

FINANCIAL CONDITION REPORT
(“FCR”)

Multi-Strat Re Ltd.

December 31, 2022

Multi-Strat Re Ltd.
Financial Condition Report
For the twelve month (12) period ending 31 December 2022

Multi-Strat Re Ltd. (the “Company”) was incorporated in Bermuda on 20 August, 2012. The Company was initially licensed as a Special Purpose Insurer under The Insurance Act (1978), amendments thereto, and related regulations (“the Act”) on 28 August, 2013.

The Company was reclassified as a Class 3A Insurer on 21 October, 2014 and registered as a Segregated Accounts Company pursuant to The Segregated Accounts Companies Act 2000, effective 16 October 2017.

In December 2015 the Company acquired 100% of the issued share capital of Garden Insurance Company of Vermont, regulated by the State of Vermont (“Garden”).

1. BUSINESS AND PERFORMANCE

a. Name of Insurer

Multi-Strat Re Ltd.

b. Supervisors

Insurance Supervisor

Bermuda Monetary Authority

BMA House

43 Victoria Street, Hamilton

Bermuda

Group Supervisor

The Company is not part of an Insurance Group.

c. Approved Auditor

Statutory and GAAP Financial Statements

Mazars (Bermuda)

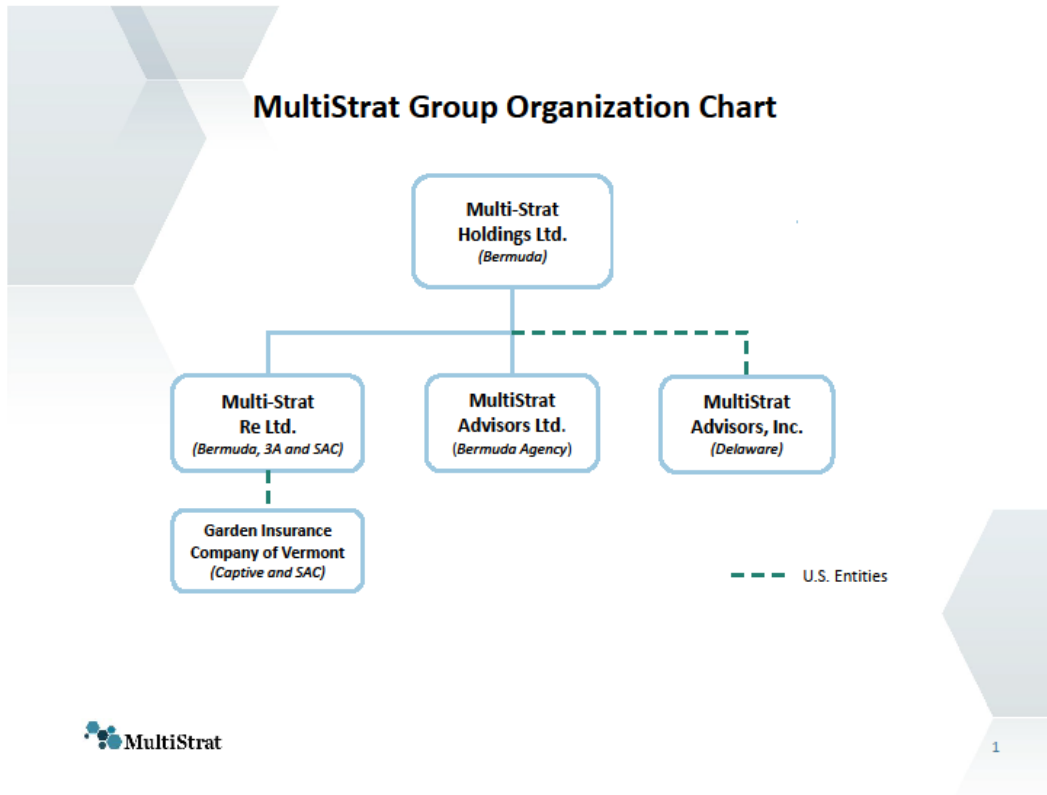
A.S. Cooper Building, 4th Floor

26 Reid Street

Hamilton HM 11

d. Ownership Details

The Company is a wholly-owned subsidiary of Multi-Strat Holdings Ltd., a company incorporated in Bermuda. The parent of Multi-Strat Holdings Ltd. is Canopus Group Limited, a company incorporated in Jersey.



Insurance Business Written by Business Segment and by Geographical Region

The Company provides reinsurance for captives, insurance and reinsurance companies, managing general agencies, risk retention groups, run-off companies, and other insurance-related companies requiring surplus relief, risk capacity, runoff solutions, and risk protection by assuming low loss volatility loss portfolio transfers and capped quota share business from multiple sources and retroceding all of its risks to third party reinsurers or placing them in segregated accounts backed by sponsor capital providers.

All insurance contracts retroceded by the Company are collateralized to funding obligations through letters of credit, reinsurance trust agreements, or rated reinsurer.

Gross Premium Written by Business Segment for the Reporting Period

(Reported in thousands)

Line of Business	2022 Gross Written Premium	2021 Gross Written Premium
US Casualty	\$35,675	\$(1)
Total	\$35,675	\$(1)

Gross Premium Written by Geographical Region for the Reporting Period

(Reported in thousands)

Region	2022 Gross Written Premium	2021 Gross Written Premium
USA	\$35,675	\$(1)
Total	\$35,675	\$(1)

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

Performance of Investments for the Reporting Period

The Company investments are held in fixed income securities, cash and cash equivalents. Investment returns totaled \$327.

f. Any Other Material Information

None.

2. **GOVERNANCE STRUCTURE**

The corporate governance and risk management framework is appropriate for the Company, having regard to the Company's nature, scale, and complexity.

a. Board and Senior Executive

i. Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities

The Board of Directors are responsible for providing strategic direction and ensuring appropriate governance practices are in place to represent the interests of the shareholders. The Company further has an Underwriting Committee to review and approve all underwriting. The Officers of the Company are responsible for day-to-day management and executing upon the strategic direction.

ii. Remuneration Policy

Employees are remunerated in accordance with experience and market rate.

iii. Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions

In March 2020, a majority of the share capital of MultiStrat Holdings Ltd. was acquired by Canopus UK Limited. As such, this entity has the ability to exercise significant influence over the company's operations. Robert Forness also holds voting proxy for all management shareholders.

b. Fitness and Proprietary Requirements

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

The Company assesses the fit and proper process based on the individual's expertise and work experiences.

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

Each respective board member and senior executive has the necessary professional qualification and experience in the insurance industry to provide the level of knowledge and expertise required to carry out their roles and responsibilities.

Below are details of the Board and Senior Executives' qualifications, skills and expertise:

Board

Robert Forness: CEO of Multi-Strat Holdings Ltd for eight years. Former Chief Underwriting Officer and Managing Director at Lloyd's for the Imagine Group. He was also Chief Operating Officer of Odyssey Re's London and Bermuda companies. Bob holds both the Chartered Property and Casualty Underwriter and Chartered Life Underwriter designations, a B.S. in applied economics from Cornell, and an MBA from Columbia. Citizen of the U.S.A.

Gregory Morrison: Chairman of Multi-Strat Holdings Ltd. Fellow of the Society of Actuaries (retired), has more than 40 years of experience in the insurance and reinsurance industries. Mr. Morrison served as CEO of Platinum Underwriters Holdings Ltd., Imagine Group Holdings Ltd., and London Reinsurance Group. He was also President of Unum Reinsurance, the reinsurance division of Unum Provident Corporation. Mr. Morrison currently sits on a number of property casualty and life reinsurance boards and their subsidiaries including Aetna Life & Casualty (Bermuda) Limited (Chairman of the Audit Committee and Risk Committee), Aspen Bermuda Limited (Chairman), Trisura Group Ltd. and various subsidiaries of Brookfield Asset Management.

Raymond O'Neill: Currently non-executive director of regulated entities, investment funds, service providers and technology companies. Senior management in start-ups and large global organizations in London, Dublin, Boston and Bermuda. CEO and founding member of Kinetic Partners. Fellow, Chartered Association of Certified Accountants, CFA

Senior Executives

Robert Forness: Chief Executive Officer and Chief Underwriting Officer

Patrick Grealy: EVP, Pricing & Portfolio Management

George Iacono: SVP, Financial Director

Christina Swan: SVP Operations & Business Development and Secretary

Consultants and Service Providers

The Company has contracted Strategic Risk Solutions (Bermuda) Ltd. as its insurance manager to provide management services, Compass Administration Services Ltd. to provide certain supporting corporate administration services. Oxygen Ltd. to provide IT services, Pillars Consulting to provide compliance services and Solaise Consulting to provide information security services as well as acting as the company's Chief Information Security Officer ("CISO").

c. Risk Management and Solvency Self-Assessment

The Company Risk Management and Solvency Self-Assessment process as outlined below takes into consideration the principle of proportionality and other such factors, including the relationship between the Company, its ceding insurers, the parties insured and retrocessional partners, as well as the characteristics and volume of business written. The Risk Management and Solvency Self-Assessment processes are commensurate with the nature, scale and low level of complexity of the Company.

i. Risk Management Process & Procedures to Identify, Measure, Manage and Report on Risk Exposures

A complete assessment of material risks was completed in 2022 by the Board of Directors. The Board of Directors confirmed in their opinion the Company was in compliance with the Insurance Code of Conduct.

ii. Risk Management and Solvency Self-Assessment Systems Implementation

A complete assessment of risk management and solvency assessment systems was completed during 2022 by the Board of Directors. The Board of Directors confirmed in their opinion the Company was compliant with the regulatory requirements.

iii. Relationship Between Solvency Self-Assessment, Solvency Needs & Capital, and Risk Management

The Company carries out a Commercial Insurer Solvency Self-Assessment annually and the Board of Directors reviews and approves.

iv. Solvency Self-Assessment Approval Process

The Company's Solvency Self-Assessment Report is prepared by management and reviewed and approved by the Board of Directors.

d. Internal Controls

i. Internal Control System

The Company has systems, processes and procedures to ensure that data and reporting is reliable, organizational policies are adhered to and adequate security measures are implemented. Many of the Company's processes and procedures, including those related to the internal control system, are conducted by employees.

In addition, the Company engaged Strategic Risk Solutions (Bermuda) Ltd to provide certain management services and reliance is placed on their internal control system.

ii. Compliance Function

The compliance function is performed by senior management under the direction of the Board of Directors of the Company.

e. Internal Audit

Due to the nature and scale of the Company's current operations, the Company currently relies upon internal peer reviews to fulfil the role of the internal auditor as well as the work done by the external auditors during the annual audit process. In the event that the Board of Directors determine that the level

of the Company's operations require a formal internal audit function, an appropriate qualified outsourced arrangement would be put in place.

f. Actuarial Function(s)

Patrick Grealy as EVP, Pricing and Portfolio Management is responsible for the Company's actuarial function, including pricing and loss reserving. Josh Worsham of MidAtlantic Actuarial Services LLC is the Loss Reserve Specialist.

g. Outsourcing

i. Outsourcing Policy and Key Functions that have been Outsourced

Strategic Risk Solutions (Bermuda) Ltd provide insurance management services for the Company under the oversight of the SVP, Financial Director.

Compass Administration Services Ltd. provides certain corporate administration services for the Company under the direction and oversight of the Secretary.

Oxygen Ltd. provides IT services under the direction and oversight of the Secretary.

Pillars Consulting provides compliance services under the direction and oversight of the Secretary.

Solaise Consulting to provide information security services under the direction and oversight of the CEO and act as the CISO.

ii. Material Intra-Group Outsourcing

None.

h. Other Material Information

None.

3. RISK PROFILE

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

The Company's material risk categories are as follows:

- Insurance Risk – the risk of loss arising from of adverse change in the value of insurance liabilities due to inadequate reserve setting assumptions.
- Credit Risk – the risk of loss or of adverse change in the financial situation, resulting from the deterioration of the credit quality of a counterparty in a reinsurance contract. The Company mitigates its credit risk related to reinsurance ceded by obtaining collateral equal to the limits on the business ceded.
- Operational Risk – the risk of loss arising from inadequate or failed internal processes, personnel or systems, contract wording, or from external events.

b. Risk Mitigation in the Organization

The Company's risk mitigation control function is performed by management, through adherence to, among other things, Operating and Underwriting Guidelines, which are reviewed by the Board of Directors.

c. **Material Risk Concentrations**

The Company has collateral and reinsurance risk concentration, which is closely monitored by management and the Board of Directors. The Company also manages its underwriting risks by class and by geographical location.

At December 31, 2022, the Company had only 9 active programs; as a result, the monitoring of concentration risk is relatively straightforward.

Additionally, all the underwriting risks are passed on to Participating Reinsurers or in SACs so there is minimal concentration risk for the Company.

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

The Company holds only assets in Fixed income investments and cash and cash equivalents and monitors the financial institutions.

e. **Stress Testing and Sensitivity Analysis to Assess Material Risks**

Interest Rate Risk

The company monitors the investment of the SACs, and discusses market conditions as it relates to duration and its potential impact on interest rate risk. The SACs investment portfolios are invested in a majority of fixed income securities as identified above. This portfolio has a weighted average life of 1.8 years. 100% of the asset holdings are broadly syndicated 144a securities with an average public rating of "A-". The portfolio is characterized as liquid and the interest rate risk assigned as low/moderate given the short-dated nature of the asset holdings. The interest rate risk and liquidity risk is immaterial for the remainder of the investment portfolios, which are invested in Cash, Short Term U.S. T-Bills, and US Government Money Market Funds.

For general corporate liquidity related to underwriting activities, rather than capital charges related to liquidity on the investment portfolio, for example, catastrophe insurers need to ensure greater overall liquidity due to their short-term claims needs, the Company actively monitors their general corporate liquidity to ensure operating needs are met. We have self-assessed our general corporate liquidity charge as immaterial.

Underwriting Risk Exposures

The Company, through its segregated accounts that are wholly owned by other Participating Reinsurers, retains some underwriting risk in Bermuda. This risk is either collateralized to contract obligations or in accordance with the license class conditions of the Company. As such, there is limited exposure to the core of the Company given the legal separation of these liabilities.

Garden was acquired in 2015 and is running-off business written prior to 2013. While there is the potential for reserve deterioration, there is only 1 open claim in Garden with remaining reserves are \$83k, which is at its per-occurrence limit. The reserves are mature and stable.

Credit Risk

The Company manages its credit risk through collateralization of reinsurance balances which is monitored by management and the Board of Directors.

Due to contractual and collateral arrangements with participating reinsurers and SAC investors we believe that credit risk only occurs under a cascading series of events over multiple contractual features, controls and procedures.

4. SOLVENCY VALUATION

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

The Company has used the valuation principles outlined by the Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. Garden is regulated by the State of Vermont.

The fair value principles used for assets and revenue are as follows:

- Fixed Income Securities – Consist of debt instruments of US Corporations and are recorded at fair value.
- Cash and cash equivalents and restricted cash and cash equivalents – include cash on hand, deposits held on call with banks, money market funds and other short-term highly liquid investments with a maturity of three months of the date of purchase. The carrying value approximates fair value because of the short-term nature and high liquidity of these assets.
- Reinsurance balances receivable and funds held by ceding reinsurers – are recorded at fair value.
- Fee income - The Company receives ceding commission, Account Maintenance Fees ("AMF"), Revenue Sharing Fees ("RSF"), Segregated Account ("SAC") fees and Underwriting Performance Incentive fees ("UPI").
 - Ceding commissions are earned on contract inception for Loss Portfolio Transfer's and earned over the term of the contract for Prospective Quota Share business.
 - SAC fees are earned on a quarterly basis in advance for all cells and accounts that continue operations.
 - AMF, RSF and UPI fees are estimated over the life of the underlying contracts and calculated on the basis of one or more factors including reserve balances, payout patterns and contract performance over a three to five year period and recorded as receivable on contract inception and earned over the projected three to five year period.

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

Revenue recognition and acquisition costs

Insurance Premiums

Insurance premiums for prospective reinsurance contracts are earned over the loss exposure or coverage period of the underlying policies. Premiums for retroactive reinsurance policies are earned at the inception of the contracts, as all of the underlying loss events covered by the underlying policies occurred in the past. Any underwriting gain or loss at inception related to retroactive exposures in a reinsurance contract is recognized immediately.

Premium adjustments are recorded in the periods in which they become known. Commissions and other costs incurred on the acquisition of new and renewal business are deferred and amortized over the terms of the policies or contracts of reinsurance to which they relate. The method followed in determining the deferred acquisition costs limits the amount of deferral to its realizable value by giving consideration to

losses and expenses expected to be incurred as premiums are earned and also considers anticipated investment income.

Losses and loss adjustment expenses

Losses and loss expenses paid are recorded when advised by ceding companies. The liability for loss and loss expense provisions includes an amount determined from loss reports and individual cases and an amount, based on the recommendations of an independent actuary using past loss experience and industry loss development factors, for losses incurred but not reported.

These estimates are continually reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability is subject to inherent uncertainty given the nature of the reinsurance coverage in place and may be materially in excess of, or less than, the amounts provided and any adjustments will be reflected in the periods in which they become known.

c. Description of Recoverables from Reinsurance Contracts

Losses and loss adjustment expenses recoverable represent amounts recoverable from Participating Reinsurers under Quota Share Retrocession and other Agreements that are required to be collateralized by letters of credit and reinsurance trust agreements.

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

Similar to the valuation principles for assets, the Company's liabilities follow the valuations principles outlined by the Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" which values liabilities at a fair value basis. All other liabilities are valued in accordance with US GAAP.

e. Any Other Material Information

As noted above, the Company is also registered under the SAC Act. The Company may establish segregated accounts where directed by the related reinsurance agreement. For each segregated account the Company has an account ownership governing instrument. These agreements describe the terms and conditions of establishing the segregated account including an obligation by the account owner to fund any deficiency of segregated account liabilities over segregated account assets. Creditors of segregated accounts established to date have no claim upon the assets of other segregated accounts or upon the Company's general account assets.

5. CAPITAL MANAGEMENT

a. Eligible Capital

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

The Company's management and the Board of Directors monitor and assess the capital management process.

Eligible Capital Categorized by Tiers in Accordance with the Eligible Capital Rules.

All of the Company's capital at December 31, 2022, was categorized, as follows:

	(Reported in thousands)
Tier 1	\$32,298

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

As at 31 December, 2022, the Company's Eligible Capital for its Minimum Margin of Solvency (MSM) was categorized as follows:

(Reported in thousands)

	<u>Minimum Margin of Solvency</u>
Tier 1	\$1,500
Tier 2	-
Tier 3	-
Total	\$1,500

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

None.

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

None.

v. Identification of Ancillary Capital Instruments Approved by the Authority

None.

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

None

b. Regulatory Capital Requirements

i. MSM Requirements at the End of the Reporting Period

Based upon the Company's insurance license and applications submitted to the BMA, the Company is required to either fully collateralize or fully fund to contract obligations of its business depending on the type of contracts written.

As at 31 December, 2022, the Company's regulatory capital requirements were assessed as follows:
(Reported in thousands)

<u>Requirement</u>	<u>Amount</u>
Minimum Margin of Solvency	\$ 1,500 (Met)

ii. Identification of Any Non-Compliance with the MSM

The Company has had no non-compliance issues with the MSM.

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

None.

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

None.

c. Approved Internal Capital Model

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

None.

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

None.

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

None.

iv. Description of Aggregation Methodologies and Diversification Effects

None.

v. Description of the Main Differences in the Methods and Assumptions Used for the Risk Areas in the Internal Model Versus the BSCR Model

None.

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

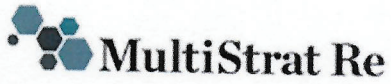
None.

vii. Any Other Material Information

None.

6. SUBSEQUENT EVENTS

None



MULTI-STRAT RE LTD.

The Burnaby Building
16 Burnaby Street
Hamilton HM 11
Bermuda

DECLARATION ON FINANCIAL CONDITION REPORT

For the Year Ending December 31, 2022

We declare to the best of our knowledge and belief that the Financial Condition Report of Multi-Strat Re Ltd. ("the Company") fairly represents the financial condition of the Company in all material respects.

A handwritten signature in blue ink, appearing to read "Robert J. Forness".

Robert J. Forness
Chief Executive Officer

April 28, 2023

Date

A handwritten signature in blue ink, appearing to read "Christina D. Swan".

Christina D. Swan
Secretary

April 28, 2023

Date