. This includes ensuring that an appropriate system of risk governance is in place throughout Convex. To discharge this responsibility, the Board has established a robust governance and control framework that includes levels of authority, accountability, responsibility, oversight and challenge and is supported by a 'three lines of defence" model.

B.1.1. Control Framework

The Board retains ultimate responsibility for Convex's systems of internal control and the risk management framework. They review the effectiveness through the establishment of an effective governance and monitoring process. This includes regular reporting and in-depth monitoring of the establishment and operation of prudent and effective controls.

Convex operates a 'three lines of defence' controls framework whereby the business implements first line controls so as to ensure that the front-line business units comply with the requirements set by the Board regarding risk appetite and control. The compliance and risk management functions undertake monitoring to provide second line assurance that these controls are effective, meet the expectations of our regulators and are in accordance with the company's risk appetite. The Internal Audit function provides independent oversight across Convex and reports to the Audit Committee of the Board on the effectiveness of the risk management and internal control framework.

The respective responsibilities of each line are shown below:



First line: Management Monitoring

Management is responsible for implementing and monitoring the system of internal control and for complying with the risk appetite and controls set by the Board.

Second line: Risk and Compliance functions

The Risk function is accountable for developing the Risk Management Framework ("RMF") and for the quantitative and qualitative oversight of the process to identify, measure, manage, monitor and report ("IMMMR") risk. As the business responds to changing market conditions, customer needs and regulatory requirements, the Risk function regularly monitors the appropriateness of the company's risk policies and the RMF to ensure they remain up to date.

The Compliance function supports and advises the business on the identification, measurement and management of its regulatory, financial crime and conduct risks; in this regard the Compliance function acts as part of the first line of defence. Compliance also monitors, evaluates and provides assurance on the effectiveness of the first line controls and therefore also acts as part of the second line of defence. In addition, Compliance is also accountable for monitoring and reporting on the performance of Convex against the conduct risk metrics agreed by the Board.

Third line: Internal Audit

This function provides independent and objective assessment on the robustness of the RMF and the appropriateness and effectiveness of internal control to the Audit Committees, and the Boards of the respective legal entities.

B.1.2. Board of Directors and Executive officers

The directors of CGL oversee the management of Convex's business and affairs and are responsible for the corporate governance framework; as at April 30, 2024, the directors were:

- Stephen Catlin;
- Paul Brand;
- Benjamin Meuli;
- Fiona Luck;
- Dr Claus-Michael Dill;
- Nicholas Lyons;
- Kelly Lyles;
- Robert Le Blanc;
- Adam Cobourn;
- Bill Marcoux;
- David Morin; and
- Dan Sawyer.

CGL's executive officers are responsible for the development and execution of the Company's internal controls, budgets, strategic plans and objectives. As at April 30, 2024, the executive officers consisted of the following persons:

- Stephen Catlin;
- Paul Brand;
- Benjamin Meuli;
- Adrian Spieler;
- Mark van Zanden;
- Robina Malik;
- Douglas Howat;
- Theo Butt;
- Claire Ball;
- Matt Paskin;
- Paul Simons;
- Brian Bissett; and
- Anne Middleton

The directors of CRL oversee the management of the entity's business and affairs and are responsible for the corporate governance framework; as at April 30, 2024 the directors were:

- Paul Simons;
- Matt Paskin
- Richard Slater;
- Dr Claus-Michael Dill;
- Fiona Luck; and
- Nicholas Lyons;

CRL’s executive officers as at April 30, 2024 consisted of the following persons:

- Matt Paskin;
- Lisa Robinson;
- Lorraine Mullins;
- Paul Simons;
- Richard Slater;
- Mark van Zanden;
- Shelley Lyddon-Mills;
- Pierre-Francois Rodriguez; and
- Shannon Dyer.

B.1.3. Description of remuneration policy and practices and performance-based criteria governing the board, and its senior executives and employees

Remuneration

Convex’s reward principles and arrangements are designed to incentivise and reward employees for achieving stated business goals in a manner that is consistent with the company’s approach to sound and effective risk management. The remuneration approach is aligned to the company’s strategy, incentivises achievement of the company’s annual business plan and longer-term sustainable growth of the business and differentiates reward outcomes based on performance and behaviour that is consistent with the company’s values.

The remuneration approach provides market competitive remuneration and incentivises all staff members to contribute towards both the annual business plan and the longer-term strategic objectives of the company. Variable remuneration can be zero if performance thresholds are not met.

Remuneration of staff is split between the following components:

- Basic salary informed by individual and business performance, levels of increase for the broader employee population and relevant pay data;
- Variable components;
- Pensions; and
- Benefits.

Independent non-executive directors receive a basic annual fee in respect of their Convex Board duties. Further fees are paid for membership and, where appropriate, chairing Convex Board committees. Fees will be reviewed annually taking into account market data and trends and the scope of specific Convex Board duties.

B.1.4. Description of the supplementary pension or early retirement schemes for members, the Board and senior executives

Convex does not maintain a defined benefit pension or retirement plan for its named executive officers. CGL and CRL provide pension benefits to eligible employees through various plans which are managed externally and sponsored by the Company. Contributions are expensed as incurred.

B.1.5. Material transactions with shareholder controllers, persons who exercise significant influence, the board or senior executives

During the period ended December 31, 2023, Convex incurred expenses for professional services, accommodation, travel and entertainment which were provided by various related parties of Convex and totalled $978 thousand (2022: $605 thousand).

Included in “Gross premium written” are gross premiums written with various related parties of Convex and totalled $371.9 million (2022: $173.0 million). The primary related party was Howden UK Group Limited which produced $284.5 million of the gross premium written (2022: Howden UK Group Limited which produced $130.0 million of the gross premium written). Kelly Lyles, who was appointed a director of the Company in 2021, serves as a director for Howden UK Group Limited.

Nicholas Lyons, a director of the Company, serves as a director for Miller Insurance Services. There was $25,650 thousand balance in insurance receivables at December 31, 2023 related to Miller Insurance Services (2022: $11,580 thousand).

B.2. Fitness and propriety requirements

B.2.1. Description of the fit and proper process in assessing the board and senior executives

Directors and senior executives are required to be assessed for their fitness and propriety at appointment and on an ongoing basis.

Assessing a person’s fitness and propriety includes an assessment of:

- Their honesty, integrity and reputation;
- Their competence and capability;
- Their financial soundness.

The CGL Board identifies the skills and experience that are required at Board level, including the appointments of executive directors or independent non-executive directors, so as to ensure the relevant diversity, experience, skills and knowledge required for effective oversight and challenge.

Convex ensures that the individuals it employs are fit and proper in accordance with the requirements set by regulators in the jurisdictions in which Convex and its subsidiaries operate.

To ensure that Convex identifies and recruits appropriate people, the individual is assessed for:

- Fitness: skills and experience must be adequately matched to the role they are being employed to undertake.
- Propriety: checks are in place to ensure that an individual is honest, of good reputation, has integrity and is financially sound.

A basic level of screening is applied to all employees. Senior executives are also subject to the enhanced screening.

B.2.2. Description of professional qualifications, skills and expertise of the board and senior executives to carry out their functions

CGL's Directors and officers are as follows:

Stephen Catlin – Chairman

- 50 years of insurance industry experience.
- Founder and CEO of Catlin (1984-2015).
- Executive Deputy Chairman of XL Catlin (2015-17).
- Chairman of The Association of Bermuda Insurers and Reinsurers (2015-17).

Paul Brand – Chief Executive Officer

- Insurance industry experience, including 31 years at Catlin and XL Catlin.
- Chief Underwriting Officer at Catlin (2003-15).
- Chief Underwriting Officer (Insurance) at XL Group (2015-17).
- Chairman of Accelerate, XL Catlin's in-house innovation team (2016-18).

Benjamin Meuli – Chief Investment Officer

- More than 40 years of insurance and finance experience.
- Spent seven years at Catlin and XL Catlin.
- Held various senior roles at Swiss Re, Morgan Stanley and JP Morgan.
- Vice Chairman of GAM Investments since 2016.

Fiona Luck – Independent Non-Executive Director

- Over 30 years of insurance and finance experience.
- Spent eleven years at XL Group.
- Held various senior positions at XL, including Executive Vice-President of Group Operations.
- Serves as a Non-Executive Director on a number of boards including Lloyds' of London Council and HSBC (Bermuda) Limited.
- Held senior positions at Ace Bermuda and Marsh & McLennan.

Dr. Claus-Michael Dill – Independent Non-Executive Director

- Extensive industry experience having served as the CEO of Damp Holding AG, Axa Kozern AG and Switzerland General Insurance.
- Previously Non-Executive Director of XL Group Ltd., Catlin Group Ltd. and General Reinsurance AG.
- Holds a Ph.D. in Economics from University of Munich.

Nicholas Lyons – Independent Non-Executive Director

- Served as the Lord Mayor of the City of London until November 2023.
- Extensive experience in investment banking with 12 years at JP Morgan and 8 years at Lehman Brothers.
- Appointed Chairman of the Board of Directors of Phoenix Group Holdings in 2018.
- Held numerous positions on the boards of other financial institutions including the Pension Insurance Corporation.

Bill Marcoux - Independent Non-Executive Director

- Advisor to the insurance industry for more than 37 years.
- Partner, Global Head of the Corporate Insurance Transactions and Regulatory Practice from 2012-2018.
- 31 Years at Dewey & Leboeuf LLP - Partner from 1990-2012 ultimately becoming co-chair of its renowned insurance sector practice and member of its Executive Committee.

Bobby Le Blanc – Non-Executive Director

- CEO Onex Corporation.
- Extensive capital market and insurance experience as former Co-Head of Onex Partners and 7 years at Berkshire Hathaway.
- Holds numerous positions on the boards of companies representing a variety of industries.
- Holds an M.B.A. from New York University.

David Morin – Non-Executive Director

- Managing Director And Head Of Europe, Private Equity at PSP Investments.
- Previously at Credit Suisse as an Associate from 2010 to 2013. Also held managerial positions at Adaltis, including Business Unit Manager in 2008 and Business Development/M&A in 2005-2007.
- Holds an MBA from INSEAD.

Adam Cobourn – Non-Executive Director

- Managing Director with responsibility for Onex Partners efforts in the Financial Services sector.
- Previously worked in the Investment Banking Division of Credit Suisse.
- Holds an Honours in Business Administration from the Ivey School of Business at the University of Western Ontario.

Dan Sawyer – Non-Executive Director

- Vice President in GIC's Private Equity, Direct Investments Group, responsible for leading GIC's North American Financial Services Private Equity efforts.
- Prior to joining GIC, worked at Thomas H. Lee Partners, with a focus on business and financial services investing.
- Holds an M.B.A. from Harvard Business School.

Adrian Spieler – Chief Operating Officer

- Extensive insurance and asset management experience including 17 years at Swiss Re.
- Chief Platform Officer for Insurance and a member of the XL Catlin leadership team (2015- 2018).
- Group Chief Administrative Officer at Catlin (2012-2015).

Mark van Zanden – Head of Strategy

- Over 30 years of (re)insurance industry experience.
- Joined Catlin in 2005 and was most recently Chief Executive of Underwriting Capital Management for AXA XL.
- Previous roles include consulting actuary, reinsurance broker and an underwriter.

Robina Malik – General Counsel

- More than 25 years of insurance and legal experience.
- General Counsel and Head of Compliance, Risk and Regulatory Affairs for XL Catlin Asia Pacific (2012-2017).
- Started her career in underwriting and claims, working on energy, marine and liability accounts at Lloyd's.

Brian Bissett – Chief Financial Officer

- Joined Convex from Zurich Insurance, where he was Group Chief Actuary.
- Chief Data Officer at Catlin and XL Catlin, having joined Catlin in 2001.
- Held roles at Barclays and Generali.
- Fellow of the Institute of Actuaries.

Claire Ball – Group Human Resources Director

- An experienced HR Executive with expertise operating across many cultures in an international climate.
- Worked for Zurich Insurance for over 20 years both in the UK and for the last 12 years in global roles based in Switzerland.
- Returned to the UK and joined Allianz Global Investors on a short contract leading their UK People team prior to joining Convex.

Douglas Howat – Chief Underwriting Officer, Insurance

- Previously Chief Executive of Global Lines (including Specialty) at XL Catlin.
- Joined Catlin in 1989 as an Assistant Underwriter.
- Held a range of roles, including Chief Executive of the Energy, Property and Construction division.

Theo Butt – Chief Executive Officer, Convex Insurance UK Limited

- Chief Executive of Neon Underwriting Ltd (2019-20).
- Joined Ascot Underwriting in 2006 as a Property Underwriter and held various roles there culminating in Executive underwriter and head of Non-Marine (2011-18).
- Prior to that held various broking roles at March and JLT.

Matt Paskin – Chairman Reinsurance Executive Committee

- Became Chief Underwriting Officer of XL Catlin Re in 2015.
- Joined Catlin in 1993 as a class underwriter and went on to hold various roles there, including Chairman of Catlin REXCo.
- Has also held roles at Pan Atlantic/Republic UK and EF Williams Syndicate.

Anne Middleton – Head of Portfolio Optimisation

- Joined Convex in 2019 as the Head of Ceded Reinsurance and Capital Modelling
- Previously held a number of senior roles at XL Catlin including Head of Finance, Global Energy, Property & Construction and Global Head of Placement, Ceded Re
- Fellow of the Institute of Actuaries

Members of the CRL Board or Executive Committee not already included above are as follows:

Paul Simons – Chief Executive Officer, Convex Re Limited

- More than 25 years of experience in the Bermudian reinsurance market.
- Joined Convex in 2022 having previously held a number of senior positions, most recently as CEO of Bermuda Reinsurance AXA XL.
- Previously worked for AXA XL's predecessor companies XL Catlin, XL Re and XL Mid Ocean.

Richard Slater – Chief Underwriting Officer, Convex Re Limited

- Joined Convex in 2019 as product leader in International Property Treaty.
- Previously held senior positions in the retro, ILS and international property treaty markets for companies such as Brit's Sussex ILS fund, XL Catlin, Montpelier Re and ACE Tempest Re.
- Started his career at Lloyd's before relocating to Bermuda.

Shelley Lyddon-Mills – Chief Actuary and Interim Chief Financial Officer, Bermuda

- A diverse range of experience in the industry with expertise in risk management, reserving and capital modelling.
- Previously held roles in actuarial consulting and strategic roles such as the Head of M&A and Ventures at Hiscox.
- Qualified Actuary with a first class honours degree in Mathematics with Statistics.

Lisa Robinson – Head of Human Resources, Convex Re Limited

- More than 20 years of insurance industry experience.
- Head of Human Resources for Catlin Bermuda from 2002 – 2015, before becoming HR Business Partner at AXA XL.
- Holds PHR, SHRM-CP professional designations.

Lorraine Mullins – Chief Compliance Officer

- Extensive regulatory and compliance experience, serving at the Investment Management Regulator leading an enforcement team and as Head of Equity Compliance at ING Barings investment bank.
- Joined Catlin as Group Compliance Officer and moved to XL Catlin as Chief Regulatory Affairs Officer.
- BA Hons Jurisprudence from the University of Oxford.
- Qualified Barrister.

Pierre-Francois Rodriguez – Chief Risk Officer

- Extensive experience in financial services including various roles at the UK Regulator in Large Insurance Group Supervision and at AM Best.
- Consulted insurance firms on risk management, governance and regulation while at Deloitte.

Shannon Dyer – Bermuda Counsel & Company Secretary

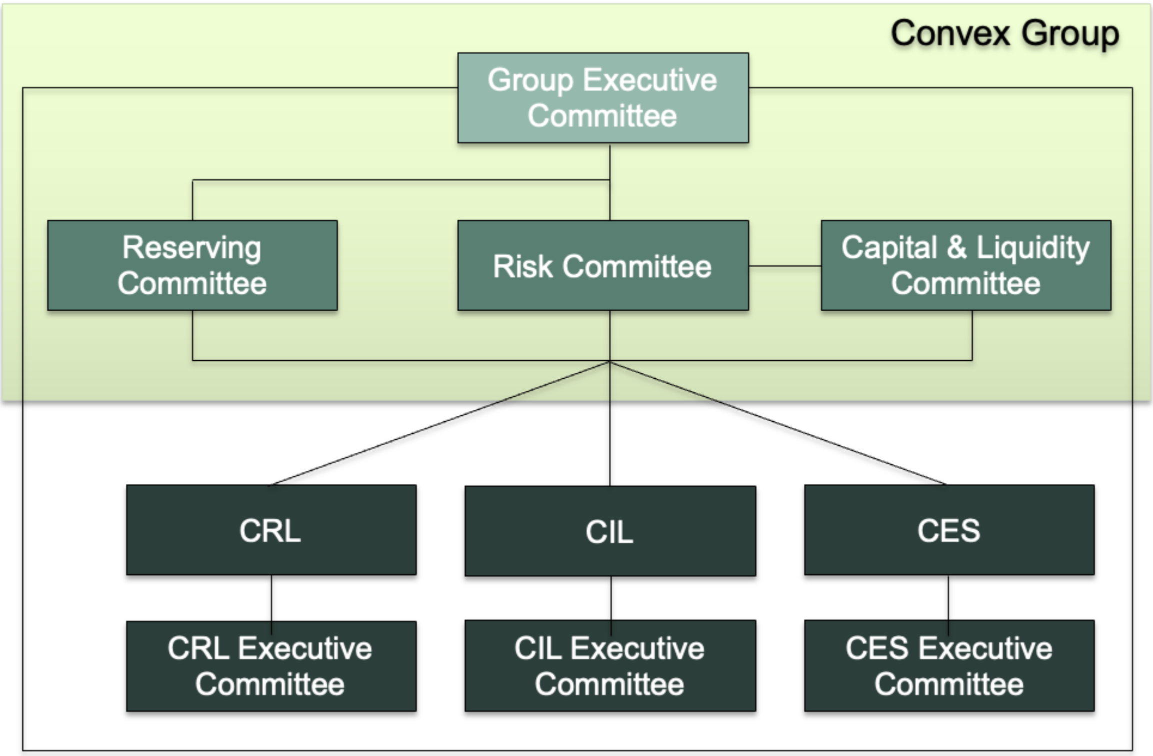
- Qualified UK and Bermudian barrister and attorney.
- Over 10 years legal experience specialising in insurance/reinsurance, regulation, and compliance.
- Held senior positions for various offshore law firms in Hong Kong and Bermuda, including the Bermuda Monetary Authority and as in-house counsel.
- Extensive experience with international insurance/reinsurance arbitrations and mediations in Bermuda, London, and New York.

B.3. Risk management and solvency self-assessment

B.3.1. Description of the risk management processes and procedures to effectively identify, measure, manage and report on risk exposures

Risk is defined by Convex as being the possibility of an adverse circumstance that will have a negative impact on Convex or its objectives. The Risk Management function provides risk oversight of the business for all risk types and categories. Oversight of the function's operations is provided by the Group Executive Risk Committee ("GERC") and the Group Executive Committee ("GEC"). The Risk Management function is led by the Chief Risk Officer ("CRO"), who attends Convex's Board and GEC meetings, and chairs the GERC.

The chart below outlines the governance structure throughout the Convex Group.



Risk Strategy

The Risk Management function and the Risk Management Framework support Convex in its pursuit of the achievement of its business goals within the established risk tolerances. The Risk Management function provides oversight, monitoring and challenge. As Convex grows, the Risk Management function and Risk Management Framework will continue to evolve to remain adequate for the company's business and risk profile. The Risk Management function supports Convex in achieving the following:

- Lead the development and implementation of the risk strategy across Convex;
- Implement and embed effective risk management frameworks across Convex;

- Coordinate an effective Solvency and Risk Assessment ("GSSA") process;
- Oversee and implement an effective risk identification, assessment, management and monitoring process across Convex;
- Monitor risk exposures against approved risk appetite statements and limits;
- Carry out quarterly and annual risk and control assessment;
- Establish appropriate risk policies and processes for Convex and ensure they are in place to meet regulatory requirements;
- Provide risk management information to the Convex Boards, Risk Committees and Executive Committees on the key risks, risk exposures and incidents affecting the business, as well as position against approved risk appetite limits;
- Carry-out risk deep-dives across the business to assess key risks and the effectiveness of the controls in place;
- Lead the implementation of the climate change risk framework;
- Engage with the business on a number of ad-hoc projects/initiatives to provide risk oversight and when relevant provide risk opinions; and
- Deliver risk training.

Risk Governance

Convex operates the ‘three lines of defence’ structure as defined in Section B.1.

Convex takes risk seriously, and risk culture is embedded within the business. Risk and assurance reviews are embedded with the first line to ensure risks are adequately identified and mitigated. For example, the Actuarial Function is a key stakeholder from the first line in managing underwriting and solvency risks on a day-to-day basis. Convex aims to be different than its peers and its business model requires a strong underwriting and operating cost discipline. As a result, the first line plays a strong role in identifying and managing risks.

Convex’s Board is responsible for the company’s risk and internal control framework, including setting and approving the company’s business strategy, determining its risk appetite, establishing appropriate risk policies and monitoring capital requirements and risks against the agreed risk appetite and in line with the risk appetite statements.

A number of processes support the Risk Management Framework including:

- Risk Appetite framework;
- Risk Governance;
- Solvency and Risk Assessment Reports (GSSA). An exemption has been granted from producing a Commercial Insurer’s Solvency Self-Assessment (CISSA) for CRL;
- Risk Registers;
- Regular risk reporting;
- Control Frameworks;
- Risk and Control Self-Assessment process; and
- Risk policies, procedures, systems processes and controls.

Risk Identification

The risk identification process enables Convex to identify the risks, including emerging risks, that the group is facing, and to monitor and mitigate them. The Risk Management Function has defined the risk taxonomy in which Convex operates.

A key component of the risk identification process at Convex is the Risk Register. Convex has comprehensive Risk Registers for the group and its regulated entities. The most material risks included in the Risk Registers are reported to the CGL, CRL, CIL, and CES Boards on a quarterly basis as part of the RCSA process. The Risk Management function reviews and updates the Risk Registers on a quarterly basis.

The effective management of emerging risks is essential for maintaining Convex's business strategy and underwriting performance. It helps to identify external trends, threats and opportunities, and improves risk selection and knowledge of future risk exposures.

Emerging risks are included in the GSSA report. Convex carry out a quarterly identification and assessment exercise for emerging risks and the emerging risk dashboard is reported to the Convex Boards and Executive Committees. The Risk Management team together with relevant stakeholders from the business review the emerging risks landscape for the year ahead and assess the impact on Convex's business profile and strategy. This process is performed in conjunction with the Oracle Partnership, an advisory group that specialises in agenda-setting foresight and strategic advice for future threats and opportunities.

The fundamental sources of risk give rise to the following top-level risk categories that form the risk taxonomy:

- Strategic and Group risk – such as incorrect assessment of insurance market.
- Insurance risk – such as aggregate exposures and reserves;
- Market risk – such as investment value risk;
- Liquidity risk – such as failing to meet our on-going financial obligations as they fall due;
- Credit risk – such as risks of coverholder or reinsurer default; and
- Operational risk – such as operational resilience and disaster recovery.

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Within these categories, Convex reports Market and Liquidity risks together.

Risk Assessment

The Risk & Control Self-Assessment ("RCSA") process allows Convex to identify key risks, assess the materiality and status of the risks and controls, and then use this information to manage the risks and their potential impact, and review and monitor them on a periodic basis. The outcome of the RCSA process is shared with the relevant stakeholders, Convex Executive Committees, Convex Boards and Risk Committees on a regular basis.

Risk owners, and/or responsible persons, are responsible for the identification and day-to-day management, implementation of controls and regular monitoring and reporting of the risk status. The Risk Management function holds quarterly RCSA meetings with risk owners to review and provide challenge to the function's risk profile and effectiveness of controls in place.

All risks in the Risk Registers are assessed in terms of their impact on the business and the current risk performance.

The risk performance is the current level of concern the risk owner/responsible person has for the risk. The rating takes into account the control performance, risk appetite metrics (where applicable or relevant), risk incidents and internal/external environment.

High materiality risks and/or risks which have the worst performance are displayed in the risk heat map and escalated to ExCos or Boards/Risk Committees.

Risk Mitigation

Risk Mitigation is the process of reducing the potential adverse effects of a risk down to an acceptable level i.e., within Convex's risk appetite. Risk mitigation is mainly achieved through the implementation of controls and management actions. It is the responsibility of each function within the Group and each legal entity to own and manage their internal control environment. Risk Management provides an independent second line view of each function's internal control environment and reports findings to the relevant committees. Risk Management reviews the effectiveness of the CGL, CRL, CIL and CES control environment on a quarterly basis.

Each control is scored for operational effectiveness (effective, partially effective, ineffective or not implemented) by the Control Owner, with oversight and appropriate challenge from the Risk Management function, following extensive discussions with the respective function.

Risk Monitoring

Risk Monitoring is an important part of the risk management process. Effective risk monitoring ensures that Convex is operating within risk appetite and tolerances. It is a continuous and dynamic process of keeping track of identified risks and monitoring residual risks for any changes. It is also used to monitor the effectiveness of controls over time.

Effective risk monitoring enables Convex to make effective decisions on risks, in advance of these materialising. It helps to ensure that the correct risks continue to be represented on the Risk Registers reflecting the changing risk profile of the business and ensures that the correct risk response actions have been implemented and are effectively working.

All identified material risks are monitored through the Risk Register to ensure risk profile changes are identified early, allowing appropriate mitigating actions to be applied in order to prevent negative outcomes. Any material changes identified form part of the risk reporting to the GEC, entities' Executive Committee, to the GERC and to the relevant entity's Board and/or Risk Committee.

In addition to the Risk Registers and the regular risk assessment process, the Risk Management function continue to build out and embed other second line risk monitoring tools and activities, such as risk management deep dives, emerging risk management and reverse stress testing exercises.

Risk Reporting

The purpose of Risk Reporting is to provide management with useful information, allowing them to make effective decisions about the risks the business faces. Risk Reporting is a regular, continuous and important process for Convex as it builds alignment and transparency of risk information between the business, management and the executive. The Risk Management Framework, system and processes facilitate this reporting throughout the year, allowing Convex's Boards and the Convex Executive Committees to review and challenge risk information and make informed decisions about the changing risk profile of the business.

Information from the Risk Registers are aggregated, analysed and presented in the risk report to Convex's Boards, Risk Committees and to Convex Executive Committees showing the current concerns and the most material risks to the business and quarter-on-quarter changes in risk profile.

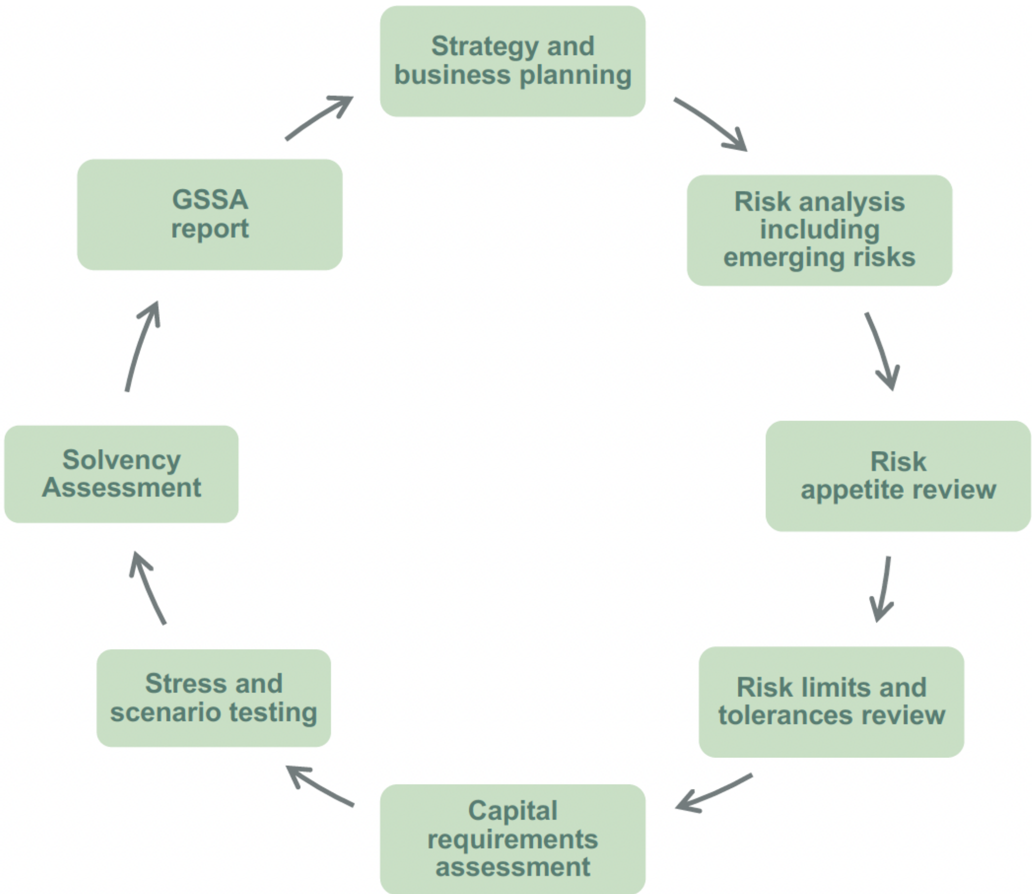
The Risk and Incident Report also provides Convex's Boards, Risk Committees and Convex Executive Committees with the Risk Management function's opinion on the risks faced by each area of the business and an analysis of the risk incidents reported. The report is a combination of qualitative and quantitative information. Qualitative commentary is provided to support understanding of the current risk environment as well as the future risk outlook for the next reporting period. This provides an opportunity for breaches and key trends to be explicitly raised by the Risk Management function, where relevant.

B.3.2. Description of how the risk management and solvency self-assessment systems are implemented and integrated into the Insurer's operations; including strategic planning and organizational and decision-making process

In line with regulatory requirements, the CGL Board require that the GSSA is part of the Risk Management Framework processes, with the quarterly risk appetite dashboard and the annual GSSA report being a trigger for management actions in response to changes in the risk profile.

Overall responsibility for the GSSA framework, output and policy lies with the CGL and CRL Board. This policy is reviewed annually by the Risk Management Function and any changes approved by the CGL and CRL Board.

GSSA Process



The GSSA requires inputs from a number of key business activities including but not limited to:

- Strategy and business planning: The forward-looking assessment section of the GSSA, which is the assessment of Convex's strategic goals made up of the strategy and business planning processes;
- Risk profile: Assessment and understanding of the current and emerging risks facing Convex across all risk categories, this element also includes stress and scenario testing and other RMF techniques to assess risk impacts;

- Risk appetite: Reviews of risk appetites and tolerances to allow Convex to measure the level of risk currently being taken; and
- Capital requirements: Assessment of Convex's capital against regulatory capital requirements and Board approved solvency risk appetite.

Where appropriate, a CRL-specific view is incorporated into CGL's GSSA process and reporting. In addition, the GERC and the CRL Executive Committee are responsible for the evaluation and monitoring of CRL's risk management policies, procedures and controls which facilitates the ongoing management of CRL's exposure to risks. A key element of these monitoring activities is the evaluation of CRL's position relative to risk tolerances and limits approved by the CRL Board.

B.3.3. Description of the relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

Within Convex, the GSSA plays an important part in the activities of the business and to maintain a strong risk management culture. The GSSA provides a framework to enable the CGL and CRL Boards to be aware of the impact strategic decisions have on the risk and overall solvency needs of the business. The main outcomes of the exercise reported to the CGL and CRL Boards in relation to the GSSA are:

- Capital and solvency position – provide a capital assessment of the solvency strength of the Group and of CRL on their risk profile and over the business plan time horizon. Solvency has also been considered under both normal and stressed conditions;
- The risk profile of Convex is reviewed and reported. The GSSA is based on the risk profile as a group;
- The risk appetite of the Company forms a key part of the risk profile reporting throughout the year and the Convex Boards are informed on a quarterly basis of its position against its agreed risk appetite; and
- The appropriateness of the BSCR.

The Finance function undertakes a periodic assessment of the funds available to support Convex's economic capital requirements ensuring that the proportions of available Tier 1, Tier 2, and Tier 3 capital categories meet or exceed the requirements of the GERC.

The Risk Management function facilitates the risk identification and monitoring process on a quarterly basis via the risk appetite dashboard to the Convex Executive Committees and Convex's Boards. Convex completes an annual reverse stress testing exercise (in addition to other stress and scenario tests) to identify potential stress events that could lead Convex to fail. The Risk Management function involves relevant subject matter experts from key business and functional areas in stress and scenario testing development and selection. A sensitivity analysis is carried out on the business plan as part of the planning cycle and financial impacts of further potential risks to the plan. The results of this exercise are included in the GSSA report.

Identification of emerging risks is important to enable Convex to be proactive in anticipating potential risks that may impact the business and affect its resilience.

The emerging risks that have been identified as being relevant to Convex as a group are included in the GSSA report.

B.3.4. Description of the solvency self-assessment approval process including the level of oversight and independent verification by the board and senior executives

Oversight of the GSSA process and report is provided by the CGL and CRL Boards and relevant committees, as follows:

CGL Audit Committee	• Provide independent oversight of the GSSA process through internal audit reports.
CGL Board	• Review and sign off the GSSA process and annual GSSA report. • Review and challenge the quarterly risk and incident report. • Review and challenge the quarterly risk MI reports (including risk appetite dashboards). • Review and sign off the results of any event driven GSSA reports arising from material changes to the business or business operating environment.
Group Executive Committee	• Review annual GSSA report and recommend to the Convex Boards for approval.
Group Executive Risk Committee	• Review the GSSA Policy. • Review the GSSA process and the annual GSSA report. • Review the quarterly Risk and Incident report. • Review the stress testing results and their impacts on the group and entities' solvency position
Group Executive Reserve Committee	• Review the technical provisions and will make recommendations to the CGL and CRL Boards for sign-off.
CRL Board	• Review and sign off the GSSA process and annual GSSA report. • Review and challenge the quarterly risk and incident report. • Review and challenge the quarterly risk MI reports (including risk appetite dashboards). • Review and sign off the results of any event driven GSSA reports arising from material changes to the business or business operating environment.
CRL Executive Committee	• Review CRL's risk profile and solvency assessment included in the GSSA report.

B.4. Internal controls

B.4.1. Description of the internal control system

The internal controls framework is based on the three lines model. Risk management is the responsibility of the employees who constitute the first line, the control owners. Oversight and guidance are provided by the second line through the Risk and Compliance Teams.

Control activities carried out by control owners within the business as part of the Risk Management Framework are assessed at least annually. In practice, most are reviewed on a quarterly basis as part of the Risk and Control Assessment to ensure that any deficiencies in the control environment are known, and appropriate actions can be taken to improve the overall control environment. These controls serve to reduce the likelihood of occurrence of risks, to ameliorate any impact caused by the risk crystallising, or to enable early detection of the risk's impact.

Independent oversight of the systems of internal control for the business is the responsibility of the third line, the Internal Audit Function. Internal Audit operates a risk-based audit review programme to provide independent assurance to the Board (via the Audit Committee) that the risk management framework and control environment are suitability designed and properly operated and governed.

B.4.2. Description of how the compliance function is executed

The primary purpose of the Compliance function is to assess and manage Convex's exposure to regulatory risk. The Compliance function is an integral part of Convex's Risk Management system and constitutes a key part of its corporate governance. The Compliance function manages the relationships with the regulators (including the BMA as the group supervisor for Convex) and is committed to transparent and constructive relationships with regulators. The Compliance function works closely with the legal function and also with the risk management and internal audit functions.

The compliance function activities include:

- Horizon scanning and identification of forthcoming regulatory changes.
- Identification of conduct risks and supporting the Board in agreeing measures including metrics and conduct risk appetite.
- Providing advice, support, guidance, and challenge to the business in regards conduct risk, regulatory requirements and financial crime.
- Managing regulatory engagement with regulators, including financial crime and data protection.
- Undertaking on-going and ad hoc monitoring of the controls implemented by the business and report findings to the CGL Board.
- Managing compliance risks with outsource partners, ensuring that they are aligned with Convex culture and risk appetite.
- Setting the financial crime policy and sanctions framework.
- Escalating identified risks and breaches to management and the Board.
- Liaising with internal audit regarding key risk areas and effective use of monitoring and audit inspections.
- Participating in the Group Executive Committee.
- Reporting to the CGL Board.

B.5. Internal audit – description of how the internal audit function is implemented and how it maintains its independence and objectivity when conducting its functions

B.5.1. Implementation of the internal audit function

Internal Audit's purpose is to provide independent and objective assurance to Convex, including its subsidiaries Audit Committees, and to the Convex Executive Committees over the adequacy, effectiveness and sustainability of risk management framework and the system of internal control. It does this by establishing, undertaking and reporting on an approved assurance plan each year.

The Purpose, Authority and Responsibility of the Internal Audit function is defined within the Internal Audit Charter. Internal Audit operates in accordance with the Global Institute of Internal Auditors' international standards, the UK Chartered Institute of Internal Auditors Financial Services Code, all mandatory elements of the International Professional Practices Framework, and Convex's Internal Audit methodology. The Internal Audit Charter, which is reviewed annually, was approved by the CGL Board Audit Committee in December 2023 and is available on Convexin.com.

Internal Audit is primarily staffed internally with a professional team that has sufficient knowledge, skills, experience and professional qualifications. Where specialist technical support is necessary to supplement Internal Audit resource, this is available through a co-sourcing contract with external specialist firms, ensuring that Internal Audit has immediate access to specialist skills where required.

Internal Audit maintains a quality assurance and improvement programme which includes continuous external quality assurance activity undertaken by a third party as well as feedback gathered via stakeholder and employee engagement surveys. On an annual basis, Internal Audit confirms to the Convex Audit Committees that the International Standards for the Professional Practice of Internal Auditing of the Chartered Institute of Internal Auditors are complied with.

In order to operate an effective framework Internal Audit maintains regular and ongoing dialogue with the first and second line functions to maintain a current and timely perspective of business direction and issues. Demarcation between the third line of defense and the first two lines is preserved to enable Internal Audit to provide an independent overview to Convex Audit Committees on the effectiveness of risk management and assurance processes within Convex.

The Audit Services Guide provides a framework to Internal Audit on the spectrum of assurance work the function may perform, to give the various stakeholders the most appropriate type of assurance. For example:

- Risk-based internal audits – Internal Audit's standard audit response, this methodology will also be used in the limited circumstances where Internal Audit responds to ad hoc management requests for assurance. This response focuses on assessing the adequacy and effectiveness of key controls mitigating high risk areas.
- Programme & Project Assurance – a series of risk-based assurance responses to programmes and projects. This differs from standard risk-based audits in that it focuses on key controls as well as the commercial aspects of the programme, such as benefits realisation.
- Close and Continuous – this involves Internal Audit having regular meetings with key stakeholders and attending decision making forums as appropriate. It will also include ongoing assessment of key documents as they are produced. Any concerns will be raised with management at an early stage to allow the programme to address them in a timely manner.

The above are communicated through the following methods:

- Reporting to the CGL Board and Audit Committee, including thematic reporting. Quarterly reporting is provided to the Convex Audit Committees, where the Chief Audit Officer attends to summarise the output within the reporting period and provide an opinion on a number of key risk themes.
- Reporting to the Convex Executive Committees, where the Chief Audit Officer presents a summary of the key successes/challenges within the period.
- In addition to the audit client, Internal Audit reports are issued to all executive management and relevant members of the business and the external auditor. Reporting of issues focuses on describing the control breakdown or failure, who was responsible, and the risk that has materialised or could potentially materialise. In response to the issues raised by Internal Audit, management are required to document the steps they are taking to address the issue, provide a realistic timescale and, importantly, the action is assigned a single owner to enhance accountability.

B.5.2. Maintaining the independence of the internal audit function

To ensure the independence of Internal Audit, the Chief Audit Officer, a senior position within the Group, reports functionally to the respective independent Chairs of CGL and its subsidiary Audit Committees, and has a secondary reporting line to the CGL Chief Executive Officer. The CGL Audit Committee approves the performance evaluation, appointment, or removal of the Chief Audit Officer, and reviews his/her annual remuneration each year.

Internal Audit is functionally independent from the activities audited and the day-to-day internal control processes of Convex and is therefore able to conduct assignments on its own initiative, with free and unfettered access to people and information, in respect of any relevant department, establishment or function of the organisation, including the activities of subsidiaries and outsourced activities. The Chief Audit Officer and audit staff are not authorised to perform any operational duties for Convex or the wider Group or direct the activities of any employee not employed by Internal Audit.

To ensure that the system of governance works efficiently and effectively, Internal Audit will work together and co-operate with the other assurance functions in an appropriate open and collegiate way (for example, Risk Management and Compliance). Where such co-operation takes place, the work will be planned and carried out in such a way as to ensure that the independence and objectivity of Internal Audit remain safeguarded.

B.6. Actuarial function – a description of how the actuarial function is implemented

The Actuarial Function is led by the Chief Actuary ("CA"), who is also the Approved Group Actuary, and reports to the CGL CFO. The Actuarial Function is accountable for actuarial methodologies and calibrations. It also considers the appropriateness of the capital modelling activities.

The Actuarial Function has the authority to review all areas pertaining to the exposures and the quantification of those exposures and has full, free and unrestricted access to all activities, records, property and personnel necessary to complete its work. The independence of the Actuarial Function is derived through its organisational separation from other functional areas. The CA ensures that those persons employed by the Actuarial Function in a defined actuarial role are subject to the Fit and Proper policy requirements to ensure they have the requisite skills and knowledge to complete their responsibilities.

B.7. Outsourcing

B.7.1. Description of the outsourcing policy and information on any key or important functions that have been outsourced

The Convex culture is one that challenges the status quo and incorporates innovation, flexible working and collaboration in our day-to-day working. Working with our outsourced business partners, we believe that we can provide the best support to our underwriters, with nimble, efficient systems and processes to help them make the best decisions and provide value-added service excellence to our clients and brokers.

Convex has considered the impact of outsourcing and have put in place:

- An outsourcing oversight framework including an outsourcing policy;
- Effective processes to identify, manage, monitor and report risks;
- Methods for assessing the standard of performance of the service provider;
- Appropriate escalation measures if the service provider may not be carrying out the functions effectively and in compliance with applicable laws and regulatory requirements;
- The necessary expertise to supervise the outsourced functions effectively; and
- The right to terminate the arrangement without detriment to the continuity and quality of its provision of services to clients.

Convex has also ensured that any service provider must:

- Have the ability, capacity, and any authorisation required by law to perform the outsourced functions, services or activities;
- Disclose any material impact on its ability to carry out the outsourced functions effectively;

- Protect any confidential information relating to Convex and its clients;
- Establish, implement and maintain a contingency plan for disaster recovery and periodic testing of backup facilities having regard to the outsourced function, service or activity; and
- Obtain prior approval from Convex for the use of sub-delegates and warrant that the primary contract terms and conditions extend to the sub-contract with such sub-delegation.

Convex recognises that the responsibility and accountability of all outsourcing functions remains with the Board and management who will ensure that due diligence, expertise and skill is exercised when entering into, managing or terminating any outsourcing arrangement. The Group Chief Operating Officer, Adrian Spieler, currently reports to the Board on the performance of services by the major service providers.

Where necessary, the outsourcing agreements will be reviewed annually and where material, changes are brought to the Board for consideration and approval. The governance structure for Convex's major service provider has several oversight and management layers, thereby ensuring the right audience and authority is engaged for discussion and agreement, whilst maintaining overall Board responsibility and accountability.

Convex has outsourced the provision of products/services in the following categories:

- Claims Operations
- Facilities & Workspace Management
- Finance Operations
- HR Operations
- IT Desktop and Application Support
- Underwriting Operations
- Investment Management

During 2023, Convex undertook a retender of current services provided by our primary business process outsourcing provider, WNS, ahead of the 5-year contract renewal date in April 2024. Following extensive review and due diligence, the Board approved a transition away from WNS to new providers; EXL, Hexaware and ProGlobal. This transition initiated during late 2023 and will conclude by mid 2024.

The Convex outsourcing oversight framework manages the risk that outsourcing does not result in the undue increase of operational risk, materially impair the quality of system of governance of the Group, impair the ability of supervisory authorities to monitor compliance of Convex nor undermine continuous and satisfactory service to policyholders.

B.7.2. Description of material intra-group outsourcing

Not applicable.

B.8. Any other material information

There is no other material information to report.

C. Risk Profile

C.1. Material risks that the insurer is exposed to, including how these risks are measured and any material changes that have occurred during the reporting period.

Convex's main risk categories are underwriting, market, credit, liquidity, operational, and strategic risk. Material risk categories are addressed individually below.

C.1.1. Insurance risk

C.1.1.1. Risk description

At Convex, we consider Insurance risk in hierarchy to provide a structure for managing the different components of Insurance risk.

Within the hierarchy we consider two separate components of Insurance Risk:

- Primary Insurance Risk - This refers to the inherent risk taken on by selling Insurance business that timing, frequency and severity of insured events, may be adverse relative to the expectations of the firm at the time of underwriting. This includes Underwriting and Reserve Risk.
- Secondary Insurance Risk - This refers to the residual risks that emerge from the methods used to assess and manage primary Insurance risk. This includes Model Risk (produced from the use of models and other analytical tools to help with the assessment and monitoring of Insurance Risk and Ceded Reinsurance Risk (produced through the use of traditional reinsurance and non-traditional products to transfer Insurance risk.

These risks are defined below**.**

Risk Title	Type	Definition
Level 1		
Insurance Risk	Primary	The risk of adverse fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the firm at the time of underwriting while the policies are in force or after the expiration of coverage. This may occur due to either inherent volatility or errors in the selection, approval, pricing, reserving and handling of risks being insured.
Level 2		
Underwriting Risk	Primary	The risk of adverse fluctuations in the timing, frequency and severity of insurance claims, relative to the expectations of the firm at the time of underwriting while the policies are in force. This may occur either due to inherent volatility or errors in the selection, approval and pricing of risks being insured.
Reserve Risk	Primary	The risk of adverse development of the reserves for insurance claims either due to inherent volatility or due to errors in assessing the required reserves. This includes both the earned and unearned reserves.
Ceded Reinsurance Risk	Secondary	The risk that Convex has an inappropriate reinsurance programme either due to unexpected gaps in the programme, adverse gross experience relative to the known basis of coverage or because the level of coverage is less than required to meet net risk appetite. This does not include Reinsurer Credit risk which is considered separately under Credit Risk.
Model Risk	Secondary	The risk that the models used to assess or manage risks are inappropriate, inaccurate, insufficient or misinterpreted leading to poor decision making.

Monitoring and Reporting

Insurance Risk is monitored and reported through a number of mechanisms at Convex including:

- Natural Catastrophe analysis
- Key Insurance and Reinsurance underwriting metrics
- Quarterly Reserving Dashboard
- Claims Trends Reporting
- Insurance Risk Monitor
- Insurance Risk Appetite Reporting

Measures used to assess risk and concentration

Convex has a number of modelling tools to help assess both Underwriting and Reserve Risk. These include:

- The Core Model
- Vendor Catastrophe Model
- Sequel Impact
- Renew Pricing / Ranking Models

These tools are used to produce a range of risk measures and metrics which are monitored and reported.

Material changes over the reporting period

Convex Group's business volumes increased significantly over 2023, resulting in an increase to the level of both Premium and Reserve Risk. As a result, the Group maintained a strong focus on continuing to develop the above controls to identify, analyse, mitigate, monitor and report on insurance risks. As the volume of underwriting continues to grow this risk will continue to increase.

C.1.2. Market risk

C.1.2.1. Risk description

Market Risk: The risk which arises from fluctuations in interest, inflation or exchange rates as well as risk asset valuations.

Convex Group is exposed to market risk through the impact of market movements to its asset portfolio and to the market value of its insurance liabilities. Market risk impacts to the balance sheet arise from various factors, including:

- Rising interest rates and/or credit spreads of the fixed-income investments can reduce the market value of the asset portfolio. From an economic point of view, there is a natural hedge provided by the liabilities, as interest rate increases it decreases their market value, thus absorbing part of the impact. Hence, the net position, managed in line with the Minimum Risk Benchmark, is sensitive to interest rate movements.
- A decline in the market value of assets other than fixed income, driven by equity and/or property markets could adversely impact the available surplus.
- A change in foreign exchange rates could have an impact for Convex Group, due to any potential currency mismatches between assets (cash exposures, investment assets and any currency hedging derivatives) and

liabilities (claims and expenses) as well as any currency mismatch between claims and internal reinsurance recoverables.

- An increase in inflation rate may lead to a nominal increase in the value of Group liabilities and other expenses, and affect valuation of assets in the Group portfolio. A measurement of inflation risk is currently captured within the market risk appetite. Investment and derivative strategies that mitigate inflation risk have been implemented since 2021.
- Changes in equity prices or other risk assets can reduce the value of investments.
- Differences and uncertainty in real estate cash flows is a source of property risk.

Investment management in accordance with the 'Prudent Person' Principle

Convex manages its investment portfolio by applying the requirements and principles described in the Financial Market Risk Framework and the Investment Guidelines. These requirements and guidelines ensure that risks in the current portfolio and in new investment proposals can be identified, measured, monitored, managed and controlled. Assets are invested taking into consideration the profile of the liabilities in terms of timing and sensitivity to market factors. Concentration risk limits are in place to ensure the portfolio is appropriately diversified and the overall level of risk is limited by an aggregate market risk limit.

Convex Group ensures the availability of assets to pay in a timely manner claims and other obligations by having in place a stressed liquidity risk framework that measures excess liquidity following large loss events in stressed market conditions.

Risk mitigation

Market Risk for the Group is kept at a limited level, owing to the prudent investment strategy and asset allocation, which has limited exposure to higher volatility classes.

The level of Market Risk is managed by:

- Taking into consideration the market risks inherent in the Group's insurance business, expenses and other liabilities including shareholder's capital when managing the investment portfolio; and
- Setting and monitoring an Aggregate Market Risk Limit of 20% of the available risk capital, defined as a 1-in-200 return period loss over a one year time horizon.
- Setting individual stress test risk limits for the respective market sub-risks at two-thirds of the Aggregate Market Risk Limit for interest rate, spread, equity and property risks and at one-third of the Aggregate Market Risk Limit for FX and Inflation risk.

Measures used to assess risk

Measures used to assess Market Risk in the business include:

- Profit and loss results estimated using a set of stress tests, calibrated at a 1-in-200 one-year event, and subject to an overall market risk limit; and
- Capital requirements measured using regulatory and rating agency capital metrics to assess market risk by sub-risk and on aggregate.

Risk concentration

Concentration to Market Risk factors is monitored by the quantitative stress tests, including stress tests for:

- Interest Rate Risk (separated by primary components such as parallel and steepening or flattening movements);
- Credit Spread Risk (separated by rating, duration and type of asset);
- Equity Risk, including private equity and other illiquid assets;
- Foreign Exchange Risk;
- Real Estate Risk;
- Hedge Funds; and
- Inflation Risk.

In addition, exposure to each market sub-risk is limited with a risk limit equal to two-thirds of the Aggregate Market Risk Limit for interest rate, spread, equity and property risks and to one-third of the Aggregate Market Risk Limit for FX and Inflation risk.

Concentrations to issuers and single investments are limited in the concentration risk framework, discussed in the Credit Risk section.

Material changes over the reporting period

Over the year, the Group's Assets Under Management grew by 35% coming to $5,154 million at December 31, 2023. This growth was driven by injected capital and was in line with our business plan. At the same time, market risk exposure increased in absolute terms in line with the growth of the balance sheet and in relative terms due to the introduction of new risks:

- In line with the investment plan modest risk asset allocations were added to the balance sheet in credit and equity funds.
- Market risk exposure remained within risk appetite throughout 2023.

C.1.3. Credit Risk

C.1.3.1 Risk description

Credit Risk: the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which Convex is exposed.

Credit Risk arises either from the fixed income portfolio, where a default of a counterparty would incur a financial loss, or through insurance due to the regular transactions with counterparties such as brokers and reinsurance companies.

Convex's credit risks arise principally through the following exposures:

- Fixed income securities, which includes investments in sovereign and corporate bonds, and collateralised securities.
- Treasury exposures such as bank deposits.
- Insurance exposures arising from the political and credit risk line of business.
- Reinsurance assets, where Credit Risk arises in relation to the reinsurance asset held.
- Exposure to brokers via premium receivables.

Risk mitigation

Credit Risk is mitigated by monitoring a set of limits that control the risk of loss from a potential failure of an individual issuer or issue. These limits aim at managing the default risk of a given issuer, depending on its rating of all bonds issued by the issuer and held by Convex Group (corporate, government and government related) and are defined as a percentage of the Assets under management, with higher risk investments set at a lower percentage.

The set of limits ensures a well-diversified investment portfolio, including treasury exposures, limiting the loss following the default of a particular issuer. Convex proactively monitors credit ratings, applying an internal rating that takes into consideration changes in market observable credit spreads that could indicate potential future downgrades.

Compliance with the limits is ensured through defined governance processes. The Financial Market Risk and the Investment functions monitor the exposure against the limits on a daily basis, and reports on a monthly basis, with any issuer exposure breaches reported to the Group's CFO for remediation or, in exceptional circumstances, a waiver.

Credit Risk on insurance assets is managed through Convex Group's Finance function, which monitors the aging of receivables and overdue balances. Further, reinsurance credit risk is managed via a reinsurance approval process, which takes into account the credit rating of the reinsurer and the size of the exposure, and also by holding collateral posted by non-rated counterparties. Limits have been established for reinsurance exposures, by counterparty and Tier. The limits are calibrated with reference to stressed losses given default and the aggregate limit is set with reference to available capital to ensure losses in a shocked environment remain within the risk appetite.

A net aggregate exposures limit is in place for the overall political and credit risk underwriting line of business.

Measures used to assess risk

Credit Risk is measured in terms of exposure to default, probability of default and loss given default.

Credit ratings are used as indicators to assess Credit Risk, measure capital and take investment decisions. Convex Group uses external credit ratings as well as market adjusted ratings which adjust rating according to spread levels.

A counterparty credit risk model producing a distribution of counterparty credit losses for Investment and Treasury exposures based on stochastic ESG was implemented in 2023.

Risk concentration

Concentration risk is monitored by a set of limits that control the risk of loss from a potential failure of an individual issuer or issue. These limits aim at managing the default risk of a given issuer, depending on its rating, and related to Investment, Treasury and Ceded Reinsurance counterparty exposures. For political and credit risk insurance exposures, counterparty and country limits are also in place to ensure concentrations are managed.

Compliance with the limits is ensured through defined governance processes. The Financial Risk Management and the Investment function monitor the exposure against the limits on a daily basis, and reports on a monthly basis, with any issuer exposure breaches reported to the Group's CFO for remediation or a waiver.

As at December 31, 2023, credit risk exposures are well diversified and within limits.

Material changes over the reporting period material changes over the reporting period

Treasury exposures to banking counterparties increased over the period, mainly to fund letters of credit. There has also been an increase in both premium and reinsurance receivables over the period, driven by the increased size of the balance sheet.

C.1.4. Liquidity risk

C.1.4.1. Risk description

Liquidity Risk: the risk that insufficient liquid funds are held to meet all liabilities as they fall due or that liabilities can only be met at a high cost.

Managing liquidity is about limiting the possibility of having to be forced to sell assets or borrow money to meet obligations in a stressed environment, where either the company or the market itself is weak. Such scenarios would result in a weak bargaining position for the company and will likely force it to give up value at prices below inherent worth. The costs of such events may be compounded by the potential loss of market reputation, which may leave counterparts hesitant to place longer term risks with the company and thus destroy franchise value.

The current risk appetite statement on liquidity requires that “Convex Group will maintain sufficient liquidity to meet its obligations when they fall due, even under a stressed scenario”.

To satisfy the risk appetite statement, a Liquidity Stress Testing Framework is in place to ensure Convex Group hold sufficient liquidity to meet an extreme stressed scenario, defined as the combination of a large loss event and a market liquidity shock, while ensuring sufficient liquidity is also available after the extreme stressed scenario to continue to support day-to-day operations.

Risk mitigation

Convex Group manages liquidity risk by setting up a liquidity risk framework, that measures excess liquidity over five horizons and in stressed scenarios and puts a limit that ensures excess liquidity is positive under all horizons and scenarios considered.

Measures used to assess risk

The measure employed to assess liquidity risk is Net Excess Liquidity, defined as Available Liquidity less Required Liquidity (including a margin) and should remain positive for over the projected period defined within the Liquidity risk framework for both the normalised and stressed scenarios.

Risk concentration

There are no Liquidity Risk concentrations identified as at year ended December 31, 2023 on the Aggregate Group Level.

Material changes over the reporting period

Although encumbered assets increased toward the end of the year as assets were pledged as collateral to fund LoC, at Group level Convex holds significant excess liquidity under normal and stressed scenarios.

C.1.5. Operational risk

C.1.5.1. Risk description

Operational risk is defined as an assessment of the uncertainty of likelihood and/or impact that Convex Group and its legal entities could incur future unplanned losses in respect of people, process or system failures, and external events during normal operation of its business.

In order to facilitate the identification and management of operational risk, Convex breaks down Operational Risk into the following sub-categories:

Sub-risk	Description
People risk	Risk / uncertainty associated with employee hiring, training, management, key person dependency, and competency of employees and contractors and retention to have sufficiently competent and experienced personnel to accomplish a business function's goals and objectives.
Process risk	Risk / uncertainty associated with process and systems, including occurrence of errors and omissions arising within any of the functions within Convex. Risk / uncertainty around external and internal events that could occur at any time in the future that cause normal business operations to be halted or disrupted and impact Convex's ability to be operational resilient as a business. In addition, business interruption that has significant wide-reaching impact on the operational capability such as disruptions and the unavailability of important business services and/or systems will be monitored and reported. Risk / uncertainty around the occurrence of issues and incidents that could delay successful and timely delivery of projects and change initiatives in accordance with agreed plans. Risk / uncertainty around the possibility of unintentional or deliberate misstatement of financial results or financial regulatory reporting.
IT risk	Risk / uncertainty associated with IT systems.
Regulatory risk	Risk / uncertainty relating to Convex's efforts to operate within / adhere to the laws, regulatory guidelines, and agreements. In addition, risks regulatory risk relating to potential changes in laws and regulations and compliance related matters.
Data risk	Risk / uncertainty relating to and or maintaining the quality of data used within Convex Group's daily operations and encompasses: external data, internal data input, data loss and data corruption. That data is accurate to within acceptable tolerances.
Conduct risk	Risk / uncertainty relating to activities or employee behaviour which adversely affect customer outcomes or fair competition.
Outsourcing & Third-Party risk	Risk / uncertainty of unintentional or deliberate failures of service providers to deliver services in accordance with pre-agreed service standard contracts or engaging with service providers with no service standards in place.

Measures used to assess risk

Operational Risk is assessed via the Risk Management Framework, with each risk being assigned an inherent probability and impact, reflecting the level of risk in the absence of functional controls. Risks are then given an equivalent residual impact to reflect the level of risk with the current controls in place. Risks are also given a rating, which indicates how comfortable the business is with the level of risk.

Material changes over the reporting period

Operational risk has continued to grow throughout 2023, as the operational element of the company has grown substantially. The key developments in operational risk have been:

- During 2023 it was agreed to transition processes to another outsourcing provider, in order to maintain cost effective operations and access to a specialised knowledge and technology that compliments the Company's strategic objectives
- Continued systems and infrastructure development to support underwriting.

Cyber Security

Information Security and Cyber resilience remains an area of attention for Convex, the emerging threat landscape coupled with the increasing sophistication of cyber-attacks has highlighted the necessity for the Group to ensure it has robust and effective controls in place to mitigate against these threats. Convex Group's IT Security team regularly assess its maturity on cyber security controls with updates provided to the Group Executive Risk Committee to ensure that senior leadership are aware of any related issues and outstanding actions in addition to the quarterly risk and control assessment process carried out by the Risk Management function. Convex carries out regular BCP and Operational Resilience exercises covering the cyber-breach scenarios to test the capabilities of our preparations to deal with a cyber incident.

Third-party and Outsourcing Management

Whilst Convex utilises third-party and outsourcing arrangements, it recognises the risk of these agreements and there is ongoing assessment and monitoring of the risk level to key outsourcing partners. As detailed above, a transition programme to move processes to other outsourced providers commenced in 2023 Risks related to this transition and other arrangements and risk incidents are incorporated into the risk management framework, monitoring and oversight.

C.1.6. Other material risks

C.1.6.1. Description of other material risks

Strategic Risk

There is a degree of strategic risk inherent in the plans of Convex. The aim of the company is to become a scale player in the P&C market, and therefore there is an execution risk if Convex Group fails to deliver on its strategic objectives.

Group Risk

The Group remains relatively small with a lean structure (1 holding company and 4 underwriting entities) and Group Risk is regularly considered as part of the Risk Management Framework.

Regulatory and Legal Risk

There is a risk that Convex Group fails to comply with regulations and laws within jurisdictions in which it operates. This risk is managed primarily by the Compliance function and the Legal function, which report to the Chief Compliance Officer and General Counsel respectively. Key regulatory and legal risks are noted within the Convex Group Risk Register as operational risks.

Financial Risks from Climate Change

The effects of climate change and global warming are increasingly apparent, as evidenced by increased heatwaves, erratic rainfall, and greater weather extremes. The risks to Convex Group associated with such changes are complex and need to be considered alongside other developing risk factors such as inflation and urbanisation. However, the resulting increasing loss costs to Insurers from weather related events such as Californian wildfires, European floods, or the increased frequency and severity of hurricanes are becoming increasingly evident and mean we need to continually enhance our ability to assess this changing risk profile.

Measures used to assess risk

Operational Risk is assessed via the Risk management framework, with each risk being assigned an inherent impact, reflecting the level of risk in the absence of functional controls. Risks are then given an equivalent residual impact to reflect the level of risk with the current controls in place. Risks are also given a rating on a RAYG basis, which indicates how comfortable the business is with the level of risk.

Material changes over the reporting period

As with other risks, the material changes were the ones associated with the growth of Convex and continuing to embed a fully operational insurer of scale.

C.2. How risks are mitigated including the methods used and the process to monitor the effectiveness of these methods

C.2.1. Insurance Risk mitigation

Mitigation of Insurance Risk at Convex is broadly achieved through the following interlinked processes that create an effective control cycle for the risk. These processes are:

1. Governance
2. Risk appetite and limits
3. Internal controls
4. Risk Transfer
5. Monitoring and Reporting

C.2.2. Market risk mitigation

Market risk for Convex is kept at a limited level, owing to the prudent investment strategy and asset allocation, which has limited exposure to higher volatility asset classes such as equities.

The level of Market Risk is managed by:

- Taking into consideration the market risks inherent in Convex's insurance business, expenses and other liabilities including shareholder's capital when managing the investment portfolio; and
- Setting and monitoring an Aggregate Market Risk Limit ("AMRL") of 20% for CGL and CRL (25% for CIL) of the available risk capital, defined as a 1-in-200 probability one-year loss.
- Setting individual stress test risk limits for the respective market sub-risks at 2/3 of the AMRL.

Additional market risk mitigation may be taken as appropriate and contingent upon the market environment.

C.2.3. Credit risk mitigation

Credit Risk is mitigated by monitoring a set of limits that control the risk of loss from a potential failure of an individual issuer or issue. These limits aim at managing the default risk of a given issuer, depending on its rating of all bonds issued by the issuer and held by Convex (corporate, Government agency and sub-sovereign) and are defined as a percentage of the Assets Under Management, with higher risk investments set at a lower percentage.

The set of limits ensures a well-diversified investment portfolio, including treasury exposures, limiting the loss following the default of a particular issuer. Convex proactively monitors credit ratings, applying an internal rating that takes into consideration changes in market observable credit spreads that could indicate potential future downgrades.

Compliance with the limits is ensured through defined governance processes. The Financial Risk Management and the Investment functions monitor the exposure against the limits on a daily basis, and report on a monthly basis, with any issuer exposure breaches reported to the Group CFO for remediation or a waiver if the risk is accepted.

Credit Risk on insurance assets is managed through the Credit Control function, which monitors the aging of receivables and overdue balances. Further, reinsurance credit risk is managed via a reinsurance approval process, which takes into account the credit rating of the reinsurer and the size of the exposure, and also by holding collateral posted by non-rated counterparties. Limits have been established for reinsurance exposures, by counterparty and tier. The limits are calibrated with reference to stressed losses given default and the aggregate limit is set with reference to available capital to ensure losses in a shocked environment remain within risk appetite.

C.2.4. Liquidity risk mitigation

Convex manages liquidity risk in accordance with a liquidity risk framework, that measures excess liquidity over a specified time horizon and in stressed scenarios and puts a limit that ensures excess liquidity is positive under all horizons and scenarios considered.

C.2.5. Operational risk mitigation

Convex Group has developed and embedded an effective control environment to mitigate against operational risk. These controls are rated according to their effectiveness and are stored within the risk system.

C.2.6. Other material risks mitigation

Strategic Risk

Strategic risk is mitigated in part by the expertise of a wide array of industry veterans within the company, and on the Board, who continually review the strategy being enacted, whilst being aware of current market developments. In this phase of business growth, it is essential to remain agile and able to react positively to latest developments.

Additionally, the business planning process has robust controls, setting out the plan against a variety of different market backdrops, and thereby indicating a range of differing outcomes on a multi-year basis.

Group Risk

Group risk is mitigated largely by ensuring that all parts of the Group are aware of the strategy and priorities of the others, and from maintaining multiple functions and teams at a Group level.

The Risk function has been engaged and involved with Group expansion plans, providing oversight and assurance activities where appropriate.

Regulatory and Legal Risk

The Compliance and Legal teams have continued to make enhancements and refinements to its control framework in 2023, including around the key areas of regulatory and legal risk, including licensing, sanctions, wordings, and conduct risk.

Financial Risks from Climate Change

Convex's financial risks from Climate Change are mitigated through a number of techniques. On the Investment side, the external asset managers are responsible for the tactical asset allocation, including the integration of ESG factors. There is also ongoing review of new products and strategies that have a dedicated ESG or Climate Change related focus, in particular those that can have high impact to key climate or social themes.

Convex has also formed a Sustainable Underwriting Group to help inform our Net Zero underwriting strategy and to develop ESG-linked underwriting opportunities. Convex has taken a leading position in the underwriting of Offshore wind across both energy and liability lines.

C.3. Material risks concentration

C.3.1. Market risk concentration

Concentration to market risk factors is monitored by the quantitative stress tests, including stress tests for:

- Interest Rate Risk (separated by primary components such as parallel and steepening or flattening movements)
- Credit Spread Risk (separated by rating, duration and type of asset)
- Equity Risk, including private equity and other illiquid assets
- Foreign Exchange Risk
- Real Estate Risk
- Hedge Funds

In addition, exposure to each market sub-risk is limited to a risk limit equal to two-thirds of the AMRL.

Concentrations to issuers and single investments are limited in the concentration risk framework, discussed in the credit risk section.

C.3.2. Credit risk concentration

Concentration risk is monitored by a set of limits that control the risk of loss from a potential failure of an individual issuer or issue. These limits aim at managing the default risk of a given issuer, depending on its rating, and related to Investment, Treasury and Ceded Reinsurance counterparty exposures. For political and credit risk insurance exposures, counterparty and country limits are also in place to ensure concentrations are managed.

Compliance with the limits is ensured through defined governance processes. The Financial Market Risk and the Investment function monitor the exposure against the limits on a daily basis, and report on a monthly basis, with any issuer exposure breaches reported to the relevant entity CFO as appropriate for remediation or, in exceptional circumstances, a waiver.

As at December 31, 2023, credit risk exposures remain well-diversified.

C.3.3. Liquidity risk concentration

There are no Liquidity Risk concentrations identified as at year end December 31, 2023.

C.3.4. Operational risk concentration

Other than the analysis of risk incident data, there are no formal procedures relating to the measurement of operational risk concentration at present within Convex's Risk Management Framework.

Risk incident data is analysed for trends or concentrations with regards to root causes, departments, risk owners and other such categories.

C.4. How assets are invested in accordance with the prudent person principle as stated in paragraph 5.1.2 of the Code

Convex manages its investment portfolio in line with the Prudent Person Principle, ensuring that risks in the current portfolio and in new investment proposals can be identified, measured, monitored, managed and controlled within the financial market risk framework. Concentration risk limits are in place to ensure the portfolio is appropriately diversified and the overall level of risk is limited by an aggregate market risk limit.

Convex ensures the availability of assets to pay in a timely manner claims and other obligations by having in place a liquidity risk system that measures excess liquidity in stressed market conditions.

C.5. Stress testing and sensitivity analysis to assess material risks, including the methods and assumptions used, and the outcomes

Stress testing and sensitivity analysis is an important part of the business planning process, and of the testing performed by the Risk team to ensure that Convex Group remains prepared for potential deviations from expectations. As part of the 2023 GSSA report, Stress and Scenario Testing ("SST") was carried out at group level and at subsidiary level, and took many different forms such as:

- Sensitivity analysis of the business plan;
- Stress testing to better understand and mitigate what could arise from single events;
- Scenario analysis where several stresses across risks occur at the same time; and
- Reverse stress testing.

These tests allow Convex Group to better understand its business and risk profile by assessing its ability to meet solvency and liquidity requirements under base and stressed conditions, as well as providing a view on how business planning and performance might be affected by these stresses.

Stress testing and sensitivity analysis is an important part of the risk management framework, and of the testing performed by the Risk team to ensure that Convex remains prepared for potential deviations from expectations. Convex performs a significant number of stress tests within BAU processes at Group level and at subsidiary level as well as performing specific, bespoke stress tests for the annual GSSA report.

The testing throughout the year ranges from:

1. Sensitivity tests to understand the impact of key assumptions within models and business planning;
2. Stress testing to better understand and mitigate what could arise from single events;
3. Scenario analysis where several stresses across risks occur at the same time; and
4. Reverse stress testing.

The tests included in the 2023 GSSA give a comprehensive view of the stress and sensitivity analysis performed at Convex both as BAU and bespoke tests. These included:

Underwriting risk:

1. Underwriting stress test (stochastic) - Analysis of natural catastrophe and non-natural catastrophe perils at a number of high return periods and bases.
2. Underwriting stress tests (deterministic) - Analysis of natural catastrophe and non-natural catastrophe perils at a number of high return periods and bases.

Reserve risk:

1. Reserve stress test (stochastic) - Analysis of the reserve risk distribution to ultimate.
2. Reserve stress test (deterministic) - Stress tests that are used to monitor the reserve risk appetite limit.

Financial and Market risk:

1. Middle East conflict expands.
2. Donald Trump wins a second presidential term.
3. Stubborn inflation in US, Europe and UK.
4. Escalation of Russia/Ukraine conflict.

Operational risk:

1. Third-party Cloud storage provider is hit by a material cyber attack which leads to the loss of sensitive data pertaining to Convex staff and employees.
2. Convex is held ransom by hackers after a material cyber attack, in which the hackers access systems, networks and sensitive data.
3. Various scenario testing the operational resilience of the Company.

Combined Stress Tests:

1. Analysis of high return period profit & loss shocks which are a combination of underwriting risk, reserve risk, credit risk and market risk.

In none of the scenarios, all detailed within 2023 GSSA Report, was solvency impacted in a meaningful way.

Reverse stress testing was also carried out where scenarios were developed to show how Convex Group could become unviable. This work showed two quantitative scenarios that are highly unlikely, again showing the resilience of Convex Group given its solvency capital position.

Convex Group continues to enhance its stress and scenario testing capabilities and additional underwriting and reserving stress tests are being considered as part of the 2023 GSSA process.

C.6. Any other material information

Emerging risks in 2023 include Inflation and climate risks, which cut across the above risk types and are areas of focus in the current year.

Inflation risk

Claims inflation has been one the key risks monitored by the Company during 2023. Claims inflation resurfaced as a risk in light of the central banks increasing base rates sharply, changes to global vs national supply chains, the impacts of the war in Ukraine, and overall consumer behaviour. Inflation risk is monitored and mitigated at the Group level for all Convex entities; approaches include but are not limited to factoring claims inflation directly into our pricing, explicit inflation loadings held in the Actuarial Best Estimate reserves and with the use of investments. The Board, Investment Committee, and Reserve Committee monitor the execution of strategies that mitigate inflation risk.

Climate Change Risk

<u>Physical Risk Deep Dive in 2023</u>

Convex conducted a deep dive assessment in 2022 (Project Berlin) to determine how climate change is expected to influence Convex's risk from climate-related perils and other sources of physical risk over a shorter term time frame than is typically considered in climate studies. This project involved reviewing the latest scientific research on the impact of climate change on natural hazards. One of the insights from this project was a range of projections for the changes in the median frequency and intensity of natural hazards which were used to derive confidence intervals around the potential changes. These intervals gave a basis upon which to perform stress testing, as Convex can assume various extreme scenarios by taking the changes at the upper and lower bounds, and assessing the impact on the losses from natural perils.

The findings from this assessment have given Convex some comfort that the near term effect of climate change on hazard rates is not expected to cause a material impact to losses from natural catastrophe perils. The more significant insight from the hazard projections is the range of uncertainty around potential changes. Notably in the case of wind perils, frequency is increasing at the upper bound however at the lower bound frequency is decreasing. Therefore any assumption on changes in number of events and loss impact is highly uncertain.

The assessment also identified US Wildfire and both US and EU Flood as additional areas of focus for stress testing, as the losses from these hazards are highly dependent on the interaction with the built environment which can change dynamically and has significant local nuance which is not well captured by vendor models. Therefore, a more detailed understanding of downside exposure to these perils is a focus of continued analysis.

In 2023, Convex has worked with a leading consultant to develop a tool to allow more localised climate related stress testing, which draws on the findings of Project Berlin. The will further enable stress testing of downside exposure referred to above.

During 2023, we have also begun a project focused on examining climate related liability risk. The project reviews existing and current climate related litigation across different sectors and seeks to envisage how Convex's casualty lines could be impacted were this to continue to grow.

<u>Investment Portfolio</u>

With regard to Convex's investment portfolio, we have undertaken climate-related scenario analysis on our fixed income portfolio using the PRA's General Insurance Stress Test ("GIST") 2019 scenarios.

Convex's portfolio comprises of sovereign debt, high-grade corporate debt and minimal equity related investments. Transition risk exposures are considered to be limited. These results were confirmed by an original 2021 stress test exercise which was rerun in 2023 with similar conclusions. Convex anticipates further refinement to the assessment of portfolio exposures through new tools and advisory services, aligned to the projected growth of the portfolio in the next few years and the potential for more diversification.

Convex's external asset managers provide quarterly reporting which includes an assessment and rating of our investment portfolio on carbon intensity and ESG metrics against a relevant benchmark. This allows the investment team to monitor how exposure to ESG and climate risks in the portfolio are evolving over time and enables us to engage in dialogue with our managers over particular issuers or sector concentrations which may detract from the overall sustainability of the portfolio. Convex considers its aggregate Climate Change risk and ESG exposure in the portfolio to be moderately low, manageable and in line with risk appetite.

In addition to ESG considerations in our broader investment portfolio, we started to implement our 'Impact Investing' strategy, targeting investment opportunities which contribute to specific environmental or social outcomes. As awareness and focus on the impact of investments has grown over time, and in line with the belief that as an asset owner Convex has an ability to direct capital to investments that contribute to specific environmental or social outcomes, a strategic framework is developed to enable the identification, screening, and allocation of impact investments.

Governance

Convex is aware that effective management of climate risk is critical to the long-term success of its business. Accordingly, primary responsibility for climate risk is vested in the Convex Group Board, which is responsible for directing the ESG strategy (including towards climate risk) across the Group. Convex has an established ESG Committee led by the Head of Sustainability. This reviews and recommends priorities which are reported through the quarterly ESG Summary prepared by the Head of Sustainability. In addition, Convex has also formed a Sustainable Underwriting Group to help inform our Net Zero underwriting strategy and to develop ESG-linked underwriting opportunities.

The Board has engaged on Climate risk and broader Sustainability issues over the past few years in a variety of contexts. These include considering the adequacy of the identification and management of climate risk through the GSSA and quarterly CRO reporting and monitoring progress of the ESG strategy and reviews priorities through the quarterly ESG Summary Report prepared by the Head of Sustainability.

Convex, as a member of Climatewise, reported against Climatewise Principles for the second year running in 2023, with the report published on the Convex website. This represents Convex's key climate related reporting, and is aligned to the TCFD reporting framework.

D. Solvency Valuation

D.1. The valuation bases, assumptions and methods used to derive the value of each asset class

The following methods and assumptions were used in estimating the fair value of each class of financial instrument recorded in the Consolidated Balance Sheets.

The carrying values of cash and cash equivalents (including restricted cash), investment income due and accrued, funds withheld, balances receivable on the sale of investments and reinsurance balances receivable approximated their fair values at December 31, 2023, due to their respective short maturities.

Accounts and premiums receivable

The accounts and premiums receivable balance represents premiums owed from (re)insurers, less related acquisition costs. Outstanding premiums are valued at fair value, being the amount recoverable, and due to the short-term nature of the receivable no adjustments to valuation, estimates or judgments are required.

The recognition and valuation basis are consistent with the accounting valuation under U.S. GAAP. However, the balance has been adjusted within Convex's Economic Balance Sheet to exclude the amount not yet due on the valuation date.

Derivative instruments

Convex may enter into derivative instruments in the form of industry loss warranties and foreign currency forward exchange derivatives. These derivative instruments are used to manage exposures to catastrophe losses and currency fluctuations. All outstanding derivative financial instruments are recognized in the Consolidated Balance Sheets at their fair values. Changes in the fair values of derivative instruments are reported in earnings.

Deferred tax assets

Deferred tax assets and liabilities are recorded in accordance with ASC Topic 740 "Income Taxes". Consistent with ASC 740, Convex records deferred income taxes which reflect operating losses and tax credits carried forward and the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

CGL and its Bermuda domiciled subsidiary are not subject to any income, withholding or capital gains taxes under current Bermuda law. On December 27, 2023, the Bermuda Corporate Income Tax Act ("CIT Act") received Royal Assent, applicable to periods beginning on or after January 1, 2025.

Under the CIT Act, Bermuda corporate income tax will be chargeable at a rate of 15% and will apply only to Bermuda entities that are part of Multinational Enterprise Groups ("MNE") with revenues of €750 million or more in at least two of the four fiscal years immediately preceding the fiscal year in question. The CIT Act overrides the previous undertaking provided by the Minister of Finance, exempting the Company from taxes until March 31, 2035.

The CIT Act includes an exemption from the application of the rules for Groups within their 'initial phase of their international activity'. The Company expects to meet the requirements for the exemption and therefore should benefit from a 5-year deferral to January 1, 2030. The CIT Act also provides for an economic transition adjustment which is intended to provide a fair and equitable transition into the tax regime by reducing future years' taxable income. In accordance with US GAAP, this economic transition adjustment is recognized as a deferred tax asset as of December 31, 2023.

The Company's subsidiaries that operate outside of Bermuda are subject to tax in the jurisdictions in which they operate.

Convex recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained upon examination by tax authorities based upon the technical merits of the position. Based on the more-likely-than-not recognition threshold, we must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. Convex classifies all interest and penalties related to uncertain tax positions in income tax expenses.

Fixed maturity investments

In general, valuation of the Company's fixed maturity investment portfolio is provided by pricing services, such as index providers and pricing vendors, as well as broker quotations. The pricing vendors provide valuations for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Prices are generally verified using third party data. Index providers generally utilize centralized trade reporting networks, available market makers and statistical techniques.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however, they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.

U.S. government securities

U.S. government securities consist of debt securities issued by the U.S. Treasury. U.S. government securities are priced based on unadjusted market prices in active markets.

Agency residential mortgage-backed securities

Agency residential mortgage-backed securities consist primarily of mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. Agency residential mortgage-backed securities are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

Non-agency residential mortgage-backed securities

The Company's non-agency mortgage-backed investments include non-agency prime residential mortgage-backed fixed maturity investments. The Company has no non-agency residential mortgage securities classified as sub-prime held in its fixed maturity investments portfolio. Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

U.S. corporate

U.S. corporate debt securities consist primarily of investment-grade debt of a wide variety of U.S. corporate issuers and industries. The Company's corporate fixed maturity investments are primarily priced by pricing services.

When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Non-U.S. corporate

Non-U.S. corporate debt securities consist primarily of investment-grade debt of a wide variety of non-U.S. corporate issuers and industries. The Company's non-U.S. corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk.

Non-U.S. government and government agency securities

Non-U.S. government and government agency securities valuations are provided by independent pricing services, with prices typically provided through index providers and pricing vendors. The fair values of these securities are generally based on international indices or valuation models which include daily observed yield curves, cross-currency basis index spreads and country credit spreads.

Asset-backed securities

Asset backed securities include mostly investment-grade debt securities backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, student loans, credit card receivables, and collateralized loan obligations originated by a variety of financial institutions. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Commercial mortgage-backed securities

Commercial mortgage backed securities are investment-grade debt primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short-term investments

Short-term investments consist primarily of highly liquid securities, all with maturities of less than one year from the date of purchase. The fair value of the portfolio is generally determined using amortized cost which approximates fair value.

Other investments

Other investments consist of an investment in an externally managed fund, carried at fair value. Its fair value is established through the net asset value (NAV) practical expedient.

D.2. The valuation bases, assumptions and methods used to derive the value of technical provisions and the amount of the best estimate. The amount of the risk margin as well as the level of uncertainty to determine the value of the technical provisions should be included.

We have referred to guidance provided by the BMA to calculate technical provisions. In certain cases, we have referred to technical provision guidance from Lloyd's as that is the framework used for Solvency II purposes. We have utilized the technical provision template provided by the BMA (on its website) as part of our process.

We rely on the following data for technical provision calculation associated with our operating companies:

- Claims provision data provided by Convex's operating companies: These are provided separately by operating companies and are based on their underlying U.S. GAAP reserve processes for Q4 2023. The operating companies also provide expected reserve cashflows and other adjustments for the claims provision. For intercompany balances, this data comes directly from their Solvency II processes. Other adjustments made to the claims provision include:
  - Removal of prudency margins;
  - Adjustments for cost of investment income and bad debt;
  - Inclusion of expected cashflows for future reinstatement premiums ("RIPs") and other premium receivables related to claims that have already occurred; and
  - Discounting of cash flows.
- Premium provision data provided by the operating companies: These are provided separately by operating companies and are based on expected cashflows related to unearned premium and bound but not incepted contracts. Similar to the claims provision, expected cashflows and other adjustments are included. For intercompany balances, this data comes directly from their Solvency II process.
- The risk margin increases the technical provisions from the best estimate to theoretical level needed to transfer obligations to another risk bearing entity. We use the technical provision template provided by the BMA to calculate the risk margin.
- Discount rates: We use risk-free discount rates provided by the BMA. The BMA provides separate discount rates by currency.
- Convex uses a common underwriting system and we map our data to the BMA classes of business by reference to the class business codes in the underwriting system.

The technical provisions are made up of the following elements (USD in thousands):

CGL

	2023 $000s	2022 $000s
Best estimate premium provisions	(197,621)	(6,462)
Best estimate loss and loss provision	1,801,104	1,308,920
Risk margin	151,702	112,572
Total general business insurance technical provisions	**1,755,185**	**1,415,030**

CRL

	2023 $000s	2022 $000s
Best estimate premium provisions	(197,621)	(6,462)
Best estimate loss and loss provision	1,801,104	1,308,920
Risk margin	152,552	111,378
Total general business insurance technical provisions	**1,756,035**	**1,413,836**

D.3. Description of recoverables from reinsurance contracts, including special purpose insurers and other risk transfer mechanisms

Convex enters into reinsurance and retrocession agreements in order to mitigate its accumulation of loss, reduce its liability on individual risks, enable it to underwrite policies with higher limits and increase its aggregate capacity. Convex primarily purchases reinsurance on either an excess of loss or proportional basis and also purchases industry loss warranties. The ceding of the (re)insurance risk does not legally discharge Convex from its primary liability for the full amount of the policies, and Convex is therefore required to pay the loss and bear collection risk relating to the possibility that the reinsurer or retrocessionaire fails to meet its obligations under the reinsurance or retrocession agreement.

Reinsurance recoverables are calculated as the probability-weighted average of discounted future cash flows relating to reinsurance contracts, adjusted for the expected losses due to counterparty default. Although established separately, reinsurance recoverables are valued on the same basis and using the same methodology and assumptions used to derive Technical Provisions – Best Estimate Loss and Loss Expense Provisions, as described in Section D.2, subject to the following:

- Internal expenses are only allowed if they are recoverable under the reinsurance agreement;
- Where the timing of recoveries diverges from that for payments a separate projection is used;
- Allowance for risk of default depends on the credit rating and exposure to the reinsurance counterparty; and
- Reinsurance assets take into account reinsurance commissions.

Paid losses recoverable and loss reserves recoverable balances include amounts owed to the Group in respect of paid and unpaid ceded losses and loss expenses, respectively. The balances are presented net of a provision for non-recoverability. In establishing our reinsurance recoverable balances, significant judgment is exercised by management in determining the amount of unpaid losses and loss expenses to be ceded as well as our ability to cede losses and loss expenses under our reinsurance contracts.

Convex’s ceded unpaid losses and loss expenses consists of two elements, those for reported losses and those for Incurred But Not Reported (“IBNR”). Ceded amounts for IBNR are developed as part of our loss reserving process. Consequently, the estimation of ceded unpaid losses and loss expenses is subject to similar risks and uncertainties in the estimation of gross IBNR.

D.4. The valuation bases, assumptions and methods used to derive the value of other liabilities

The carrying values of accounts payable and accrued expenses as well as other liabilities approximated their fair values at December 31, 2023, due to their respective short maturities.

D.5. Any other material information

There is no other material information to report.

E. Capital Management

E.1. Eligible capital

E.1.1. Description of the capital management policy and process to determine capital needs for business planning, how capital is managed and any material changes during the reporting period

The primary objective of capital management is to manage the balance between return and risk, whilst maintaining economic capital in accordance with risk appetite. Convex's capital and risk management objectives are closely interlinked, and support the dividend policy, whilst also recognising the critical importance of protecting policyholder and other stakeholder interests. In managing its capital, Convex seeks to, on a consistent basis:

- Maintain sufficient, but not excessive, financial strength in accordance with its risk appetite, to satisfy the requirements of regulators and other stakeholders;
- Retain financial flexibility by maintaining strong liquidity; and
- Allocate capital efficiently to remain within risk appetite and drive value adding growth.

Convex uses a number of sensitivity tests to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital efficiently. Sensitivities to economic and operating experience are regularly produced on Convex's key financial performance metrics to inform decision making and planning processes over a five-year planning horizon, and as part of the framework for identifying and quantifying the risks to which Convex is exposed.

These requirements include, but are not limited to the following:

Regulatory requirements

Minimum capital and/or solvency standards exist for Convex and its subsidiaries in the jurisdictions in which it operates. These jurisdictions and capital requirements/models include:

1. Bermuda – BMA BSCR model;
2. U.K. & Luxembourg – Solvency II Standard Formula; and
3. Guernsey – Guernsey Financial Services Commission ("GFSC") Insurance Business (Solvency) Rules and Guidance, 2021

E.1.2. Description of the eligible capital categorized by Tiers in accordance with the Eligible Capital Rule

All of the Eligible Capital for CGL and CRL as at December 31, 2023, is Tier 1, the highest quality capital, consisting of capital stock, contributed surplus and statutory surplus.

As at December 31, 2023, and December 31, 2022, respectively, Eligible Capital for CGL and CRL was categorized by Tier under BMA definitions as follows (USD in thousands):

CGL

	2023 $000s	2022 $000s
Tier 1 Available Capital	3,727,027	2,556,268
Tier 2 Available Capital	—	—
Tier 3 Available Capital	—	400,000
Total Eligible Capital	**3,727,027**	**2,956,268**

CRL

	2023 $000s	2022 $000s
Tier 1 Available Capital	2,527,042	2,363,001
Tier 2 Available Capital	—	—
Tier 3 Available Capital	—	—
Total Eligible Capital	**2,527,042**	**2,363,001**

The amounts identified above for CGL and CRL are fully available to meet the ECR regulatory requirements, as outlined below.

E.1.3. Description of the eligible capital categorized by Tiers, in accordance with the Eligible Capital Rules used to meet the Enhanced Capital Requirement (ECR) and the Minimum Margin of Solvency defined in accordance with section (1)(1) of the Act

All Tier 1 amounts are fully available to meet the Minimum Margin of Solvency (“MSM”).

As at December 31, 2023 and December 31, 2022, respectively, Eligible Capital for CGL and CRL as applied to its Minimum Margin of Solvency (“MSM”) and ECR was categorized as follows (USD in thousands):

CGL

Year ended December 31, 2023	Applied to MSM $000s	Applied to ECR $000s
Tier 1 Available Capital	3,727,027	3,727,027
Tier 2 Available Capital	—	—
Tier 3 Available Capital	—	—
Total Eligible Capital	**3,727,027**	**3,727,027**

Year ended December 31, 2022	Applied to MSM $000s	Applied to ECR $000s
Tier 1 Available Capital	2,556,268	2,556,268
Tier 2 Available Capital	—	—
Tier 3 Available Capital	—	400,000
Total Eligible Capital	**2,556,268**	**2,956,268**

CRL

Year ended December 31, 2023	Applied to MSM $000s	Applied to ECR $000s
Tier 1 Available Capital	2,527,042	2,527,042
Tier 2 Available Capital	—	—
Tier 3 Available Capital	—	—
Total Eligible Capital	**2,527,042**	**2,527,042**

Year ended December 31, 2022	Applied to MSM $000s	Applied to ECR $000s
Tier 1 Available Capital	2,363,001	2,363,001
Tier 2 Available Capital	—	—
Tier 3 Available Capital	—	—
Total Eligible Capital	**2,363,001**	**2,363,001**

E.1.4. Confirmation that the eligible capital is subject to transitional arrangements as required under the Eligible Capital Rules

Not applicable.

E.1.5. Identification of any factors affecting encumbrances affecting the availability and transferability of capital to meet the Eligible Capital Rules

As at December 31, 2023, Convex had cash and cash equivalents, restricted cash, short-term investments and fixed maturity investments that were pledged during the normal course of business, of which certain assets were held in trust. Pledged assets are generally for the benefit of Convex's cedants and policyholders and to facilitate the accreditation of Convex by certain regulators. These assets are released to Convex upon the payment of the obligations or the expiration of the risk period.

E.1.6. Identification of ancillary capital instruments that have been approved by the Authority

Not applicable.

E.1.7. Identification of differences in shareholder's equity as stated in the financial statements versus available statutory capital and surplus

Other than the impact of statutory based technical provision valuation techniques, significant differences between GAAP shareholders' equity and available statutory capital and surplus include a reduction in available statutory capital for the removal of prepaid expenses.

E.2. Regulatory capital requirements

E.2.1. Identification of the amount of the ECR and Minimum Margin of Solvency at the end of the reporting period

As at December 31, 2023 and December 31, 2022, respectively the regulatory capital requirements for CGL were assessed as follows (USD in thousands):

	2023 $000s	2022 $000s
Transition ECR	1,137,633	845,145
ECR	1,137,633	845,145
Minimum Margin of Solvency	1,137,633	845,145

CRL's ECR and MSM as determined using the BMA's BSCR model are summarized in the table below (USD in thousands):

	2023 $000s	2022 $000s
Transition ECR	N/A	N/A
ECR	861,555	760,979
Minimum Margin of Solvency	812,638	608,435

As of the end of the reporting period, CGL and CRL are compliant with all ECR and MSM capital requirements.

E.2.2. Identification of any non-compliance with the Minimum Margin of Solvency and the ECR

As at December 31, 2023, Convex was compliant with the MSM and ECR requirement.

E.2.3. Description of the amount and circumstances surrounding the non-compliance, the remedial measures taken and their effectiveness

Not applicable.

E.2.4. Where the non-compliance has not been resolved, a description of the amount of the non-compliance at the end of the reporting period

Not applicable.

E.3. Approved internal capital model used to derive the ECR

E.3.1. A description of the purpose and scope of the business and risk areas where the internal model is used

Not applicable.

E.3.2. Where a partial internal model is used, a description of how it is integrated with the BSCR Model

Not applicable.

E.3.3. A description of methods used in the internal model to calculate the ECR

Not applicable.

E.3.4. A description of aggregation methodologies and diversification effects

Not applicable.

E.3.5. A description of the main differences in the methods and assumptions used for the risk areas in the internal model versus the BSCR Model

Not applicable.

E.3.6. A description of the nature and suitability of the data used in the internal model

Not applicable.

E.4. Any other material information

There is no other material information to report.

F. Significant Event

F.1. A description of the significant event

Not applicable.

F.2. Approximate date(s) or proposed timing of the significant event

Not applicable.

F.3. Confirmation of how the significant event has impacted or will impact, any information provided in the most recent financial condition report filed with the Authority

Not applicable

F.4. Any other material information

There is no other material information to report.

Convex Group Limited and Convex Re Limited
6th Floor, Point House,
6 Front Street, Hamilton,
HM 11, Bermuda

convexin.com