Roosevelt Road Re Ltd

Financial Condition Report
For the twelve-month (12) period ending 31st December 2022

Roosevelt Road Re Ltd. (formerly known as Sandell Re Ltd.) (the "Company") was incorporated in Bermuda on 18th December 2014 and was licensed as a Class 3A insurer by the Bermuda Monetary Authority ("BMA") on 25th February 2015, to write all classes of general business insurance and reinsurance. The Company was also registered as a Segregated Accounts Company under the Segregated Accounts Companies Act 2000 effective 2nd December 2015.. On 31 March 2018, a Segregated Accounts company Insuratex Ltd, was merged with the Company. Insuratex continues as a segregated cell within the Company. The Company was authorized to carry on business as a Class 3B Insurer effective 12th October 2022.

1. BUSINESS AND PERFORMANCE

a. Name of Insurer

Roosevelt Road Re, Ltd. ("the Company')

b. Supervisors

Insurance Supervisor
Bermuda Monetary Authority
BMA House
43 Victoria Street, Hamilton
Bermuda

c. Approved Auditor

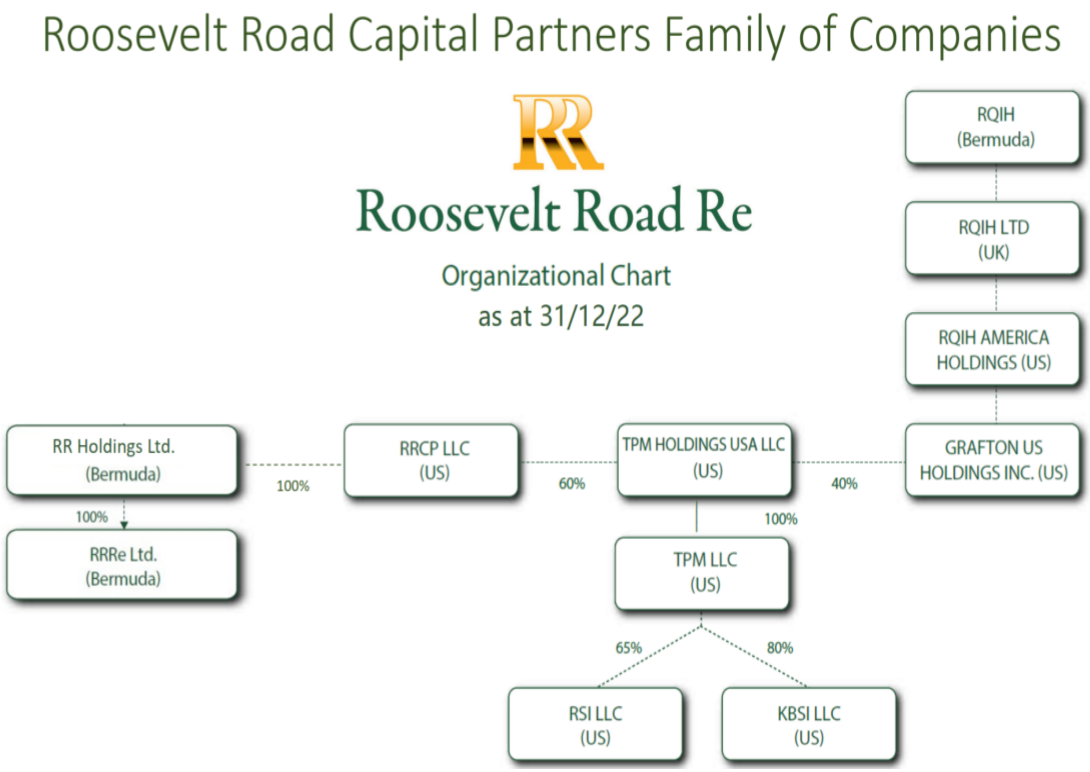
Statutory and GAAP Reporting
Mazars
A.S. Cooper Building, 4th Floor
26 Reid Street
Hamilton HM 11
Bermuda

d. Ownership Details

The Company was a wholly owned subsidiary of Sandell Holdings Ltd. Sandell Holdings Ltd. was acquired by Randall & Quilter Investment Holdings Ltd. ("RQIH") effective October 7, 2019. On October 29, 2020, Roosevelt Road Capital Partners ("RRCP"), who also own Tradesman Program Managers LLC ("TPM"), purchased 65% of the Company from Sandell Holdings Ltd. and subsequently changed the Company's name from Sandell Re Ltd. to Roosevelt Road Re Ltd. TPM are based in the United States of America and are in partnership with Accredited Surety and Casualty Company, Inc., who are wholly owned by RQIH.

e. Group Structure

The following provides details of Roosevelt Road Re within the Group Structure:



f. Insurance Business Written

Roosevelt Road Re Ltd. (the "Company"), was incorporated under the laws of Bermuda on December 18, 2014. Effective October 12, 2022, the Company is registered as a Class 3B insurer under The Insurance Act 1978, amendments thereto and related regulations (the "Act"). The Company was previously registered as a Class 3A insurance under the Act. The Company is also registered as a Segregated Accounts Company ("SAC") under The Segregated Accounts Companies Act 2000. The Company is managed and has its principal place of business in Bermuda. As at March 31, 2018, Insuratex Ltd., a Segregated Accounts Company, merged with the Company. As of December 31, 2022, there was one (2021: one) active segregated accounts within the Company.

The Company was a wholly owned subsidiary of Sandell Holdings Ltd. Sandell Holdings Ltd. was acquired by Randall & Quilter Investment Holdings Ltd. ("RQIH") effective October 7, 2019. On October 29, 2020, Roosevelt Road Capital Partners LLC ("RRCP"), who also owns shares in Tradesman Program Managers LLC ("TPM"), purchased 65% of the Company from Sandell Holdings Ltd. and subsequently changed the Company's name from Sandell Re Ltd. to Roosevelt Road Re Ltd. Roosevelt Road Capital Partners LLC is based in the United States of America and is in partnership with Accredited Surety and Casualty Company, Inc. ("ASCCI"), who are wholly owned by RQIH.

Effective August 30, 2022, 100% ownership of the Company's shares were transferred from RRCP to Roosevelt Road Holdings Ltd. ("RRHL"), a Bermuda based company. The Company's ultimate parent remains RRCP.

The Company reinsures U.S. property and casualty business from four counterparties (2021: three), one of which is a related party (2021: one). The Company is party to a quota share retrocession agreement with Multi-Strat Re Ltd. ("MSRe") where the Company assumed a quota share percentage of five contracts reinsured by MSRe. As at December 31, 2022, four of the five contracts have reached contractual limits (2021 – three). The remaining contract, reinsuring U.S. workers compensation liabilities, is reserved to contractual limits.

On July 1, 2016, the Company entered into a contract to reinsure American Millennium Insurance Company ("AMIC") for commercial automobile risk on a quota share basis. The contract was not renewed from December 18, 2018. The participation percentage in this contract varied from 23.75% to 33.75% between these dates.

Between 2017 and 2022, the Company has entered into various quota share reinsurance agreements with ASCCI, covering contractors' general liability risks, habitational real estate general liability, automobile excess liability and workers compensation.

During 2022, the Company entered into a quota share reinsurance agreement with Knight Specialty Insurance Company covering business classified as professional liability, general liability and employee benefits liability for a senior living care program.

Insuratex Ltd. had policies covering Workers Compensation and general and products liability from US Insurers from 1990 and automobile liability from 1993 with limits of $0.5M in excess of $0.5M. These policies were not renewed from 2002 and are in run off since then. Insuratex Ltd also participated in proportional property and casualty business and have been run off since 2000.

The gross premium written by line of business for the year ended December 31, 2022 and 2021 is as follows:

Line of Business	2022 $000's	2021 $000's
Worker's Compensation	13,128	8,330
Contractor's General Liability	53,815	41,840
Commercial Auto Liability	-	-
Habitational	11,255	5,330
Event	6,076	-
Senior Living	120	-
TOTAL	$84,394	$55,500

All premium written was relating to US business.

g. Performance of Investments & Material Income & Expenses for the Reporting Period

Performance of Investments for the Reporting Period

In 2020 the Company entered a trust agreement with The Bank of New York Mellon. The funds are invested in high grade bonds and debentures and pledged as collateral in favor of Accredited Surety and Casualty Company.

The Company has a letter of credit with Barclays that is used as collateral for US worker's compensation and commercial automobile risk. Barclays invest the funds in Bonds and Debentures. The Company's cash and investments as of December 31, 2022 were as follows:

Investment type	2022 $000's	2021 $000's
CASH	78,438	2,845
BONDS & DEBENTURES	136,664	147,107
EQUITIES	-	-
TOTAL	**$215,102**	**$149,952**

The Company's net investment income for the year ended December 31, 2022 was as follows:

	2022 $000's	2021 $000's
NET INVESTMENT INCOME/(LOSS)	$(6,710)	$(549)

Material Income and Expenses for the Reporting Period

The main sources of revenue for the Company in 2022 were premiums and investment income. The premium income was primarily from the contractor's general liability reinsurance, with adjustment premium from the commercial auto liability reinsurance and QS treaties covering workers compensation. Investment income in 2022 decreased by $6.2m. The reduction in investment income is largely composed of an unrealized loss of $9.7m due to increases in US hike rises offset by increased Bond coupon interest income of $3m.

The Company's main expenses were as follows:

Expenses	**2022 $000's**	**2021 $000's**
LOSSES AND LOSS ADJUSTMENT	$84,852	$39,258
GENERAL AND ADMINISTRATION	$4,440	$2,522

The loss and loss adjustment expenses increased in 2022 related to unfavorable development of prior loss estimates during the year. The reserving on the Multi-Strat programs were already at aggregate limits. General and administration expenses increased primarily due to an increase in D&O and Employee expenses, Management fees and LOC costs.

h. Any Other Material Information

No additional material information to report.

2. GOVERNANCE STRUCTURE

The Company has developed a governance structure that is proportionate to the nature, scale and complexity of its business model and is aligned to the Company's risk profile. Following the acquisition of the Company by Roosevelt Road Capital Partners (RRCP), the RRCP System of Governance applies to the Company.

The key features of this are to implement wherever possible, common:

- Individuals
  - Boards of Directors
  - Officers
- Back office
- Internal Audit
- Risk Management
- Actuarial
- Legal/Company Secretarial
- Policies and procedures

To the extent functions are shared, being outsourced from related Companies, the Board has overall responsibility for those "in-sourced" functions insofar as they are relevant to the Company regardless of who is the line manager within the Group for that function or role. In exceptional cases, responsibility may instead be taken by a Committee.

The Board of Directors recognize the need to be able to demonstrate to BMA that there is a System of Governance in place which:

- meets regulatory expectations.
- is proportionate to the nature of the business.

- complies with existing requirements.
- is flexible enough to be able to adapt to changes in the regulatory and statutory environment.

The Group System of Governance is based on a few Principles to achieve this, sound and prudent management requiring:

- Clear Organizational Structure
- Effective Communication & Information
- Common Directors and Senior Managers wherever possible

In relation to Roosevelt Road Re, the board meets quarterly and as required on an ad-hoc basis.

a. <u>Board and Senior Executive</u>
<u>Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities</u>.

The day-to-day management of Roosevelt Road Re is overseen by a "lead" Director, with support from the Board of Directors. The Board currently consists of 5 Directors, all of whom are executive directors.The Board's oversight role is primarily focused on review of financial reporting, investment decisions and regulatory compliance.

The Company's Governance framework has been designed within the context of the Group, to provide for the sound and prudent oversight and effective operation of the Board and its Underwriting Committee.

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

<u>Remuneration Policy</u>

In 2022, the Company has 1 full-time hire in Bermuda our Head of Reinsurance.

<u>Pension or Early Retirement Schemes for Members, Board and Senior Employees</u>

The Company did not provide any pension or early retirement schemes for its members or directors in 2022.

<u>Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions</u>

There are no material transactions to note.

b. <u>Fitness and Proprietary Requirements</u>

i. Fit and Proper Process in assessing the Board and Senior Executive

The Company ensures that it is directed and managed by sufficient persons who are fit and proper to hold their respective positions. Furthermore, those Directors are:

- professionally competent and capable to carry out their responsibilities and have demonstrated this through their experience & training; and
- honest, have integrity and are reputable.

The assessment of both the management skills and technical competence of an individual is based on their previous experience, knowledge and professional standing, demonstrating due skill, care, diligence, and compliance with the relevant standards of the area/sector they have worked in. In relation to Director appointments, the assessment also considers how the proposed appointment would augment the collective fitness and proprietary of the Board as

a whole.
The assessment of reputation includes checks as to whether there are any reasons to believe from past conduct that an individual may not discharge their duties in line with applicable rules, regulations and guidelines. Assessment is initially made prior to appointment to their role but will be reassessed on a regular basis as part of an annual performance review process.

ii. Board and Senior Executives Professional Qualifications, Skills and Expertise

Below are details of the qualifications, skills and expertise of the Board members:

Daniel Hickey – Director

- Engaged in the Insurance and Reinsurance markets since 1990.
- CEO of Roosevelt Road Re and US MGA Tradesman Program Managers.
- Served as CEO and Chairman of Majestic Holdings, which he took public in 2005.
- Worked closely with AM Best to turn Majestic Insurance Company from a B++ company into
- rated.
- Deep understanding of Property and Casualty Insurance markets.
- Founder of a US MGA with a focus on Casualty Insurance.
- Graduated from Northeastern University in 1990 with a B.A. in Business Administration.

Richard Ecklord – Director

- Over 25+ years of experience managing risk assets.
- CFO of Roosevelt Road Re and US MGA Tradesman Program Managers.
- Experience running a Hedge Fund. Managing a book of Merger Arbitrage,
- Equity/Credit Assets and portfolio of delta-neutral equity options.
- Founded Sandell Re, predecessor company to Roosevelt Road Re.
- Managed a Bermuda Class 3a carrier and handled all operational aspects and sourcing of premium.
- Graduated from The Citadel, The Military College of South Carolina, with a BS in Business Administration concentrating in Finance.

Kenneth Randall – Director

- Ken has worked in the insurance industry for more than 45 years.
- In the 1980's Ken was head of regulation at Lloyd's, as the time a self-regulated institution.
- Founded Randall & Quilter in 1991 – a leading provider of run-off and legacy solutions to the insurance industry. This firm remains headquartered in Bermuda.
- In 2007 Ken led Randall & Quilters admission to the AIM exchange, part of the London Stock Exchange. In essence, he took R&Q public
- Ken possesses knowledge and insight unrivaled within the insurance industry.

Thomas Kelly - Director

- Tom has practiced law for over 35 years. A New York State attorney who is admitted to the Southern and Northern District Federal Courts as well as the 2nd Circuit Court of Appeals.
- Tom's expertise in personal injury litigation, insurance coverage disputes and regulatory compliance play an integral role in much of the casualty business our Carrier writing.
- Tom has immense experience in handling Labor Law Claims again of paramount importance to RRRe's book of business.
- Tom has represented a number of insurance carriers including Main Street America, Liberty Mutual and Lloyd's of London. He has also represented several municipalities in defense of personal injury and constitutional violation claims including the City of Poughkeepsie Police, Town of Poughkeepsie and County of Duchess.

Michael Morrill - Director

- Michael has over 20 years of experience in the (re) insurance industry.
- Michael was a director for Ironshore Insurance Company and chaired the risk and underwriting committee.
- Michael served as the CEO and President of Axis Re US and Axis Capital Holdings Ltd from

2002 until 2011.

- Michael from 2001 to 2002 served as the President and CEO of Gerling Global Reinsurance Corporation of America. From 1996 to 2001, he served as the CUO for North America and SVP at Transatlantic Reinsurance Company.
- Michael has held senior management and underwriting positions at Munich American Reinsurance Company, Cologne Reinsurance Company of America and Christiania General Insurance Company

c. <u>Risk Management & Solvency Self-Assessment</u>

i. Risk management process and procedures to identify, measure, manage and report on risk exposures.

The Company's risk management system is aligned with the group's risk management framework which comprises the following iterative approach:

- **Identification -** identify material risks that could materially affect the corporate objectives of the financial position of the Group and Roosevelt Road Re; determine the risk appetite and include risks in the risk register.
- **Assessment** – quantify and measure the risks in the Group and Roosevelt Road Re. Each exposure is assessed based on the organization's risk framework and appetite and provides the inherent and residual exposure to the Group and its subsidiaries (exposure, solvency, liquidity, etc.).
- **Control/Mitigate** – design the risk mitigation and risk controls in response to risk exposure in line with the Company's risk appetite statements, risk tolerances and risk limits. Ensure that there are controls in place to manage risks.
- **Report** - ensure that the Risk Management function reports to the Board on material risk exposures that are identified and ensured that these are monitored against the Group and/or Company's risk appetite and tolerances and any breaches are reported to the Board.
- **Review** – ensure that control and mitigation activities any control/mitigation activities are reviewed periodically to ensure they are operating effectively and that the risk and control assessment remains valid.

i. Risk Management and Solvency Self-Assessment System Implementation

The Company's risk management framework has been implemented and integrated into its operations at the Group level, through the systems, processes and procedures, and controls developed by management. RRCP Group Risk Committee, provides oversight for risk management activities and the Internal Audit function reviews the controls in place to ensure they are effective and provide recommendations to the Board and Risk Committee as appropriate.

The Board monitor and manage the quantity and quality of capital requiredto support the Company's affiliated reinsurance business. Quarterly reviews of the Company's solvency requirements are also carried out to ensure that the Company's capital adequacy and liquidity resources are sufficient based on the risks that arise from the Company's operations

ii. Relationship Between Solvency Assessment, Solvency Needs & Capital, and Risk Management

The Company's solvency assessment shows the latest capital requirement as calculated in Bermuda Solvency Capital Requirement (BSCR) model.

This model looks in detail at the capital requirements of the Company and the amount, quality and quantity of capital needed to support its business. The solvency assessment seeks to identify and measure all material risks, and aids in the decision-making process regarding those risks it can eliminate, transfer or retain within its agreed risk appetite and tolerance.

iii. Solvency Self-Assessment Approval Process

The Company's solvency assessment is prepared by the Company's management, in consultation with the relevant Group functions and business units including the group risk management function and the outsourced actuarial function. The solvency assessment is reviewed by the Company's lead Director and the Board for review and approval. The Board reviews the assessment for approval with emphasis upon the Company's capital position, significant changes, current and emerging risk exposures, and how the exposures are mitigated in the risk management framework. The Board also reviews how exposures follow the Company's risk appetite. The process respects the 'Three Lines of Defense' model.

c. Internal Controls

The Company has evolving internal control processes that are being aligned to the Group's compliance, actuarial, risk management and internal audit assurance functions.

i. Internal Control System

The Company is developing systems, processes,procedures, and controls to ensure that data and reporting is reliable and financial reporting is accurate. If any deficiencies or material weaknesses are found, they are documented and reported to the Board. The Board monitors the progress on remediation plans through the internal and external audit reporting.

The Company is committed to operating an effective internal control system with the following objectives:

- Effective and efficient operations in view of its risks & objectives
- Available & reliable financial and non-financial reporting
- Compliance with relevant legislation and regulation

An effective internal control system is fundamental to the successful operation and day-to-day running of Roosevelt Road Re.

- **Constituent Elements of the Internal Control Framework**
  The Group has an Internal Control Framework for the identification, measurement, management and monitoring of internal controls.

- **Linkage with Risk Management Framework**
  The Internal Control Framework is linked with the Risk Management Framework through each Risk in the Risk Register being allocated a series of mitigating controls, to bring the overall risk ratings to a level which are acceptable to the organization, i.e., are within Risk Appetite and tolerance limits.

- **Roles and Responsibilities**
  Roles and responsibilities of committees are set out in detail in their respective Terms of Reference ("TOR").
  Roles and responsibilities of the Risk and Control Owners (being the key players within the Internal Control Framework) are, detailed in the Group Risk Policy.

- **Review of On-Going Appropriateness**
  The Internal Control Framework, along with the Risk Management Framework, is reviewed at least annually by the Group Risk Committee.

- **Operating Policies and Procedures**
  The Group has a comprehensive suite of Policy and Procedural documentation foreach of its functional areas. The Governance Structure owns these documents and is responsible for reviewing these regularly (at least annually and/or whenever there is a material change if this occurs within the year).
  A link to the principal operating policies and procedures is provided in the Group Risk Policy, which comprises details of the key Risk Management policies and procedures.

- **Risk Governance Structure**
  The Risk Governance Structure follows the three lines of defense model.

- **Administrative and Accounting Procedures**
  Administrative and Accounting procedures are documented within the Controls Registers. Furthermore, the Overall Governance Requirements cover internal and external reporting.

ii. Compliance Function

The Chief Finance Officer and local corporate secretarial advisors have responsibility to monitor regulatory changes and compliance with applicable existing laws, including regulatory reporting and public disclosure requirements. The Chief Executive Officer and the Chief Finance Officer monitors compliance with organizational policies and procedures and adherence to the BMA's Insurance Code of Conduct. Any compliance breaches are reported to the Board.

d. Internal Audit

The Company has appointed PWC to fulfill the role of the internal audit function.

e. Actuarial Function

The Company has appointed Perr and Knight, Inc to provide actuarial support to the Company. Michael Covert from Perr and Knight, Inc is the approved Loss Reserve Specialist (LRS). Perr and Knight, LLC establish the technical provisions for both premium and loss reserve best estimatesand risk margin.

The key actuarial services include:

- Calculation of regulatory capital requirements.
- Capital modelling to meet regulatory requirements and quantitative analysis for risk management purposes; and
- Developing technical provisions for Economic Balance Sheet (EBS) reporting.

f. Outsourcing

Outsourcing policy and key functions that have been outsourced and Material intra-group outsourcing

The Company outsources actuarial, risk management, governance, compliance and finance functions. The actuarial, risk management, governance, compliance and finance functions are outsourced to external service providers. The Company has oversight responsibility for these outsourced functions and the Board takes full responsibility for the work produced.

The services outsourced to external service providers are subject to formal outsourcing arrangements, with formal oversight from the Chief Finance Officer.

j. Other Material Information

No other material information to report.

3. RISK PROFILE

a. Material Risks the Insurer is Exposed to During the Reporting Period

The Company's main risk categories are:

Underwriting Risk

Underwriting risk comprises both the risk that the premium charged is insufficient for the risk assumed by the business and the risk that retained reserves develop adversely. With our live underwriting, we accept the price determined by the primary carrier, in conjunction with the managing general underwriter. With respect to the risk of adverse development on the loss reserves, the Company has a low-riskappetite for adverse loss development.

The residual risk of reserves developing adversely is mitigated by:

- Appropriate reserving approach to existing live portfolios
- Scheduled and ad hoc reviews and benchmarking provided by external actuarial consultancies
- Internal use of best estimate for setting reserves, having regard to internal and external advice, and up to-date relevant information in respect of actual or anticipated developments
- Appropriate monitoring and oversight of case reserves.

Market Risk

The Company has no appetite for significant investment

Market risk is mitigated as follows:

- Adherence to the Company investment guidelines and oversight by the relevant entity board
- Utilization of intra-group loans between entities as part of the investment strategy subject to appropriate controls
- Dedicated Company cash flow, treasury management and invested assets function to monitorinvestment concentration and returns
- Investments are primarily made in marketable, investment grade-rated, short- and intermediate-term securities.

The Company's appetite and tolerances are framed using one or more of the dimensions of risk/return, concentration/diversification by asset type/quality and value at risk.

Credit Risk

Credit risk is the risk that a counterparty to the Company is unable to perform their obligations under the contract. The most significant credit exposure as at December 31, 2022, is with respect to the cash and cash equivalent balances where $43.9m of the $78.4m total is on deposit with one banking institution.

This risk is mitigated as follows:

- Monitoring of credit ratings, concentration levels and sufficiency of collateral
- Identification of potentially significant concentrations of individual counterparties.

Liquidity Risk

Liquidity risk is the risk that the Company has insufficiently liquid assets (or assets that can be quickly converted into liquid assets) in order to settle liabilities as they fall due. This risk would crystallize from an inappropriate investment strategy or a failure to anticipate cash flow needs of the Company.

There is no appetite or tolerance for shortfalls in liquidity preventing the timely settlement of liabilities or forcing the suboptimal sale of assets.

The risk is mitigated as follows:

- Dedicated cash flow, treasury management and invested assets capability, providing focused effort and a tight control regime
- Forward-looking monitoring of the Company's cash flow projecting the likely liquidity position over a twelve-month planning horizon, embedded into the cash flow monitoring mechanism

In terms of risk reporting, this is primarily on a "by exception" basis with breaches being reported and aggregated.

Operational Risk

Operational risk is the risk associated with inadequate or failed operational processes (whether internal or outsourced), or from external events. Operational risk, in the context of the Company's business, encompasses risks associated with a lack of control over expenditure, poor control over financial reporting and interruptions to the business from external events.

The Company has a low tolerance for operational risk and seeks to mitigate this risk through applying policies and procedures as follows:

- Ongoing strategic expense and cost allocation review
- Robust and reliable financial and management reporting and forecasting framework, with appropriate controls around data, outputs and review and oversight
- Appropriately skilled and trained staff
- Fit for purpose reporting mechanisms
- Robust business continuity and disaster recovery plans which are regularly tested.

In terms of risk reporting, this is primarily on a 'by exception' basis with breaches of appetite or near miss / actual losses being aggregated across entities.

Capital Management Risk

Capital management risk is the risk that the level and composition of the Company's capital is not adequate or appropriate, and/or that the level of capital required to manage the business has been under-estimated.

The Company has low appetite for capital management risk and seeks to maintain capital in excess of regulatory requirements to support both its existing business and potential new transactions.

This risk is mitigated as follows:

- Active management of relationships with all regulators within whose jurisdictions the Company operates
- Active involvement of actuarial, risk management, capital and compliance functions
- Deployment of appropriate sources of capital to underpin strategic objectives, commensurate with capacity to take risk and with prevailing regulatory stipulations in force
- Maintenance of capital providing an adequate margin over the Bermuda Solvency Capital Requirement while maintaining local capital which meets or exceeds the relevant local minimum.

Regulatory & Legal Risk

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

There is no appetite for any major regulatory infringement or non-compliance with laws and regulations.

The following is performed to mitigate this risk:

- Oversight by the Chief Executive Officer and Chief Finance Officer
- Employing staff with strong regulatory backgrounds in each of our key markets
- Active management of relationships with all local regulators where the Group has a presence
- Internal working and steering groups to analyze, interpret and oversee the implementation of all emerging external changes
- Active oversight by Risk and Compliance Committee
- Maintenance and operation of an effective governance framework that leverages the expertise of the Group and individual entity boards and management
- Leverage of specific additional local regulatory and legal expertise as and when appropriate.

In terms of risk reporting, this is primarily on a ‘by exception’ basis.

b. Risk Mitigation in the Organization

The Company has implemented a comprehensive risk management framework using a three line defense model. Operational Risk owners are clearly identified, Risk oversight is facilitated by the Risk and Compliance committee which reports directly to the board. The Internal audit function provides independent assurance.

c. Material Risk Concentrations

The Company follows policies governing risk concentrations in relation to counterparties, credit quality, concentration and geographical locations. As at December 31, 2022, the Company had no material risk concentrations.

d. Investment in Assets in Accordance with the Prudent Person Principles of the Code of Conduct

The Company’s investment portfolio at December 31, 2022 was invested in bonds and debentures and cash and cash equivalent instruments. These amounts have been invested in accordance with the Group’s investment policy and investment guidelines. These guidelines are designed to ensure that liquid and low volatility investments are made to support technical provisions, which will ensure that claims can be paid as they fall due. The investment policy and guidelines are reviewed on an annual or ad hoc basis if any significant developments have occurred that affect the financial markets.

e. Stress Testing and Sensitivity Analysis to Assess Material Risks

The Company performs various stress tests on an annual basis to determine the adequacy of capital/solvency/liquidity to ensure regulatory requirements are met. The stress tests performed relate to underwriting risk exposures, interest rate risk, credit risk and reverse stress tests.

4. SOLVENCY VALUATION

a. Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

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

- Cash and Cash Equivalents – includes cash time deposits and investments maturing within three months. The fair value of these holdings is determined by using mark to market valuation, or quoted market prices in active markets for similar assets with adjustments to reflect differences if mark to market valuation is not possible, or mark to model valuation otherwise.
- Accounts Receivable and Premium Receivable – are recorded at a fair value and balances due in more than one year have been discounted at the relevant risk-free rate.
- Derivative instruments - are valued at quoted market prices. In the absence of an active market, prices are based on observable market inputs.

b. Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

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

The best estimate for the loss and loss expense provision is calculated by using United States Generally Accepted Accounting Principles (US GAAP) reserves as the starting point and then performing a series of adjustments:

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

At 31st December 2022, the total Technical Provisions amounted to $132.0 million comprising of the following:

- Best Estimate Loss and Loss Expense Provision ($17.1) million
- Best Estimate Premium Provision $134.2 million
- Risk Margin $15.0 million

c. Description of Recoverables from Reinsurance Contracts

The Company bills deductible recoverables quarterly, on a paid loss basis.

d. Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

The Company's liabilities follow the valuations principles outlined by Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" which values liabilities at a fair value basis. All other liabilities are valued on a GAAP basis and settlements not expected to be settled within a year, are discounted using the prescribed discount rates provided by the Bermuda Monetary Authority as at 31st December 2022. In the absence of an active market, prices are based on observable market inputs.

e. Any Other Material Information

No additional material information to report.

5. CAPITAL MANAGEMENT

a. Eligible capital

i. <u>Capital Management Policy and Process for Capital Needs, How Capital is Managed and Material Changes During the Reporting Period</u>

The primary capital management objective of the Company is always to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements. It strives for an appropriate capital structure that efficiently allocates the risk to the capital.

To maintain a strong capital base, the Company identifies, assesses, manages, and monitors the various risk sources it faces in the course of business both currently and as anticipated over a year planning horizon. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by management given the firm's risk profile.

The Company expects future cash flows from earnings to be accretive to its Tier 1 capital.

ii. <u>Eligible Capital Categorized by Tiers in Accordance with the Eligible Capital Rules</u>

At the end of the reporting period, the Company's Eligible Capital was categorized as follows:

		$000's
Tier 1 Capital	Share Capital	120
	Contributed Surplus and retained earnings	132,102
Total Eligible Capital		132,222

iii. Eligible Capital Categorized by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of the Insurance Act

At the end of the reporting period, the Company's Eligible Capital for its Minimum Margin of Solvency (MSM) and Enhanced Capital Requirement (ECR) was categorized as follows:

	Minimum Solvency Margin	Enhanced Capital Requirement
Tier 1	23,756	81,521

iv. Confirmation of Eligible Capital That is Subject to Transitional Arrangements

Not Applicable.

v. Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR

The Company has entered contracts with cedants that require the Company to collateralize estimates of its obligations calculated by the cedant. Assets are held in trust accounts for the benefit for the cedant. These assets are released to the Company upon the payment of the obligations.

vi. Identification of Ancillary Capital Instruments Approved by the Authority

Not Applicable.

vii. Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus

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

b. Regulatory capital requirements

i. ECR and MSM Requirements at the End of the Reporting Period

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

Requirement	Actual $000's (exc. %)
Minimum Solvency Margin	23,756
Enhanced Capital Requirement	81,521
Statutory Economic Capital & Surplus	132,222
Enhanced Capital Requirement ratio	162%

ii. Identification of Any Non-Compliance with the MSM and the ECR

The Company was compliant with the MSM and ECR during the year.

iii. A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

Not applicable

iv. Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance

Not applicable.

c. Approved Internal Capital Model

i. Description of the Purpose and Scope of the Business and Risk Areas Where the Internal Model is Used

Not applicable - the Company have not applied to have its internal capital model approved to determine regulatory capital requirements.

ii. Where a Partial Internal Model is Used, Description of the Integration with the BSCR Model

Not applicable.

iii. Description of Methods Used in the Internal Model to Calculate the ECR

Not applicable.

iv. Description of Aggregation Methodologies and Diversification Effects

Not applicable.

v. 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.

vi. Description of the Nature & Suitability of the Data Used in the Internal Model

Not applicable.

vii. Any Other Material Information

Not applicable.

d. Approved Internal Capital Model

i. Description of the Purpose and Scope of the Business and Risk Areas Where the Internal Model is Used

Not applicable - the Company have not applied to have its internal capital model approved to determine regulatory capital requirements.

ii. Where a Partial Internal Model is Used, Description of the Integration with the BSCR Model

Not applicable.

iii. Description of Methods Used in the Internal Model to Calculate the ECR

Not applicable.

iv. Description of Aggregation Methodologies and Diversification Effects

Not applicable.

v. 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.

vi. Description of the Nature & Suitability of the Data Used in the Internal Model

Not applicable.

vii. Any Other Material Information

Not applicable.

6. SUBSEQUENT EVENTS

RRCP announced on February 21, 2023 that it has reached agreement to buyback R&Q Insurance Holdings Ltd's, ("R&Q") 40% stake in TPM. R&Q acquired its interest in TPM when it merged the Company into RRCP, TPM's majority shareholder on 1 September 2020. Following completion of the transaction in Q1 2023, RRCP will own 100% of both TPM and the Company.

Appendix 2 – Declaration

To the best of my knowledge and belief, Roosevelt Road Re Ltd.'s Financial Condition Report for the year ended December 31, 2022 fairly represents the financial condition of the insurer in all material respects.

Daniel Hickey Jr. – Director

May 31, 2023

Richard Ecklord – Director

May 31, 2023