

BRIT
RE



**Brit Reinsurance
(Bermuda) Limited**

Financial Condition Report

**Year ending
31 December 2025**



writing the future



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Executive Summary

Purpose of report

The purpose of the report is to provide additional information, over and above that contained in the annual financial statements, to policyholders and other stakeholders to enable them to understand the performance, governance structure, risk profile, solvency and capital position of Brit Reinsurance (Bermuda) Limited (Brit Re or the Company) as at 31 December 2025.

Basis of preparation

The Financial Condition Report (FCR) has been prepared in accordance with Schedule I of the Insurance (Public Disclosure) Rules 2015 of Bermuda, following the structure and guidelines contained therein.

All figures provided in this report are in United States dollars, the functional currency of the Company.

Report overview

In summary, the FCR contains the following information:

Business and performance

This section contains details of the organisational structure, insurance business activities and financial performance of the Company.

The principal activity of the Company is that of providing reinsurance to insurance carriers of Brit Group Holdings Limited, which is a subsidiary of Fairfax Financial Holdings Limited. Brit Re also writes a portfolio of third-party casualty treaty and property treaty business. For all these activities the Company holds a Class 4 licence issued by the Bermuda Monetary Authority.

The result on ordinary activities for the year ended 31 December 2025 before tax was a profit of \$366.4m (2024: \$217.5m). The Company's result for 2025 reflects a gain on investments of \$244.0m (2024: \$104.8m) and an underwriting profit of \$123.5m (2024: \$116.1m). The 2025 combined ratio was 73.8% (2024: 70.8%).

On 16 January 2026, AM Best affirmed Brit Re's Financial Strength Rating of A (Excellent), with a 'stable' outlook. This rating reflects Brit Re's balance sheet strength, which AM Best assessed as 'very strong'.

Governance structure

This section contains details of the corporate governance, risk management and solvency self-assessment frameworks of the Company.

The Company is committed to high standards of corporate governance and has established and maintained effective systems of governance that provide for sound and prudent management. There is a clear and well-defined organisational structure with clear, consistent and documented lines of responsibility. The board of directors of the Company (the Board) and staff have the skills, knowledge and expertise to fulfil their allocated responsibilities. The Company's information systems produce sufficient, reliable, consistent, timely and relevant information on all business activities, commitments assumed and risk exposures. Appropriate risk management, regulatory compliance, internal audit and actuarial functions are established and maintained. The system of governance is therefore considered proportionate to the nature, scale and complexity of the business.

Risk profile

This section provides information regarding risk management for each of the principal risks faced by the Company.

The Company's activities expose it to a number of key risks which have the potential to affect its ability to achieve its business objectives. The most material risks relate to the Company's underwriting and investment operations.

The risks arising from any of the business activities are managed in line with the Risk Management Framework (RMF) set by the Board in order to protect policyholders and maximise shareholder value. This established framework covers all the risks surrounding the Company's past, present and, in particular, future activities.

Valuation for solvency purposes

The Bermuda Monetary Authority's (BMA) Solvency II equivalent regulations require the Company to value assets and liabilities on a different basis to UK Generally Accepted Accounting Practice (GAAP), which are used to prepare the Company's financial statements, when assessing its solvency requirements. This section describes the main methods and assumptions used in the valuation.

Capital management

The Company holds considerable capital in surplus of its regulatory requirements to maintain its ability to pay its policyholders even if extreme events materialise. At 31 December 2025, the Company had a GAAP solvency ratio of 161% (2024: 151%) of its regulatory target capital of \$805.9m (2024: \$668.5m) and an enhanced capital requirement ratio of 209% (2024: 203%) of its regulatory enhanced capital requirement of \$671.6m (2024: \$557.1m).

In addition to its regulatory requirements, the Company maintains an internal model to allow management to assess its capital requirements for its risk profile. The Company also holds considerable surplus capital over this management capital requirement.

A. Business and Performance

A.1 Name of the insurer

Brit Reinsurance (Bermuda) Limited

A.2 Name and contact details of the insurance supervisor

Bermuda Monetary Authority

BMA House
43 Victoria Street
Hamilton, HM12
Bermuda

Telephone: +1 441-295-5278

Email: info@bma.bm

A.3 Name and contact details of the approved auditor

PricewaterhouseCoopers Ltd.

Washington House
4th floor, 16 Church Street
Hamilton, HM 11
Bermuda

Telephone: + 1 441-295-2000

Email: pwc.bermuda@bm.pwc.com

A.4 Ownership details

The Company's immediate shareholder is Brit Insurance Holdings Limited (BIHL), a company registered in England and Wales. BIHL is an intermediate holding company within the Brit Group Holdings Limited group of companies (the Group) and an indirect subsidiary of Fairfax UK Holdings Limited. The Company's ultimate holding company is Fairfax Financial Holdings Limited (Fairfax).

An abridged corporate structure is shown in Appendix I.

A.5 Insurance business written by business segment and by geographical region during the reporting period

The following table summarises the premiums written by business segment for the year ended 31 December 2025 and the 2024 comparative.

Premiums (\$'m)	2025			2024		
	Non FAL	FAL	Total	Non FAL	FAL	Total
Gross written premium	469.6	61.3	530.9	359.5	60.8	420.3
Net written premium	445.3	61.3	506.6	353.9	60.8	414.7
Net earned premium	410.0	61.3	471.3	336.8	60.8	397.6

[Source: 2025 Annual Report and Financial Statements]

The Company provides Funds at Lloyd's (FAL) to Brit UW Limited (BUWL), a Group company, through a reinsurance contract. The Company has also entered into various reinsurance agreements with Brit Syndicates Limited, as managing agent of Lloyd's Syndicate 2987 and Syndicate 2988.

The Company writes third party property treaty, casualty treaty and cyber treaty business, which totalled \$120.5m of gross written premium in 2025 (2024: \$15.9m).

The following table summarises the premiums written by the Company. Split by geographic location of reinsureds for the year ended 31 December 2025 and the 2024 comparative.

GWP (\$'m)	2025			2024		
	Non FAL	FAL	Total	Non FAL	FAL	Total
UK	27.0	61.3	88.3	20.8	60.8	81.6
Europe	13.6	-	13.6	13.0	-	13.0
US	286.7	-	286.7	184.7	-	184.7
Rest of World	142.3	-	142.3	141.0	-	141.0
Total	469.6	61.3	530.9	359.5	60.8	420.3

The non-FAL contracts are predominantly made up of a whole account quota share with Syndicate 2987 (WAQS), which has a worldwide coverage where insureds are located within the United Kingdom (UK), European Union (EU), United States of America (US) and Rest of the World regions. The FAL contract written by the Company protects BUWL, domiciled in the UK.

All business was written in Bermuda.

A.6 Investment performance

The following table shows the fair market value of the Company's investment portfolio:

Investments (\$'m)	2025	2024
Equities	229.7	254.5
Debt securities	1,383.4	1,002.0
Mortgages and Loans	58.6	72.7
Specialised investment funds	449.4	346.8
Total	2,121.1	1,676.0

[Source: 2025 Annual Report and Financial Statements]

Invested assets at 31 December 2025 amounted to \$2,121.1m (2024: \$1,676.0m). The portfolio remains relatively neutral duration and corporate bonds are predominantly investment grade, with a focus on defensive, non-cyclical names.

The following table shows the performance of those investments:

Investments (\$'m)	2025	2024
Equity securities	68.6	37.3
Debt securities	70.5	14.3
Mortgages and Loans	5.9	7.7
Specialised investment funds	91.8	54.7
Cash and cash equivalents	6.9	3.0
Derivatives	5.9	(7.1)
Total return before expenses	249.6	109.9
Investment management fees	(5.6)	(5.1)
Total return net of fees	244.0	104.8

[Source: 2025 Annual Report and Financial Statements]

Investment return, net of fees, during 2025 was a gain of \$244.0m (2024: \$104.8m). This was mainly driven by gains on funds \$91.8m, on debt securities \$70.5m and equity securities \$68.6m with the remaining gain driven by cash and cash equivalents \$6.9m, mortgages and loans \$5.9m and derivatives \$5.9m less investment fees.

Equity markets performed positively over the year, buoyed by AI optimism and interest rate cuts, although with bouts of volatility driven by US trade policy announcements. The return on debt securities was positive over the year, as unrealised capital gains added to income in the portfolio. The US Government bond yield curve steepened as yields declined by as much as 77bps, particularly at the shorter maturities, while the 30-year yield saw a modest uptick of 6bps. These movements reflect the market's response to the introduction of trade tariffs and the One Big Beautiful Bill act introduced by the US President Trump and the US Federal Reserve 25bps rate cuts in September, October and December. Over the twelve months, the two-year yield fell from 4.24% to 3.48%, the five-year yield fell from 4.38% to 3.73% and the ten-year yield fell from 4.57% to 4.17%. Investment grade and high yield spreads both narrowed over the year. Derivatives are used to mitigate portfolio risk and for efficient portfolio management.

A.7 Material income and expenses during the reporting period

The Company's sources of income are premiums arising from the reinsurance of other Group companies and third parties and investment income. The more significant expenses in 2025 were incurred claims, acquisition costs and operating expenses:

Expense (\$'m)	2025	2024
Incurring claims	276.0	233.7
Acquisition costs	59.8	44.9
Operating expenses	15.1	6.3
Total	350.9	284.9

[Source: 2025 Annual Report and Financial Statements]

Net claims incurred during 2025 amounted to \$276.0m (2024: \$233.7m). 2025 saw some major losses of \$45.0m with exposure to the California Wildfires (\$40.8m) and Hurricane Melissa (\$4.2m).

The Company's acquisition costs, including profit commission, increased by 33.2% to \$57.3m (2024: \$44.9m) due to increased third party business written. Operating expenses have increased to \$15.1m (2024: \$6.3m) reflecting the increase in the expense basis as a result of developing the operations to support the new strategy (see A.8 below).

A.8 Other material information

The Company has implemented a new third-party business growth strategy, to significantly grow Brit Re's business outside of its profitable intragroup operations.

On 16 January 2026, AM Best affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of "A" of Brit Re, with a 'stable' outlook. These ratings reflect Brit Re's balance sheet strength, which AM Best assessed as 'very strong'.

An application was made to the NAIC during 2025 with a license granted during the final quarter of the year to enable the writing of E&S business for 2026.

B. Governance Structure

Introduction

The Company is committed to high standards of corporate governance and has established and maintained effective systems of governance which provide for sound and prudent management. There is a clear and well-defined organisational structure with clear, consistent and documented lines of responsibility. The Board and the Company's staff have the skills, knowledge and expertise to fulfil their allocated responsibilities. The Company's information systems produce sufficient, reliable, consistent, timely and relevant information on all business activities, commitments assumed and risk exposures. Appropriate risk management, regulatory compliance, internal audit and actuarial functions are established and maintained. The system of governance is therefore considered proportionate to the nature, scale and complexity of our business.

B.1 Board and Senior Executive

i. Structure of the board and senior executive, the roles, responsibilities, and segregation of these responsibilities

The Board is responsible for the overall leadership of the Company and setting the Company's strategy, values and standards.

The Board has two committees, being the Audit Committee and the Risk Oversight Committee:

- The Audit Committee regularly reviews the Company's financial reports, financial reporting process, regulatory and compliance matters.
- The Risk Oversight Committee regularly reviews the effectiveness of the Company's risk management system.

In addition, there are three non-Board committees, being the Underwriting Committee, Reserving Committee and the Operations Committee:

- Underwriting Committee is responsible for developing and overseeing the underwriting strategy, monitoring performance, developing the outwards reinsurance plan and managing underwriting risk in line with board appetite. The Committee reviews underwriting and pricing risk by line of business and make recommendations as needed to senior management.
- Reserving Committee is responsible for the management of the Company's reserving risk. The Committee considers and concludes on matters in relation to key reserving judgements and assumptions. It makes recommendations to the Audit Committee.
- Operations Committee is responsible for the day-to-day management of the business, excluding underwriting and reserving, but including monitoring investments, regulatory, compliance, credit, treasury, capital and all outsource agreements.

The Board currently comprises seven directors: an independent non-executive chairman, two executive directors, two independent non-executive directors and two Group non-executive directors.

Under the Board's terms of reference, the Board is required to meet at least three times a year.

The independent non-executive chairman is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The chairman is responsible for setting the agenda for Board deliberations, with the help of the executive directors, to be primarily focused on strategy, performance, value creation and accountability, and ensuring that issues relevant to these areas are reserved for Board decision.

The independent non-executive directors do not have any executive or other role or relationship with the Company or management that would affect their independence. The directors bring a wide range of experience and expertise both in the (re)insurance and financial services industries and are encouraged to challenge management.

The Board is responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational, regulatory and compliance controls, and for reviewing the overall effectiveness of systems in place) and for the approval of any changes to the capital, corporate and/or management structure of the Company.

The Board periodically receives reports and recommendations from its committees.

Directors

Director	Position on the Board
Graham Pewter	Independent non-executive Chairman
Jacques Bonneau	Independent non-executive Director
Alan Waring	Independent non-executive Director
Gavin Wilkinson	Non-executive director
Jon Sullivan	Non-executive director
Jonathan Stephenson	Executive Director
James O'Shaughnessy	Executive Director

Senior officers

Name	Position
James O'Shaughnessy	Finance Director and Principal Representative
Jonathan Stephenson	Head of Office and Executive Director

ii. Remuneration Policy and Practices

Non-Executive Directors

Independent non-executive directors receive a fee in respect of their role. Fees are set at appropriate levels to reflect the individual responsibility and time commitment. Independent non-executive directors do not participate in either the Group's incentive arrangements or pension/early retirement schemes.

Senior Executives

The Company has a total compensation philosophy, whereby salaries, bonuses and benefits are managed together in the context of employee and business performance taking into consideration the risks inherent in the activities performed by employees and with reference to external market compensation practices. This applies to all employees and executives consistently across the Group. Levels of compensation are benchmarked against our key competitors.

In order to support the above strategy, the Group's approach to remuneration is to provide overall pay packages that:

- Reward employees for delivering the Group's business plan and key strategic goals.
- Include incentive plans that reward superior performance in line with strategic ambitions and in a manner which is consistent with the Group's risk appetite.
- Recognise the strong link between variable compensation and performance at Group, business unit and individual levels.
- Appropriately reflect the risk appetite incorporated into the business strategy, as well as taking into account the Group's regulatory and compliance obligations.
- Align employees' interests with the interests of shareholders and other external stakeholders.

The remuneration policy is reviewed annually, and a key feature is that remuneration should not adversely impact the Group's ability to maintain an adequate capital base proportionate to the results. Remuneration arrangements do not encourage risk-taking in excess of the risk management strategy.

Individuals do not take part in discussions regarding their own remuneration.

Where appropriate, separate role-specific bonus arrangements may be implemented. For more significant bonuses, the Company may require an element of the bonus to be deferred.

iii. Pension or early retirement schemes

For each employee, the Company contributes to a company pension plan or pays an equivalent cash allowance to the individual.

iv. Transactions with shareholders, the Board and persons who exercise a significant influence

Other members of the Group

The Company has written various reinsurance agreements with Brit Syndicates Limited and BUWL. See section A.5.

The Company paid \$7.1m to other members of the Group in respect of outsourcing agreements for the provision of services to the Company in 2025 (2024: \$3.3m).

A dividend of \$50.0m was paid to Brit Insurance Holdings Limited in 2025 (2024: \$175.0m)

Fairfax Financial Holdings Limited (Fairfax)

Hamblin Watsa Investment Counsel Limited (HWIC), a subsidiary of Fairfax, is an investment manager to the Company. The Company incurred and paid investment management fees to HWIC of \$4.4m in 2025 (2024: \$4.1m).

B.2 Fit and proper requirements

The Company is committed to ensuring that persons appointed to the Board and senior management roles are fit and proper to hold office. Our directors and senior managers must meet the following criteria to be deemed fit and proper:

- Possess appropriate skills, experience, educational and/or professional qualifications and reputation.

- Display a high degree of competency and professionalism in current and previous roles.
- Demonstrate at all times good integrity, honesty, diligence, solvency, judgement and sound ethical character and must not have been reprimanded, disqualified or removed by a professional or regulatory body in relation to questions of honesty, integrity or business conduct.
- Understand and reinforce a strict regulatory compliance, risk awareness and governance environment.
- Have not been involved in the management of a company that has failed as a result of deficiencies in the management of that company.
- Have not been the subject of civil or criminal proceedings in relation to the management of a company.
- Have not been the subject of a serious criminal conviction.
- Have no conflict of interest in performing their duties; or if the person has a conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to properly perform the duties of the position.
- Compliance with individual conduct rules as described by the United Kingdom's Financial Conduct Authority and Prudential Regulation Authority, which includes being open and co-operative with regulators.
- Individuals must conduct business prudently and in compliance with the relevant legislation, international sanctions and the relevant Bermuda Monetary Authority Insurance Codes of Conduct.

Fitness and propriety are assessed for any prospective directors joining the Board.

The ongoing assurance of fitness and propriety of the Company's executives is re-assessed annually or more frequently should the Company become aware of any issue which may adversely impact upon the fit and proper assessment of those concerned. A register of all persons falling within the fit and proper regime is maintained by the Group Legal and Regulatory function..

Professional qualifications, skills and expertise of the board and senior executives



Bermuda.

Graham Pewter has served as Chairman since November 2018 and as a director since May 2018. Graham served as President and Chief Executive Officer of Catlin Insurance Company Ltd in Bermuda from 2003 until his retirement in 2015. Prior to Catlin, Graham was President and Chief Executive Officer at Commercial Risk Partners Limited, a subsidiary of SCOR Group. Graham previously held executive positions with LCF Rothschild Insurance Services and Cologne Reinsurance Company (Bermuda) Limited. In 2014, he was awarded the Queen's Certificate and Badge of Honour for service to



director of the Company's Board of Directors, member of the Audit Committee and chair of the Risk and Underwriting Committee. He has held multiple executive roles, most recently at Chubb Ltd. as Group

Jacques Bonneau has served as an independent director of Brit Re since June 2024. He was a Director, President and CEO of PartnerRe Ltd., member of the Underwriting, Investment and Risk Committees, a member of PartnerRe's Executive Leadership Team and responsible for the strategic direction and management of the Company. Jacques has over forty years of professional experience in the re/insurance industry. Prior to becoming CEO and President of PartnerRe Ltd. in July 2020, he served as an independent

Chief Underwriting Officer, from 2015 to 2017, and as CEO of Tempest Re Group from 2005 to 2015. Prior to that, he served as CEO, ACE Tempest Re USA from 1999 to 2005. Jacques also serves in executive and non-executive director roles on the boards of various insurance and reinsurance companies based in Bermuda and overseas.

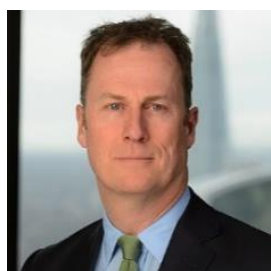
He holds a bachelor's degree of Commerce from Carleton University, Ontario as well as a Master of Business Administration from Queen's University, Ontario.



Jonathan Stephenson has served as an executive director and Head of Office since October 2024. Prior to joining Brit Re, Jonathan was a Managing Director at Guy Carpenter, based in Toronto. Jonathan has over thirty years' experience in the reinsurance industry. He has been Pacific Region CEO for Guy Carpenter and an Executive Vice President at Aon.

Jonathan holds a Bachelor of Commerce degree from McGill University, with concentrations in Finance and Management Information Systems, as well as an MBA, with Distinction, from the University of Western Ontario's Richard Ivey

School of Business.



Jon Sullivan has served as a non-executive director since May 2024. He is the Group Chief Underwriting Officer. Jon commenced his career in the reinsurance industry in 1988, starting as a broker with E.W. Payne and Willis, before joining GE Frankona as an underwriter. In 2001, Jon moved to Ace Tempest Re Bermuda where he became Chief Underwriting Officer - International. In 2005 he joined Citadel LLC-backed CIG Re/New Castle Re, a Bermuda based start-up. Jon joined Brit in 2011 as Portfolio Director – Short Tail Reinsurance with responsibility for the Global Property Treaty portfolio.

Jon holds an ACII designation and has a B. Eng in Mining Engineering from Leeds University.



Alan Waring has served as a director since March 2019. Alan has over forty years' experience in the insurance industry. Alan was the founder and owner of International Specialty Brokers Ltd (ISBL), which became Amwins Bermuda effective 1 December 2020. As well as ISBL, Alan has spent time working in various executive roles at Royal Sun Alliance, Arthur J Gallagher and Crump (now CRC). During that time, he has specialised in risk management programme design and administration, including the design and implementation of individual entity insurance and reinsurance placements,

single and multiline programmes, captives and rent-a-captives, for public sector and commercial clients. Alan has operated and placed business within the London, US and Bermuda markets, both insurance and reinsurance. Alan also serves as an independent non-executive director of various Bermuda based insurance and reinsurance companies.



Gavin Wilkinson has served as a director since 23 September 2021. He is the Group Chief Financial Officer. Gavin has worked in the insurance industry for over twenty years and began his career at Deloitte working across both Audit and Corporate Finance, primarily for multinational clients. Gavin is also a member of the Lloyd's Market Association Finance Committee. Prior to joining Brit in May 2021, Gavin spent over ten years at RSA in several Group leadership positions, including director roles across Strategy, Performance, Capital, Corporate Finance, and the Office of the CEO, followed by country

and regional CFO roles in Ireland, UK and International, and Scandinavia. Gavin is a Member of the

Institute of Chartered Accountants in England and Wales and holds a master's degree in chemistry from the University of Oxford.



James O'Shaughnessy was appointed to the Board on 13 December 2023 and serves as the Finance Director and Principal Representative. James served as an Executive Vice President, Chief Accounting Officer and Corporate Controller of Axis Capital Holdings Limited up to March 26, 2019. Prior to that James has, amongst others, served as Chief Financial Officer of Flagstone Reinsurance Holdings and as Chief Accounting Officer and Senior Vice President of Scottish Re Group Ltd., and Chief Financial Officer of XL Re Ltd. at XL Group plc. James received a Bachelor of Commerce degree from University College, Cork, Ireland and is both a Fellow of the Institute of Chartered Accountants of Ireland, an Associate Member of the Chartered Insurance Institute of the UK and a Chartered Director. James serves as an independent non-executive director of various Bermuda based insurance companies.

B.3 Risk management and solvency assessment

i. Risk Management Framework (RMF)

The Risk Management Framework provides a consistent methodology and structure to the way in which Brit Re manages risk, to protect policyholders and maximise shareholder value. The framework is managed by the Brit Chief Risk Officer (CRO) with ownership of many day-to-day activities being delegated to the relevant risk committee or members of the Risk management function.

Risks are managed using a consistent process, summarised as follows:

- **Identification:** Risks and relevant controls are identified and classified. This is a continuous process which considers both emerging and existing risks.
- **Measurement:** Risks are assessed and quantified and controls are evaluated.
- **Management:** Risks are mitigated and/or managed to within agreed appetites and tolerances.

These elements of the framework are supported by appropriate governance, reporting management information, policies, culture, and systems.

Governance, Roles and Responsibilities

The responsibility for risk management runs throughout Brit but ultimately resides with the Board. In addition to meeting their operational duties, all staff must adopt a positive risk culture and adhere to the RMF.

The key governance bodies in the Risk Management process specific to the Company are set out below:

- **The Board:** responsible for setting business strategy, overall responsibility for risk management, set Board level risk tolerances, overall responsibility for CISSA and approving Brit Re's capital requirements
- **Risk Oversight Committee (ROC):** responsible for the oversight of the Company's RMF, CISSA and risk culture. Also make recommendations to Board on risk appetites and, monitoring risk profiles relative to Board tolerances
- **Audit Committee:** responsible for regularly reviewing the Company's financial reports, financial reporting processes, regulatory and compliance matters.

- **Operations Committee:** responsible for the management of the Company’s investment, operational, and credit risks, as well as day-to-day management of the business.
- **Reserving committee:** responsible for the management of the Company’s reserving risk, including matters in relation to key reserving judgements and assumptions.
- **Underwriting Committee:** responsible for managing the Company’s underwriting risk in line with Board appetite, including the management of underwriting strategy, monitoring performance, and developing the outwards reinsurance plan.

Section C of this document discusses the risk profiles and any significant risks the Company is exposed to by any individual risk category in further detail.

Risk Appetite Framework

The Risk Appetite Framework sets out the amount of risk Brit Re is willing to accept in each risk area. The starting point for setting the risk appetite is Brit Re’s strategy.

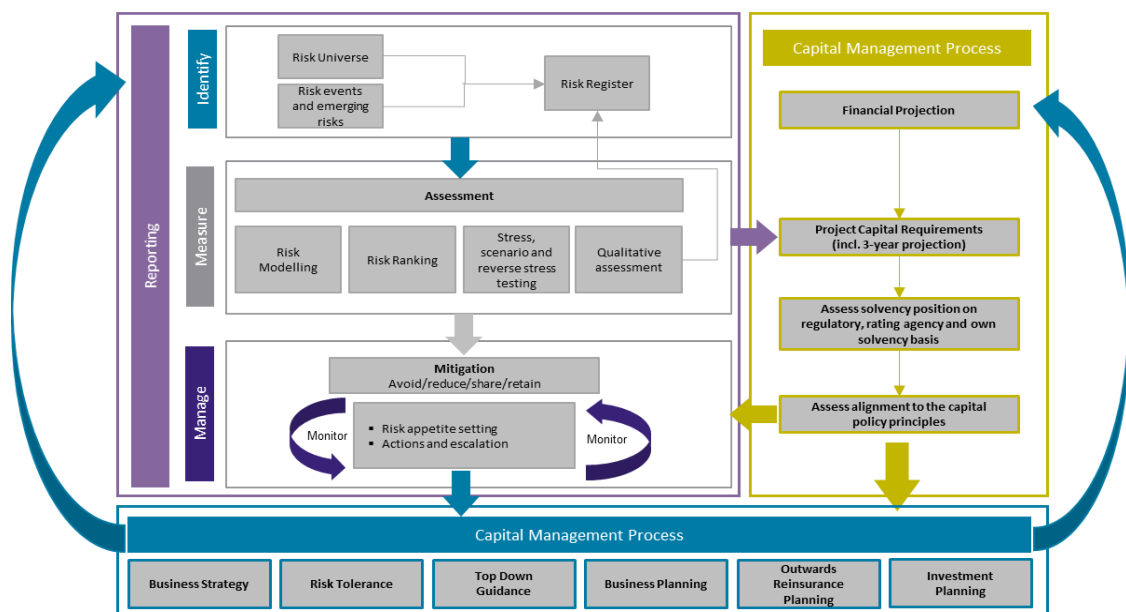
The risk appetite is set by the Board and risk committees in conjunction with the Brit CRO and is approved at least annually. It allows the Board and risk committees to define the set of appetite and tolerance measures for risk taking across all categories of risk faced by the business.

Risk appetites are reviewed at least annually, or more frequently if there are changes in strategy. Changes to Board tolerances require Board approval.

The Risk function produces management information (MI) for the risk committees, ROC and Board to monitor risk exposure against appetite. If a Board tolerance is breached, the ROC and Board are notified and the ROC reviews and approves the remediation plan (or suggests changes).

ii. Description of how the risk management and solvency self-assessment systems are implemented

The diagram below sets out the three processes which make up the overall CISSA process and how the solvency assessment is performed and the capital management and risk management processes interact:



The CISSA process operates continuously, with CISSA outcomes presented to the Risk Oversight Committee and Board. The CISSA outcomes are used to facilitate strategic decision making. The capital

management process is a key part of the overall CISSA process as capital considerations are critical in making key strategic decisions. The results of the capital management process are also used as the basis for some of the risk metrics which are regularly monitored as part of the risk management process to ensure adherence to the Board approved risk appetite limits.

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

See section ii above.

iv. Description of the solvency self-assessment approval process

An annual CISSA report is produced which summarises the outcomes of the above process, both for the preceding year and over a forward-looking planning-horizon. This report is reviewed and approved by the Board, who have ultimate responsibility for the CISSA process.

B.4 Internal control system

i. Overview

The Company's internal controls framework is made up of:

- the control environment - the culture and organisational structures that support sound internal control;
- control governance activity - the roles and responsibilities that provide oversight of internal control;
- control assessment, monitoring and reporting activities - supporting the oversight and governance of internal control; and
- control design and operation - outlining the elements of effective control design and operation.

To ensure the ongoing effectiveness and efficiency of the control framework, the Company operates a "three lines of defence model".

Controls are first and foremost the responsibility of the business and relevant line management, i.e. the 'first line of defence'. As the first line of defence, line management is responsible for monitoring day to day adherence to this framework within its area of jurisdiction.

Assurance functions including Risk Management, Compliance and Internal Control, provide a 'second line of defence'. These functions provide additional assessments, challenge and advice to ensure risks are managed appropriately. The functions report to the Board and the Risk Oversight and/or Audit Committee as appropriate.

The third line of defence is provided by the Group's Internal Audit function. The function provides independent and objective assurance designed to add value and improve operations. It helps accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Ultimate responsibility for implementing and monitoring the Internal Control Framework resides with the Board.

ii. Legal and Compliance

The Compliance Officer, supported by the Group Legal and Regulatory function is responsible for:

- Identifying, documenting and assessing the regulatory risks of the business and identifying processes and controls to be implemented to mitigate these risks;
- Ensuring adherence with policies and procedures and with the highest ethical standards in all business activities;
- Understanding and advocating rules, regulations and laws and the effective management of regulatory risk; and
- Proactively working with and advising the business to manage regulatory risk.

The Brit Re Regulatory Compliance Officer submits a report to the meetings of the Board and the Audit and Operations Committees on regulatory compliance matters including applicable laws, regulations and related internal policies and procedures. If any regulatory compliance breaches or deficiencies were to be identified, the Brit Re Regulatory Compliance Officer would report on the corrective measures recommended to address them, and on corrective measures already taken.

The Board has also appointed a Privacy Officer.

iii. Regulatory Compliance Policy

The Company's Regulatory Compliance Policy is reviewed on an annual basis and, subject to Board approval, will be amended (as appropriate) to reflect current best practice in corporate governance and the duties and responsibilities of the regulatory compliance role. Review is undertaken by the Brit Re Regulatory Compliance Officer and by the General Counsel & Chief Compliance Officer and any recommended changes reviewed by the Risk Oversight Committee, and apart from minor changes, recommended to the Board for approval.

B.5 Internal Audit function

The primary role of the Internal Audit function is to provide independent assurance that Brit Re's risk management, governance and internal controls are operating effectively and therefore help the Board and executive management to protect the assets, reputation and sustainability of Brit Re.

Internal Audit operates a three-year planning cycle aimed at providing coverage across all key areas of Brit Re. The three-year internal audit plan is produced specifically for Brit Re. On an annual basis, the three-year internal audit plan is formally updated with a specific focus on the following audit year and is approved annually by the Brit Re audit committee. The internal audit plan is formulated using a risk-based approach, to ensure that all business activities are adequately and appropriately covered, with a focus on the higher risk areas of the business.

Internal Audit identifies the key risks associated with each audit area, per the approved internal audit plan, and tests the adequacy and effectiveness of the controls that mitigate those risks. On completion of an audit, an Internal Audit report is provided to the Operations Committee and the Audit Committee. The report includes a description of findings (if any) and documented time bound management actions to address them.

The Internal Audit team monitors the progress and completion of all management actions.

It is the responsibility of the relevant audit committee and the Group Head of Internal Audit to ensure that the Internal Audit function has the necessary resource, skills and expertise to perform its duties effectively. The function is resourced in proportion to the scale and complexity of the business and its risks. At least annually, the Group Head of Internal Audit will confirm to the Brit Re Audit Committee, that the Internal Audit function has adequate resources to complete the approved internal audit plan.

Independence and Objectivity

The Internal Audit function derives its ultimate authority from the board via delegation to the Brit Re audit committee. To maintain independence, the Group Head of Internal Audit reports functionally to the chair of the audit committee, and administratively (and for executive communication purpose) to the Group Chief Executive Officer. The Group Head of Internal Audit has direct access to the Chair of the Audit Committee at all times should such communication be required by either party.

To ensure independence, the Group's Internal Audit Policy sets clear expectations for Internal Audit to:

- Remain free from interference or influence in the selection of audit, scope, procedures, frequency, timing, or report content.
- Have no direct operational responsibility or authority for the activities subject to audit.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Rotate audit staff as necessary, to preserve independence in the audit of business areas and / or processes.
- Confirm the independence of the Group Head of Internal Audit and the Internal Audit function to the respective audit committee, at least annually.
- Hold regular sessions with the audit committee where executive management is not present.

B.6 Actuarial function

Brit Group Services Limited provides actuarial services to the Company. The Actuarial function is led by the Director of Actuarial Function, who performs the roles of Signing Actuary and Loss Reserving Specialist and is responsible for all activities of the Actuarial function. The work conducted and opinions expressed by the Actuarial function are wholly independent from other business functions.

The principal activities carried out by the Actuarial Function are:

- **Technical Provisions** – The Actuarial Function is responsible for coordinating and overseeing the reserving process (for calculating ultimate premiums and claims) and overseeing the calculation of technical provisions on an economic balance sheet basis; ensuring appropriateness of methodologies, models and assumptions used.
- **Business Planning** - The role of the Actuarial Function in the annual business planning process is one of independent review and challenge of the underwriters' business plans and planning assumptions. The review focuses on, but is not limited to, the key assumptions within the business plan for each class of business.
- **Reinsurance Strategy** - The role of the Actuarial Function in the Company's outwards reinsurance strategy is one of independent review and challenge of the proposed reinsurance programmes for the following year (based on the work conducted as part of the annual business planning process) in conjunction with the Risk Management Function.

More broadly the Actuarial team is led by the Group Chief Actuary and in addition to the Actuarial Function consists of the underwriter facing Pricing and Portfolio Insights teams.

The principal activities carried out by the Actuarial team in addition to those of the Actuarial Function are:

- **Technical Pricing Basis** – Annual review of the Company's technical pricing.
- **Pricing Models** - Working with the Company's underwriting team, the Actuarial team develop and refine the suite of rating models in place in the Company and ensure the models adhere to the Group's pricing standards.
- **Underwriter Support** – Including the review of individual policies; portfolio profitability and other actuarial work to support underwriting at Brit

Please note that in the above activities, the Actuarial function interacts with other business functions across the Group; namely Underwriting, Finance, Risk Management, Claims and Operations (which includes the Outwards Reinsurance Processing, IT and Data and Analytics teams).

B.7 Outsourcing and Vendor Management

Outsourcing and vendor management is owned by the Group Procurement team. In order to fully understand the importance of a vendor to the Group, materiality questionnaires are issued to the appropriate business owners for new and renewing services in order to categorise a service provider as either:

1. Material Outsourcing Supplier
2. Material Vendor
3. Outsourcing Supplier
4. Vendor

The materiality of service provider (Outsourcer/Vendor) will primarily be based on:

- Delivery of a regulated activity;
- Supporting the provision of an important business service (IBS) or carrying a high level of risk to the Company;
- The nature of data held by the service provider e.g. personal information;
- The likely impact on company's reputation and ability to achieve its business objectives, strategy and plans, should the service provider fail to perform the service;
- If the service provider has access to Brit funds (Financial Intermediary);
- If the service provider is able to process financial transactions on Brit's behalf (Financial Intermediary);
- The cost of the activity as a proportion of total operating costs;
- The aggregate exposure to that particular service provider, in cases where the company outsources various functions to the same service provider;
- The level of IT security risk; and
- The ability and associated time period required to transition to an alternate service provider.

For material outsourcing and material vendor arrangements, enhanced due diligence is carried out on an annual basis. In addition, annual performance reviews, business continuity and operational resilience reviews are performed annually by business relationship managers and the Operational Resilience Manager respectively. This allows the Company to ensure services are being performed in line with contractual obligations and within service level agreements (SLA's).

The Company only approves proposals to outsource where the proposal is supported by a clear and achievable business case, and the due diligence requirements set out in the Group's Global Procurement and Material Outsourcing Policy have been met. Any material outsourcing arrangements require Brit Re Board approval.

Any proposals to outsource must include:

- A legally binding agreement which sets out terms and conditions relating to compliance, confidentiality, and disclosure of circumstances likely to prejudice delivery, information sharing, access and suitable cancellation rights. A detailed list of required contract provisions is set out in the Group's Procurement and Material Outsourcing Policy.
- Adequate risk mitigation practices in place for the effective oversight and management of outsourcing arrangements and to identify potential problems at an early stage.

Management of the outsource provider includes the definition and subsequent regular monitoring of a suitable range of service level agreements during the Operations Committee meetings. These cover

the key contractual commitments and specify minimum levels of performance and, where appropriate, penalties. Any issues are escalated to the Board.

Outsourcing agreements are subject to the same level of diligence and monitoring as third-party service providers. The terms are negotiated and agreed on an arm's length basis.

One of the key due diligence requirements is to assess the information security controls of any outsource arrangement. This is necessary to assess the risk of sharing our information and that of our cedants with a third-party organisation. The information security control assessment is completed in two stages:

The first stage requires the third party to complete a pre-assessment form, which enables the Group to determine the risk level and criticality of the engagement.

The second stage uses the results of the pre-assessment to determine if it is necessary for the Group's IT Security team to perform an enhanced assessment.

An enhanced assessment makes use of an external tool and requires the third-party to complete a more in-depth security questionnaire.

A Group company, Brit Group Services Limited, located in the UK, provides critical services to the Company including risk management, internal control, actuarial, claims handling and internal audit.

B.8 Other information

All relevant information regarding the Company's system of governance is considered to be included in sections B.1- B.7 above.

C. Risk profile

The Company's activities expose it to a number of risks which have the potential to affect its ability to achieve its business objectives. This section provides information regarding our risk management approach for each of the principal risks faced by the Company.

As described in section B.3, the risks arising from any of the business activities are managed in line with the RMF in order to protect policyholders and maximise shareholder value. This established framework addresses all the risks surrounding the Company's past, present and, in particular, future activities.

The Company implemented a new third-party business strategy in 2025 to grow Brit Re's business outside of its intragroup operations. Though the nature of the underlying risks has remained materially consistent year-on-year, the implementation of the new strategy may heighten some existing risks, such as the strategic, insurance, operational, and credit risks described below.

C.1 Material risks the Company is exposed to

i. Insurance Risk

Insurance risk arises from the possibility of an adverse financial result due to actual experience being different from that expected when an insurance product was designed and priced. The actual performance of insurance contracts is subject to the inherent uncertainty in the occurrence, timing and amount of the final insurance liabilities. Insurance risk is the principal risk to which the Company is exposed as its primary function is to underwrite reinsurance contracts.

This risk is further broken down into the following risks:

Underwriting Risk

This is the risk that the insurance premiums will not be sufficient to cover the future losses and associated expenses. It arises from the fluctuations in the frequency and severity of financial losses incurred through the underwriting process by the Company as a result of unpredictable events.

The Company is exposed to natural catastrophe losses. Losses arising from natural catastrophes are one of the most material risks to which the Company is exposed.

Reserving Risk

This is the risk that the actual cost of losses for obligations incurred before the valuation date will differ from expectations or assumptions set as part of the reserving process. This is a key risk for the Company as the reserves for unpaid losses represent the largest component of the Company's liabilities and are inherently uncertain.

ii. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Credit risk on financial investments and cash is covered in the credit risk section.

Interest Rate Risk

Interest rate risk is the risk that the fair value and/or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Changes in interest rates are a key risk to the Company given the current portfolio composition. The Company is exposed to interest rate risk through its investment portfolio and cash and cash equivalents. The sensitivity of the price of these financial

exposures is indicated by their respective durations. Therefore, the greater the duration of a security, the greater the possible price volatility.

Currency Risk

Currency risk is the risk that movements in exchange rates impact the financial performance or solvency position of the Company. Fluctuations in exchange rates against the US dollar may lead to profit or losses depending on the relative mix of non-US dollar denominated net assets and liabilities of the Company.

Other Price Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Financial assets and derivatives that are recognised at their fair value are susceptible to losses due to adverse changes in their prices. This is known as price risk.

Listed investments are recognised in the financial statements at quoted bid price. If the market for the investment is not considered to be active, then the Company establishes fair valuation techniques. This includes using recent arm's length transactions, reference to current fair value of other similar investments, discounted cash flow models and other valuation techniques that are commonly used by market participants. Adverse fluctuations in equity values is the Company's key investment risk given the current composition of its asset portfolio.

The prices of fixed and floating rate income securities are predominantly impacted by currency, interest rate and credit risks.

iii. Credit Risk

This is the risk that one party to a financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss. The main sources of credit risk relate to:

- **Reinsurers:** through the failure to pay valid claims against a reinsurance contract held by the Company.
- **Premium debtors:** where the Group or third-party cedant fails to pass on premiums or claims collected or paid on behalf of the Company.
- **Investments:** through the issuer default of all or part of the value of a financial instrument or the market value of that instrument.

Reinsurance credit risk

The Company is exposed to reinsurer credit risk through the various retrocession covers purchased. This risk is considered to be marginal because the reinsurers participating in the retrocession covers are highly rated by AM Best or provide fully collateralised reinsurance cover and therefore the probability of becoming financially impaired is low. In any case, the Company's reinsurance credit risk exposure is small relative to its available capital.

Premium debtor credit risk

The Company's most material premium debtors are Brit Syndicate 2987 and Brit UW Limited. As both policyholders are part of the Group, the premium debtor credit risk associated with these transactions

is considered negligible. Additionally, Brit Re has the right to offset premium debt against claim amounts owed to Syndicate 2987.

The Company's other premium debtors are insurance groups who are generally highly rated, with strong balance sheets, and operate in regulated environments.

iv. Liquidity Risk

This is the risk the Company may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The predominant liquidity risk the Company faces is the calls on its available cash resources in respect of claims arising from insurance contracts.

v. Operational Risk

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. The nature of operational risk means that it is dispersed across all functional areas of the Company.

Group risk is considered part of operational risk. The Company is dependent upon a number of functions provided by the Group through outsourcing agreements to support its operation. It is noted that other than the risks relating to the outsourcing arrangements, the Company and Group's interests are aligned and therefore the amount of residual Group risk is considered to be small.

Cyber security risk is also considered part of operational risk. Cyber security breaches, could, if they occurred, cause significant financial losses and/or damage to the reputation of the Company.

vi. Commercial and Strategic risk

There is a risk that the Company's strategy is not appropriate or is not implemented effectively which could result in material losses.

The Company is profitable based on intragroup business alone, so its success is not reliant on implementation of the third party growth strategy.

The Company is currently rated 'A' by AM Best. Any future downgrade to the Company's credit rating would adversely affect the Company's standing in the market.

vii. Other material risks

Climate Change

Climate change is a key example of a developing risk identified as part of the Company's emerging risk review, and the potential impact on the insurance industry is an area of focus for the market and regulators. The financial risks to insurers include the potential for:

- Increases in the frequency and severity of weather-related natural catastrophes, for example, hurricanes and wildfires;
- Liability claims against insureds; and
- Impacts on insurers' investments, due to changes in government policy or the impact of climate change itself.

The Company is managing the risks associated with climate change in line with the RMF which is reviewed annually. Regulatory requirements are monitored through the committees.

Geopolitics

Beginning on 28th February 2026, Israel and the United States launched joint attacks on Iran. Iran has responded with strikes on a variety of countries in the region and closed the Straits of Hormuz. This has led to substantial increased in the price of oil and gas, with global shortages possible if the conflict persists. The potential scope and duration of the conflict remain unclear at this stage. Management are actively monitoring the situation across underwriting, investment and operational areas.

Other geopolitical uncertainties driven by factors such as US trade policy and the ongoing war in Ukraine also have the potential to cause insurance losses for the Group and disruption to financial markets which could impact the Group's investments.

These factors give rise to recessionary and inflationary risks, which may impact the frequency and cost of claims, investment results, the likelihood of counterparty defaults and the potential for operational risk events. Brit continues to actively monitor and respond to changes in the economic environment.

Brit has considered the potential for inflation and economic downturn in its underwriting. Brit continues to ensure that its pricing model address current inflationary trends. Feeding into these models is an enhanced framework assessing the key drivers of claim settlement costs for each class of business. Inflationary impacts are also considered during the reserving process.

Additionally, the investment portfolio is appropriately positioned amid the uncertainty with investment grade assets in excess of insurance liabilities, strong credit quality in the bond portfolio and the duration position materially consistent with the solvency matched position (immunising the solvency position against parallel movements in interest rates).

C.2 How Risks are mitigated

i. Insurance risk

Underwriting Risk

The Brit Re Underwriting Committee, chaired by an Independent Director, is responsible for the management of underwriting risk for the Company.

The Company has developed underwriting guidelines, limits of authority and business plans which are binding upon all staff authorised to underwrite. In addition, an independent pricing assessment is carried out by an external third party to assess pricing adequacy for the material intragroup arrangements.

In order to limit risk, the number of reinstatements per policy is limited, deductibles are imposed, policy exclusions are applied and whenever allowed by statute, maximum indemnity limits are put in place per insured event.

The Company may also purchase retrocession covers as deemed relevant to control its overall exposure.

Reserving Risk

The Brit Re Reserving Committee, chaired by the Finance Director, is responsible for the management of reserving risk for the Company.

The Company has a rigorous process for establishing reserves for insurance claim liabilities and a number of controls are used to mitigate reserving risk. The reserving process starts with controls over claims data which ensure complete and accurate recording of all paid and notified claims. The Claims

Policy sets out the approach to management of claims risk. In particular, this deals with notification, validation of policy terms and conditions, investigations and use of adjusters, assessors and other experts, setting of provisions for case estimates, negotiation and settlement of claims, claim authorities, the peer review process, file management, review and external audits, suspicious and disputed claims and ex-gratia payments.

The Group has an experienced team of actuaries who perform the quarterly reserving analysis using a wide range of actuarial techniques to estimate the claims liabilities in line with the Reserving Policy. They work closely together with other business functions such as underwriting, claims management and exposure management to ensure that they have a full understanding of emerging claims experience. Inflationary impacts have been considered in detail in recent years, including in the 2025 year-end reserving process.

The Reserving Policy sets out the approach to estimating claims provisions and is designed to produce accurate and reliable estimates that are consistent over time and across classes of business. The actuarial best estimate set out in the policy is subject to detailed review by the Reserving Committee and sign-off by the Audit Committee as part of the formal governance arrangements for the Company. The estimate agreed by the Audit Committee is presented to the Board for ultimate sign-off.

ii. Market Risk

Introduction

The Company's market risk is managed by specific risk appetite thresholds in reference to asset allocation and liquidity and is monitored with regards to earnings and solvency. The asset liability management position is monitored with regards to interest rates and foreign exchange on both an earnings and a solvency basis.

The majority of the portfolio is held in equities, cash, government bonds and investment grade corporate bonds. The portfolio is actively managed and changes to the global macroeconomic environment may trigger a review or changes to the investment positioning. Any investment must comply with Board approved tolerances for asset allocation, duration and foreign exchange matching.

Interest Rate Risk

The Company takes into account the duration of its required capital, targeting a range for the investment portfolio duration that, under a variation in interest rates, limits the change in the solvency position of the Company. The duration of the investment portfolio is then set within an allowable range relative to target duration.

Currency Risk

The Company matches its currency position so holds net assets across a number of currencies. The Company takes into consideration the underlying currency of its liabilities and invests its assets proportionately across these currencies so as to protect the solvency of the Company, and hence capital available for distribution to the shareholder, against variation in foreign exchange rates. As a result, the Company holds a significant proportion of its assets in foreign currency investments.

Foreign currency forward contracts may be used to achieve the desired exposure to each currency. From time to time the Company may also choose to utilise options on foreign currency derivatives to mitigate the risk of reported losses due to changes in foreign exchange rates. The degree to which options are used is dependent on the prevailing cost versus the perceived benefit to shareholder value from reducing the chance of a reported loss due to changes in foreign currency exchange rates.

Concentration Risk

The Board risk tolerance sets limits on concentration of assets. The metrics are monitored by the Risk Oversight Committee and Board at least quarterly.

Other Price Risk

The Company invests in accordance with the “prudent person principle” (See section C.4) within the Investment guidelines which also establish maximum allocations to different asset classes.

iii. Credit Risk

Insurance Credit Risk (reinsurers and premium debtors)

Reinsurance Credit Risk

Credit risk from reinsurers is controlled through only transacting with reinsurers that meet certain minimum requirements and that have been approved by the Operations Committee. The Group’s Finance function reviews the list of approved reinsurers and their maximum exposure limits at least annually and following any significant changes in a reinsurer’s position, including changes in credit rating. The Finance function also monitors exposure against the assigned reinsurer limits and may request collateral where any limits are breached.

Any reinsurance aged debts are monitored by the Operations Committee. Any material aged debts are reported to the Risk Oversight Committee and the Board at least quarterly. At present there is no material reinsurance aged debt.

Concentration Risk

Reinsurance cover, if required, is placed with fully collateralised providers or multiple markets to diversify exposure and limit concentrations of credit risk – the Group has exposure appetite limits to each of its approved counterparties.

iv. Investment credit risk

Investment Credit Risk Management Process

Credit risk relating to financial investments and cash and cash equivalents is monitored by the Operations Committee, which is responsible for the management of investment credit risk. The Investment Risk Framework and Investment Policy set out clear limits and controls around the level of investment credit risk. The Company has established concentration guidelines that restrict the exposure to any individual counterparty. The investment guidelines further limit the type, credit quality and maturity profile of both the Company’s cash and investments. In addition, the investment risk framework further limits potential exposure to credit risk through the monitoring of the aggregate investment risk limits.

Risk Mitigation

The Company uses derivatives from time to time. The four main derivative classes are credit derivatives, foreign exchange forwards and options, interest rate derivatives and equity index options. Derivatives are only used for the purposes of efficient portfolio management and reduction in investment risk. Credit risk with respect to derivatives, where deemed necessary, is controlled with the implementation of collateral agreements with derivative counterparties that put a finite limit on the credit risk of each transaction.

v. Liquidity risk

The Company monitors the levels of cash and cash equivalents on a daily basis, ensuring adequate liquidity to meet the expected cash flow requirements due over the short term.

The Company also limits the amount of investment in illiquid securities in line with the liquidity policy set by the Board. This involves ensuring sufficient liquidity to withstand claim scenarios at the extreme end of business plan projections. Contingent liquidity also exists in the form of a Group revolving credit facility.

vi. Operational risk

Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

An operational risk management framework is in place to ensure an appropriate standard approach is taken to managing operational risk across the Group, including the Company. The key elements of this framework are:

- Identification and assessment of operational risk;
- Designing and operating controls;
- Setting and monitoring operational risk appetite and tolerance;
- Governance, reporting and escalation for operational risk;
- Infrastructure supporting the operational risk management framework; and
- Operational risk management training and awareness.

The Company has a number of controls in place that mitigate the operational risk from cyber security risk and outsourcing functions to the Group. One of these controls is performance monitoring against contractual service level agreements (SLAs), which involves agreement with the Group at the start of the outsourcing contract. The SLAs are monitored to ensure the delivery of expected business benefits and identify and address issues of underperformance. See section B.7 for further details of the Company's outsourcing arrangements with the Group.

vii. Commercial and Strategic risk

The Company actively manages its commercial and strategic risk. Strategic decisions are subject to Operations Committee, Risk Oversight Committee and Board review prior to implementation.

The Company has hired additional staff to aid the implementation of the strategy.

viii. Other material risks

The Company is managing the risks associated with climate change, geopolitical instability and the evolving cyber threat landscape in line with the RMF. This will continue to be an area of management and risk committee focus.

C.3 Material risk concentrations

The Company is exposed to the potential of large claims from natural catastrophe events. The Company's catastrophe risk appetite is set by the Board who may adjust limits to reflect market conditions. Overall, the Company sets its catastrophe risk tolerances on an aggregate basis varying for different scales of event.

The Company closely monitors aggregation of exposure to natural catastrophe events against agreed risk appetites using stochastic catastrophe modelling tools, along with knowledge of the business, historical loss information, and geographical accumulations. Stress and scenario tests are also run, such as Lloyd's and internally developed realistic disaster scenarios (RDSs).

The Company limits concentrations in investments at the time of purchase to avoid market concentration risks, although from time to time (due to strong performance) individual investments may become a material proportion of AUM. In this case the Investment team considers ways to manage the size of the position, for example by full or partial sales or transfers to other entities within the Brit or Fairfax Group.

C.4 Investments in accordance with the prudent person principle

Under the Company's Investment Policy, the Company may only invest in those assets in accordance with the "prudent person principle" requirements. The Company only invests in assets and instruments, the risks of which it can properly identify, measure, monitor, manage, control and report, taking into account the Company's capital and solvency needs.

C.5 Stress and scenario testing

Stress and scenario testing is an important risk management tool to increase the Company's understanding of its risk profile and its ability to withstand severe events. The stress and scenario testing is performed as part of the Company's overall CISSA processes (see section B.3), and considers events considerably more severe than the Company's historical experience. The results of the testing are summarised in the annual CISSA report reviewed by the Board.

The latest exercise confirms that the Company has sufficient capital and liquidity to absorb the losses under each scenario considered and continue to remain viable.

C.6 Other information

All relevant information regarding the Company's risk profile is considered to be included in sections C.1 to C.5 above.

D. Valuation for solvency purposes

This section provides information on the valuation bases, methods and assumptions on the inputs used to determine solvency.

The Company prepares its financial statements in accordance with Financial Reporting Standards (FRS) 102 and 103, being the applicable accounting principles generally accepted in the UK relating to (re)insurance companies (UK GAAP). The Company has used the valuation principles outlined by the BMA “Guidance Note for Statutory Reporting Regime”. There are no material differences between the shareholder’s equity as stated in the financial statements versus the available statutory capital and surplus.

The BMA regulatory regime requires the compilation of an economic balance sheet (EBS) in order to determine the solvency position of an entity. The key principles the Company has employed to produce the EBS are:

- I. Assets should be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;
- II. Liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction; and
- III. There have been no changes in valuation techniques during 2025.

D.1 Valuation bases, assumptions and methods used to derive the value of assets under the EBS framework

The BMA’s guidance and key principles outlined above are used to derive the value of assets for the Company’s EBS. The key differences in the Company’s asset values between the Company’s financial statements relates to the following:

- Non-overdue reinsurance receivables are not classified as assets separately under the EBS, as they are included in the technical provisions; and
- Deferred acquisition costs in the GAAP balance sheet are removed from the EBS as they do not meet the asset valuation requirements under the EBS framework.

Reinsurance recoveries are detailed within section D.3.

D.2 Valuation bases, assumptions and methods used to derive the value of Net Technical Provisions under the EBS framework

The following table summarises the Company’s net technical provisions under UK GAAP and EBS bases:

Balance sheet as at 31 December 2025 (\$'m)	GAAP	EBS	Difference
Net Technical Provisions			
Best estimate	931.2	732.2	(199.0)
Risk margin	5.5	47.4	41.9
Total Net Technical Provisions	936.7	779.6	(157.1)

Balance sheet as at 31 December 2024 (\$'m)	GAAP	EBS	Difference
Net Technical Provisions			
Best estimate	859.4	634.1	(225.3)
Risk margin	-	44.4	44.4
Total Net Technical Provisions	859.4	678.5	(180.9)

The value ascribed to the EBS net technical provisions represents the amount the Company would have to pay for an immediate transfer of its obligations to another insurer and is calculated as the sum of a best estimate and a risk margin.

The best estimate is calculated as a probability weighted average of future cash flows, discounted at a risk-free rate. Cash flows belonging to all legally obligated contracts are included in the valuation of the EBS net technical provisions and risk free rates are derived from yield curves supplied by the Prudential Regulation Authority (PRA) as equivalent to the BMA EBS framework. The key adjustments made between the UK GAAP and EBS bases for the best estimate technical provisions are:

- Allowance for the impact of discounting cash flows at a risk free rate;
- Incorporation of expected reinsurance counterparty defaults;
- Incorporation of events not in data;
- Adjustments related to differences in contract boundaries between the GAAP and EBS frameworks, most notably allowance for bound but not incepted business for the EBS; and
- Adjustments related to the consideration of investment expenses.

Similar to reserves reported under a GAAP basis, it should be noted that there is inherent uncertainty in reserve estimation. The Company explicitly quantifies and monitors the volatility in the reserves as part of its management capital, derived using an internal model.

The risk margin is calculated as the cost of providing an amount of capital equal to the Bermuda Solvency Capital Requirement necessary to support the insurance obligations over the lifetime thereof. This risk margin is also referred to as the market value margin.

D.3 Description of recoverables from reinsurance contracts

Under the EBS framework, reinsurance recoverables are calculated as a probability weighted average of discounted future cash flows relating to reinsurance contracts, adjusted for the expected losses due to counterparty default. The recoverables allow for reinstatement premiums required to be paid to the reinsurer, and expenses in relation to the management and administration of reinsurance claims.

D.4 Valuation bases, assumptions and methods used to derive the value of other liabilities under the EBS framework

There are no differences between the valuation basis for other liabilities between the GAAP and EBS frameworks.

D.5 Other information

All relevant information regarding the Company's valuation methodologies is considered to be included in sections D.1 to D.4 above.

E. Capital management

E.1 Eligible Capital and Regulatory Capital Requirements

i. 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 Company has a Capital Policy that sets out the capital requirements and principles on funding, the approach to distribution of surplus capital and the level of liquidity required, and states the importance of ensuring that the Company is:

- Sufficiently capitalised at all times; and
- Complies with BMA regulatory requirements.

Responsibility for managing compliance with this policy rests with the Board.

Capital management is an integral part of the annual business planning process and capital considerations are critical in making strategic decisions, for example writing a new business line. Brit's Chief Risk Officer reviews the annual business plan to determine any changes in the Company's risk profile and additional capital requirements. The Board is responsible for approving the business plan.

There were no material changes in capital and how it is managed during 2025.

ii. Eligible capital categorised by tiers in accordance with the Eligible Capital Rules used to meet the Enhanced Capital Requirement ("ECR") and the Minimum Margin of Solvency ("MSM")

The Company's regulatory capital requirements, available capital and solvency were as follows:

	2025 YE \$'m	2024 YE \$'m
GAAP Statutory Capital and Surplus	1,293.1	1,009.6
EBS Available Capital	1,404.8	1,131.2
Minimum Margin of Solvency	253.3	207.4
Bermuda Solvency Capital requirements (BSCR)/ Enhanced Capital Requirement	671.6	557.1
Target Capital Level	805.9	668.5
Enhanced Capital Requirement Ratio (EBS Available Capital/ Enhanced Capital Requirement)	209%	203%
Solvency ratio (Statutory Capital and Surplus / Target Capital Level)	161%	151%

All of the Company's capital and surplus, as determined under the BMA's EBS framework, is comprised of Tier 1 capital, the highest quality of capital. Tier 1 capital is comprised of fully paid ordinary shares and non-distributed retained earnings.

There are no ancillary capital instruments.

The Company paid a dividend during the 2025 year of \$50.0m (2024: \$175.0m). The Directors do not recommend the payment of a final dividend (also nil in 2024).

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

Not applicable.

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

None, the capital to meet the ECR is available and fully transferable.

v. Identification of differences in shareholder's equity as stated in the Financial Statements versus available statutory capital and surplus.

The Company prepares its financial statements in accordance with applicable accounting principles generally accepted in the UK relating to reinsurance companies (UK GAAP). The EBS balance sheet is derived from the UK GAAP balance sheet by making appropriate adjustments to the assets and liabilities. These are discussed in section D (Valuation for solvency purposes). The EBS balance sheet determines the shareholder's equity.

vi. Compliance with the MSM and the ECR

The Company was compliant with the MSM and ECR requirements at the end of the reporting period and is expected to remain compliant going forward.

vii. Approved Internal Capital Model

Not applicable – The Company has not applied to have the Company's internal capital model approved to determine regulatory capital requirements.

viii. Any other Material Information

All relevant information regarding the Company's capital is considered to be included in the sections above.

F. Subsequent Events

None.

G. Declaration Statement

To the best of our knowledge and belief, the financial condition report fairly represents the financial condition of Brit Reinsurance (Bermuda) Limited in all material respects.



Chairman

23 April 2026

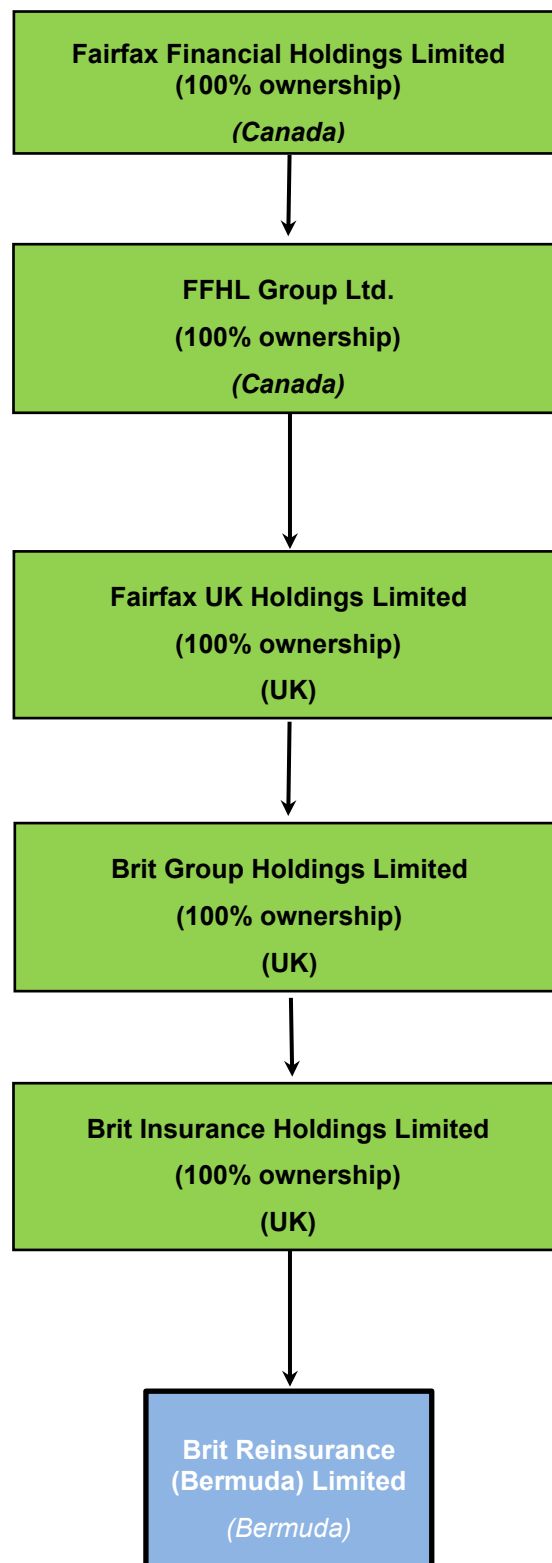


Finance Director and Principal Representative

23 April 2026

H. Appendix I – Abbreviated Group Structure

Brit Reinsurance (Bermuda) Limited – ownership structure



BRIT

RE



Brit Re
Ground Floor
Chesney House
The Waterfront
96 Pitts Bay Road
Pembroke
Hamilton HM 08
Bermuda

britinsurance.com



writing the future

