

Fortitude Reinsurance Company Ltd.

Financial Condition Report

For the year ended December 31, 2020

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i. Executive Summary

This financial condition report (“FCR”) for Fortitude Reinsurance Company Ltd. (the “Company” or “Fortitude Re”) is produced in accordance with the Insurance (Public Disclosure) Rules 2015 (the “Rules”) under the Bermuda Insurance Act 1978 (the “Act”). This report outlines the financial condition of Fortitude Re as of December 31, 2020. The FCR contains qualitative and quantitative information of Fortitude Re’s business and performance, governance structure, risk profile, solvency valuation and capital management.

ii. Declaration**Declaration on the Financial Condition Report**

We, the undersigned, declare that to the best of our knowledge and belief, the financial condition report fairly represents the financial condition of Fortitude Reinsurance Company Ltd. in all material respects as at December 31, 2020.



Andrew Sooboodoo
Chief Risk Officer
Fortitude Reinsurance Company Ltd.



James Bracken
Chief Executive Officer
Fortitude Reinsurance Company Ltd.

iii. Company Background Information

Fortitude Reinsurance Company Ltd. (the "Company" or "Fortitude Re") was incorporated under the laws of Bermuda on January 1, 2017. The Company is licensed and registered as a Class 4 and Class E reinsurance company in Bermuda and is a reinsurer of general insurance and life insurance run-off business.

Since inception, the Company has acquired a number of legacy portfolios ceded or novated by a number of American International Group Inc. companies, including American General Life Insurance Company and other AIG life and annuity companies (collectively, the "Life Cedants") and certain blocks of property and casualty business issued by National Union Fire Insurance Company of Pittsburgh, Pa. and other AIG property and casualty companies (collectively, "P&C Cedants") (the Life Cedants and P&C Cedants are collectively referred to as the "Cedants"), with such portfolios subject to revision as business conditions warrant.

iv. Business and Performance*a. Name of Insurer*

Fortitude Reinsurance Company Ltd.

*b. Supervisors*Insurance Supervisor

The Bermuda Monetary Authority ("BMA")
BMA House,
43 Victoria Street,
Hamilton HM12 Bermuda

*c. Approved Auditor*Statutory Reporting

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

GAAP Reporting

PricewaterhouseCoopers LLP
150 3rd Avenue South, Suite 1400
Nashville, Tennessee
United States of America

d. Ownership Details

Fortitude Re (the "Company") is a wholly-owned subsidiary of Fortitude Group Holdings, LLC ("Fortitude Holdings"), formed under the laws of the State of Delaware, United States on June 19, 2018. Fortitude Holdings is owned by Carlyle FRL, L.P. ("Carlyle FRL"), an investment fund advised by an affiliate of The Carlyle Group Inc. ("Carlyle"), an SEC-registered global investment firm, T&D United Capital Co., Ltd. ("T&D"), a wholly-owned subsidiary of T&D Holdings, Inc., a listed Japanese insurance group, and American International Group Inc. ("AIG"), an SEC-registered company, with interests of 71.5%, 25% and 3.5% respectively.

The Company is the parent company of Fortitude Re Investments, LLC ("Fortitude Investments"), an investment holding company, which is organized in the State of Delaware, United States of America.

On November 25, 2019, Fortitude Holdings entered into a membership interest purchase agreement with AIG, Carlyle, Carlyle FRL, T&D and T&D Holdings, Inc., pursuant to which Carlyle FRL agreed to purchase from AIG a 51.6% ownership interest in Fortitude Holdings and T&D agreed to purchase from AIG a 25% ownership interest in Fortitude Holdings ("2019 Sale"). At closing, Carlyle contributed its existing 19.9% interest in Fortitude Holdings to Carlyle FRL. The closing of the 2019 Sale was complete with effect from June 2, 2020 whereupon 7,150 membership units of Fortitude Holdings (71.5%) were owned by Carlyle FRL, 2,500 membership units (25%) were owned by T&D and 350 membership units (3.5%) were owned by AIG.

e. Group Structure

The group structure chart is attached as Appendix One.

f. Insurance Business Written by Business Segment and by Geographical Region

The Company is a reinsurer of run-off general insurance and long-term business, including property and casualty, life, annuity and accident and health lines of business. All reserves are currently ceded from AIG. Our general insurance business comprises excess workers compensation, pollution liability products, environmental losses from incidental liability, healthcare (including physicians and surgeons, pharmaceutical equipment, product recall and other health care coverages), commercial auto (buffer trucking) and other casualty (including primarily certain occupational accident and public entity excess liability and exposures from run-off divisions).

Our long-term business is comprised of both future policy benefits and policyholder contract deposits. Future policy benefits include structured settlements with life contingencies, single premium immediate annuities with life contingencies, pension risk transfer annuities, traditional life insurance products such as whole life, return of premium term, accident & health and long term care. Policyholder contract deposits include investment contracts such as structured settlements and single premium immediate annuities with non-life contingent benefits, and the fund values of universal life insurance contracts.

Premiums in Figure 1 represent premiums assumed from the ceding insurance companies by business segment. Premium written and earned in our general insurance lines of business relate to certain multi-year environmental liability exposures. Premium written and earned in our life and annuity lines of business relate to non paid up policies and new supplemental contracts on the policies in run-off.

Figure 1. Premiums assumed by line of business on a written and earned basis:

(in millions)	Premiums Written		Premiums Earned	
	Year Ended December 31		Year Ended December 31	
	2020	2019	2020	2019
Assumed - general insurance	\$ 1	\$ 5	\$ 8	\$ 41
Assumed - life and annuity	287	292	287	292
Total net premium	\$ 288	\$ 297	\$ 295	\$ 333

All premium assumed originates from within the United States of America.

g. Performance of Investments and Material Income and Expenses

Performance of Investments

The table below summarizes our total investments as of December 31, 2020 and 2019:

(in millions)	December 31, 2020		December 31, 2019	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Funds withheld by ceding companies	\$ 42,968	91.7 %	\$ 40,765	91.9 %
Fixed maturities available for sale, at fair value	3,549	7.6 %	2,187	4.9 %
Other invested assets, at fair value	313	0.7 %	1,292	2.9 %
Short term investments	10	— %	107	0.2 %
Total investments	\$ 46,840	100.0 %	\$ 44,351	100.0 %

As of December 31, 2020, 92% (2019: 92%) of the total investment portfolio of the Company is comprised of funds withheld by ceding companies which represents a reinsurance receivable collateralized by a portfolio of investments maintained by the ceding companies. Under the provisions of U.S. GAAP, the reinsurance agreements contain an embedded derivative because the ceding companies are paying us an interest rate attributable to the returns on the portfolio of investments which collateralize the reinsurance receivable that is not associated with the ceding companies own credit risk. As the funds withheld assets are settled on a quarterly basis, as described above, the fair value of the embedded derivatives is equal to the unrealized gain or loss on the segregated investment portfolio, which collateralizes the reinsurance receivable.

The investment portfolio underlying both the funds withheld by ceding companies and fixed maturities available for sale portfolio is substantially allocated to fixed maturity securities, including corporate debt, U.S. and non-U.S. government debt along with RMBS, CMBS and other collateralized asset-backed securities ("CDO/ABS"). Whilst the substantial majority of our investment portfolio has been allocated to fixed maturity securities, a key component of our investment strategy is to invest in alternative investments to provide diversification against our fixed income investments and an opportunity for improved-risk adjusted returns. The assets are managed by two asset managers: AIG Asset Management (U.S.) LLC, an affiliate of AIG, primarily manages the fixed income portfolio and Carlyle Investment Management LLC, an affiliate of Carlyle, manages alternative assets and certain private credit strategies. Our internal investment function oversees the asset managers and directs asset allocation. The asset management arrangement with AIG may not necessarily be representative of how future funds withheld arrangements are managed as our business evolves to bring on new (re)insurance transactions.

Total investment income is comprised of net investment income, change in value of funds withheld embedded derivative and investment gains (losses), as summarized below in Figure 2.

Figure 2. Total Investment Income:

Year Ended December 31,	2020			2019		
<i>(in millions)</i>	Funds withheld by ceding companies	Fixed maturities available for sale, other invested assets and short-term investments	Total	Funds withheld by ceding companies	Fixed maturities available for sale, other invested assets and short-term investments	Total
Net investment income	\$ 1,447	\$ (65)	\$ 1,382	\$ 1,695	\$ 269	\$ 1,964
Change in value of funds withheld embedded derivative	2,473	—	2,473	3,876	—	3,876
Investment gains (losses)	635	82	717	236	10	246
Total investment income	\$ 4,555	\$ 17	\$ 4,572	\$ 5,807	\$ 279	\$ 6,086

Net investment income by asset class is summarized below in Figure 3.

Figure 3. Net Investment Income:

Year Ended December 31, (in millions)	2020	2019
<i>Available for sale fixed maturity securities</i>		
U.S. government and government sponsored entities	\$ 3	\$ —
Obligations of states, municipalities and political subdivisions	4	7
Non-U.S. governments	2	1
Corporate debt	73	45
RMBS	5	6
CMBS	5	3
CDO / ABS	3	1
Total investment income for available for sale fixed maturity securities	\$ 95	\$ 63
Other Invested Assets	(159)	201
Short Term Investments and Other	3	12
Funds withheld by ceding companies	1,492	1,753
Total investment income	\$ 1,431	\$ 2,029
Investment expenses	(49)	(65)
Net investment income	\$ 1,382	\$ 1,964

Net investment income decreased by \$582 million from \$1,964 million for the year ended December 31, 2019 to \$1,382 million for the year ended December 31, 2020. The decrease was primarily driven by a net \$360 million reduction in income from the Maiden Lane III B Notes ("MLIII-B") investment, including a \$161 million realized loss on the disposal of these assets prior to separation from AIG for the year ended December 31, 2020. The primary other driver of the reduction in net investment income was low 2020 alternative asset returns relative to strong performance in 2019 which are contained within funds withheld by ceding companies. This was driven by lower income from legacy real estate joint venture holdings, which had significant gains in 2019 and valuation write-downs in 2020. The lower interest rate environment also contributed to the decline in net investment income on fixed maturity securities as elevated portfolio rebalancing activity combined with lower reinvestment rates drove both lower book yields and realized gains from sales.

Figure 3.1 Net investment gains:

Year Ended December 31, (in millions)	2020	2019
Available for sale fixed maturity securities		
U.S. government and government sponsored entities	\$ 9	\$ —
Obligations of states, municipalities and political subdivisions	5	7
Non-U.S. governments	1	—
Corporate debt	73	2
RMBS	2	1
CMBS	1	—
Total available for sale fixed maturity securities	\$ 91	\$ 10
Derivative instruments	(9)	—
Funds withheld by ceding companies	635	236
Net investment gains (losses)	\$ 717	\$ 246

Net realized gains increased by \$471 million in 2020 from a net realized gain of \$246 million for the year ended December 31, 2019 to a net realized gain of \$717 million for the year ended December 31, 2020. The increase was primarily driven by elevated portfolio rebalancing activity within fixed income assets combined with a lower interest rate environment throughout 2020.

Material Income & Expenses for the Reporting Period

The Company's main source of revenue is income from investments and premiums earned. The Company's main expenses arise from insurance claims and the cost of operations. The statement of income for the Company for the years ended December 31, 2020 and 2019 is shown in Figure 4 below.

Figure 4. Material Income & Expenses:

(in millions)	Year Ended December 31,	
	2020	2019
Revenues:		
Premiums	\$ 295	\$ 333
Policy fees	79	92
Net investment income	1,382	1,964
Change in value of funds withheld embedded derivative	2,473	3,876
Investment gains (losses)	717	246
Net foreign exchange gains	17	—
Total revenues	4,963	6,511
Benefits, losses and expenses:		
Policyholder benefits and losses incurred	3,500	1,511
Interest credited to policyholder account balances	205	206
General operating expenses	144	176
Total benefits, losses and expenses	3,849	1,893
Income before income tax expense	1,114	4,618
Income tax expense:		
Current	185	78
Deferred	50	893
Income tax expense	235	971
Net income	\$ 879	\$ 3,647

The Company reported net income of \$879 million for the year ended December 31, 2020, compared to net income of \$3,647 million for the year ended December 31, 2019. The decrease in net income is primarily due to a decrease in net investment income and the change in the value of funds withheld embedded derivative, offset by an increase in investment gains (as discussed in the *Performance of Investments* section above). The Company also recorded an increase to reserves as a result of loss recognition events, driven primarily by interest rate fluctuations, of \$2,273 million for the year ended December 31, 2020.

h. Any Other Material Information

No other material information to report.

v. Governance Structure*a. Board and Senior Executives**i. Board and Senior Executive Structure, Roles, Responsibilities and Segregation of Responsibilities*

The Board of Directors of Fortitude Re (“Board”) is the focal point of the Company’s corporate governance and is accountable for the oversight of management, performance and conduct of the Company’s business. The Board meets at a minimum on a quarterly basis. Board meetings include standing agenda and other items. The Board receives reports from senior executives, management and the Company’s general counsel. Reports are also received from the following Board committees:

- Audit Committee
- Risk and Capital Committee
- Life & Annuity Operations & Claims Committee
- Property & Casualty Operations & Claims Committee
- Regulatory, Compliance & ESG Committee
- Compensation Committee

Each of the above mentioned committees has its own charter.

At December 31, 2020, the Board consisted of thirteen directors:

- Brian T. Schreiber
- James Bracken
- Ciara Burnham
- Sihong Chan
- Doug French
- Takayuki Hanao
- Brian O'Hara
- Richard Patching
- Christopher Schaper
- Jane Tutoki
- Reginald Van Lee
- Samuel J. Weinhoff
- Ichiro Yamamura

Biographies of the directors are provided in section v. (b) ii. of this document. The Company’s constitutional documents, committee charters, the Bermuda Insurance Code of Conduct and applicable law (such as the Bermuda Companies Act 1981, as amended) include guidance and/or details of the Board’s role and responsibilities. In addition, the Company has developed a suite of Policies, Standards and Procedures tailored to its business which, among other things, detail certain requirements in connection with Board composition, training and standards for the Company’s Board and Committees.

ii. Description of Remuneration Policy

The Company’s remuneration policy for senior executives is currently established by its Compensation Committee. Fortitude Re’s compensation policy provides for a fixed base salary along with a short term incentive (“STI”) of an annual bonus which is calculated based on both Fortitude Re’s and the individual employee’s performance. The Company’s Human Resources Department participates in annual surveys designed to review local compensation practices/standards to ensure Fortitude Re’s compensation packages are in keeping with industry and market standards.

Fortitude Re Board members who are also employed by Fortitude Re do not receive any additional compensation to act in their capacity as Fortitude Re Directors other than their fixed salary and STI. Independent directors receive a fixed annual fee, paid quarterly.

The Company is committed to remunerating people to behave in a manner that aligns incentives with prudent risk-taking. The Company's incentive compensation framework is therefore included in the company's approach to risk management and supported by Board oversight. The Chief Risk Officer reviews the planned compensation framework to ensure incentives are aligned with appropriate risk taking. The Company also has a Compensation Committee to assist the Board in its oversight of the compensation and benefits programs.

iii. Supplementary Pension or Early Retirement Schemes for Members, Board and Senior Executives

Fortitude Re does not currently provide supplementary pension or early retirement schemes for Board Members or senior executives.

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

Because of the significant related-party transactions with Carlyle, T&D, AIG and/or their affiliates, Fortitude Re's financial condition and results of operations may not necessarily be indicative of the financial condition or results of operations that would have occurred if Fortitude Re had been operating as an unaffiliated company.

The below sections detail the material related party transactions during the reporting period.

AIG Affiliated Entities:

On November 13, 2018, AIG completed the sale of 19.9% of the total issued membership units ("2018 Sale") in Fortitude Holdings to TC Group Cayman Investment Holdings, L.P. ("TCGCIH"), an affiliate of Carlyle. AIG received \$381 million in cash and is entitled to receive up to \$95 million of deferred consideration following December 31, 2023. In May 2020, the initial purchase price was adjusted upward by \$100 million in accordance with the terms of the 2018 Sale as Fortitude Holdings chose not to distribute a planned non pro-rata dividend to AIG prior to May 13, 2020. Further, AIG agreed to certain investment commitment targets into various Carlyle strategies and vehicles and to certain minimum investment management fee payments within 30 to 36 months following the closing of the 2018 Sale. In accordance with the terms of the 2018 Sale, AIG would be required to make certain payments to Carlyle to the extent AIG failed to satisfy such investment commitment targets.

In accordance with the terms of the 2019 Sale, Fortitude Holdings, AIG and Carlyle FRL agreed, effective upon the closing of the transaction: (i) AIG's aforementioned investment commitment targets, minimum investment management fee payments and make-whole fee condition will be assumed by Fortitude Holdings and (ii) the purchase price would be subject to a post-closing price adjustment pursuant to which AIG will pay Fortitude Re for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur on or prior to December 31, 2023, up to a maximum payment of \$500 million.

Prior to the 2019 Sale on June 2, 2020, under a Service and Expense Agreement between the Company and various AIG affiliates, we purchased administrative, accounting, marketing and data processing services from AIG or its subsidiaries. The affiliated entities provided the Company with personnel, office space, equipment, computer processing and other services. The allocation of costs for other services was based on estimated level of usage, transactions or time incurred in providing the respective services. The Company reimbursed the AIG affiliates for these services at cost. The Service and Expense Agreement was terminated on June 2, 2020 in conjunction with the 2019 Sale.

The Company has an asset management agreement with AIG Asset Management (U.S.) LLC, an AIG affiliate, which provides asset management and related accounting services. The Company records an investment management fee as a deduction from income from investments, which is paid quarterly, based on the value of the assets under management.

Carlyle Affiliated Entities:

The Company has entered into (1) investment management agreements between Fortitude Re and Carlyle Investment Management LLC ("Investment Manager"), an affiliate of Carlyle, dated November 13, 2018, and as amended from time to time, and between Fortitude Investments and the Investment Manager, dated May 12, 2020, pursuant to which the Investment Manager provides certain investment management and advisory services with respect to certain asset classes and (2) an exclusivity agreement, dated June 2, 2020, among Fortitude Re and the Investment Manager pursuant to which the Investment Manager is the exclusive provider of investment management and advisory services with respect to certain asset classes and certain new business acquired by the Company.

*b. Fitness and Propriety Requirements**i. Fit and Proper Process in Assessing the Board and Senior Executives*

Fortitude Re has adopted a policy that sets forth corporate governance such as board fit and proper process including: meetings, committees, training, conflicts of interest, non-employee directors, delegations and authorities, and records management.

Fortitude Re's Code of Conduct seeks to prevent and manage conflicts of interest in order to ensure that all Fortitude Re employees perform their work in an objective and unbiased manner.

The Company appoints members of the Board based on the individual's skill set, expertise, knowledge and work experience as well as professional judgment and recommendations from those individuals who are professionally familiar with the proposed Board member.

Senior Management work with the Company's Human Resources Department to hire senior and middle management and other staff to ensure there is sufficient expertise to achieve their respective area goals. The Human Resources Department arranges background screening and other support for all hires to ensure appropriate organizational alignment.

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

The following table sets forth certain information concerning our executive officers and directors as of December 31, 2020:

<u>Name</u>	<u>Position</u>
James Bracken	Chief Executive Officer and Director
Kai Talarek	Chief Financial Officer
Jeffrey Mauro	Chief Investment Officer
Jeff Burman	General Counsel
Sean Coyle	Chief Operating Officer
Andrew Sooboodoo	Chief Risk Officer
Seong-Weon Park	Head of Forecasting and Capital
Jack McGregor	Chief Property and Casualty Reinsurance Officer
Ciara A. Burnham	Director
Sihong Chan	Director
Douglas A. French	Director
Takayuki Hanao	Director
Brian O'Hara	Independent Director
Richard Patching	Independent Director
Christopher T. Schaper	Director
Brian T. Schreiber	Director
Jane Tutoki	Director
Reggie Van Lee	Director
Samuel J. Weinhoff	Director
Ichiro Yamamura	Director

James Bracken, Chief Executive Officer and Director. Prior to joining Fortitude Re, Mr. Bracken spent nearly 20 years in finance related positions in the insurance industry in both Europe and the United States. He most recently was the Chief Financial Officer of General Insurance at AIG. Before joining AIG, Mr. Bracken spent eight years at General Electric where he held finance positions at Employers Reinsurance Corporation, GE Frankona and GE Capital in Kansas, Munich and Stamford. Prior to that, he worked for 10 years in the audit and business advisory practice of Arthur Andersen, both in the UK and Chicago. Mr. Bracken has served as member of the board of directors of various U.S., Canadian, European and Asian insurance companies. He is a graduate of Durham University, United Kingdom and qualified as a chartered accountant in the UK.

Kai Talarek, Chief Financial Officer. Prior to joining Fortitude Re, Mr. Talarek spent more than 20 years in the financial services sector in the United States. He most recently was a partner in the insurance practice of management consultant Oliver Wyman in New York where he spent 14 years focusing on complex risk, finance and strategy issues for insurers. Before joining Oliver Wyman, Mr. Talarek was a Vice President in the Treasury department of American Express, Vice President of Strategy at Zurich Re, and an engagement manager at Mitchell Madison Group in New York and San Francisco, CA. Mr. Talarek holds an MS in Mechanical Engineering from RWTH Aachen, Germany, and an MBA from UC Berkeley in California.

Jeffrey Mauro, Chief Investment Officer. Mr. Mauro previously served as head of the Cross Asset Initiatives team in the Asset Management Group at AIG, where he developed and implemented processes to facilitate asset allocation decisions for AIG's investment portfolio. In 2013, Mr. Mauro began his tenure at AIG in the Investments Business Strategy team where he worked to execute the divestiture of certain holdings that were deemed no longer core to AIG's overall business. Prior to that, Mr. Mauro worked in Investment Banking, helping financial institutions to execute capital raising and M&A transactions at Macquarie Capital (USA) Inc. and FBR & Co. Mr. Mauro earned his Bachelors of Science in Finance and Accounting from Georgetown University. He is a Chartered Financial Analyst (CFA) Charterholder.

Jeff Burman, General Counsel. Mr. Burman brings more than 20 years of broad legal experience in the areas of insurance and reinsurance-related transactions, regulatory matters and dispute resolution. He most

recently served as Chief Reinsurance Legal Officer and Deputy General Counsel for General Insurance at AIG. In this position he led the legal function for various groups, including Reinsurance; Multinational; Insurance Company Governance; as well as the Canada, Bermuda and Latin America regions. Prior to joining AIG in 2008, Mr. Burman practiced at two leading New York law firms where he represented insurers and reinsurers, investment banks and investors in (re)insurance transactions, including mergers and acquisitions, insurance-linked securitizations and reinsurance contract drafting and dispute resolution. Mr. Burman is a graduate of Rutgers University School of Law, where he served on the Rutgers Law Journal, following which he served an appellate court clerkship in New Jersey. He is a member of the bars of New York and New Jersey.

Sean Coyle, Chief Operating Officer. Mr. Coyle brings approximately 20 years of operations and technology experience in the financial services industry, with deep knowledge in the insurance industry as both an operations and technology executive. Prior to his role in Fortitude Re, Sean was the Global Head of Finance Operations and Reengineering at AIG, where he was tasked with defining and implementing the vision, strategy, and plan for the global finance target operating model with a key focus on the use of shared services. Mr. Coyle was responsible for the creation and oversight of AIG's global Finance Centers in India as well as regional Finance Centers in Eastern Europe and South America. In addition to operational responsibilities, his team delivered strategic transformation capabilities across finance, including the oversight and management of change programs, reengineering and process automation, robotics, operating model strategy and strategic project execution. Prior to joining AIG in 2012, Mr. Coyle was Senior Vice President of Global Operations & Reengineering at ACE Group (now Chubb), where he was a member of the operations leadership team with global responsibility for the strategy, vision and execution of the operations function. Prior to joining ACE Group in 2006, Mr. Coyle was a Senior Manager with BearingPoint Inc. in the Financial Services practice and a Lead Application Developer and Architect with Proxicom, Inc. Mr. Coyle holds a bachelor's degree in Computer Science from Florida State University.

Andrew Sooboodoo, Chief Risk Officer. Mr. Sooboodoo has experience across the (re)insurance industry including pricing, capital and valuation across a broad range of products. Prior to his role at Fortitude Re, Mr. Sooboodoo worked at Legal & General Reinsurance Company as the Chief Risk Officer, during an 11 year tenure in various positions across the group. He has worked in Bermuda, the United Kingdom and the United States. Mr. Sooboodoo is a Fellow of the Institute of Actuaries and holds a bachelor's degree in Actuarial Science from the University of Southampton.

Seong-Weon Park, Head of Forecasting and Capital. Mr Park's responsibility includes capital management, stress testing and establishing investment / ALM strategies by working with the investment team. Prior to this role, he led various strategic initiatives at AIG from 2013 to 2017, such as life reinsurance transactions, strategic development for the legacy portfolio, economic pricing methodology development, and forming valuation opinions for Life, Terminal Funding Annuity and Retirement Product M&A. From 2009 to 2013, he worked for Goldman Sachs Asset Management, where he provided asset and liability solutions to various insurance clients. Mr. Park originally joined AIG Enterprise Risk Management in 2005 where he participated in various annuity product development as well as hedging and economic capital development projects. Prior to joining AIG, he worked for Samsung Fire and Marine Insurance Company from 1995 to 2002 as an actuarial analyst and risk manager. He earned a Master of Actuarial Science from Georgia State University and a B.S. in Mathematics from Yonsei University. He is a fellow of the Society of Actuaries (FSA).

Jack McGregor, Chief Property and Casualty Reinsurance Officer. Mr. McGregor has spent his entire 25 year career within Property & Casualty insurance and related fields. Mr. McGregor began his professional career as a trial litigator with a large Chicago-based law firm, specializing in insurance coverage, insurance bad faith and appellate work. He joined AIG in 2012 as Head of Run-Off Transactions, where he managed all aspects of \$7+ billion of gross multi-line legacy insurance liabilities. Prior to joining AIG, Mr. McGregor was Associate General Counsel, Chief Underwriting Counsel and ultimately Head of Disengagement Transactions at Lumbermens Mutual Group (Kemper Insurance Companies), where he was responsible for analysis and resolution of a wide spectrum of legal, regulatory and operational issues related to the solvent run-off of an \$11 billion, 11,000 employee, century-old insurance organization. He holds B.S. and J.D. degrees, with distinctions, from the University of Illinois.

Ciara A. Burnham, Director. Ciara Burnham is a financial services executive, board director and investor with three decades of experience across the industry. Ciara serves on the boards of several financial services and fintech companies, and also works with non-profit organizations focused on ESG, social impact and education. Ciara spent two decades as a Senior Managing Director with Evercore, the global investment bank, where she worked across both the investment banking and investment management businesses. Ciara joined Evercore shortly after its inception and played a significant leadership role in the build-out of the firm's presence on a global basis. She has worked with early stage fintech companies as a senior advisor and partner with QED, a leading venture capital firm. Earlier in her career, Ciara was an equity research analyst with Sanford Bernstein and a consultant with McKinsey. Ciara received an AB *cum laude* from Princeton University and an MBA with honors from Columbia Business School. She serves as Chair of the Board of Trustees for EDC, a leading non-profit working globally in education, healthcare and economic opportunity. Ciara is a member of the Advisory Boards of the Tamer Center for Social Enterprise and the Program for Financial Studies at Columbia Business School, and the Dean's Advisory Council of Princeton University.

Sihong Chan, Director. Sihong Chan joined GIC in 2006. He is a Senior Vice President and the Deputy Head of the Special Opportunities Group. During his tenure at GIC's private equity department, Mr. Chan has overseen numerous private equity and private credit fund investments, co-investments and direct investments. He has experience in a variety of sectors, including financial services, consumer & retail, media and natural resources. Among other roles at GIC, Mr. Chan has served as the Global Coordinator for Restructured & Opportunistic Credit, and the co-sector head of Emerging Markets Non-Asia Private Equity Funds & Co-investments. Mr. Chan has represented, and still represents, GIC as an advisory board member on several private equity fund committees. He has also been an observer on several private company boards, including those of Del Monte Foods and Igloo Coolers. Mr. Chan attended Stanford University on a GIC scholarship, and graduated Phi Beta Kappa with a M.A. in International Policy Studies and a B.A. in Economics, with distinction.

Douglas A. French, Director. Doug French is the recent Managing Principal of the Insurance and Actuarial Advisory Services practice of Ernst & Young LLP's Financial Services Organization. Doug has spent more than 35 years in actuarial consulting. Before joining Ernst & Young LLP in 1999, he was a principal and global practice director of a major actuarial consulting firm. As a senior consultant, Doug has drawn on his global experiences to assist life, health and property/casualty clients in mergers and acquisitions, strategic planning, enterprise risk and capital management, financial reporting and management, financial projections and modeling and distribution economics and effectiveness. Throughout his career, he has not only maintained his technical actuarial skills, but has also strived to understand the broader strategic implications and drivers for the insurance industry and its participants. His deep understanding of the industry allows him to translate concepts and business models into active strategies and tactics for his clients. Doug is a frequent speaker at industry seminars and author in industry publications. He is also an Ex-Corporate Advisory Council member of the International Association of Black Actuaries, a College of Natural Sciences Advisory Council participant at the University of Texas at Austin and an Emeritus Trustee of The Actuarial Foundation. In 2018, Doug received the Society of Actuaries Distinguished Service Award for significant contributions to the actuarial profession.

Takayuki Hanao, Director. Mr. Hanao is a Board Director and COO of T&D United Capital North America Inc., a New York based subsidiary of T&D Holdings, Inc. His main responsibility is to oversee and monitor strategic investments made by the T&D Insurance Group in insurance closed book (run-off) businesses in North America. He joined Daido Life Insurance Company (Daido Life), a core life insurance arm of T&D Insurance Group in 2000. He started his career in Daido Life's Investment Planning Department and has focused primarily on the investment and asset management activities. His experience includes a 5 year stint at T&D Asset Management Co., Ltd. as a Fund Manager responsible for managing investment trusts and pension schemes. He has also been heavily involved in a number of strategic transactions for T&D Insurance Group since 2013. He earned a LLB from Keio University. He is a Certificate-holder Member of the Securities Analysts Association of Japan.

Brian O'Hara, Independent Director. Mr. O'Hara is the former Chairman of XL Capital Ltd, now known as XL Group plc. He served as Chairman of XL's Board of Directors from 2008 to 2009 and was President and Chief Executive Officer of XL from 1994 to 2008. In 1986, Mr. O'Hara joined XL Insurance (Bermuda) Ltd as its founding President and Chief Operating Officer. Mr. O'Hara began his insurance career in San Francisco with

The Royal Insurance Company and Employers' Reinsurance Company in 1970. He joined General Reinsurance Corporation in 1975 and in 1978 assumed responsibility for the newly developing captive reinsurance underwriting group. From 1979 to 1986 Mr. O'Hara was a founder and Chief Underwriting Officer of reinsurer Trenwick Group, Inc. in Bermuda. Mr. O'Hara has a Bachelor of Science in Economics from Santa Clara University and a CPCU designation. He also has an Honorary Doctorate in Commercial Science from St. John's University. Mr. O'Hara is a resident of Bermuda.

Richard Patching, Independent Director. Mr. Patching is a Chartered Accountant and member of both the Bermuda and England & Wales Institutes. For almost 25 years Mr. Patching was a partner with PricewaterhouseCoopers (PwC) providing audit and advisory services to Bermuda's insurance and reinsurance industry, including several of its largest companies. In addition to conducting audits of statutory and regulatory filings Mr. Patching led a wide range of assignments focused on, among other things, analyzing enterprise risk and providing internal audit services to a number of insurance entities. Mr. Patching was also appointed Territory Assurance Leader and subsequently acted as Managing Partner of the firm. For several years, he represented the Bermuda firm as a member of PwC's Global Insurance Leadership Team. Mr. Patching retired from PwC Bermuda in June 2014. He resides in Bermuda.

Christopher T. Schaper, Director. Chris Schaper is the group CEO for AIG RE, the global reinsurance business of American International Group (AIG), which brings together the organizations of Validus Re, Alphacat and Talbot Treaty under one entity. He is responsible for the implementation and execution of the firm's global assumed reinsurance strategy, including a focus on new capital markets initiatives. He also is a member of the AIG General Insurance Executive Committee. Mr. Schaper joined AIG in 2019 and has over 30 years of insurance and reinsurance industry experience serving in both executive leadership and board roles during his career. He joins AIG from Marsh & McLennan Companies, where he was CEO of Victor Insurance Holdings, Marsh's global managing general agent business. He joined Marsh in 2016 and was also a member of the Marsh Operating Committee. Prior to that, Mr. Schaper served as President of Montpelier Re Ltd. and Underwriting Chairman of Blue Capital, Montpelier's capital markets entity. Previously, Mr. Schaper held several leadership positions at Endurance Specialty Insurance Ltd., including Chief Underwriting Officer and Head of Reinsurance. Earlier in his career, Mr. Schaper held roles at several firms including Gerling Global Financial Products, Employers Reinsurance Corporation (a division of GE Capital) and CIGNA Group. Mr. Schaper is based in Bermuda and has been granted his Permanent Resident's Certificate (PRC).

Brian T. Schreiber, Director. Mr. Schreiber is a Managing Director and Co-head of Carlyle Global Financial Services Partners. Prior to joining Carlyle, Mr. Schreiber spent 20 years at AIG in a variety of senior executive roles, including: Chief Strategy Officer, Deputy Chief Investment Officer, and Global Treasurer, and was a member of AIG's Operating Committee, Group Risk Committee and Investment Committee. He served as a board member of United Guaranty, AIG's mortgage insurance subsidiary, and Varagon Capital, AIG's middle market direct lending joint venture. Mr. Schreiber was a key member of AIG's executive leadership team that engineered and executed AIG's successful restructuring and recapitalization. He led AIG's divestiture, hedging and capital markets activities coming out of the financial crisis, executing 120+ transactions (debt, equity, M&A) and raising over \$200 billion. Prior to the crisis, Mr. Schreiber was responsible for leading approximately \$60 billion of acquisitions and strategic investments for AIG including: SunAmerica, American General, and Edison Insurance Japan. Prior to AIG, Mr. Schreiber invested in financial services companies for the Bass Brothers, was an investment banker in Lehman Brothers' Financial Institutions Group, and started his career as a research associate for Booz Allen & Hamilton. He earned a BS, from New York University's Stern School of Business, an MBA from Columbia Business School, and is a member of the Council on Foreign Relations.

Jane Tutoki, Director. Jane Tutoki currently serves on the Board of Directors for Sedgwick. Prior to that, Jane spent 4 years as the Global CEO of Cunningham Lindsey, a provider of independent loss adjusting and claims management services in more than 60 countries. Before joining Cunningham Lindsey, Jane served as Global Head of Claims Operations for AIG Property and Casualty and worked as both Head of Americas Region and Executive Director of Global Insurance for Xchanging PLC. Jane held several senior positions at Zurich Financial Services, including Global Chief Claims Officer and Chief Claims Officer, North America Commercial Division. She began her career as a litigation attorney, working for numerous insurance companies, and later serving as in-house counsel at Hartford Financial Services. Jane holds a Juris Doctor degree and is a Chartered Property Casualty Underwriter. She was a Director for 6 years on the Board of

Electricidad de Caracas, the electric company serving most of Venezuela. She is active in the insurance industry and is a past Chancellor of the CLM College of Insurance.

Reggie Van Lee, Director. Reggie Van Lee is the Chief Transformation Officer at the Carlyle Group, helping ensure that the firm is maximizing its market competitiveness and operating most effectively and efficiently as an institution. Before joining Carlyle, he retired (after 32 years with the firm) as Executive Vice President from Booz Allen Hamilton, Inc. where he led numerous businesses, including the Commercial Solutions business in which the firm's Commercial Financial Services practice resided. Reggie brings decades of experience creating technology based strategies and driving growth and best-in-class performance. Prior to Booz Allen, he served as a research engineer with the Exxon Production Research Company. Reggie is a member of the board of directors of ProKarma, Gallup Inc, and several not for profit organizations. He was named one of the top 25 consultants in the world by Consulting Magazine. He holds both Bachelor of Science and a Master of Science degrees in Civil Engineering from MIT and an MBA from Harvard University.

Samuel J. Weinhoff, Director. Mr. Weinhoff has been an independent consultant to the insurance industry since 2000. Mr. Weinhoff began his insurance career at the Home Insurance Company in 1976 as a corporate planning analyst. He rose to the head of the corporate planning, reporting and analysis department and later became an excess casualty treaty reinsurance underwriter. Mr. Weinhoff joined the investment department of the Reliance Insurance Company in 1980. While there, he had responsibility for investing in financial institution equities. Mr. Weinhoff joined Lehman Brothers in 1985, first as an equity research analyst covering the insurance industry and later as an Investment Banker focused on insurance. In 1997, he joined Schrodgers & Co. as head of their U.S. financial institutions effort. Mr. Weinhoff has served on the Board of Directors of Infinity Property Casualty, one of the largest U.S. Hispanic auto insurers. He became head of their Audit Committee in 2008 and Lead Director in 2015. Mr. Weinhoff joined the Board of Directors of Allied World in 2006 where he has served as Chair of the Compensation Committee and a member of the Risk, Audit, Investment and Executive Committee. Mr. Weinhoff received a BA in Economics from the University of Illinois and an MBA from the Wharton School.

Ichiro Yamamura, Director. Mr. Yamamura is a Board Director and President/CEO of T&D United Capital North America Inc., a New York based subsidiary of T&D Holdings, Inc. and oversees strategic investments made by the T&D Insurance Group in insurance closed book (run-off) businesses in North America. Prior to that, he was a General Manager of the Market & Alternative Investment Department at Daido Life Insurance Company ("Daido Life"), a core life insurance arm in the T&D Insurance Group. He is responsible for all of the investment activities for Daido Life (except ALM investments) including "public equity investments", "private equity investments", "hedge fund investments", "infrastructure/real-estate fund investments" and other alternative investments. He joined Daido Life in 1989 and engaged in personal and corporate finance-related activities for 11 years. Since 2000, Mr. Yamamura has been primarily focused on private equity-related investments. During 2003-2008, he served as an Executive Director of Alternative Investment Capital Ltd, an investment advisory firm established in October 2002 by Mitsubishi Corporation and Daido Life Insurance Company. He earned a bachelor's degree of law from Kwansai Gakuin University.

c. Risk Management and Solvency Self-Assessment

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

Fortitude Re believes that a strong, effective and embedded risk management framework is crucial to maintaining successful business operations and delivering sustainable, long-term profitability. This is achieved through a strong risk culture which is articulated by our senior leadership and embodied by management at all levels through our governance structure and risk management processes.

The risk framework at Fortitude Re is organized around five key aspects:

- Corporate Governance
- Risk Culture and Risk Organization
- Risk Identification and Measurement
- Risk Appetite and Limits

- Regulation and Supervision

Risk Identification and Measurement:

Fortitude Re has developed a risk register to identify, assess and document material risks of the Company. This catalog of risks is used as the first step of stress scenario design and forecasting methodology. Fortitude Re's risk identification processes is intended to inform risk measurement and identify key areas of focus for follow-up risk management actions.

In addition to the Risk Register, Fortitude Re has identified top risks that Enterprise Risk Management ("ERM") monitors and provides periodic updates to the Risk and Capital Committee ("RCC").

ERM's analytics are the foundation of its risk measurement capabilities across the categories of risks that have been identified. ERM's goal is to evaluate all of Fortitude Re's material risks, decisions, and financial strength using an economic view. An economic view is preferred over GAAP since it is based on fundamental economic risk analysis that is independent of the accounting regime. This view enables the assessment of key drivers on risk and probability metrics to arrive at an optimal risk return trade-off that is aligned with the Board's desired risk appetite.

Risk Management:

The Company's Risk Appetite Framework integrates stakeholder interests, strategic business goals and available financial resources. It balances these by seeking to take measured risks that are expected to generate repeatable, sustainable earnings and create long-term value for shareholders. The framework includes the risk appetite statement ("RAS") approved by the Fortitude Re Board of Directors and a set of supporting tools, including risk tolerances, risk limits and policies, which it uses to manage its risk profile and financial resources.

The Company articulates its aggregate risk-taking by setting risk tolerances and thresholds on capital and liquidity measures. It must comply with standards for capital adequacy and maintain sufficient liquidity to meet all obligations as they come due in accordance with its internal capital management.

Risk Monitoring and Reporting:

The Fortitude Re Board approves risk policies, appetites and tolerances. Risk management reports are provided to the Fortitude Re Risk and Capital Committee to assist it in fulfilling its delegated oversight and decision making responsibilities. The business implements a control environment which describes how the business should operate to remain within risk appetites and assigns individual accountability for identified risks and key business controls, as documented in the risk register.

ii. Risk Management and Solvency Self-Assessment

The Company's 'Statement of Risk Appetite' which aligns the strategic business goals against the risks and volatility faced in executing that plan, ensuring that these risks are maintained at levels consistent with the Company's financial resources. This ensures it continues to manage the business in an environment of controlled risk-taking to generate earnings and in turn deliver long-term value for Fortitude Re's shareholders and stability for policyholders.

In addition to the Risk Policies and Procedures, the Company Capital Management policy is set at the Fortitude Re Group level and its local implementation is supported by ERM. This policy formalizes Fortitude Re's capital management framework, including capital adequacy and resource assessment and monitoring, at its insurance subsidiary level.

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

Fortitude Re's risk appetite is predicated on the basic tenet that the Company shall take risks only to the extent that it has available capital resources to execute its business strategy and remain solvent, under both baseline and stressed conditions.

Risk Capital and Prospective Solvency assessment is a key aspect of Fortitude Re's risk management, and a major consideration in Fortitude Re's capital planning process. Fortitude Re uses a projection model that was internally built with support from external consultants to project the Bermuda Statutory Balance Sheet, Income Statement and Statement of Capital and Surplus (the "CSR forms") forward to the end of the planning horizon. This framework measures risk over multiple time horizons and under different levels of stress.

The output of this assessment is a key input to Fortitude Re's capital management decisions, and is communicated to Fortitude Re's Board of Directors in conjunction with capital management recommendations.

If applicable, the Company has the potential to raise incremental capital in the event of a solvency need from its long-term institutional investors.

iv. Solvency Self-Assessment Approval Process

The Company's Commercial Insurer Solvency Self-Assessment ("CISSA") Report is prepared by the ERM team, in consultation with relevant functions and business units, and reviewed by the Chief Risk Officer. The CISSA and BSCR model results are presented to the RCC for review and then approved by the Company's Board of Directors.

*d. Internal Controls**i. Internal Control System*

The Company has processes, effected by the board of directors, management, and other personnel, designed to provide reasonable assurance regarding the reliability, timeliness and transparency of the Company's internal, external financial and non-financial reporting.

The Company has adopted the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework as the criteria for evaluating the effectiveness of the Company's internal controls. The COSO 2013 framework includes the following components:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information and Communications; and
- Monitoring Activities

The Company's assessment of its internal controls framework takes into consideration all the components of the COSO 2013 framework and includes an evaluation of the design effectiveness of all five components. The Control Environment and Risk Assessment components apply broadly across the Company while the Control Activity component is specific to processes and/or functions. The other COSO 2013 component, namely Information and Communication and Monitoring, apply at the entity level as well as the process level.

Our internal control framework is designed to promote the performance of our processes in accordance with company standards. Such internal controls are assessed by control owners on at least an annual basis in terms of design effectiveness. The responsibility for compliance with internal control rests with the Chief Executive Officer and Chief Financial Officer with responsibilities appropriately assigned to other members of management.

In addition, if applicable, control deficiencies deemed to be material weaknesses or significant deficiencies are reported on a quarterly basis to the Board and the Audit Committee and, where relevant, an assessment of the aggregated impact these deficiencies could have on the financial statements of the Company.

ii. Compliance Function

The overall responsibility for the Compliance function within Fortitude Re resides primarily with our Legal and Compliance Department and ultimately with the Regulatory, Compliance & ESG Committee which is a committee of the Board of Directors. The purpose of the committee is to assist the Board of the Directors (i) to ensure the Company satisfies its regulatory obligations and commitments upon which its licenses were conditioned; (ii) in its oversight of the Company's handling of legal, regulatory and compliance matters; (iii) in its oversight of the Company's positions and policies that relate to current and emerging corporate social responsibility, environmental, political and public policy issues of significance to the Company, including those that may affect the Company's business operations, performance or corporate reputations; and (iv) providing input and advice to the Company's Risk and Capital Committee with respect to legal, compliance and regulatory components and risks associated with any potential new transactions.

e. Internal Audit

The Internal Audit function operates in accordance with its charter, which outlines the mission, scope, responsibilities and structure of the function. The charter is reviewed and approved by the Board annually.

Fortitude Re has a dedicated Head of Internal Audit who reports functionally to the Chair of the Audit Committee of the Board of Directors and administratively to the Chief Risk Officer. Additional Internal Audit staff includes an Associate Director and co-sourcing partners from both 'Big 4' and regional consulting firms.

The Internal Audit function assists the Board and its committees in discharging their governance responsibilities. Internal Audit's mission is to enhance and protect enterprise value by providing stakeholders with objective assurance, advice, and insight. Internal Audit assists Fortitude Re in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the control environment, including risk management, governance, internal control, and operational processes.

The independence of the Internal Audit function is maintained by the function's direct reporting line to the Audit Committee. The Audit Committee is responsible for:

- Assessing the performance of the Head of Internal Audit and the Internal Audit function as a whole;
- Approving the hiring and remuneration of the Head of Internal Audit; and
- Reviewing and approving the annual Internal Audit plan, budget and resource plan.

Internal Audit provides reporting to the Audit Committee and Fortitude Re's Senior Management to support transparent and timely communication of its findings. Written reports are addressed to Fortitude Re's Senior Management following the conclusion of various audit activities. In addition, Internal Audit reports quarterly to the Audit Committee. This reporting includes:

- Progress against the audit plan;
- Reports issued during the quarter;
- Progress against open audit observations;
- Proposed changes to the plan, if necessary;
- Progress against budget; and
- Any other relevant matters.

f. Actuarial Function

The actuarial function is performed by individuals with experience commensurate with the complexity and scope of the reserves assumed by the Company.

General Insurance

The primary duty of the Fortitude Re Loss Reserve Specialist is to oversee the estimation of liabilities, setting of appropriate actuarial methodologies and assumptions used to estimate reserves to meet the requirements of the insurance laws of Bermuda and the oversight of actuarial staff. When required, the Loss Reserve Specialist also provides input and assistance regarding the underwriting process, including reviews of the profitability of the business on individual transactions.

Long-Term Business

The Approved Actuary ensures that benefit reserves are calculated to meet the requirements of the insurance laws of Bermuda, are computed in accordance with accepted actuarial reserving practices, make an adequate provision for the total long-term business liabilities of Fortitude Re under the terms of its contracts and agreements, and make sure that the assumptions are appropriate to the circumstances of the company and the policies in force. The Approved Actuary also reviews asset liability matching, capital requirements, analysis of finance results and proposals to reinsure additional business.

g. Outsourcing

i. Outsourcing Policy and Key Functions That Have Been Outsourced

Fortitude Re utilizes external vendors to support parts of its operations. These vendors are contracted by Fortitude Group Services, Inc., an affiliate of the Company, which recharges Fortitude Re for the services provided by these vendors. No key functions are outsourced by Fortitude Re. In addition, Fortitude Re also maintains a Third Party Risk Management Standard that outlines the vetting, suitability and contracting process for outsourced relationships and the due diligence procedures to be undertaken to monitor performance and provide oversight of such arrangements.

ii. Description of Material Intra-group Outsourcing

Fortitude Re is a regulated reinsurance entity which has limited direct employees. Rather, employees are predominantly employed by Fortitude Group Services, Inc., an affiliate of the Company. Through intra-group service agreements, Fortitude Re receives functional support services from Fortitude Group Services, Inc., such as information technology, operations, actuarial, risk management and legal services.

h. Any Other Material Information

An Oversight Committee is established which is comprised of representatives from T&D and Carlyle FRL investors other than Carlyle and has disapproval rights over certain material transactions and other items.

vi. Risk Profile

a. Material Risks to which the Company is Exposed During the Reporting Period

The risks facing the Company include those related to reserving risk, mortality risk, morbidity risk, liquidity risk, interest rate risk, alternative asset risk, credit spread risk, credit risk and operational risk. A summary of these risks is outlined below:

Property and Casualty Reserve Risk

Property and casualty reserve risk represents the variability in the timing or amount (size/severity and count/frequency) of loss costs including indemnity, legal, and loss adjustment expenses. Depending on the product line, the development of the reserve from the initial loss estimate to the subsequent loss estimates and ultimate claims paid may vary meaningfully and emerge over multiple years. Fortitude Re manages this uncertainty through internal controls and oversight of the loss reserve setting process.

Mortality Risks

Base Mortality risk is the risk of loss arising from actual base mortality rates being higher / lower than expected. This risk is present in contracts where benefits are based upon the death / survival of the insured. Mortality Improvement risk is the risk of loss arising from actual mortality improvement rates being lower / higher than expected. This risk is present in contracts where benefits are based upon the death / survival of the insured. This risk could arise from changes in medical treatments and effectiveness, societal health changes, and other factors. Mortality Calamity risk is the risk of loss arising from actual mortality rates being higher than expected due to a calamity. This risk is present in contracts where benefits are based upon the death of the insured. This risk could arise from pandemics.

Morbidity Risk

Morbidity risk is the risk arising from actual morbidity (i.e. illness, disability or disease) differing adversely from expected. This risk encompasses incidence, termination, and utilization risks. This risk is present in contracts where benefits are based upon the health of the insured.

Liquidity Risk

Liquidity risk is the risk that the Company's financial condition will be adversely affected by the inability or perceived inability to meet short-term cash, collateral or other financial obligations. Failure to appropriately manage liquidity risk can result in insolvency, reduced operating flexibility, increased costs, reputational harm and regulatory action.

Interest Rate Risk

Interest Rate risk can arise from a mismatch in the interest rate exposure of assets versus liabilities. Changes in interest rates can affect the valuation of fixed maturity securities, financial liabilities, insurance contracts and derivative contracts.

Alternative Asset Risk

Alternative Asset risk arises from market fluctuations, which can affect the valuation of alternatives and other equity investments. Such volatility may result in earnings volatility since equity-like investments are held at fair value. Adverse equity market declines may also make it more difficult to sell alternatives, giving rise to liquidity risk.

Credit Spread Risk

Credit Spread risk arises when changes in credit spreads affect the valuation of fixed maturity securities, including but not limited to corporate bonds, asset-backed securities, mortgage-backed securities, and derivatives. Wider credit spreads with unchanged default losses result in more investment income in the long-term. In the short term, quickly rising spreads cause a loss in the value of existing fixed maturity securities. A precipitous widening of credit spreads may also signal a fundamental weakness in the creditworthiness of bond obligors, potentially resulting in default losses.

Credit Risk

Credit risk is the risk of idiosyncratic or systematic default within the investment portfolio which results in credit losses and impairments. It occurs when there is deterioration in the financial condition of a single obligor (idiosyncratic) or credit migration related to a change in the credit performance of a geographical region, sovereign, sector, or asset class (systematic).

Operational Risk

Operational risk the risk of loss, or other adverse consequences, resulting from inadequate or failed internal processes, people, systems, or from external events.

b. Risk Mitigation in the Company

Across the business, Fortitude Re manages insurance risks by monitoring and controlling the nature of and accumulation by geographic location of the risks in each line of business underwritten, the terms and conditions of the underwriting and the premiums Fortitude Re charges for taking on the risk. Across its asset and liability portfolios Fortitude Re manages its various risks by monitoring and controlling the nature and accumulation of the risks. This is achieved through a number of procedures and processes, the most significant of which are summarized below:

- Regular reviews of the adequacy of the established liability for future claims and loss adjustment expense and extensive review and challenge of reserves during the year;
- Active claims management of property & casualty insurance risk;
- Experience studies performed at least annually and reviewed as part of a governed update process;
- Investment guidelines which specify asset types, asset quality, target duration and concentration limits;
- Asset liability matching approach that matches liability cash flows with asset portfolios as closely as possible (subject to reasonable mismatch tolerances);
- Setting and applying of underwriting approval processes and authorities;
- A set of risk tolerances and limits to quantitatively monitor, measure, and control risks; and
- Monitoring the utilization of approved exposure limits.

c. Material Risk Concentrations

Fortitude Re aims to diversify its retained risk concentrations. Risk concentration tolerances are put in place to monitor and manage the concentration of any single risk type. Different tolerances apply to each risk type where risk consumption is measured by Fortitude Re's stand-alone Economic Capital risk capital for each risk factor.

The risk concentration tolerances are monitored at minimum on a quarterly basis. The tolerances are reviewed and recalibrated by the Risk and Capital Committee on an annual basis. To the extent any of these tolerances are breached, Fortitude Re senior management discuss any potential mitigating actions at the quarterly Risk and Capital Committee meeting.

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

The Company's investment portfolio is managed by the Chief Investment Officer in accordance with the Company's investment policy guidelines. These guidelines delineate the Company's investment objectives, which include preservation of invested capital, prudent diversification of portfolio assets, controlling income, diversifying risks, and maintaining adequate liquidity. The guidelines contain customary limits with respect to issuer concentrations, ratings composition, and asset class limitations, among others, that are consistent with accomplishing the Company's investment objectives. These guidelines are reviewed on an annual or ad hoc basis if any significant deviations have occurred that affect the financial markets, or if company-specific considerations warrant a reconsideration of one or more of the investment limitations. Regular reporting is provided to the Company's management and Board with respect to portfolio composition and performance.

e. Stress Testing and Sensitivity Analysis to Assess Material Risks

In developing an assessment of capital adequacy, Fortitude Re utilizes two scenarios:

- A comprehensive scenario where major risks are stressed at the same time. This scenario includes financial market stresses coupled with Property & Casualty insurance-related stresses. The macroeconomic scenario is defined as a credit default driven recession. The insurance-related

stresses include an increase to Fortitude Re's property and casualty reserves. This scenario targets Fortitude Re's unique vulnerabilities.

- A scenario focusing on financial risks. The scenario is designed to test FRL's financial performance and capital position under severe macroeconomic and financial conditions. This scenario provides a different perspective relative to the comprehensive scenario.

Both stresses are developed by ERM and approved by the RCC.

f. Any Other Material Information

No other material information to report.

vii. Solvency Valuation

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

The Company has considered the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The Company's economic valuation principles are to measure assets on a fair value basis.

Fair value is the price that a party would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. Fortitude Re determines fair value based on the following fair value hierarchy:

- Level 1: Fair value measurements based on quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. We do not adjust the quoted price for such instruments.
- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

In addition, certain of our other invested assets are measured at fair value using net asset value ("NAV") per share (or its equivalent) as a practical expedient and have not been classified within the fair value hierarchy above.

We used the following valuation methods and assumptions to estimate the fair value of assets on the balance sheet of the Company:

- Funds withheld by ceding companies: The reinsurance agreements contain embedded derivatives, which are required to be separated from their host contracts and reported as embedded derivatives. The host contract relates to the reinsurance receivable from ceding companies under the funds withheld arrangement underlying the reinsurance transactions. At inception of the reinsurance agreements, no value was assigned to the embedded derivative as the fair value of the host contract approximated the fair value of the underlying collateral investments. On a recurring basis, the embedded derivative is measured as the net unrealized gain or loss on the underlying collateral

investments, maintained by the ceding companies on a funds withheld basis. The fair value of the embedded derivative is included in funds withheld by ceding companies on the balance sheet.

- Fixed maturities, available for sale: The Company obtains quoted prices in active markets for identical or similar assets at the balance sheet date to measure bonds at fair value. Market price is generally obtained from dealer markets. The Company employs independent third-party valuation service providers to gather, analyze, and interpret market information to derive fair value estimates for individual investments, based upon market-accepted methodologies and assumptions.
- Other investments: We utilize NAV as an estimate of the fair value for our private equity funds, which is a permitted practical expedient under the provisions of U.S. GAAP. Due to the time lag in the NAV reported by certain fund managers, we adjust the valuation for capital calls and distributions that occur between the date of the NAV and our financial statements.
- Short-term investments: This consists of highly liquid securities with remaining maturities of one year or less, but greater than three months, at the time of purchase and short-term bank loan securities. These securities are stated at amortized cost which approximates fair value.
- Cash: This consists of cash on hand, demand deposits and highly liquid debt instruments with an original maturity of three months or less. These are carried at amortized cost which approximates fair value.
- Tax receivable and other assets: The valuation methodology for these assets under U.S. GAAP is consistent with the valuation approach for EBS purposes.

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

The Company has considered valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" when determining insurance technical provisions. The Company believes that the techniques it uses in developing the insurance technical provisions are consistent with BMA guidance.

The primary valuation method that was used to determine the best estimate technical provisions was the BMA's Scenario Based Approach. The best estimate cash flows have been discounted reflecting the projected performance of the Company's assets under the most severe interest rate stress scenario. The risk free interest rate scenarios were supplied by the BMA. In addition, the Company also holds a risk margin to reflect the cost of holding the non-hedgeable capital requirement in all future time periods, which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the BMA for each reporting period.

As of December 31, 2020 and 2019, the Technical Provisions and Risk Margin for Long-Term and General Business were as follows:

Figure 6. Technical Provision and Risk Margin (EBS Basis):

Year Ended December 31, 2020 (in millions)	Long-term	General
Best Estimate	\$ 37,653	\$ 3,420
Risk Margin	1,072	711
Technical Provision	\$ 38,725	\$ 4,131

Year Ended December 31, 2019
(in millions)

	Long-term	General
Best Estimate	\$ 34,712	\$ 3,769
Risk Margin	894	719
Technical Provision	\$ 35,606	\$ 4,488

c. Description of Recoverables from Reinsurance Contracts

Not applicable. Fortitude Re does not have any ceded reinsurance.

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 valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" which values liabilities on a fair value basis. The following paragraphs detail how the liability classes are valued in accordance with U.S. GAAP and documents any differences between the valuation base in our financial statements under U.S. GAAP and the EBS.

- Future policy benefits, policyholder contract deposits and liability for loss and loss adjustment expenses: Refer to section vii (b) for further information on the valuation of the Company's technical provisions.
- Collateral deposit liability: Under U.S. GAAP principles, the deposit liability is recognized on the Company's balance sheet as a liability and interest expense is recognized using the effective yield method. Under EBS principles, the collateral deposit liability is discounted at an appropriate risk-adjusted discount rate.
- Deferred gain from reinsurance contracts: Under U.S. GAAP principles, the gain arising from retroactive reinsurance contracts is deferred on the balance sheet within liabilities and amortized into income over the settlement period of the assumed reserves.. Under EBS principles, the deferred gain is recognized immediately within equity.
- Payable to related party, deferred income tax liability and other liabilities: The valuation methodology for these liabilities under U.S. GAAP is consistent with the valuation approach for EBS purposes.

e. Any Other Material Information

No additional material information to report.

viii. 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 capital management objective of the Company is to maintain sufficient capital at all times to meet regulatory requirements, provide stability to policyholders, and to support future business development needs.

Fortitude Re's assessment of capital adequacy links the current and projected capital position of Fortitude Re, based on its business strategy and plans, to the standards and guidance set forth in its capital management policies and guidelines. The capital adequacy assessment process involves significant collaboration between the ERM, Actuarial, Capital Management and Treasury functions.

The capital adequacy assessment process is reliant upon baseline and stressed financial projections. The baseline is derived mainly from the Fortitude Re budget plans which are prepared by business finance teams, then submitted and approved by the Chief Financial Officer, and reviewed by the Chief Risk Officer. Fortitude Re's risk profile is stressed to ensure internal, and regulatory capital targets are not breached in a stress scenario.

Under the Risk Appetite Framework implemented by the Risk and Capital Committee, no capital or strategic transactions are submitted to the Board for approval without due consideration being given to the impact on Fortitude Re's capital adequacy. Dividend recommendations and strategic transactions are only made to the Board should the testing show that, after payment of the dividend or strategic transaction, the Company would remain above its stress capital adequacy threshold as specified in the RAS.

Based on Fortitude Re's assessment of capital adequacy under each of the stress scenarios defined by ERM, Fortitude Re's forecasted capital position is in compliance with Fortitude Re's RAS.

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

As of December 31, 2020 and 2019, the Company's eligible capital was categorized as shown in Figure 7 below.

Figure 7. Eligible Capital Categorized by Tier (EBS Basis):

<i>(in millions)</i>	Year ended December 31,	
	2020	2019
Tier 1	\$ 4,268	\$ 3,718
Tier 2	—	150
Tier 3	—	400
Total Eligible Capital	\$ 4,268	\$ 4,268

The majority of the capital is Tier 1, consisting of common stock, contributed surplus and economic surplus. As of December 31, 2019, the Tier 2 and Tier 3 capital represented letters of credit which had been approved by the BMA and which were terminated on June 2, 2020 in conjunction with the 2019 Sale. On June 2, 2020, Fortitude Holdings entered into a syndicated bank facility. The facility is structured with three main features: a \$250 million 3 year term loan which is fully funded at execution, \$300 million of undrawn committed revolving credit facility, and \$300 million of uncommitted accordion capacity. Of the \$250 million term loan principal, \$245 million of the proceeds were contributed as capital on June 2, 2020 by Fortitude Holdings to Fortitude Re. This capital contribution qualified as Tier 1 capital under the eligible capital rules as established by the BMA and was completed in conjunction with the Company's capital plan to replace the statutory capital following the termination of the letters of credit as further described earlier in this document.

iii. Eligible Capital Categorized by Tiers to Meet Enhanced Capital Requirement (ECR) and Minimum Margin of Solvency (MSM)

As of December 31, 2020 and 2019, the Company's Eligible Capital for its ECR and MSM was categorized as shown below in Figure 8.

Figure 8. Eligible Capital Categorized by Tier (EBS Basis):

Year Ended December 31, 2020 <i>(in millions)</i>	ECR		MSM	
Tier 1	\$	4,268	\$	4,268
Tier 2		—		—
Tier 3		—		—
Total Eligible Capital	\$	4,268	\$	4,268

Year Ended December 31, 2019 (in millions)	ECR		MSM	
Tier 1	\$	3,718	\$	3,718
Tier 2		150		150
Tier 3		400		—
Total Eligible Capital	\$	4,268	\$	3,868

As of December 31, 2020 and 2019, all Tier 1, 2 and 3 capital is within the eligible regulatory limits and can be used to meet the ECR.

iv. Confirmation of Eligible Capital is Subject to Transitional Arrangements

Not applicable.

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

There are no factors affecting encumbrances which affect the availability and transferability of capital to meet the ECR.

vi. Identification of Ancillary Capital Instruments Approved by the Authority

As of December 31, 2020, \$809 million (2019: \$330 million) of Tier 1 capital relates to a long-term investment credit approved by the BMA as ancillary capital. As of December 31, 2019, \$150 million of Tier 2 capital and \$400 million of Tier 3 capital was provided by letters of credit approved by the BMA which were terminated on June 2, 2020 in conjunction with the 2019 Sale, as further described above.

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

A reconciliation between the total statutory capital and surplus and the total equity balance as per the insurer's general purpose financial statements is shown below in Figure 9.

Figure 9. Reconciliation of shareholders' equity to statutory capital and surplus:

Reconciliation of Statutory Capital and Surplus (in millions)	2020		2019	
Total GAAP Shareholders' Equity	\$	7,169	\$	5,861
Letters of Credit		—		550
Total Statutory Capital and Surplus	\$	7,169	\$	6,411

b. Regulatory Capital Requirements

i. ECR and MSM requirements as the end of the Reporting Period

ECR Requirements (in millions, except ratio)	2020		2019	
Actual statutory economic capital and surplus	\$	4,268	\$	4,268
Required economic capital and surplus		1,871		1,851
Ratio		228 %		231 %

MSM Requirements
(in millions)

	2020	2019
Actual statutory capital and surplus	\$ 7,169	\$ 6,411
Required capital and surplus	1,178	1,174

The Company was compliant with the ECR and MSM requirements during the reporting period. The Company maintained the ECR over 200% throughout 2020 despite the challenging market conditions caused by COVID-19, largely due to the strict asset-liability management practices the Company has implemented. A sizable portion of decline in the capital and surplus resulting from interest rate movements was offset by gains from interest rate hedging.

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

Not applicable. The Company was compliant with the MSM and the ECR as of December 31, 2020.

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

Not applicable.

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

Not applicable.

c. Approved Internal Capital Model

Not applicable.

ix. Subsequent Event
a. Description of Significant Event

The Company has evaluated the impact of subsequent events through April 30, 2021, the date at which this report was available to be issued. The Company has concluded that there are no subsequent events to disclose.

b. Date of Significant Event

Not applicable.

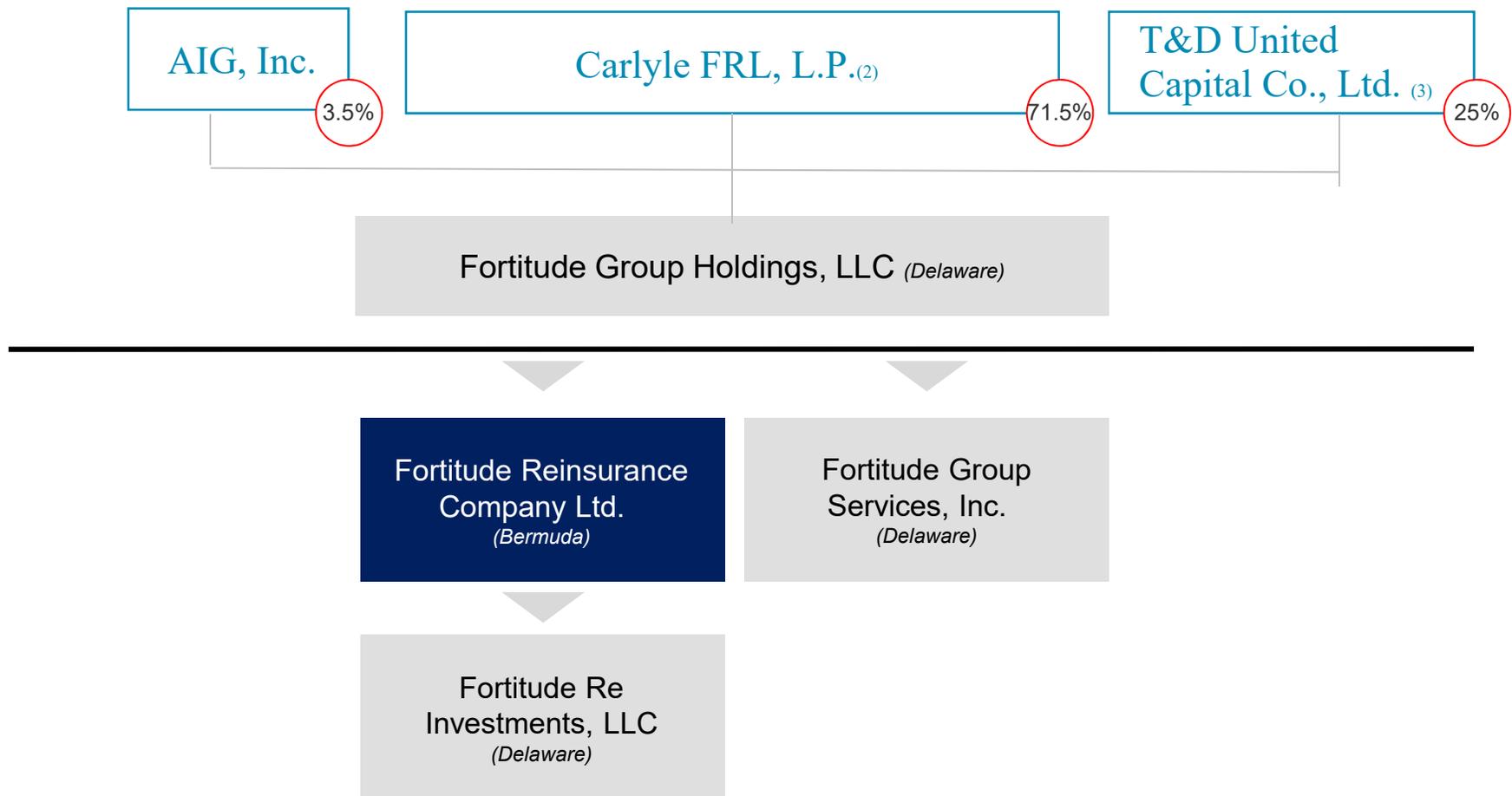
c. Confirmation of how the Significant Event has Impacted or Will Impact, the Most Recent Financial Condition Report

Not applicable.

d. Any Other Material Information

No other material information to report.

Appendix One - Group Structure ⁽¹⁾



(1) As of December 31, 2020
(2) Ultimate parent: The Carlyle Group Inc.
(3) Ultimate parent: T&D Holdings, Inc.