Financial Condition Report

Sompo International Holdings Ltd.

For the year ended December 31, 2021

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SOMPO INTERNATIONAL

Introduction

This report has been prepared in compliance with the public disclosure requirements of the Insurance (Group Supervision) Rules 2011 of the Bermuda Monetary Authority (the "BMA"). In fulfillment of the public disclosure rules, this report contains information regarding Sompo International Holdings, Ltd. ("Sompo International") and its group of companies ("the Group"). In line with our BMA reporting requirements for 2021, the financial information, consolidated financial results and financial position included in this report (inclusive of the enhanced capital requirement and minimum solvency margin) are those of Endurance Specialty Insurance Ltd. ("ESIL") and its subsidiaries on a consolidated basis. ESIL is the Bermuda domiciled, Class 4, designated insurer of the Group. All other information provided in this report for the Group refers to the entire group of companies of Sompo International. Refer to the Organizational Chart - Appendix A. All financial information reported is on the basis of International Financial Reporting Standards except where noted. The amounts reported in tables are expressed in thousands of United States dollars, except for ratios, share and per share amounts. The amounts reported in text are expressed in millions of United States dollars.

Part 1. Business & Performance

Item 1.b. Group Supervisor	Bermuda Monetary Authority BMA House 43 Victoria Street Hamilton HM 12 BERMUDA

Sompo Holdings, Inc. ("Sompo Holdings"), the parent company to Sompo International, is a publicly-owned holding company, formed under the laws of Japan, whose capital stock is traded on the Tokyo Stock Exchange. It is regulated by the Japanese Financial Services Agency ("JFSA"). On May 9, 2017, the BMA invoked sub-group supervision on the Group. JFSA will continue to be the Group Supervisor for Sompo Group.

ESIL is also regulated by the Bermuda Monetary Authority.

Item 1.c. Group Auditor	Ernst & Young Ltd 3 Bermudiana Road Hamilton HM 08 BERMUDA

Item 1.d. Ownership Details

Sompo International, a Bermuda domiciled holding company, is the parent company for the Group consisting of regulated and non-regulated companies. Sompo International was incorporated in Bermuda in June 2002 and became a wholly owned subsidiary of Sompo Holdings in March 2017.

ESIL is a wholly owned subsidiary of Sompo International.

Item 1.e. Group Structure

As of May 31, 2021 the Group consists of seventy various entities domiciled in across North America, South America, Europe and Asia, as noted in Appendix A. The Group underwrites property and casualty commercial insurance and reinsurance and personal lines insurance on a global basis.

Item 1.f. Business Written

ESIL monitors the performance of its underwriting operations through review of discrete information related to its two reportable segments, Insurance and Reinsurance. Within each of these segments, the Company writes a variety of different types of insurance and reinsurance. For reporting purposes, management has combined its many business units, including within the Insurance Segment - agriculture, casualty and other specialty, professional lines and property, marine/energy and aviation; and within the Reinsurance segment - catastrophe, property, casualty, professional lines and specialty. Management believes that the businesses combined within these segments have similarities that make it appropriate to evaluate each as a group.

Management measures Insurance and Reinsurance Segment results on the basis of the combined ratio, which is obtained by dividing the sum of the net losses and loss expenses, acquisition expenses and general and administrative expenses by net premiums earned. When purchased within a single line of business, ceded reinsurance and recoveries are accounted for within that line of business. When purchased across multiple lines of business, ceded reinsurance and recoveries are allocated to the lines of business in proportion to the related risks assumed. ESIL does not manage its assets by segment; accordingly, investment income and total assets are not allocated to the individual business segments. General and administrative expenses incurred by segments are allocated directly. Remaining general and administrative expenses not incurred by the segments are classified as corporate expenses and are not allocated to the individual business segments. Ceded reinsurance and recoveries are recorded within the business segment to which they apply.

The following table provides a summary of ESIL and subsidiaries' segment revenues and results for the year ended December 31, 2021:

	Insurance	Reinsurance	Total
Revenues			
Gross premiums written	$ 8,418,091	$ 3,855,045	$ 12,273,136
Ceded premiums written	(4,279,674)	(428,029)	(4,707,703)
Net premiums written	4,148,251	3,417,182	7,565,433
Net premiums earned	3,647,001	3,242,733	6,889,734
Expenses			
Net losses and loss expenses	2,637,237	2,060,419	4,697,656
Acquisition expenses	516,411	851,677	1,368,088
General and administrative expenses	223,949	106,030	329,979
Other underwriting income	(4,587)	787	(3,800)
	3,373,010	3,018,913	6,391,923
Underwriting gain (loss)	$ 273,991	$ 223,820	$ 497,811
Net investment income			335,649
Corporate expenses			—
Net foreign exchange gains (losses)			59,508
Net realized and unrealized gains (losses)			(220,282)
Amortization of intangibles			(45,588)
Financing costs			(16,218)
Gain (loss) on investment in associate			460
Gain (loss) before income taxes			$ 611,340
Net loss ratio	72.3 %	63.5 %	68.2 %
Acquisition expense ratio	14.2 %	26.3 %	19.9 %
General and administrative expense ratio (1)	6.1 %	3.3 %	4.8 %
Combined ratio	92.6 %	93.1 %	92.9 %

(1) Total general and administrative expense ratio includes general and administrative expenses and corporate expenses.

The following table provides ESIL and subsidiaries' gross premiums written by segment and line of business for the years ended December 31, 2021 and 2020:

Business Segment		**2021**		**2020**
Insurance				
Agriculture	$	2,668,540	$	997,592
Casualty and other specialty		1,641,524		1,481,356
Professional lines		1,908,392		1,424,843
Property, marine/energy and aviation		2,199,635		1,870,010
Total Insurance		8,418,091		5,773,801
Reinsurance				
Catastrophe		502,905		572,665
Property		467,252		373,740
Casualty		809,367		852,952
Professional lines		1,338,080		908,440
Specialty		737,441		872,160
Total Reinsurance		3,855,045		3,579,957
Total	$	12,273,136	$	9,353,758

Increases in gross premiums written for ESIL and subsidiaries for 2021 versus 2020 were mainly driven by the following factors:

- An increase in gross premiums written in the Agriculture line of business, in the Insurance segment, due to the acquisition of Diversified Crop Services, higher policy counts and increase in commodity prices.
- An increase in gross premiums written in the Professional lines, Property, marine/energy & Casualty and other specialty lines of business in the Insurance segment due to new business written and rate increases;
- An decrease in gross premiums written in the Catastrophe line of business in the Reinsurance segment, due to limit reductions and changes to risk appetite;
- An increase in gross written premiums written in the Professional lines of business in the Reinsurance segment, due to positive premium adjustments.
- Increases above were partly offset by a decrease in gross written premiums written in the Specialty lines of business in the Reinsurance segment, due non renewal of material quota share agreements.

Net premiums written in 2021 increased by $1.7bn, or circa 28.1%, compared to 2020 as a result of growth in both the Insurance and Reinsurance segments.

Insurance premiums grew most significantly in Agriculture from the Acquisition of Diversified Crop, increases commodities, rate increases and new business expanded lines. Reinsurance premiums grew largely due to growth in Professional lines and Property business segments which were driven by rate increases and new business. These increases were partially offset by a reduction in Catastrophe , Casualty and Specialty business segments driven by market opportunities and change in our risk appetite.

The following table provides the gross premiums written by the geographic location in which the risk originated for the years ended December 31, 2021 and 2020:

	2021		2020	
Asia	177,880	1 %	117,974	1 %
Australasia	203,280	2 %	123,614	1 %
Canada	65,173	1 %	50,201	1 %
Europe	964,894	8 %	787,074	8 %
Japan	43,630	— %	68,509	1 %
United States	8,223,898	67 %	5,676,153	61 %
Worldwide	2,427,021	20 %	2,390,404	26 %
Other	167,360	1 %	139,829	1 %
Total	12,273,136	100 %	9,353,758	100 %

Worldwide refers to policies covering multiple geographic locations.

Item 1.g.(i). Investments

The Group and its subsidiaries' investments are governed by its investment policy which provides guidelines and limits on the weighting of investments by class. The application of the prudent person principle within the Group's investment policy is discussed in *Item 3.d. Asset Investing*. Fixed maturity investments are the predominant asset class with the balance consisting of equity securities and alternative funds.

The fair value of the ESIL and subsidiaries investments by class as of the years ended December 31, 2021 and 2020 was as follows:

	December 31, 2021	December 31, 2020
Short-term investments, at FVTPL (designated as such upon initial recognition)	$ 101,204	$ 187,087
Equity securities, at FVTPL (designated as such upon initial recognition)	386,468	86,742
Alternative funds, at FVTPL (designated as such upon initial recognition)	829,557	681,981
Fixed maturity investments, at FVTPL (designated as such upon initial recognition)		
U.S. government and agencies securities	2,006,672	1,448,046
U.S. state and municipal securities	96,741	132,737
Foreign government securities	340,993	449,965
Government guaranteed corporate securities	22,432	45,563
Corporate securities	3,772,580	3,461,233
Residential mortgage-backed securities	2,206,422	2,278,647
Commercial mortgage-backed securities	1,071,575	806,112
Collateralized loan and debt obligations	716,282	633,512
Asset-backed securities	651,786	548,586
Total fixed maturity investments	10,885,483	9,804,401
Total investments	$ 12,202,712	$ 10,760,211

December 31, 2021	December 31, 2021	December 31, 2020
Hedge funds	$ 329,727	$ 303,177
Private investment funds	368,921	242,495
Other investment funds	130,909	136,309
Total alternative funds	$ 829,557	$ 681,981

Net investment income for ESIL and subsidiaries by asset class for the years ended December 31, 2021 and 2020 and was as follows:

	2021	2020
Cash and cash equivalents	$ 2,555	$ 6,850
Fixed income investments[1] at FVTPL	237,194	243,608
Equity securities at FVTPL	5,530	3,215
Alternative funds at FVTPL	113,330	8,556
Sub-total	$ 358,609	$ 262,229
Investment management expenses	(22,960)	(20,664)
Net investment income	$ 335,649	$ 241,565

(1) Fixed income investments comprises of short-term investments and fixed maturity investments.

During the years ended December 31, 2021 and 2020 ESIL and subsidiaries recognized net realized and unrealized gains and (losses) on its investments and derivatives of:

	2021	2020
Fixed income investments at FVTPL	$ 41,330	$ 47,642
Equity securities at FVTPL	411	18,602
Derivative financial instruments	962	(459)
Net realized gains (losses) on investments	$ 42,703	$ 65,785
	2021	**2020**
Fixed income investments at FVTPL	$ (266,517)	$ 172,610
Equity securities at FVTPL	4,997	(3,060)
Derivative financial instruments	(1,465)	687
Net unrealized gains (losses) on investments	$ (262,985)	$ 170,237

The annualized net earned yield and total return of ESIL and subsidiaries investment portfolio for the years ended December 31, 2021 and 2020 and market yield and portfolio duration as of December 31, 2021 and 2020 were as follows:

	2021	2020
Annualized net earned yield[1]	2.84 %	2.41 %
Total return on investment portfolio[2]	1.02 %	5.29 %
Total return on investment portfolio analyzed:		
Short term investments	(0.18)%	0.54 %
Fixed maturity investments	(0.05)%	5.34 %
Equity securities	35.88 %	39.71 %
Other investments	18.75 %	2.32 %
Market yield[3]	1.73 %	1.32 %
Portfolio duration[4]	3.02 years	2.88 years

(1) The actual net earned income from the investment portfolio after adjusting for expenses and accretion of discount and amortization of premium from the purchase price divided by the average market value of assets.
(2) Net of investment manager fees; includes realized and unrealized gains and losses.
(3) The internal rate of return of the investment portfolio based on the given market price or the single discount rate that equates a security price (inclusive of accrued interest) for the portfolio with its projected cash flows. Excludes other investments and operating cash.
(4) Includes only cash and cash equivalents and fixed income investments managed by the Group's investment managers.

Investment portfolio total return was 1.02% in 2021. The investment portfolio return during 2021 was within expectations given the environment. Negative returns within Core Fixed Income due to rising rates were offset by very strong risk asset performance.

Item 1.g.(ii) Material Income and Expenses

Gross and Net Premiums Written and Earned

See discussion of premium movements in *Item 1. f.* above.

Net Losses and Loss Expenses

ESIL and subsidiaries' reported net losses and loss expenses by segment and line of business for the years ended December 31, 2021 and 2020 are as follows:

Business Segment		**2021**		**2020**
Insurance				
Agriculture	$	795,084	$	450,512
Casualty and other specialty		529,743		464,412
Professional lines		604,261		365,578
Property, marine/energy and aviation		704,130		524,557
Total Losses Incurred		2,633,218		1,805,059
Prior Year Favorable (Adverse) Loss Development		(40,513)		(20,793)
Current Accident Year Losses Incurred	$	2,592,705	$	1,784,266
Net loss ratio		72.3 %		75.6 %
Reinsurance				
Catastrophe	$	231,141	$	187,570
Property		287,511		214,357
Casualty		551,518		302,554
Professional lines		710,183		442,671
Specialty		284,086		360,921
Total Losses Incurred		2,064,439		1,508,073
Prior Year Favorable (Adverse) Loss Development		(24,620)		(50,157)
Current Accident Year Losses Incurred	$	2,039,819	$	1,457,916
Net loss ratio		63.5 %		67.2 %

In the Insurance segment the net loss ratio reduced by 3.3 percentage points in 2021 compared to 2020. The general decrease in loss ratio was due to higher 2020 crop losses at Agri Sompo NA compared to current year, and favorable loss experience on International Specialty lines and Workers Compensation.

In the Reinsurance segment, the net loss ratio reduced by 3.7 percentage points in 2021 compared to 2020. The general decrease in loss ratio was mainly due to Covid-19 releases and favorable loss experience in Aviation and Energy lines.

ESIL and subsidiaries participate in lines of business where claims may not be reported for many years. Accordingly, management does not believe that reported claims are the only valid means for estimating ultimate obligations. Ultimate losses and loss expenses may differ materially from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. The overall loss reserves were established by the actuaries, approved by the Group's Loss Reserve Committee and reflect management's best estimate of ultimate losses.

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Acquisition Expenses

Acquisition expenses consist of commissions and brokerage expenses that are typically a percentage of the premiums on insurance policies or reinsurance contracts successfully written. General and administrative expenses consist primarily of personnel expenses and general operating expenses directly attributable to insurance and reinsurance operations. Corporate expenses are expenses not allocated directly to the insurance and reinsurance operations.

The acquisition expenses of the Reinsurance segment of the business written are generally higher than those in the Insurance segment.

Part 2. Governance Structure

The governance structure of the Group stems from the Board of Directors of Sompo International (the "Board of Directors" or "Board"). The Board of Directors is selected to oversee and guide the Group's management and business. The Board has adopted a set of Corporate Governance Guidelines to assist in the exercise of its responsibilities. Collectively the Board of Directors, its committees and the senior executives of the Group play an integral part in executing the Group's Enterprise Risk Management("ERM") framework and best practices are implemented properly to meet its various regulatory and corporate requirements.

Item 2.a. Parent Board and Senior Executives

Sompo International Holdings Ltd.

Sompo International's Board of Directors currently consists of five directors as follows:

a. James A. Shea, Chairman of the Board (appointed effective 9/1/21)
b. (John R. Charman resigned effective 9/1/21)
c. Katsuyuki Tajiri
d. Mikio Okumura
e. Christopher B. Gallagher
f. Yuji Kawauchi

The Group has eight senior executives (the "Senior Executive Officers") as follows:

- James A. Shea, Chief Executive Officer and Executive Chairman (appointed effective 9/1/21)
- (Mikio Okumura resigned as Chief Executive Officer effective 9/1/21)
- Windy Lawrence, General Counsel and Secretary (appointed effective 9/20/21)
- (John V. Del Col resigned as General Counsel and Secretary effective 9/20/21)
- Christopher B. Gallagher, Chief Executive Officer, Commercial P&C
- Brian W. Goshen, Chief Administrative Officer
- Michael J. McGuire, Chief Financial Officer
- Christopher A. Donelan, Chief Executive Officer, Global Reinsurance
- Carrie Rosorea, Chief Accounting Officer
- Satyan Sawhney, Group Chief Risk Officer

Endurance Specialty Insurance Ltd. ("ESIL")

ESIL's Board of Directors currently consists of three members. The current directors are as follows:

- James A. Shea (appointed 12/1/21)
- Michael J. McGuire (appointed 12/1/21)
- Christopher B. Gallagher
- (John R. Charman and John V. Del Col resigned effective 12/1/21)

There are four senior executives (the "Senior Executive Officers") as follows:

- Christopher B. Gallagher, Chief Executive Officer
- Michael J. McGuire, Chief Financial Officer
- Carrie Rosorea, Chief Accounting Officer
- Yohei Namiki, Secretary

Item 2.a.(i) Structure, Roles, and Responsibilities

The Board oversees management's performance on behalf of Sompo Holdings. The Board's primary responsibilities are (1) to select, oversee and determine compensation for the Chief Executive Officer who, with senior management, run the Group's affairs on a day-to-day basis, (2) to monitor management's performance to assess whether the Group is creating value for Sompo Holdings in an effective, efficient and ethical manner and (3) to periodically review the Group's long-range plan, business initiatives, capital management and budget matters. The Board appoints the Chairman of the Board, who may be an officer or former officer of the Group if the Board determines that it is in the best interests of the Group and Sompo Holdings. The roles of Chairman and Chief Executive Officer may be held by the same person or may be held by different people.

Various operational and corporate risk governance responsibilities of the Board have been delegated to Board Committees as defined within the respective Committee charters. Typical responsibilities include ensuring that each significant operational area maintains appropriate policies and procedures, and that these policies and procedures are reviewed on at least an annual basis. In addition, the Audit & Governance Committee Charter empowers the committee to review any accounting and internal control policies and procedures within the Group. Governance activities of the Board are documented within Board minutes, drafted and maintained in accordance with applicable law.

The Board and its committees meet throughout the year on a set schedule, and also hold special meetings and act by written consent from time to time as necessary. The Board has delegated certain responsibilities and authority to the committees as noted above and described below. Committees report regularly on their activities and action to the Board.

The current Board of Directors and its committees and the membership of each committee as at December 31, 2021 is noted as follows:

Board	Audit & Governance Committee	Nomination & Compensation Committee	Finance Committee	Risk Committee
• James A.Shea (Chair) • Christopher B. Gallagher • Yuji Kawauchi • Katsuyuki Tajiri • Mikio Okumura	• James A.Shea • Yoshihiro Uotani(Chair) • Yuji Kawauchi	• James A.Shea • Brian W. Goshen • Shinichi Hara(Chair) • Mikio Okumura	• James A.Shea(Chair) • Mikio Okumura • Michael McGuire • Tsutomu Yamaguchi	• James A.Shea • Christopher B. Gallagher • Mikio Okumura • Yoshihiro Uotani (Chair) • Yuji Kawauchi • Katsuyuki Tajiri

The Audit & Governance Committee oversees and focuses on risks related to the Group's financial statements, the financial reporting process, and the Group's corporate governance policies and practices. The Audit & Governance Committee has responsibility for monitoring risks within the following categories:

- Significant accounting policies, changes & restatements
- Taxation & adherence to tax operating guidelines
- Third party solvency (credit risk); transfer pricing; management of run-off business
- External auditor relationship
- Segregation of relationship
- Code of business conduct & ethics
- Charitable contributions & political actions
- Legislative affairs
- Corporate governance structure & reputational matters

Additionally, in conjunction with the Risk Committee, the Audit & Governance Committee has responsibility for the monitoring of:

- Underwriting - controls & financial reporting
- Loss Reserving - adequacy & financial reporting
- Ceded Reinsurance - credit risk & financial reporting
- Regulatory reporting requirements

The Nomination & Compensation Committee oversees and is responsible for the nomination of members and evaluation of the policies and processes of the Board. In addition, it has responsibility to evaluate the risks and rewards associated with the Group's compensation and benefits programs. The committee is also responsible for monitoring risks in these categories:

- Compensation & benefits
- Succession planning
- Human resources
- Culture & behavior
- Employee relations

The Finance Committee is charged with overseeing the risks within the Group's investment portfolio and capital structure. The Committee is responsible for monitoring risk within the following categories:

- Capital management
- Liquidity
- Interest rate/inflation changes
- Commodity price volatility
- Credit/default risks
- Financial strength ratings
- Foreign exchange

Additionally, in conjunction with the Risk Committee, the Finance Committee is responsible for monitoring the policies and procedures of the Group's investments.

The Risk Committee of the Group oversees the Group's risk management framework, with the purpose of identifying and managing the risks that threaten the Group and its solvency, monitor adherence to risk appetite, monitoring the Group's risk adjusted returns on capital and reviewing with management the Group's underwriting, investment and operational risks and controls. The Risk Committee is responsible for monitoring risks to the achievement of the Company's objectives in each of the following areas:

- Financial Strength and stability
- Capital efficiency and earnings stability
- Financial resilience
- Operational resilience
- Sustainability

The Risk Committee also works in tandem with the Finance Committee in monitoring the risks associated with the Group's investment correlations. In addition, the Risk Committee is responsible for monitoring the risk of Catastrophe Risk Correlation & Aggregation.

Item 2.a.(ii) Remuneration Policies and Performance-Based Criteria

The Compensation and Performance based criteria for the senior executives of the Group and ESIL consists of four principal elements of compensation: base salary, annual incentive compensation, long-term incentive compensation, and employee benefits/ other compensation. Base salary is the guaranteed element of the Group's compensation structure and is paid to its employees for ongoing performance throughout the year. The Group's annual incentive compensation program supports the Group's strategy by linking a significant portion of its employees' total compensation to the achievement of critical business goals on an annual basis. All of the Group's employees, (other than John Charman, the Group's former Chairman), are eligible to earn annual incentive compensation.

The Nomination & Compensation Committee believes the inclusion of long-term incentive compensation in the Group's compensation structure fosters the appropriate perspective in management, given that the ultimate profitability of the insurance or reinsurance underwritten by the Group may not be fully known for years. In addition, the Compensation Committee seeks to align the interests of the Group's employees with the Group's ultimate shareholders to the greatest extent practicable. Finally, long-term incentive compensation, which potentially is forfeited in the event of the departure of an employee from the Group, has the ability to retain valuable executive talent within the organization. Each of the Senior Executive Officers is eligible to earn long-term incentive compensation.

The Group offers a core set of employee benefits in order to provide its employees with a reasonable level of financial support in the event of illness or injury and enhance productivity and job satisfaction through programs that focus on employees' health and well-being. The benefits provided are similar for all of the Group's employees, subject to variations as a result of local market practices. The Group's basic benefits include medical, dental and vision coverage, disability insurance and life insurance. The Group also offers all employees the opportunity to participate in the Group's defined contribution retirement savings plans.

Item 2.a.(iii) Supplementary Pension and/or Early Retirement Schemes

The Group does not have any supplementary pension programs or early retirement schemes for any of the members of its Board of Directors nor any of the senior executives.

Item 2.a.(iv) Shareholder Controllers and Material Transactions

As a wholly owned subsidiary of Sompo Holdings, the Group does not have any external shareholders and therefore does not have any shareholder controllers.

The Group did not have any material transactions in the reporting period with persons who exercise significant influence or senior executives other than those associated with the compensation arrangements previously disclosed.

ESIL is a wholly owned subsidiary of the Group and therefore does not have any shareholder controllers.

ESIL did not have any material transactions in the reporting period with persons who exercise significant influence or senior executives other than those associated with the compensation arrangements previously disclosed.

Item 2.b. Fitness & Propriety

Item 2.b.(i) Parent Board and Senior Executives

The Board of Directors' Nomination & Compensation Committee oversees the process utilized by the Group inclusive of ESIL in assessing the fitness and propriety of a member of its Board. In connection with each Annual General Meeting, and at such other times as it may become necessary to fill one or more seats on the Board of Directors, the Nomination & Compensation Committee will consider in a timely fashion potential candidates for director that have been recommended by the ultimate parent company, the Company's directors, the Chief Executive Officer or members of senior management.

The Nomination & Compensation Committee may also determine to engage a third-party search firm as and when it deems appropriate to identify potential director candidates for its consideration. The Nomination & Compensation Committee will meet as often as it deems necessary to narrow the list of potential candidates, review any materials provided in connection with potential candidates and cause appropriate inquiries to be conducted into the backgrounds and qualifications of each candidate. During this process, the Nomination & Compensation Committee also reports to and receives feedback from other members of the Board of Directors and meets with and considers feedback from the Chief Executive Officer and other members of senior management. Interviews of potential candidates for nomination are conducted by members of the Nomination & Compensation Committee, the Chief Executive Officer and other members of senior management.

The personal characteristics, attributes, bases for evaluation, process for renomination of current directors are set forth in the Director Nomination Policy and are discussed below. The Director Nomination Policy is intended as a component of the framework within which the Board, assisted by the Nomination & Compensation Committee, nominates candidates to serve as members of the Board.

Under the Director Nomination Policy, Board of Directors should retain flexibility to select those candidates whom it believes will best contribute to their overall performance. Candidates to be selected by the Board of Directors should possess personal characteristics consistent with those who:

- have demonstrated high ethical standards and integrity in their personal and professional dealings;
- possess high intelligence and wisdom;
- are financially literate (i.e., who know how to read a balance sheet, an income statement, and a cash flow statement, and understand the use of financial ratios and other indices for evaluating company performance);
- ask for and use information to make informed judgments and assessments;
- approach others assertively, responsibly, and supportively, and who are willing to raise tough questions in a manner that encourages open discussion; and/or
- have a history of achievements that reflect high standards for themselves and others.

In addition, under the Director Nomination Policy, candidates for the Board of Directors should have one or more of the following attributes:

- a record of making good business decisions;
- an understanding of management "best practices";
- relevant industry-specific or other specialized knowledge;
- a history of motivating high-performing talent; and
- the skills and experience to provide strategic and management oversight, and to help maximize the long-term value of the Company for its shareholders.

The composition of the current Board includes directors with diverse backgrounds, including seasoned insurance and reinsurance industry executives, investment management veterans, investment professionals, financial experts and those with significant experience operating global enterprises at the executive level.

In the case of current directors being considered for renomination, the director's history of attendance at Board of Directors and committee meetings, the director's tenure as a member of the Board of Directors and the director's preparation for and participation in such meetings are also taken into consideration under the Director Nomination Policy.

Similarly, the Board of Directors applies the same concepts and ideologies in evaluating the fitness and propriety of the senior executives. Potential candidates are sought who exhibit the same personal characteristics and attributes as noted for Board of Directors nominees.

Item 2.b.(ii) Professional Qualifications

The professional qualifications and expertise of the members of the Sompo International Group's Board of Directors and senior executives are described as follows:

James A. Shea – Executive Chairman of the Board

James Shea was appointed Executive Chairman of the Board of Directors, Sompo International Holdings Ltd. and Chief Executive Officer of Overseas Insurance and Reinsurance Business, Sompo Holdings, Inc. and Chief Executive Officer, Sompo International Holdings Ltd. in September 2021. Having served in various senior level positions in Canada, the U.S., UK, France, Japan and Singapore throughout his career. He was most recently CEO of Zurich Insurance Group's Global Commercial Insurance Business and member of their Executive Committee from 2016 until 2021. Prior to that, he served as the President of Global Financial Lines for AIG in New York and CEO of Commercial Insurance for AIG in Asia Pacific. Earlier in his career, Mr. Shea held several senior underwriting and general management roles. He holds a bachelor's degree in political science from McGill University.

Katsuyuki Tajiri – Board Member

Katsuyuki Tajiri was appointed an Executive Director of Sompo International in January 2019. He joined Sompo Holdings in 1990 and has held various management positions during his more than 30 years of service to the company, including planning roles in new product development, direct marketing, global strategy and more recently as Executive Director and COO of Sompo Holdings (Asia) which manages Sompo's retail business in the ASEAN countries. In 2018, he was appointed Executive Officer of a new division of Sompo International responsible for laying the foundation for an integrated retail platform, which primarily focuses on personal lines products. Mr. Tajiri holds a Bachelor of Arts degree from Sophia University.

Mikio Okumura - Board Member

Mikio Okumura was appointed an Executive Director of Sompo International in March 2019. An executive officer of Sompo Holdings, Inc. since April 2015 and director since June 2016, he was appointed Group Chief Operating Officer and President in April 2022. Previously, he served as Group Chief Strategy Officer since April 2019, business owner of Nursing Care & Healthcare at Sompo Holdings since April 2017 and Chairman and Executive Officer of Sompo Care Inc. Mr. Okumura joined the company in 1989 and, throughout his more than thirty year tenure with Sompo Holdings, has held leadership roles within investment banking, the overseas insurance business, and corporate planning.

Christopher B. Gallagher - Chief Executive Officer,Sompo International Commercial P&C and Board Member

Christopher Gallagher currently serves as Executive Director of Sompo International Holdings Ltd. and Chief Executive Officer of Sompo International's Commercial Property and Casualty Business. Mr. Gallagher was previously Chief Risk Officer and Group Actuary, from September 2015 through February 2019, responsible for Sompo International's Enterprise Risk Management and Actuarial Functions. Prior to joining the Group, Mr. Gallagher was the Chief Risk Officer of the Insurance segment at Axis Capital Holdings from 2007 to 2015. Prior thereto, he served from 2001 to 2007 as a Senior Manager in Ernst & Young LLP's insurance and actuarial advisory practice in London. Mr. Gallagher holds a Bachelor of Science (Honours) degree in Mathematics and Statistics from the University of Glasgow and is a Fellow of the Institute and Faculty of Actuaries in the UK.

Yuji Kawauchi - Board Member

Yuji Kawauchi is a Non-Executive Director and currently serves as Executive Vice President, General Manager, Global Business Planning Department of Sompo Holdings, Inc. Mr. Kawauchi joined Sompo Holdings in 1988 and has held various management positions in his over 30 years of service to the company, primarily in the areas of corporate planning and global business strategy and in executive leadership roles in the company's South Asia and East Asia regions.

In 2019, he was appointed to his current role leading business planning for Sompo Holdings on a global basis. Mr. Kawauchi holds a degree from Tokyo Metropolitan University, Faculty of Law.

In addition to the directors noted above, the biographies of the Group's senior executives are:

James A. Shea – Chief Executive Officer
(as noted above)

Christopher B. Gallagher, Chief Executive Officer, Commercial Property & Casualty
(as noted above)

Windy L. Lawrence, General Counsel and Secretary

Windy Lawrence was appointed General Counsel and member of the Commercial P&C Executive Team of Sompo International in September 2021. Prior to joining the company, Ms. Lawrence held multiple legal and regulatory roles and was responsible for the transformation and operational, legal, and regulatory integrations of major organizations. She has also led legal and compliance teams supporting life insurance, property and casualty insurance and broker-dealers. A native of New York, Ms. Lawrence is admitted to practice law in New York and is also active in many community and civic matters.

Michael J. McGuire, Chief Financial Officer

Michael J. McGuire has been Chief Financial Officer of the Group since January 2006. Mr. McGuire joined the Group in 2003 to lead its external reporting, treasury and Sarbanes-Oxley compliance initiatives from Deloitte & Touche LLP where he spent over nine years working in a variety of audit and advisory roles in the United States, Bermuda and Europe. In his last role at Deloitte & Touche, Mr. McGuire served as a senior manager in their merger and acquisition advisory practice, providing transaction accounting, structuring and due diligence services to private equity and strategic investors. Mr. McGuire is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Christopher A. Donelan, Chief Executive Officer, Global Reinsurance

Chris Donelan was appointed Chief Executive Officer, Global Reinsurance in March 2020, having previously served as the Deputy CEO for Global Reinsurance, Chairman of North America Reinsurance and CUO of Global Casualty Reinsurance. Prior to joining the company in October 2013, Mr. Donelan held senior underwriting, claims and reinsurance management positions with various insurance and reinsurance organizations. With nearly 30 years of industry experience, he has a successful track record of building and leading global reinsurance portfolios. Mr. Donelan holds a MBA in Insurance and Risk Management from St. John's University and holds both the Chartered Property Casualty Underwriter and Associate in Reinsurance designations.

Carrie L. Rosorea, Chief Accounting Officer

Carrie L. Rosorea was named Chief Accounting Officer of the Group and of ESIL effective February 2013. Ms. Rosorea joined Endurance in 2005 and has held several financial reporting and controller positions of increasing responsibility, most recently Group Finance Director. Prior to joining Endurance, from October 2000 to April 2005, Ms. Rosorea served as a Controller at Alta Partners, a San Francisco-based private equity firm. Previously, Ms. Rosorea worked as an Assistant Controller at XL Mid Ocean Reinsurance Company Ltd. and as a Senior Accountant in the audit practice of Deloitte & Touche LLP, both in the United States and Bermuda. Ms. Rosorea is a Certified Public Accountant.

Brian W. Goshen, Chief Administrative Officer

Brian Goshen is Chief Administrative Officer of the Group. Mr. Goshen joined the Group in February 2014 and is responsible for our global Human Resources, Information Technology, Corporate Claims, Real Estate & Facilities and Marketing & Communications teams. He has over 30 years of experience as a Human Resources professional with more than 25 of those in the financial services industry. Mr. Goshen has held various management positions with responsibility across all human resource operations, and recently served as Chief Administrative Officer for a global insurance and reinsurance company. He holds a B.S. in Management and Organization from Central Washington University.

Satyan Sawhney, Group Chief Risk Officer

Satyan Sawhney was named Group Chief Risk Officer, Sompo International Holdings Ltd., in 2020. Mr. Sawhney is responsible for risk strategy and leading specialist risk analytics, data and operational risk teams along with a network of chief risk officers internationally. He chairs Sompo International's Risk Committee and is a member of the Sompo Holdings' ERM committee. Prior to this role, Mr. Sawhney held risk and actuarial leadership roles in the London Market and was a founding member of a Lloyd's syndicate and managing agent. He holds a Master of Science degree in Mathematics, Operational Research, Statistics and Economics from the University of Warwick and is a Fellow of the Institute and Faculty of Actuaries in the UK.

ESIL

The professional qualifications and expertise of the members of ESIL's Board of Directors are described as follows:

James A. Shea
(*as noted above*)

Christopher B. Gallagher
(*as noted above*)

Michael McGuire
(as noted above)

In addition to the Directors noted above, the qualifications of the ESIL's senior executives are:

Yohei Namiki, Secretary

Yohei Namiki was appointed Secretary of Endurance Specialty Insurance Ltd. in December 2021. He is currently Senior Vice President and Chief of Staff to the Chief Executive Officer of Sompo International Holdings, Inc, and prior to that, he served as a consultant and project manager in various roles in Tokyo. He holds a Bachelor's degree in economics from Waseda University and a Master's degree in business administration from the IESE School of Business.

Michael J. McGuire
(as noted above)

Christopher B. Gallagher
(as noted above)

Carrie Rosorea
(as noted above)

Item 2.c. Risk Management and Solvency Self-Assessment

The risk management framework is based on a governance process that sets forth clear responsibilities for taking, managing, monitoring and reporting risk. The Sompo International Enterprise Risk Management (ERM) policy is the Group's main governance document and it sets standards of effective risk management throughout the Group. The Policy describes the Group's risk management framework, provides a standardized set of risk types and defines the Group's appetite for risk, as authorized by the Board of Directors. Ongoing risk assessments verify that the requirements of the ERM policy are met. The Group regularly reports on its risk profile at local and Group levels.

On a group basis, the Risk Team monitors and reports on, among other things, the following:

- Any changes to the risk profile;
- Adherence to the risk appetites and limits;
- Capital position relative to internal and external needs;
- Accumulating risk exposure from underwriting and investment activities;
- Stress and scenario analysis, reflective of current emerged, emergent or emerging risks;
- Operational risk assessments including any operational loss incidents or near misses; and
- Developments in any other risk areas, including Group, Strategic, Reputational or Legal Risk.

The risk team is supported in fulfilling these reporting requirements by a number of risk sub-committees that bring together key risk owners and other specialists from across the business focusing upon: Natural Catastrophe Risk; Financial and Credit Risk; Cyber Risk, Liability Risk; Capital Modelling and Capital Management. Key findings and updates are reported to the Management Risk Committee ("MRC") quarterly and the Board Risk Committee ("BRC") semi-annually.

To support this monitoring the Group maintains a central listing of the Group's material risks in a risk register that defines the Group's and the Group Companies' Risk Universe. The key risks documented within the risk register are updated annually or more frequently as required by the risk team in conjunction with assigned risk owners. These key risks are mitigated by a documented control framework of policies, procedures, processes and control activities. The control framework is assessed by risk owners at least on an annual basis or more frequently as required. Any material control issues or material change in risk exposures are reported to the MRC and BRC.

The Group assesses and reports upon its forward-looking risk profile at least on an annual basis. This process is called the Own Risk & Solvency Assessment ("ORSA"). The Bermuda Monetary Authority refers to this process as the Group Solvency Self-Assessment (for Groups) or Commercial Insurer's Solvency Self-Assessment (for licensed insurers). Material risks and on-going capital needs in light of an evolving internal and external risk environment or arising from revisions to the business strategy or through marketplace changes are evaluated through the ORSA process.

In particular the ORSA process supports the understanding of the risk profile, performance prospects and on-going solvency requirements of the Group and each Group Company. It does so with regard to the Group's stated strategy, whether the Group's risk appetite and tolerances are consistent with such strategy; and with specific consideration of the potential shocks or risks the Group may face over its strategic planning horizon and their impact on the Group's strategy and goals. The process:

- Involves both a quantitative and qualitative evaluation of existing, strategic and emerging risks, including stress and scenario testing;
- Involves a review of the material risks and on-going capital needs in the event of a material change to the internal and / or external risk environment or arising from revisions to the business strategy;
- Provides for the regular determination of the current and future solvency position and the determination of the quality and quantity of the funds necessary to ensure its capital needs are met at all times. Capital assessments are supported by the Bermuda Solvency Capital Requirement ("BSCR") risk-based capital tool and the internal Group Capital Model ('GCM'). Both encompass the primary risk exposure areas as stated in item 3(a); and

- Is appropriately evidenced, documented and described in the reporting that is prepared at least annually and reported to the BRC.

The BRC has ultimate responsibility for the ORSA. The Risk function has day-to-day responsibility for conducting the ORSA process and reporting the results of such process with assistance from the actuarial and other supporting functions.

At least annually (or more frequently as required by the MRC or BRC), the Risk function compiles the outputs from the underlying processes within the scope of the ORSA to prepare a formal annual ORSA report to the MRC and BRC. The Risk function maintains a record of each report which documents the MRC and BRC conclusions and actions taken in response to the ORSA findings.

Key data used to support the ORSA process is subject to review by key function holders and key data sources. ORSA reporting provides transparency as to any uncertainty in the assessments associated with data deficiencies, biases or issues of timeliness.

The ORSA reporting is also used to demonstrate the results of self-assessment of the risks to the BMA, and also comply with laws and regulations applicable.

Item 2.d. & 2.d.(i). Internal Controls

The Group operates an internal control system in accordance with its 'three lines of defense' model of internal control. Specifically:

- Operational Management Controls, being those operated within core business functions where risk is owned and managed (the first line of defense);
- A Risk Management Function and a Compliance Function, which monitor and facilitate the implementation of effective risk management and control practices and provides assistance and guidance to the first line of defense in reporting adequate risk information through the Group's operations (the second line of defense); and
- An (Internal) Audit Function, which provides assurance to the Group's Board as to the effectiveness of the first and second lines of defense through a risk-based program of testing, quality assurance, and assessment (the third line of defense).

The controls operated in the Group combine preventative controls and detection controls, designed to ensure that the Group operates within its stated risk appetites and tolerances.

The Group's internal control framework is overseen by the Group's Audit & Governance Committee. The Audit & Governance Committee's oversight of internal controls includes the following responsibilities, in accordance with the Group's Audit & Governance Committee charter:

- Review the adequacy and effectiveness of the Group's accounting and internal control policies and procedures on a regular basis, including the responsibilities, budget and staffing of the Group's internal audit function, through inquiry and discussions with the Group's independent auditors and management of the Group;
- Review with management the Group's administrative, operational and accounting internal controls, including any special audit steps adopted in light of the discovery of material control deficiencies, and evaluate whether the Group is operating in accordance with its prescribed policies, procedures and codes of conduct;
- Receive periodic reports from the Group's independent auditors and management of the Group to assess the impact on the Group of significant accounting or financial reporting developments that may have a bearing on the Group;
- Establish and maintain free and open means of communication between and among the Board, the Committee, the Group's independent auditors, the Group's internal audit department and management, including providing such parties with appropriate opportunities to meet separately and privately with the Committee on a periodic basis;
- Establish clear hiring policies by the Group for employees or former employees of the Group's independent auditors;

- Discuss guidelines and policies governing the process by which senior management of the Group and the relevant departments of the Group assess and manage the Group's exposure to risk, as well as the Group's major financial risk exposures and the steps management has taken to monitor and control such exposures;

Additionally, the Group assesses the effectiveness of internal controls over financial reporting in accordance with Sompo Holdings' Group Basic Policy on Internal Control over Financial Reporting for each fiscal year to confirm there are no material weaknesses.

Item 2.d.(ii) Compliance Function

The compliance function of the Group is overseen by a designated Compliance Officer. The Compliance Officer's role is to (a) act as an advisor to the Board of Directors, the Chief Executive Officer and the Risk Management Committee on matters relating to compliance and (b) monitor and report on the results of the compliance/ethics efforts of the Group to the Board of Directors, the Chief Executive Officer and the Risk Management Committee.

The Compliance Function exists within the Group in order to secure, inter alia, the following objectives, as set out in the Compliance Policy and Procedures:

- To advise the Board on compliance with all relevant regulations and legislation;
- To assess the impact on the Group of material changes in the legal or regulatory environment;
- To facilitate the identification, assessment and mitigation of compliance and regulatory risk;
- To oversee and monitor compliance with regulatory requirements by the Group; and
- To produce and implement a plan to achieve the objectives with which the Compliance Function is charged.

In order to achieve the objectives set out above the Compliance Function operates (alongside the Risk Function) as part of the Group's second line of defense and reports at least quarterly to the Group's Board on its operations and activities. The activities of the Compliance Function are divided into the following strands of activity:

- Business advisory: ensuring that the Board, senior management, and staff of the Group are aware of the obligations and requirements imposed on them by the applicable regulatory regimes.
- Compliance monitoring: providing regular and prompt identification and assessment of compliance risk and the day-to-day operation of compliance tools, policies and procedures.
- Regulatory affairs: managing the relationship of the Group with its regulators.
- Complaints handling: administering and operating the complaints handling process for the Group on a day-to-day basis.
- Reporting on all of the above strands of activity to the Group's Board.

Supplementing the Compliance Officer's role are the Group's regulatory and operational compliance functions. The Regulatory Compliance function is charged with ensuring compliance within each of the jurisdictions the Group operates in. For each regulatory jurisdiction, the Chief Financial Officer, the General Counsel, or their respective delegates with responsibility for the pertinent geographic location, continually monitor the regulatory environment for requirements that may impact the Group. In the event of a new regulatory requirement being proposed, and depending upon the underlying nature of the regulatory requirement, all filings may be managed at the local level or, alternatively, the Chief Financial Officer and General Counsel may establish a dedicated project team at the corporate level to which the responsibility of creating and submitting the filing is delegated. The project team may include, but not be limited to specialists within the Finance, Legal, Internal Audit and Risk Management functions. As required, the Legal function drafts the necessary Group policies and procedures in accordance with the requirements of applicable laws and regulations. The Legal function is further charged with the responsibility to investigate and resolve all issues of non-compliance.

Operational Compliance is monitored and reported through the combined actions of the Internal Audit, Corporate Underwriting and Claims functions. The responsibilities of Internal Audit and its role in operational compliance are explained below in *Item 2.e. - Internal Audit*.

Corporate Underwriting is responsible for ensuring that all underwriting procedures/ guidelines related to the product line are followed, that business written is within an underwriter's authorized limits that a robust peer review process is followed and that pricing adequately compensates for the exposures detailed within the contract terms. Corporate Underwriting also performs operational and process audits on both the insurance and the reinsurance book of business. Underwriting audit reports provide an assessment of the overall effectiveness of the business unit being audited and recommends process improvements. The compliance component of the Claims function utilizes peer reviews to ensure the overall quality of the claims management process. Claims reviews include but are not limited to compliance with the claims operating guidelines, the decision making process, the adequacy of reserves, and the tracking and managing of recoveries.

Item 2.e. Internal Audit

The purpose of the Internal Audit's (IA) function is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Group by challenging the effectiveness of the framework of controls which enable risk to be assessed and managed. IA assists the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control. The internal audit activity's responsibilities are defined by the Audit & Governance Committee as part of their oversight role.

At least annually, the Chief Audit Executive will submit to Executive Management and the Audit & Governance Committee an internal audit plan for review and approval. The internal audit plan will consist of a schedule as well as budget and resource requirements for the next fiscal/calendar year. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management, the risk function and the Audit & Governance Committee. The Chief Audit Executive will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit & Governance Committee through periodic activity reports.

The Chief Audit Executive or designee following the conclusion of each internal audit engagement will produce a written report that is distributed as appropriate. Internal audit results will also be communicated to the Audit & Governance Committee.

The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All findings will remain in an open issues file until cleared.

The Chief Audit Executive will periodically report to Executive management and the Audit & Governance Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.

The internal audit activity remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgment. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or processes being examined.

The Chief Audit Executive will confirm to the board, at least annually, the organizational independence of the internal audit activity.

Item 2.f. Actuarial Function

Group Functions

The Actuarial Functions at the Group operate in various segments of the organization. The Group Chief Risk Officer and the Group Chief Reserving Officer are responsible for the oversight of these functions with the support of the Chief Pricing Actuaries for the two major business segments, and the Ceded Reinsurance Officer. Actuarial Functions are provided with the necessary authority to carry out their roles by the Board and are operationally independent of the Group's other key functions.

The **Reserving actuaries** review the Group's loss and loss expense reserves on a quarterly basis for both current and prior accident years using the latest claims data. The Group uses multiple methods, supplemented with its own actuarial and professional judgment, to establish its best estimate of loss and loss expense reserves.

The Reserving analysis for the Group's business units uses data from the claims and underwriting data systems. This data is subject to review and quality checks by members of the Information Technology, Finance, and Actuarial teams. The Actuarial reserving function performs the quarterly reserving analysis, using approved reserving techniques. Reserve estimates are adjusted for any ceded reserves, which are estimated based on the underlying characteristics of the ceded treaty terms.

Each quarter an internal peer review is performed of the loss reserve estimates to determine whether they reasonably represent the contractual liabilities to which the Group is exposed. All reserve estimates are consolidated within the quarterly loss reserve study and are presented to the Group Reserve Committee for review and approval. The committee consists of representatives of various disciplines from within the Group.

The **Capital actuaries** are responsible for the development and maintenance of the Group Capital Model(GCM), primarily used to support on-going solvency monitoring and risk adjusted performance assessments , as well as wider uses such as earnings volatility monitoring, ceded reinsurance assessments and supporting pre-bind risks selection and pricing. Capital actuaries ensure the GCM is operated in line with the Board-approved capital model policies in terms of model governance, change, validation, and documentation. The Group Capital Model Sub-Committee, a sub-comittee of the Management Risk Committee, consists of representatives from capital, pricing, actuarial and ceded reinsurance function, and seeks to provide on-going assurance that the model is well maintained and appropriate for its intended uses.

Reinsurance and Insurance Pricing Functions

Reinsurance and Insurance Pricing Functions are discrete functions. Pricing analysis at the business unit level is overseen by the head of pricing for Reinsurance and Insurance as well the CEO's for those respective areas. The CEOs of Global Insurance and Reinsurance are ultimately responsible for ensuring business written by the Group is adequately priced. To achieve this objective, actuarial pricing models have been developed, by line of business, to provide a standardized means by which submissions can be consistently and objectively rated. All models require peer review and user testing as part of the standard pricing model development process. Prior to deployment within the business, all models require sign-off by the relevant lead actuary. Guidelines have been developed and disseminated identifying the triggering premium thresholds (by line of business) at which actuarial pricing and/or peer reviews are required. The Insurance and Reinsurance segments both monitor rate changes and achieved rating levels. This information is used as a key input to the Reserving team’s selection of initial expected loss ratios.

Item 2.g. Ceded Reinsurance Function

The purchase of ceded reinsurance is coordinated by the Ceded Reinsurance Officer who works with the business and various functional areas to determine coverage needs. An appropriate reinsurance structure is developed and the submission is built to present to market. The Ceded Reinsurance Officer ensures that the data contained within the submission is both accurate and that the narrative outlining the business’ strategy is relevant. All draft contracts undergo a legal review. The reinsurance also undergoes a risk transfer analysis based on final terms and conditions. All purchases are made through a pre-approved counterparty panel with the constituents selected on the basis of their financial strength rating and other background criteria. In the event of credit downgrades, approved counterparties are removed from the panel. Ceded Reinsurance formally advises the Claims and Finance functions of all in force ceded reinsurance treaties to ensure that appropriate recoveries are obtained and reinsurance cessions properly recorded.

Item 2.h. Outsourcing

Item 2.h.(i) Outsourcing Policy

The Group has established standards, processes, roles and responsibilities for our arrangements of services to be provided by unaffiliated third parties ("outsourcers"). Outsourcing arrangements are supported by individual contracts and/or service level agreements ("SLA's"). Before an outsourcing arrangement is entered into, the Group assesses the impact of the proposed arrangement, including reviewing the qualifications of the service provider. For all material outsourcing arrangements based on the size and criticality of service, the Group applies the following due diligence and selection criteria.

The Group's outsourcing due diligence includes three main components:

- Formal reviews of the proposed outsourcing arrangements by the appropriate internal departments, including Legal and Procurement.
- Request For Proposal ("RFP") requirements provided that single source procurement may be permitted with the approval of Legal and Procurement.
- Reviews by requester and the key management personnel to ensure that no conflicts of interest exist in engaging the outsourcer.

The selection criteria process is agreed in advance by the requester and other reviewing parties (Legal, Procurement, IT) and considers the following factors, among others:

- demonstrated quality (financial and technical abilities);
- specialized knowledge and resources;
- control framework;
- conflicts of interest;
- value-add services as differentiators;
- long-term viability and pricing;
- availability of an adequate Business Continuity Plan;
- risks from outsourcing and mitigation.

Outsourcing arrangements that have cleared due diligence and met the appropriate selection criteria are reviewed to determine if an RFP is applicable. Where an RFP process is deemed appropriate, a reasonable number of competitive bids should be obtained to ensure quality services are being received at an appropriate price.

For any proposed outsourcing arrangement not subject to an RFP process, the requester must provide formal justification for single source procurement and obtain approval from Legal and Procurement.

In all outsourcing situations where outsourcers will access the Group's non-public information and/or systems, outsourcers will be required to sign a non-disclosure agreement.

The Group has defined key management personnel within its members that are authorized to approve an outsourcing arrangement should the arrangement satisfy the due diligence and selection criteria. The key management personnel are prescribed in the Group's "Authorized Approvers" policy document and include the requirements for adequate specifications for the services to be entered into and a general ledger account and activity code where appropriate.

The major service arrangements the Group has under its outsourcing policy are with BlackRock Inc., Clearwater Analytics, Gallagher Basset Services Inc., Resource Pro LLC and DXC . Blackrock, Inc. provides the Group with various investment management and risk analysis services, while Clearwater Analytics provides investment accounting services. DXC provides support in processing submissions, claims, cash collection and allocation and provides various information technology support services. Gallagher Basset Services Inc handles claims globally for Sompo Global Risk Solutions(GRS) . Resource Pro LLC processes submissions and other administrative work for US Insurance and GRS.

Item 2.h.(ii) Intra-group outsourcing

The Group has various intra-group reinsurance, loans, and other arrangements amongst its members. These arrangements are overseen by the Group's Intercompany Governance Committee ("ITGC") of senior management. The ITGC establishes, maintains, and authorizes intercompany agreements and includes members from the Finance, Legal, Tax, Risk and Underwriting departments. It meets at least twice a year and more often as necessary to review specific transactions.

The ITGC has established the following key controls:

- All agreements and material modifications are reviewed and agreed by the ICGC. Approval is then obtained from the Chief Financial Officer and General Counsel.
- Communication of agreements and material changes is made to the CEO and the Senior Executive Officers.

All intra-group outsourcing functions are also reviewed by the Audit Committee of the Board of Directors. Additionally, the Group has an intra-group administrative services agreement amongst its entities. The primary services agreements are a consolidated tax sharing agreement amongst its US Holding company and its various US entities; and an administrative services agreement which allows for the provision of certain administrative services between and among the wholly-owned entities of the Group, including, but not limited to: general management; finance-related services; information technology; and facilities and equipment.

Part 3. Risk Profile

Sompo International's risk profile categories have been defined in a manner consistent with those most commonly, used by the various regulatory and rating agencies. There are ten primary categories within which Sompo International has grouped their risk exposures.

Item 3.a. Material Risk Exposures

- Catastrophe liability or Financial Catastrophe Risk ("Cat") : Cat Risks are split between natural catastrophes and manmade events, e.g., cyber, marine, aviation, terrorism, or credit default. The Group's major natural Cat exposures are U.S. hurricane and U.S Eathquake . In assessing Catastrophe loss exposures the Group also considers process and parameter risk for modelled risk, as well as unmodelled losses.

- Underwriting Risk: Underwriting Risk encompasses exposures derived from underwriting new or renewal (re)insurance business including the management of clash of of these exposures within and across business units. The primary risks underlying Underwriting include loss volatility, exposure volatility, rate level volatility, expense volatility, parameter uncertainty, risks of inflation and changes in foreign exchange on the underwriting portfolio and the correlation across the business lines. Underwriting Risk : broadly encompasses the risks of estimation error and estimation bias throughout pricing activities. Pricing-related risks include, for example, misestimation arising from incorrect, inadequate or inappropriate data; incorrect or inappropriate application or operation of models; incorrect expert actuarial judgment; incorrect parameterization of models; unexpected changes in the legal and social environment; and incorrect reporting or interpretation of results.

- Loss Reserving Risk: Reserving-related risks include those risks listed for Underwriting Risk, but also include misestimation arising from latent sources of risk and delays in the emergence of loss information. Reserving risk encompasses all aspects of the loss reserve estimation process in terms of the potential for an adverse change in the valuation of (re)insurance liabilities including the impact of adverse events and exogenous developments, inflation, foreign exchange and their correlating effects across accident and calendar years.

- Investment Risk: Investment Risk includes all facets of risk related to the Group's invested assets. These are traditionally split into market risks (i.e. interest rate movements, bond spread volatility, equity and alternative investments price volatility), credit risk (i.e. bond default), liquidity risk, foreign exchange risk, and asset concentration risk.

- Counterparty Risk: Counterparty Risk arises from exposure to default by a third party to whom the Group has exposure. Primarily, these parties would comprise reinsurers to whom the Group has ceded or retroceded business, parties holding premiums due to the Group, banks providing letters of credit to the Group's benefit, and derivative counterparties.

- Operational Risk: Operational Risk represents the risk of loss as a result of inadequate or failed internal processes, system failures, human error, or external events. Operational risk includes employee or third-party fraud, business interruptions, inaccurate processing or transactions, IT failure, the loss of key employees without appropriate successor, and non-compliance with reporting obligations.

- Group Risk: Group Risk represents the risk associated with being a member of the group. These are additional risks to which the Group is exposed which arise from the interrelationships that form due to ownership and management structure of the

Group, including its relationship to its ultimate corporate parent, Sompo Holdings. Types of risks include material intra-group transactions and exposures, and managing accumulation and contagion risks within the Group.

- Strategic Risk: Strategic risk is the risk of an unexpected negative change in the Group's value, arising from the adverse effect of management decisions on both business strategies and their implementation. This includes the failure to devise or adapt a business strategy in the light of changes in internal or external environment. Strategic risk includes the risk of missed business opportunities, non-achievement of corporate strategy and impact on competitive positioning and the value of the Group brand. It includes the risk of rating agency downgrades from poor risk management and inadequate capitalization.

- Reputational Risk: Reputational risks include failure to meet stakeholders' reasonable expectations of the organization's performance and behavior.

- Legal Risk: Legal risk includes the risk of failing: (i) to identify new or modified laws and regulations applicable to the business segments, corporate, and the Group; or (ii) to follow external laws/regulations and internal policies, processes, and standards. This risk is mitigated and controlled by compliance with the Group's internal controls and procedures.

Item 3.b. Risk Mitigation and Monitoring

The BRC is charged with the responsibility of monitoring the Group's major risk exposures and the steps taken by senior management to monitor and control the exposures. Supporting the BRC is the MRC which is chaired by the Group Chief Risk Officer. The purpose of the MRC is to review, evaluate, and on certain matters, approve those aspects of the Group's operations and activities which have the potential to have an impact on its risk position, including but not limited to Underwriting, Catastrophe, Credit, Reserving, Investment, and Operational risks. The MRC is supported by several sub-committee including the Catastrophe, Cyber,Credit, Liability, Capital Modelling and Capital Management committees.

Through other management committees - investment, loss reserving, ceded reinsurance, and intercompany governance, the Group monitors the other risk exposures of underwriting/reserving, investments, credit/counterparty, and operational risk. These committees are subject to oversight by the Group's Board of Directors.

Specific risk mitigation strategies with regards to the risk profile are as below:

- Underwriting Risk: Underwriting authority is delegated to the managers of the Group's lines of business in each business segment and to underwriters in accordance with corporate risk tolerances, prudent practice and underwriting capabilities. Detailed letters of authority are issued to each underwriter. These letters of authority reference the Group's operating guidelines and a description of the analytic process to be followed. The letters of authority include, as appropriate, referral requirements specific to each line of business, terms, conditions, risk exposures, transactional situations, limits and premium capacity. The Group's pricing guidelines are communicated to all business units and each individual underwriter and include maximum combined ratio targets or minimum returns on risk-based capital, by line of business, with exceptions permitted only upon approval of senior management as noted in the guidelines. This includes criteria for referral of transactions to the Chief Risk Officer for review.

The Group has a disciplined approach to underwriting and risk management that relies heavily upon the collective underwriting expertise of the Group's management and staff. This expertise is in turn guided by the following underwriting principles:

- the Group will underwrite and accept only those risks it knows and understands;
- the Group establishes pricing parameters, sets its own independent pricing and conduct a risk review on risks it accepts; and
- the Group generally accepts those risks that are expected to earn a return on capital commensurate with the risk they present, and consistent with the groups purpose and values.

Before the Group reviews any natural catastrophe exposed insurance or reinsurance proposal, it considers the appropriateness of the client, including the quality of its management and its risk management strategy. In addition, the Group prefers those proposals that include significant information on the nature of the perils to be underwritten and detailed aggregate information as to the location or locations of the risks covered. The Group further requests information on the client's loss history for the perils being insured or reinsured, together with relevant underwriting considerations. If a proposal meets the preceding underwriting criteria, the Group then evaluates the proposal in terms of its risk/reward profile to assess the adequacy of the proposed pricing and its potential impact on its overall return on capital as well as its corporate risk objectives and tolerances.

The Group has fully integrated its internal pricing actuarial staff into the underwriting and decision-making process. The Group uses in-depth actuarial and risk analyses to evaluate contracts prior to authorization. In addition to internal actuaries and risk professionals, the Group makes use of outside consultants as necessary to develop appropriate analyses for pricing.

Separate from the Group’s natural catastrophe exposed businesses, it underwrites and accepts property, casualty and specialty insurance and reinsurance business. The Group performs actuarial and risk analysis on these businesses using commercial data and models. As with the Group’s natural catastrophe exposed businesses, it seeks to identify those casualty and specialty exposures that are most likely to be simultaneously influenced by significant events. These exposures are then jointly tracked to ensure that the Group does not develop an excessive accumulation of exposure to that particular type of event.

In addition to the above technical and analytical practices, the Group’s underwriters use a variety of tools, including specific contract terms, to manage its exposure to loss. These include occurrence limits, aggregate limits, reinstatement provisions and loss ratio caps. Additionally, the Group’s underwriters use appropriate exclusions and terms and conditions to further eliminate particular risks or exposures that the Group’s underwriting team deems to be outside of the intent of the coverage it is willing to offer.

In certain cases, the insurance and reinsurance risks written and assumed by the Group are reinsured with third party reinsurers. The amount of reinsurance protection varies by segment and line of business based on a number of factors, including market conditions. The benefits of reinsuring the Group’s risks include reducing exposure on individual risks, improving the balance of the Group's portfolio, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. Reinsurance ceded does not legally discharge the Group from its liabilities to the original policyholder in respect of the risk being reinsured.

- Reserving Risk: Establishing reserves for losses and loss expenses, in particular reserves for the Group's long-tail lines of business, constitutes a significant risk for the Group. Loss reserves do not represent an exact calculation of liability, but instead are estimates of what the Group expects the ultimate settlement and administration of claims will cost. To the extent the Group determines that losses and loss expenses are estimated to exceed the loss reserves recorded in the Group’s financial statements, the Group will be required to increase its reserve for losses and loss expenses, which in turn could cause a material reduction in the Group's profitability and capital.

The Group manages the risk inherent in estimating the Group's reserves for losses and loss expenses in a variety of ways. First, the Group underwrites a balanced and diversified portfolio of business, which reduces the Group's susceptibility to reserving errors that may be associated with any one line or type of business. Second, where loss development uncertainty exists, the Group may use purchased reinsurance to reduce the Group's exposure to such loss development uncertainty. Finally, in the Reinsurance segment, the Group conducts active, regular audits of its ceding company clients with the intent of quickly and thoroughly identifying losses assumed by the Group.

The Group’s reserving process also serves to mitigate the risk associated with the Group's loss and loss expense reserve estimates. The Group seeks to base its loss reserve estimates upon actuarial and statistical projections derived from the most recently available data, as well as current information on future trends in claims severity and frequency, judicial theories of liability and other factors. The Group continually refines both its loss reserve estimates and the means by which its loss reserve estimates are derived, continually integrating developing loss experience, reported claims and claims settlements.

- Catastrophe ("Cat") Risk: To achieve the Group’s catastrophe risk management objectives, it utilizes a variety of proprietary and commercially available tools to quantify and monitor the various risks it accepts.

The Group’s catastrophe modeling tools, which include both proprietary and licensed software, use exposure data provided by the Group’s insureds and ceding company clients to simulate catastrophic losses. The Group takes an active role in the evaluation of a commercial catastrophe model, providing feedback to the modeling company to improve the effectiveness of their model. The Group uses modeling not just for the underwriting of individual transactions but also to optimize the total return and manage the aggregate risk of the Group's underwriting portfolio. The Group has specific requirements as to the quality and levels of detailed exposure data to be provided by the Group's clients.

The Group's proprietary systems include those for modeling a variety of insurance and reinsurance risks including those associated with property, catastrophe, casualty, and other specialty risks. This comprises the Group's proprietary portfolio risk management, capital allocation and pricing models. These systems allow the Group to monitor its pricing and risks on a contract and portfolio basis within and across its segments and business lines.

Output from both the Group's licensed and proprietary software models is used to estimate the amount of premium that is required to pay the long-term expected losses under the proposed contracts. The data output is also used to estimate correlation between both new business and the Group's existing portfolio. The degree of correlation is used to estimate the incremental capital required to support the Group's participation on each proposed risk, allowing it to calculate risk adjusted pricing targets.

• Investment Risk: Investment risk encompasses the risk of loss in the Group's investment portfolio potentially caused by the adverse impact on its invested assets from fluctuations in interest rates, equity prices, credit spreads, foreign currency rates, inflation and other market changes.

The Group manages its investment risks through both a system of limits and a strategy to optimize expected risk and reward. To ensure diversification of the Group's investment portfolio and to avoid excessive aggregation of risks, limits on asset types, economic sector exposure, industry exposure and individual security exposure are placed on the Group's investment portfolio and monitored on an ongoing basis. The Group manages its interest rate risk through an asset liability management strategy that involves the selection of investments with appropriate characteristics, such as duration, yield, currency and liquidity that are tailored to the anticipated cash outflow characteristics of the Group's liabilities and the anticipated interest rate environment. The Group manages foreign currency risk by seeking to match the Group's liabilities under insurance and reinsurance policies that are payable in foreign currencies with assets, such as cash and investments or currency options and forwards, that are denominated in such currencies. In order to limit the Group's exposure to credit risk, the Group's Investment Policy is to invest primarily in debt instruments of high credit quality issuers and to limit exposure to any one issuer. The Group's Investment Policy sets limits for individual credit exposures based on credit rating. The Group manages equity risk by maintaining a diversified portfolio and limiting the overall size of its investment in equities.

The Group uses a number of capital-at-risk models, which include scenario based analysis, value-at-risk ("VaR") and credit impairment calculations to evaluate its investment portfolio risk. Additionally, the Group's capital-at-risk models also include the measures of risk capital applied by Standard & Poor's ("S&P") and A.M. Best Company ("A.M. Best") in their risk based capital assessments of the Group. Scenario-based analytics are used in order to stress test the portfolio for expected changes in specific market scenarios. VaR is a probabilistic method of measuring the potential loss in portfolio value over a given time period and for a given distribution of historical returns. Portfolio risk, as measured by VaR, is affected by four primary risk factors: asset concentration, asset volatility, asset correlation and systematic risk. The Group adjusts its investment risk scenarios for a variety of extremes as well as expected outcomes. Management continuously evaluates the applicability and relevance of the models used and makes adjustments as necessary to reflect actual market conditions and performance over time.

• Credit (Counterparty) Risk: Counterparty risk encompasses risk that a counterparty will not uphold its contractual obligations. The Group's counterparty risk arises mainly from external ceded reinsurance, and the reinsurer's ability to pay liabilities due.

The Group mitigates this risk through the management's Ceded Reinsurance Committee, which is responsible for ensuring that the Group's underwriting strategy is properly balanced with the Group's risk tolerance strategy. This is achieved through the determination, at a group level, of all underwriting limits and tolerances, which are then promulgated down to the individual entities.

The purchase of ceded reinsurance is coordinated by the Ceded Reinsurance Officer who works with the business and various functional areas to determine coverage needs, develop an appropriate reinsurance structure and build the submission to present to market. All draft contracts undergo a legal review. The reinsurance also undergoes a risk transfer analysis based on final terms and conditions. All purchases are made through a pre-approved counterparty panel with the constituents selected on the basis of their financial strength rating and other background criteria. In the event of credit downgrades, approved counterparties are removed from the panel. The ceded reinsurance function formally advises the risk claims and finance functions of all in-force ceded reinsurance treaties to ensure that reinsurance cessions are properly recorded and appropriate recoveries are obtained.

- Operational Risk: Operational risk represents the risk of loss as a result of inadequate or failed internal processes, system failures, human error or external events. Operational risks include, for example, employee or third-party fraud, business interruptions, inaccurate processing of transactions, information technology failures, the loss of key employees without appropriate successors, and non-compliance with reporting obligations.

The Group seeks to mitigate operational risks through ongoing training and the application of strong process controls throughout its business. Key process controls include underwriting letters of authority, underwriting referral protocols, claims procedures guidelines, financial reporting controls and procedures, information technology procedures, succession planning, disaster recovery planning and business continuity planning. The Group's internal audit department tests the Group's policies and various process controls on a regular basis.

The use by the Group of the services of unaffiliated third parties exposes the Group to heightened operational risks, including the risk of information technology and physical security breaches, fraud, non-compliance with laws, regulations or internal guidelines and inadequate service to its clients. The Group mitigates the operational risk posed by the use of third-party vendors by verifying, among other items, a potential third-party vendor’s financial stability, ability to provide ongoing service, business continuity planning and its business reputation as well as monitoring any significant third party relationships.

Item 3.c. Material Risk Concentrations

The primary material risk exposure for the Group is insurance/underwriting risk. Insurance/underwriting risk incorporates those risks associated with premium, reserve and catastrophe risks. Premium risk broadly encompasses the risks of estimation error and estimation bias throughout the Group’s pricing and reserving activities. Reserving risk includes the same risks as those of premium risks with the addition of mis-estimation arising from latent sources of risk and delays in the emergence of loss information. Catastrophe risk includes the premiums and expenses surrounding the writing of business for both natural catastrophes and manmade events. The Group conducts at least annual risk assessments which review the current strategies for identifying and managing these risks. An objective of the risk assessment process is to highlight any increases in risk exposures as well as any deficiencies in the Group's strategies to address these risks. The results of these assessments are reviewed by the Management Risk Committee. As of year-end 2021, the largest concentration of the Group’s underwriting exposure arises out of natural catastrophe events, and more specifically, North Atlantic hurricane. To minimize the exposure to such a concentration risk, the Group monitors and controls its catastrophe risk exposure through aggregate and occurrence catastrophe tolerances.

The secondary risk exposures areas, other than underwriting and catastrophe risk, by which the Group might be subject to concentration of risk would be investments and credit or counterparty risks. In order to minimize its subjectivity to investment concentration risk, the Group has designed its investment portfolio to diversify risks, including interest rate, credit, structure and equity risks. To ensure diversification and to avoid excessive aggregation of risks, the Group has placed limits on asset types, economic sector exposure, industry exposure and individual security exposure, which are monitored on an ongoing basis. The Finance Committee of the Board of Directors is charged with the responsibility to monitor the Group's compliance with the policies, guidelines and risk limits governing its investment portfolios. The weighted average credit rating of the Group's investment portfolio is AA as of year-end 2021, and the exposures due to investment concentration are within internal tolerances.

Credit or counterparty risk exposures other than those associated with investments, as noted above arise from exposure to default by a third party. The Group is subject to credit risk with respect to the Group’s reinsurers because the transfer of risk to a reinsurer does not relieve the Group of its liability to its clients. If the Group’s reinsurers experience financial difficulties, they may be unable to pay. In addition, reinsurers may be unwilling to pay, even though they are able to do so. The failure of one or more of the Group’s reinsurers to honor their obligations to the Group in a timely fashion would impact its cash flow and reduce its net income and, depending upon the amount of reinsurance it has purchased, could cause the Group to incur a significant loss. When reinsurance or retrocessional reinsurance is purchased, the Group requires its reinsurers to have strong financial strength ratings. The Group evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis. The Group manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound and, if necessary, may hold collateral in the form of cash, trust accounts and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods on an individual reinsurer basis.

Item 3.d. Asset Investing

The Group's investment strategy is designed to protect book value and generate appropriate risk adjusted returns to grow book value, while providing sufficient liquidity to meet our operating cash needs. The investment portfolio is designed to diversify risks, including interest rate, credit, structure and equity risks. Our investment portfolio is managed by our Chief Investment Officer and a team of investment professionals. Our investment team is experienced in direct portfolio management, asset allocation, managing external investment manager relationships and risk management. Our investment team uses specialized analytical tools to evaluate risk and opportunity in investments to facilitate a risk managed, opportunity oriented approach to investing consistent with the requirements of our Investment Policy. We utilize external portfolio managers to oversee most of the day-to-day activities of our investment portfolio, and our investment professionals actively monitor our investment managers' performance and compliance with our Investment Policy and with the specific investment guidelines applicable to each investment manager. We use quoted values and other data provided by nationally recognized third-party pricing sources as inputs to our process for determining the value of our investment portfolio that is carried at fair value in our financial statements.

Our Investment Policy establishes authority for our investment activities and specifies risk tolerances and minimum criteria on the overall credit quality and liquidity characteristics of the portfolio. This includes limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities or investing in certain industries. Our investment managers may be instructed to invest some of the investment portfolio in currencies other than U.S. dollars based upon the business we have written, the currency in which our loss reserves are denominated or regulatory requirements.

Our Investment Policy incorporates a traditional policy limit approach to each type of risk, thus setting a maximum amount of capital that may be exposed at any one time to particular types of securities and investment vehicles. We develop and maintain an investment risk profile, including the establishment of risk limits, which is reviewed and revised by the Finance Committee of the Board of Directors based on market conditions and our developing needs and includes estimates of the maximum and expected levels of investment risk relative to shareholders' equity that will be taken over a 12 month period. In determining our investment decisions, we consider the impact of various catastrophic events on our invested assets, particularly those to which our insurance and reinsurance portfolio may also be exposed, in order to protect our financial position. In addition, as part of our risk management processes, we maintain a watch list of securities that management considers to be at risk due to industry and/or issuer specific issues or securities potentially subject to future impairments. These securities are subjected to further internal analysis to evaluate their underlying structures, credit characteristics and overall industry and security specific fundamentals until they are sold, mature or it is deemed that further review is no longer necessary.

In managing the Group's invested and assets, the Group applies the SIH Policy and Principles. Our Policies and Principles state that all investment decisions will be made within the context of their impact on shareholder value and in accordance with the Prudent Person Principle. The Finance Committee ("FC") of the Board of Directors is charged with the oversight and governance of the Group's investment strategies, policies and guidelines, and limits as noted above in *Item 2.a.(i) Structure, Roles, and Responsibilities.*

Item 3.e. Stress Testing and Sensitivity

The Group performs stress testing and sensitivity analysis as part of its risk management framework. The purpose of these tests is to consider the resilience of the Groups solvency ratio to various financial or insurance risk shocks. As part of the stress and scenario framework, the Group performs a reverse stress test ("RST") which evaluates the capital depletion necessary for the Group to drop below the BMA target capital level of 120%. At year-end 2021, this is equivalent to a capital depletion of $1.7 billion.

By ranking the simulation results from the Company's GCM, the 24,059th ranked trial (out of 25,000) was the first to exhibit a $1.7 billion capital depletion. The key driver of this level of capital depletion was losses arising from major natural catastrophe events combined with sizeable prior-year reserve deterioration and modest credit losses. This was offset by non-cat underwriting and investment gains.

It should be noted that insolvency was not chosen as an RST event because none of the modelled 25,000 simulated trials resulted in such an outcome. As such, while the Group may require a moderate capital injection under certain extreme scenarios, like the RST above, management cannot discern any risks / scenarios that would jeopardize the Group's ability to pay its policyholders and meet its other obligations

Part 4. Solvency Valuation

The Group is supervised by the BMA (see *Item 1.b.* above) and is required to meet certain solvency requirements on a group basis. During 2016, the BMA achieved Solvency II regulatory equivalency with the European Union, and as such the BMA instituted a solvency valuation basis or Economic Balance Sheet ("EBS") as a key component of its regulatory reporting requirements. Except where specifically noted by the BMA, assets and liabilities should be valued at fair value in line with generally accepted accounting principles ("GAAP") for EBS valuations. The BMA's EBS framework applies prudential filters to certain balance sheet classes and non-admits certain assets to form the basis for their solvency valuations.

Item 4.a. Asset Valuations

For solvency valuation purposes, cash, cash equivalents, investments, and accrued income on investments are recorded on the same valuation basis as they are under International Financial Reporting Standards ("IFRS") in our audited financial statements.

ESIL and subsidiaries designates its fixed maturity investments, short-term investments and equity securities as at fair value through profit or loss ("FVTPL") because they are managed on a fair value basis and their performance is monitored on this basis. Securities designated as FVTPL are carried at estimated fair value, with related net unrealized gains or losses recognized on the Consolidated Statements of Profit and Comprehensive Income (Loss). Investment transactions are recorded on a trade date basis.

Equity securities are carried at estimated fair value, with related net realized and unrealized gains or losses included in net loss.

ESIL and subsidiaries determines the fair value of its trading investments and equity securities in accordance with current accounting guidance, which defines fair value and establishes a fair value hierarchy based on inputs to the various valuation techniques used for each fair value measurement. The use of valuation techniques for any given investment requires a significant amount of judgment and consideration of factors specific to the underlying investment. Fair value measurements determined by ESIL and subsidiaries seek to maximize observable inputs and minimize the use of unobservable inputs.

ESIL and subsidiaries determines the estimated fair value of each individual security utilizing the highest level inputs available.

Other investments within the investment portfolio are comprised of (i) hedge funds, private investment funds and other investment funds that generally invest in senior secured bank debt, high yield credit securities, distressed debt, macro strategies, multi-strategy, equity long/short strategies, distressed real estate, and energy sector private equity ("alternative funds") and (ii) an investment in a non-public entity where the Group has significant influence ("investments in associates"). Interests in associates are accounted for using the equity method. Under this method, the investment in an associate is initially recognized at cost. Subsequent to initial recognition, the carrying amount of the investment is adjusted to recognize changes in the Company's proportionate share of net assets of the associate since the acquisition date. Adjustments are made to the investee's accounting policies, where necessary, to be consistent with the Group's accounting policies. Due to the timing of the delivery of the final valuations reported by the managers of certain of our alternative funds, our investments in those funds are estimated based on the most recently available information including period end valuation statements, period end estimates, or, in some cases, prior month or quarter valuation statements.

On occasion ESIL enters into investment repurchase agreements whereby ESIL sells securities and repurchases them at a future date for a predetermined price. These investment repurchase agreements are accounted for as secured borrowings and are recorded at the contractual repurchase price plus accrued interest. The securities to be repurchased are the same, or substantially the same, as those sold. The fair value of the underlying securities is included in fixed maturity investments in ESIL's Consolidated Balance Sheet. The use of the cash received from the counterparty pursuant to the repurchase agreement is not restricted. The obligation to return the cash is included in payable under repurchase agreements in the Consolidated Balance Sheet. In these repurchase transactions, the securities sold by ESIL (pledged collateral) may be sold or repledged by the counterparties with whom the repurchase agreement is executed.

Cash equivalents include highly liquid short-term deposits and securities with maturities of ninety days or less at the time of acquisition. Cash equivalents are valued at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities. Fixed maturity investments, bank deposits and investments in money market funds with maturities of greater than ninety days and less than one year are classified as short-term investments.

Insurance premiums receivable and payable (net of any allowance for bad debts) on a IFRS basis are analyzed to determine the amount of premiums actually due at the balance sheet date or currently due, versus those due in the future. The net amounts currently due are deemed to be received within one year and are recorded in the EBS at their IFRS values. The net amounts which have been deemed as not yet due are deducted from the premiums receivable asset/ premiums payable liability and included in the valuation process noted below for determining the technical provisions.

Reinsurance balances recoverable represent monies due to ESIL and subsidiaries from third parties for insurance losses paid or unpaid by ESIL and subsidiaries on their behalf. Amounts recoverable from reinsurers are estimated in a manner consistent with the provisions of the reinsurance agreements and consistent with the establishment of ESIL's reserve for losses and loss expenses. Reinsurance recoverables are segregated into those which are recoverable on paid losses and those which are based upon estimates or unpaid losses. Reinsurance recoverables on paid losses are deemed as more than likely to be received within the next fiscal year and are reported at their IFRS valuation in the EBS. Reinsurance recoverables on unpaid losses and estimates are included in the valuation process noted below for determining the technical provisions.

The insurance and reinsurance balances receivable on the IFRS balance sheet represent funds withheld by ceding reinsurers. The funds withheld relate to premiums, profit commissions, claims and/or funds advanced for claims. The receivables are analyzed to determine which amount if any are deemed as more than likely to be received in a period greater than one year. Amounts that are deemed as such are discounted using the BMA's prescribed discount rates for the reporting period. Differences between the original balance and the discounted values are deducted from insurance and reinsurance balances receivable and offset against ESIL's statutory capital and surplus.

Prepaid reinsurance premiums and deferred acquisitions costs are considered as a component in determining the technical provisions in the EBS. Therefore, these amounts in their entirety are deducted from ESIL's total assets and, in the case of prepaid reinsurance premiums, included in the base amounts utilized to calculate the technical provisions as noted below in *Item 4.b*.

ESIL's remaining assets includes the value of its derivative instruments, balances due from investment sales, particular intangible assets, deferred tax assets, and other assets. Unless noted in other assets, fixed assets are not an admissible asset and are excluded from the EBS. Similarly right of use leased assets do not transfer any economic benefit, and therefore the asset and liabilities are excluded from the EBS.

Derivative assets in the EBS are reported at the same valuation basis as they are under IFRS in the audited financial statements. Current accounting guidance requires the recognition of all derivative financial instruments including embedded derivative instruments, as either assets or liabilities in the Consolidated Balance Sheets at fair value. ESIL and subsidiaries may use various derivative instruments such as foreign exchange forward, future and option contracts; industry loss warranty swaps; interest rate futures, swaps, swaptions, and options; credit default swaps; LIBOR swaps; commodity futures and options; weather swaps and options; loss development covers; and to-be-announced mortgage-backed securities. These derivative instruments are used to manage exposure to interest rate and currency risk, to enhance the efficiency of the investment portfolio, to economically hedge certain risks, and as part of its weather risk management business. These derivative instruments do not qualify, and are not designated, as hedges. Derivatives are recorded at fair value with changes in fair value and any gains or losses are recognized in net realized and unrealized gains losses, net foreign exchange gains losses, or other underwriting loss in the Consolidated Statements of Income and Comprehensive Income. Where ESIL and subsidiaries have entered into master netting agreements with counterparties, or has the legal and contractual right to offset positions, the derivative positions may be netted by the counterparty.

Balances due from investment sales represent the net funds to be received from the sale of investments and are usually attributable to timing differences between sales dates and settlement dates which are typically 2-3 days. As such the reported value is the fair value measurement on a IFRS basis.

In general, goodwill and intangible assets are not considered admitted assets in the EBS. However, the BMA's EBS guidance does allow for intangible assets to be admitted as recognized if it is probable that the expected future economic benefits will flow to the insurer and that their value can be measured reliably. The assets must be separable, and there should be evidence of exchange transactions for the same or similar assets indicating they are saleable in the market place. If a fair value measurement of an intangible asset is not possible, then such an asset should be excluded. ESIL has reviewed and analyzed the nature of the items included within its intangible asset balance and determined that the US state licenses at its US insurance entities meet this criteria. Where available the aggregate of the mid-point of the valuation ranges for each license is recognised and reported as an intangible asset in the EBS.

ESIL's deferred tax assets ("DTAs") on a IFRS basis are reviewed and analysed within the following EBS criteria. DTAs are ascribed a positive value where it is probable that future taxable profit will be available against which the DTA can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits. Should a DTA meet this criteria the actual value to be recognized is the aggregate of the deferred tax asset matched by future profits discounted to their net present value based upon the discount rates as published by the BMA.

Other assets include receivables and other recoverable balances from our weather risk management operations, rent deposits, current tax receivable, and other fixed assets. As with goodwill, prepayments or prepaid expenses are not admissible assets under the EBS basis and therefore are excluded. Weather assets, rent deposits and current tax receivables are deemed as readily realizable and therefore are valued and reported at their IFRS valuation basis with no applicable prudential filters for EBS reporting purposes. ESIL's other fixed assets consist of a building, vehicles and a transportation lease which are wholly owned or leased by ESIL and its subsidiaries. These assets are analyzed and valued to determine whether or not a readily realisable value exists.

Item 4.b. Technical Provisions

General insurance business technical provisions are to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure. Under the BMA's EBS framework, general insurance business (non-life) technical provisions are comprised of three main components:

- Best estimate of premium provisions
- Best estimate of loss and loss expense provisions
- General Insurance business risk margin

Under the EBS regime, the best estimate premium provision is the expected present value of future cash flows relating to future claim events on existing policies and future premiums falling within the contract boundary definition and not yet due premiums. Existing policies include incepted but unearned and bound but not incepted policies. The plan loss ratio by planning classes are applied to the unearned premium and bound premium to come up with an estimation of the total undiscounted claims. The claims cashflows are discounted using the relevant BMA Standard Approach Rates.

The best estimate of the loss and loss expense provisions reported in the EBS reflect the probability-weighted average of future cash flows, discounted using the relevant BMA Standard Approach Rates.

The events that may not be adequately reflected in the data, known as 'Binary Events' or 'ENIDs' (Events Not In Data set), are also reflected in the best estimate. Cash flows arising from ongoing administration of the in-force policies, including any commission payments, any premium collection costs and investment related expenses have been included within the best estimate. The best estimate of recoverable amounts are calculated and shown separately.

The last component of the technical provision is the risk margin. The risk margin is intended to represent the uncertainty associated with the probability-weighted cash flows or the compensation the Group would require in order to bear the risk of holding additional funds to meet cash flows. The risk margin for the Group is calculated using the BMA's prescribed cost of capital approach. This approach calculates a cost of capital by applying a BMA prescribed factor against the enhanced capital requirement ("ECR") of the BSCR discounted over a 21 year period at the risk free discount rates as determined by the BMA.

ESIL's consolidated EBS technical provisions and risk margin as at December 31, 2021 were as follows:

		ESIL
		(U.S. dollars in thousands)
Net Premium Provisions	$	431,463
Net Loss and Loss Expense Provisions		8,010,138
Risk Margin		653,565
Total General Business Insurance Technical Provisions	$	9,095,166

Item 4.c. Reinsurance Recoverables

As noted above in *Item 3 b. Risk Mitigation and Monitoring*, the Group utilizes third party reinsurers as part of its underwriting risk management strategy. Included as part of that strategy, the Group has established a Ceded Reinsurance Policy which provides governance over our ceded reinsurers and their selection.

The Group purchases quota share, facultative and excess of loss reinsurance across most Insurance lines of business. In the Reinsurance segment, the Group purchases proportional and excess of loss retrocessional coverage on the catastrophe line of business, and proportional coverage on the specialty line of business. The Group's U.S., U.K. and Bermuda insurance operating subsidiaries use proportional and excess reinsurance to protect larger limits on certain business written by the Insurance segment. Our agriculture Insurance line of business participates in a crop reinsurance program sponsored by the U.S. federal government and utilizes third party reinsurance covers. Excess reinsurance coverage is often purchased in relation to the property Insurance line of business to protect against catastrophic events.

The Group remains obligated for amounts ceded in the event that its reinsurers or retrocessionaires do not meet their obligations, except for amounts ceded to the U.S. federal government in the agriculture line of business. Accordingly, the Group has evaluated the reinsurers and retrocessionaires that are providing reinsurance and retrocessional protection and will continue to monitor the stability of its reinsurers and retrocessionaires. At December 31, 2021, ESIL and its subsidiaries held collateral of $1,237 million, related to its ceded reinsurance agreements. The balance of ceded reinsurance recoverables for ESIL and its subsidiaries at December 31, 2021 was distributed as follows based on the ratings of the reinsurers:

Rating		**2021**
		(U.S. dollars in thousands)
AAA	$	121,721
AA+, AA, AA-		1,615,733
A+, A, A-		4,002,922
BBB+, BBB, BBB-		347,590
Other / Not rated		497,061
Total	$	6,585,027

The balances reported in the table above are on a IFRS basis. The balances are discounted at the BMA prescribed risk free rates as noted above in *Item 4.b. Technical provisions* to determine their valuation on an EBS basis.

Item 4.d. Other Liabilities Valuations

Insurance and Reinsurance balances payable and commissions, expenses, fees and taxes payable represent amounts due to insurers and reinsurers under current insurance contracts. The amounts payable include premiums, taxes, underwriting expenses, fees, taxes, and profit commissions. As noted in *Item 4.b.* above the amount of advanced premiums payable are included in the calculation of the best estimate of premium provisions. The components of ESIL's insurance and reinsurance payables are reviewed and analysed to determine which amounts if any are deemed as not readily realisable within the next fiscal year. Those amounts deemed as such are discounted at the risk free discounted rates as published by the BMA.

Tax liabilities on a IFRS basis include current income tax and deferred tax liabilities. The values are reviewed and analyzed using the BMA's EBS guidance which states that current tax liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period and in conformity with our IFRS financial statements. Deferred tax liabilities are valued on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with the EBS requirements and the values ascribed to assets and liabilities as recognized and valued for tax purposes.

Accounts Payable and Accrued Liabilities include accrued operating expenses, accrued interest expenses, accrued miscellaneous tax expenses, general accounts payable related to our weather risk management business, salary related payables and general other payables. Payables are reviewed and analyzed to determine which amounts if any are deemed as not readily realizable within the next fiscal year. Those amounts deemed as such are discounted at the risk free discounted rates as published by the BMA. Those amounts deemed as a readily realizable within the next fiscal year are recorded at their IFRS value.

Sundry liabilities include derivative liabilities, investments pending settlement, and deposit liabilities for contracts which have assessed as not having risk transfer. Our derivative liabilities are valued in accordance with our audited IFRS financial statements as noted above in Item 4. a. above.

Investments pending settlement represent the net funds to be paid from the purchase of an investment and are usually attributable to timing differences between purchase and settlement dates which are typically 2-3 days. As such the reported value is the fair value measurement on a IFRS basis.

Our deposit liabilities are based upon insurance contracts which we have assessed as not transferring significant risk. Since these deposit liabilities are net reserves on these contracts, the reserves have been discounted using the risk free discount rates as provide by the BMA with their EBS valuation reflective of the discounted values.

Part 5. Capital Management

Sompo International is a holding company which relies primarily upon the dividends and other distributions from its various entities. As a result, the Group proactively manages its capital base through the utilization of underwriting revenues, reinsurance and prudent risk management.

Item 5.a. Eligible Capital

Item 5.a.(i) Capital Management Policy

The Group's capital management policy is aimed at ensuring we maintain sufficient levels of risk based capital and financial flexibility as required by our clients, our various regulatory bodies, rating agencies, and our strategic business purposes. The Group assesses the various capital level requirements and internally establishes an appropriate minimum capital level that satisfies all. Incorporated within this assessment is the focus on retaining earnings to build capacity and reinvest in our business.

Item 5.a.(ii) Eligible Capital by Tiers

ESIL's eligible capital as at December 31, 2021 is comprised of the following capital tiers as per the Bermuda Monetary Authority's classifications:

		ESIL
Tier	**Description**	
1 Basic	Total Tier 1	$ 6,222,515
2 Basic	Total Tier 2	291,138
	Total Eligible Capital	$ 6,513,653

Item 5.a.(iii) Eligible Capital by Tier for Regulatory Capital Levels

ESIL's eligible capital composition by Tier available to meet its minimum solvency margin ("MSM") and ECR as at December 31, 2021 is as follows:

Tier	Amount (in 000's)	Applicable to MSM	Applicable to ECR
1	$ 6,222,515	$ 6,222,515	$ 6,222,515
2	291,138	291,138	291,138
	$ 6,513,653	$ 6,513,653	$ 6,513,653

Item 5.a.(iv) Eligible Capital Transition

Not applicable.

Item 5.a.(v) Eligible Capital Encumbrances

ESIL's Tier 1 Basic eligible capital is reduced by the amount of assets which are encumbered for other than securing policyholder obligations. The regulatory requirements also provide an adjustment between tiers in respect of assets encumbered where those assets held are in excess of the policyholder obligations. See *Item 5. a.(ii)*.

Item 5.a.(vi) Ancillary Capital Instruments

See *Item 5.a.(iv)*.

Item 5.a.(vii) Adjustments to Statutory Capital and Surplus

ESIL's shareholders' equity on a IFRS basis is adjusted by various prudential filters to arrive at ESIL's statutory capital and surplus as per the Bermuda regulatory requirements. ESIL currently applies eight types of primary adjustments to ESIL IFRS shareholders' equity to produce the Bermuda statutory capital and surplus on an EBS basis described as follows:

- Technical Provisions: adjustments for the impact of the revaluation of the IFRS premium receivables, UPR, loss and loss expense provisions and related items to reflect values based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure.
- General Business Risk Margins: adjustments under the cost of capital approach for the impact of the uncertainty associated with the probability-weighted cash flows or the compensation the Group would require in order to bear the risk of holding additional funds to meet cash flows.
- Deferred Tax Assets: the aggregate of the deferred tax asset matched by future profits discounted to their net present value based upon the discount rates for EBS as published by the BMA.
- Intangible Assets: the aggregate fair value of intangible assets deemed as saleable in the market place, such as our insurance licenses.
- Fixed Assets: adjustments to eliminate those fixed assets which are deemed as not having a readily realizable value.
- Reinsurance Balances Payable, Accounts Payable and Accrued Liabilities: adjustments for the impact of payable amounts deemed as not readily realizable within the next fiscal year.
- Non-Admitted Assets: adjustments for the impact of goodwill and prepayments which are not admitted under the BMA's statutory regulations.
- Additional Approved Capital Instruments: as noted above in *Item 5 a. (vi)*, the SIH Group has received approval from the BMA to include certain debt instruments as capital which are reflected as an addition to IFRS shareholders' equity.

Item 5.b. Regulatory Capital Requirements

Under the supervision rules promulgated by the Bermuda Monetary Authority, ESIL and subsidiaries are required to maintain available statutory capital adequacy and surplus at a level equal to or in excess of its ECR, which is established by reference to either the BSCR or an approved internal capital model. In addition, under the supervision rules ESIL and subsidiaries are required to maintain available statutory capital adequacy and surplus at a level equal to or in excess of the MSM.

Item 5.b.(i) ECR and MSM for the Reporting Period

As of the year ended December 31, 2021, the ESIL Consolidated ECR was $3,956 million and its MSM was $1,417 million.

Item 5.b.(ii), (iii) and (iv) Compliance

ESIL has consistently remained in compliance with the ECR and MSM requirements.

Item 5.c. Approved Capital Model

ESIL utilizes the regulatory capital model as prescribed by the BMA (the BSCR) in determining its ECR. Were capital modifications are permitted by the BMA, company specific capital factors are used.

Part 6. Subsequent Event

Dividends

On March 14, 2022, the Endurance Specialty Insurance Ltd board of directors declared the payment of an ordinary dividend to Sompo International Holdings Ltd of $52.3 million, with an expected settlement date during June 2022.

On March 14, 2022, the Sompo International Holdings Ltd board of directors declared the payment of an ordinary dividend of $263.6 million to Sompo Japan Insurance Inc , with an expected settlement date during April 2022.

Part 7. Declaration

We, the Chief Executive Officer and Chief Risk Officer of the Group, do hereby certify that to the best of our knowledge and belief, this financial condition report fairly represents the financial condition of Sompo International Holdings Ltd. and Endurance Specialty Insurance Ltd. in all material respects.

CHIEF EXECUTIVE OFFICER

/s/ JAMES A. SHEA May 31, 2022
James A. Shea

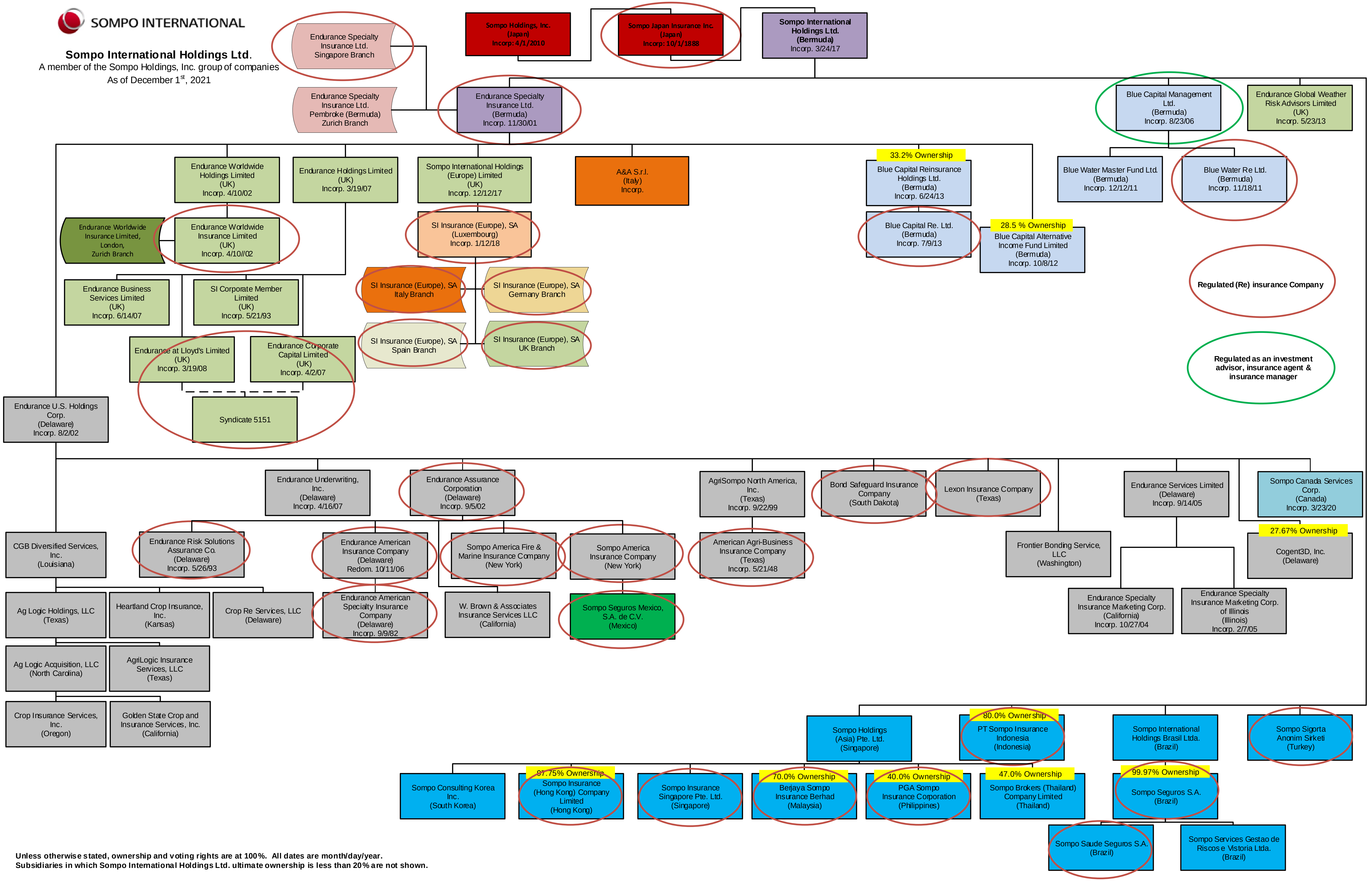
CHIEF RISK OFFICER

/s/ SATYAN SAWHNEY May 31, 2022
Satyan Sawhney

Part 8. Appendix

Item 8.a. Appendix A - Organizational Chart

Sompo International Holdings Ltd.
A member of the Sompo Holdings, Inc. group of companies
As of December 1st, 2021



Unless otherwise stated, ownership and voting rights are at 100%. All dates are month/day/year.
Subsidiaries in which Sompo International Holdings Ltd. ultimate ownership is less than 20% are not shown.