



# **THIRD POINT REINSURANCE (USA) LTD.**

## **Financial Condition Report**

**Year ended December 31, 2020**

**THIRD POINT REINSURANCE (USA) LTD.  
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**Declaration on Financial Condition Report**

To the best of our knowledge and belief, the financial condition report represents the financial condition of Third Point Reinsurance (USA) Ltd. (the "Company" or "Third Point Re USA") in all material respects.

*David Junius*

*David Govrin*

Name: David W. Junius

David E. Govrin

Title: Director, Third Point Reinsurance (USA) Ltd.

Director, Third Point Reinsurance (USA) Ltd.

Date: April 27, 2021

April 27, 2021

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**Safe Harbor Statement Regarding Forward-Looking Statements:**

This Financial Condition Report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond the Company's control. The Company cautions you that the forward-looking information presented in this report is not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking information contained in this report. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "plan," "seek," "comfortable with," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Actual events, results and outcomes may differ materially from the Company's expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the following: results of operations fluctuate and may not be indicative of our prospects; a pandemic or other catastrophic event, such as the ongoing COVID-19 outbreak, may adversely impact our financial condition or results of operations; more established competitors; losses exceeding reserves; highly cyclical property and casualty reinsurance industry; losses from catastrophe exposure; downgrade, withdrawal of ratings or change in rating outlook by rating agencies; significant decrease in our capital or surplus; dependence on key executives; inability to service our indebtedness; limited cash flow and liquidity due to our indebtedness; inability to raise necessary funds to pay principal or interest on debt; potential lack of availability of capital in the future; credit risk associated with the use of reinsurance brokers; future strategic transactions such as acquisitions, dispositions, mergers or joint ventures; technology breaches or failures, including cyber-attacks; lack of control over Third Point Enhanced LP ("TP Fund"); lack of control over the allocation and performance of TP Fund's investment portfolio; dependence on Third Point LLC to implement TP Fund's investment strategy; limited ability to withdraw our capital accounts from TP Fund; decline in revenue due to poor performance of TP Fund's investment portfolio; TP Fund's investment strategy involves risks that are greater than those faced by competitors; termination by Third Point LLC of our or TP Fund's investment management agreements; potential conflicts of interest with Third Point LLC; losses resulting from significant investment positions; credit risk associated with

the default on obligations of counterparties; ineffective investment risk management systems; fluctuations in the market value of TP Fund's investment portfolio; trading restrictions being placed on TP Fund's investments; limited termination provisions in our investment management agreements; limited liquidity and lack of valuation data on certain TP Fund's investments; fluctuations in market value of our fixed-income securities; U.S. and global economic downturns; specific characteristics of investments in mortgage-backed securities and other asset-backed securities, in securities of issues based outside the U.S., and in special situation or distressed companies; loss of key employees at Third Point LLC; Third Point LLC's compensation arrangements may incentivize investments that are risky or speculative; increased regulation or scrutiny of alternative investment advisers affecting our reputation; suspension or revocation of our reinsurance licenses; potentially being deemed an investment company under U.S. federal securities law; failure of reinsurance subsidiaries to meet minimum capital and surplus requirements; changes in Bermuda or other law and regulation that may have an adverse impact on our operations; SiriusPoint Ltd. ("SiriusPoint") and/or Third Point Reinsurance Company Ltd. ("Third Point Re BDA) potentially becoming subject to U.S. federal income taxation; potential characterization of SiriusPoint and/or Third Point Re BDA as a passive foreign investment company; subjection of our affiliates to the base erosion and anti-abuse tax; potentially becoming subject to U.S. withholding and information reporting requirements under the Foreign Account Tax Compliance Act; risks associated with the failure to complete, or the failure to realize the expected benefits of the merger with Sirius International Insurance Group, Ltd.; Arcadian Risk Capital Ltd.'s ability to, and success at, writing the business indicated, its expansion plans and the Company's ability to place quota share reinsurance on the portfolio; and other risks and factors listed under "Risk Factors" in SiriusPoint's (f/k/a Third Point Reinsurance Ltd.) most recent Annual Report on Form 10-K and other periodic and current disclosures filed with the Securities and Exchange Commission. All forward-looking statements speak only as of the date made and the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

## Third Point Reinsurance (USA) Ltd. Financial Condition Report December 31, 2020

On February 26, 2021, Third Point Reinsurance Ltd. completed the acquisition of Sirius International Insurance Group, Ltd. (“Sirius” or “Sirius Group”) and changed its name from Third Point Reinsurance Ltd. to SiriusPoint Ltd. (“SiriusPoint”). All references to SiriusPoint throughout these consolidated financial statements refer to legacy Third Point Reinsurance Ltd., unless otherwise indicated. SiriusPoint’s common shares are listed on the New York Stock Exchange under the symbol “SPNT”.

Third Point Reinsurance (USA) Ltd. (the “Company” or “Third Point Re USA”) was incorporated as an exempted company under the laws of Bermuda on November 21, 2014 and is registered as a Class 4 insurer under the Insurance Act 1978, as amended, and related regulations (the “Act”). Third Point Re USA is a provider of global specialty property and casualty reinsurance products and commenced its reinsurance operations in February 2015.

Third Point Re USA made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. Third Point Re USA prices and underwrites U.S. domiciled reinsurance business from an office in the United States. Third Point Re USA is a wholly owned subsidiary of Third Point Re (USA) Holdings, Inc. (“TPRUSA”), an intermediate holding company based in the U.S., which is a wholly owned subsidiary of Third Point Re (UK) Holdings Ltd. (“Third Point Re UK”), an intermediate holding company based in the United Kingdom. Third Point Re UK is a wholly owned subsidiary of SiriusPoint.

The Insurance (Public Disclosure) Rules 2015, which came into effect on January 1, 2016, require commercial insurers to prepare a Financial Condition Report (FCR) and make it publicly available on the insurer’s website. The FCR provides a discussion on the Company’s Business and Performance (Section 1) Governance Structure (Section 2), Risk Profile (Section 3), Solvency Valuation (Section 4), Capital Management (Section 5) and Subsequent Event (Section 6).

The Company uses the standard Bermuda Solvency Capital Requirement (BSCR) model to assess the Enhanced Capital Requirement (ECR) or required statutory capital and surplus. The Company’s ECR and the Available Statutory Economic Capital and Surplus were \$115.1 million (2019 - \$112.6 million) and \$296.9 million (2019 - \$274.2 million), as of December 31, 2020, respectively. The Company’s Bermuda Solvency Capital Requirement Ratio was 326% and 417% as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the Company’s Eligible Capital was categorized as follows:

	2020	2019
	(\$ in thousands)	
Tier 1	\$ 279,118	\$ 268,004
Tier 2	17,820	6,217
Tier 3	—	—
Total	<u>\$ 296,938</u>	<u>\$ 274,221</u>

This report is primarily based on the Company’s Economic Balance Sheet (EBS) as at December 31, 2020. In addition, certain sections include information based on the Company’s December 31, 2020 consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

**Section 1 - Business and Performance**

**a. Name of the Insurer**

Third Point Reinsurance (USA) Ltd. (the “Company” or “Third Point Re USA”)

**b. Insurance Supervisor**

Bermuda Monetary Authority  
 Contact: Eric Donkoh  
 Email: edonkoh@bma.bm  
 Phone number: 441-295-5278

**c. Approved Auditor**

For the year ended December 31, 2020, the Company's approved auditor was as follows:

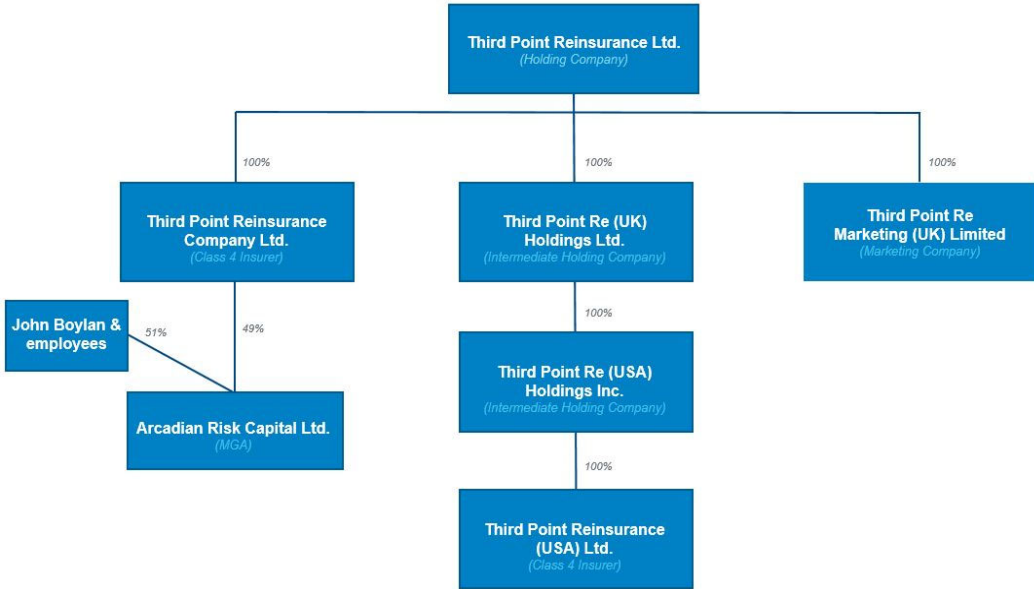
Firm: Ernst & Young Ltd.  
 Contact: Craig Redcliffe  
 Email: Craig.Redcliffe@bm.ey.com  
 Phone number: 441-295-7000

**d. Ownership**

The Company is a wholly owned subsidiary of Third Point Re (USA) Holdings, Inc. (“TPRUSA”)

**e. Group Structure Chart**

As of December 31, 2020, and prior to the acquisition of Sirius Group, the group structure was as follows:



## f. Business Segment Results

The following table sets forth certain of the Company's selected income statement data for the years ended December 31, 2020 and 2019 and has been derived from our audited consolidated financial statements prepared using U.S. GAAP. The Company's historical results are not necessarily indicative of the results that may be expected for any future period. The selected income statement data should be read in conjunction with the Company's audited consolidated financial statements.

For further information regarding the Company's income and expenses incurred during the reporting period, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in SiriusPoint's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") for the year ended December 31, 2020, which is also included on our website at [www.siriuspt.com](http://www.siriuspt.com).

	2020	2019
	(\$ in thousands)	
<b>Selected Statement of Income Data:</b>		
Gross premiums written	\$ 305,883	\$ 300,270
Net premiums earned	117,856	69,512
Net investment income	49,876	16,897
Loss and loss adjustment expenses incurred, net	(80,355)	(49,377)
Acquisition costs, net	(32,623)	(13,469)
General and administrative expenses	(8,293)	(12,117)
Income tax expense	(9,744)	(2,397)
<b>Net income available to common shareholder</b>	<b>\$ 36,659</b>	<b>\$ 9,016</b>

### **Gross Premiums Written**

The following is a summary of the Company's gross premium written by line of business and by geographical location of the cedent for the years ended December 31, 2020 and 2019:

<b>Line and Type of Business</b>	<b>2020</b>		<b>2019</b>	
	<b>(\$ in thousands)</b>			
Property Catastrophe	\$	82,955	\$	68,314
Other Property		91,833		60,261
<b>Property</b>		<b>174,788</b>		<b>128,575</b>
Workers Compensation		45,638		24,429
Auto		37,680		34,476
Other Casualty		35,089		8,793
<b>Casualty</b>		<b>118,407</b>		<b>67,698</b>
Credit & Financial Lines		652		705
Multi-line		11,982		98,925
Other Specialty		54		4,367
<b>Specialty</b>		<b>12,688</b>		<b>103,997</b>
<b>Total Gross Premium Written</b>	<b>\$</b>	<b>305,883</b>	<b>\$</b>	<b>300,270</b>
<b>Geographical Location</b>				
United States	\$	257,174	\$	263,543
Bermuda		36,959		22,387
United Kingdom		7,056		9,018
Other		4,694		5,322
<b>Total Gross Premium Written</b>	<b>\$</b>	<b>305,883</b>	<b>\$</b>	<b>300,270</b>

The increase in gross premiums written of \$5.6 million, or 1.9%, for the year ended December 31, 2020 compared to the year ended December 31, 2019 was driven by:

Factors resulting in increases:

- We wrote \$119.3 million of new business for the year ended December 31, 2020, of which \$56.5 million was property business, \$61.1 million was casualty business and \$1.7 million was specialty business.
- Changes in renewal premiums for the year ended December 31, 2020 resulted in a net increase in premiums of \$10.2 million primarily due to increase in participations and underlying premium volume on contracts that renewed in the period. Premiums can change on renewals of contracts due to a number of factors, including: changes in our line size or participation, changes in the underlying premium volume and pricing trends of the client's program as well as other contractual terms and conditions.
- We recorded an increase in premium estimates relating to prior periods of \$40.5 million in the year ended December 31, 2020 compared to an increase of \$24.5 million in the year ended December 31, 2019. The increases in premium estimates for the year ended December 31, 2020 and 2019 were due to several contracts for which clients provided updated projections indicating that they expected to write more business than

initially estimated. This increase was partially offset by a reduction in premium estimates arising from the impact of COVID-19.

Factors resulting in decreases:

- We recognized \$136.2 million of premium in the year ended December 31, 2019 related to contracts that we did not renew in the year ended December 31, 2020, including one multi-line contract for \$96.3 million, which no longer fit our underwriting criteria following our shift in underwriting strategy.
- We recognized net increases in premium of \$0.9 million and \$4.6 million in the years ended December 31, 2020 and 2019, respectively, related to the net impact of contract extensions, cancellations and contracts written in the current year with no comparable premium in the prior year period.

### ***Loss and loss adjustment expense reserves***

The following table represents the activity in the loss and loss adjustment expense reserves for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	(\$ in thousands)	
Gross reserves for loss and loss adjustment expenses, beginning of year	\$ 298,457	\$ 182,332
Less: loss and loss adjustment expenses recoverable, beginning of year	(223,864)	(136,749)
Net reserves for loss and loss adjustment expenses, beginning of year	74,593	45,583
Increase (decrease) in net loss and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	80,198	51,115
Prior years	157	(1,738)
Total incurred loss and loss adjustment expenses	80,355	49,377
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(17,106)	(5,724)
Prior years	(32,233)	(14,661)
Total net paid losses	(49,339)	(20,385)
Foreign currency translation	70	18
Net reserves for loss and loss adjustment expenses, end of year	105,679	74,593
Plus: loss and loss adjustment expenses recoverable, end of year	223,001	223,864
Gross reserves for loss and loss adjustment expenses, end of year	<u>\$ 328,680</u>	<u>\$ 298,457</u>

Changes in the Company's loss and loss adjustment expense reserves result from re-estimating loss reserves and from changes in premium earnings estimates. Furthermore, many of the Company's contracts have sliding scale or profit commissions whereby loss reserve development can be offset by changes in acquisition costs that vary inversely with loss experience. In some instances, the Company can have loss reserve development on contracts where there is no sliding scale or profit commission or where the loss ratio falls outside of the loss ratio range to which the sliding scale or profit commission applies.

The \$0.2 million net increase in prior years' reserves for the year ended December 31, 2020 includes \$2.5 million increase in loss reserves resulting from increases in premium earnings estimates on certain contracts and \$2.3 million of net favorable reserve development related to decreases in loss reserve estimates.



The \$1.7 million net decrease in prior years' reserves for the year ended December 31, 2019 includes \$3.4 million of net favorable reserve development related to decreases in loss reserve estimates and \$1.7 million of additional loss reserves resulting from increases in premium earnings estimates on certain contracts.

#### **g. Investment Performance**

##### ***Third Point Enhanced LP***

On February 28, 2019, the Company, SiriusPoint and Third Point Re BDA entered into the Second Amended and Restated Exempted Limited Partnership Agreement (the "2019 LPA") of Third Point Enhanced LP ("TP Fund"), with Third Point Advisors LLC ("TP GP") and others, effective January 1, 2019. The 2019 LPA amended and restated the Amended and Restated Exempted Limited Partnership Agreement (the "2018 LPA") of TP Fund.

On August 6, 2020, the Company, SiriusPoint and Third Point Re BDA entered into the Third Amended and Restated Exempted Limited Partnership Agreement ("2020 LPA") of TP Fund, which amended and restated the 2019 LPA, which became effective at the closing of the merger with Sirius, except for the amendment to the calculation of the loss recovery account which became effective on December 31, 2020. The 2020 LPA updated the terms of the 2019 LPA to reflect adjustments to the loss carryforward terms for the year ended December 31, 2020. The performance of certain fixed income and other investments managed by Third Point LLC were included when calculating the performance fee allocation and loss recovery account amounts under the terms of the 2019 LPA for the year ended December 31, 2020. Other material terms of the 2020 LPA became effective upon closing of the merger.

The TP Fund investment strategy, as implemented by Third Point LLC, is intended to achieve superior risk-adjusted returns by deploying capital in both long and short investments with favorable risk/reward characteristics across select asset classes, sectors and geographies. Third Point LLC identifies investment opportunities via a bottom-up, value-oriented approach to single security analysis supplemented by a top-down view of portfolio and risk management. Third Point LLC seeks dislocations in certain areas of the capital markets or in the pricing of particular securities and supplements single security analysis with an approach to portfolio construction that includes sizing each investment based on upside/ downside calculations, all with a view towards appropriately positioning and managing overall exposures.

##### ***Collateral and other investment assets***

In addition to serving as the investment manager for TP Fund, Third Point LLC also serves as investment manager for the Company's collateral and other investment assets, which consist of cash, U.S. Treasuries, sovereign debt, structured and corporate credit fixed income securities.

On July 31, 2018, the Company and Third Point Re BDA entered into the Collateral Assets Investment Management Agreement (the "2018 Collateral Assets IMA") with Third Point LLC effective August 31, 2018, pursuant to which Third Point LLC serves as investment manager of certain collateral assets. The collateral assets are presented in the consolidated balance sheets within debt securities and restricted cash and cash equivalents, and are considered as part of total net investments managed by Third Point LLC.

On May 24, 2019, the Company and Third Point Re BDA entered into the Amended and Restated Collateral Assets Investment Management Agreement (the "Amended Collateral Assets IMA") with Third Point LLC, effective May 24, 2019, pursuant to which, in addition to serving as the investment manager for the Company's collateral assets, Third Point LLC will serve as investment manager of certain investment assets withdrawn from TP Fund. The Amended Collateral Assets IMA will continue in effect thereafter so long as either the Company or Third Point Re BDA remains a limited partner of TP Fund. The Company entered into the Amended Collateral Assets IMA to provide for Third Point LLC's management of a substantial

portion of the Company's assets that were reallocated from TP Fund into cash, U.S. Treasuries and other fixed income investments.

The following is a summary of the net investments managed by Third Point LLC as of December 31, 2020 and 2019:

	2020	2019
	(\$ in thousands)	
<b>Assets</b>		
TP Fund	\$ 91,627	\$ 23,158
Debt securities	12,056	7,327
Total investments	103,683	30,485
Cash and cash equivalents	19,234	24,876
Restricted cash and cash equivalents	225,093	269,064
Due from brokers	30,271	—
Interest and dividends receivable	107	240
Other assets	—	3
<b>Total assets</b>	<b>378,388</b>	<b>324,668</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	199	98
Securities sold, not yet purchased	1,775	—
Interest and dividends payable	3	—
<b>Total liabilities</b>	<b>1,977</b>	<b>98</b>
<b>Total net investments managed by Third Point LLC</b>	<b>\$ 376,411</b>	<b>\$ 324,570</b>

The following is a summary of the Company's net investment return on net investments managed by Third Point LLC by investment strategy for the years ended December 31, 2020 and 2019:

	2020	2019
Equity	7.3 %	5.5 %
Credit	6.8 %	(0.8)%
Other	0.5 %	1.5 %
Net investment return on investments managed by Third Point LLC	14.6 %	6.2 %

Net investment return represents the return on the Company's net investments managed by Third Point LLC, net of fees. The net investment return on net investments managed by Third Point LLC is the percentage change in value of a dollar invested over the reporting period on the Company's net investment assets managed by Third Point LLC. The net investment return reflects the combined results of our investments in TP Fund, collateral assets and certain other investment assets managed by Third Point LLC. Net investment return is the key indicator by which we measure the performance of Third Point LLC, the Company's investment manager.

For the year ended December 31, 2020, the net investment results were primarily attributable to long event/fundamental equities, in particular a renewed focus on growth and technology positions. Short equity investments and hedges partially offset overall gains for the equity strategy. Investments in investment grade corporate credit and residential mortgage backed securities contributed strong performance in the credit strategy. The other strategy contributed modestly to net gains for the year due to private investments.

For the year ended December 31, 2019, the net investment results were primarily attributable to strong returns in all core activist long equity positions. In credit, profits in the structured credit book were offset by losses from one large sovereign credit investment. In the other portfolio, private investments contributed modest gains for the year.

Net investment income for the years ended December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
	(\$ in thousands)	
<b>Net investment income by type</b>		
Net realized gains on investments and investment derivatives	\$ 12,586	\$ 131
Net change in unrealized gains on investments and investment derivatives	2,177	233
Net gains on currencies	448	1,125
Dividend and interest income	1,713	3,254
Other expenses	(219)	(206)
Net investment income from investment in related party investment fund	33,171	12,360
Net investment income	<u>\$ 49,876</u>	<u>\$ 16,897</u>

#### **h. Other Material Income & Expenses**

No other material income and expenses.

## Section 2 - Governance Structure

### a(i). Board of Directors and Senior Executives

The Board of Directors (the “Board”) of the Company manages the business and affairs of the Company, subject to oversight of the group (including the Company) pursuant to the Company's Terms of Reference, through committees of SiriusPoint’s board of directors (the “Parent Board Committees”). Additional oversight of the Company, including many of the Board’s duties identified below, is provided through the participation in or attendance at such Parent Board Committees by members of the Board or are otherwise the direct responsibility of executives of SiriusPoint, including members of the Board and officers of the Company. Such committees include:

- (a) Audit Committee;
- (b) Compensation Committee;
- (c) Governance and Nominating Committee;
- (d) Investment Committee;
- (e) Risk and Capital Management Committee.

The duties of the Board include the following:

- (a) to exercise due care and attention in attending to the affairs of the Company;
- (b) subject to the oversight of the Parent Board Committees, to maintain strong internal control procedures for the Company, including risk management, internal and external audit, compliance and actuarial functions;
- (c) to monitor the financials results of the Company during the year;
- (d) to do any such things to enable the Board to discharge its powers and functions conferred on it by the Bye-laws;
- (e) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board contained in the Company's constitution or imposed by legislation;
- (f) to ensure the Company maintains compliance with all the obligations required by its status as a Class 4 insurer and meets its Bermuda Statutory Requirements under the Insurance Act 1978;
- (g) to ensure that the Company has the appropriate officers necessary for the Company to perform its business and fulfill its obligations, and to define the duties of such officers as well as the authority such officers shall have to enable them to perform their respective duties;
- (h) to ensure that the Company has, whether its own or through SiriusPoint, the applicable processes to assess and document the fitness and propriety of the members of the Board, the Company’s controllers, officers and third-party service providers, auditors, actuaries and the principal representative;
- (i) to ensure there is oversight, through the Parent Board Committees, over the Company’s underwriting; investments; risk management; corporate governance, audit and compliance;
- (j) to ensure that the Company has broad business and operational strategies;
- (k) to approve all key policies of the Company, subject to oversight of the Parent Board Committees;
- (l) to ensure that the Company maintains the proper safeguards for the protection of sensitive information, including employee and policyholder information, and to ensure the maintenance of sufficient records as required by applicable law and regulation;
- (m) to ensure the Company’s compliance with legal and regulatory requirements, subject to oversight of the Parent Board Committees; and

- (n) to oversee the performance of the independent auditors and performance of the Company's internal audit function, subject to oversight of the Parent Board Committees.

Members of the Board of the Company are appointed annually at the Annual General Meeting of the Company or as otherwise permitted under the Company's Bye-laws. The Board typically meets on a quarterly basis.

As of April 1, 2020, the Board of Directors was comprised of the following individuals:

*Jeffrey Davis* is the Chief Risk Officer and Chief Actuary of the Company since March 25, 2021. He has served as Chief Risk Officer and Chief Actuary of SiriusPoint Ltd. since March 2021. Prior to that he served as Executive Vice President, Chief Risk Officer & Chief Actuary of Sirius International Insurance Group Ltd. ("Sirius Group"), a position he held since April 2016. Mr. Davis previously served as Senior Vice President and Chief Actuary at White Mountains from October 2008 until April 2016. In April 2016, Mr. Davis assumed the additional responsibilities as Chief Risk Officer for Sirius Group. Prior to joining Sirius Group, Mr. Davis served as Head of Central Reserving for Munich Re from 2005 until September 2008, and previously in various capacities at American Re-Insurance Company since 1999. Mr. Davis previously served as an actuary for Nationwide Insurance from 1991 until 1999. Mr. Davis received a Bachelor of Science in Education from the University of Cincinnati and a Masters of Arts in Liberal Studies from the State University of New York at Stony Brook. Mr. Davis is a Fellow of the Casualty Actuarial Society and a Chartered Financial Analyst charterholder.

*David E. Govrin* has served as Global Chief Underwriting Officer, and President, Americas Reinsurance of SiriusPoint Ltd. since March 2021. Prior to that, he was President of the Company since May 2019. Mr. Govrin has also served as Head of Business Development for the Company since February 2019. Prior to joining the Company, Mr. Govrin was a Vice President at Berkshire Hathaway's Reinsurance Group for seven years and a key member of the underwriting team. Immediately prior to joining Berkshire, Mr. Govrin founded Hudson Insurance Capital Partners, a specialty insurance focused private equity fund of approximately \$200 million, and Sierra Re Advisors, a boutique reinsurance intermediary. Mr. Govrin has an extensive background in both traditional and structured insurance and reinsurance and banking. Prior to forming Sierra Re Advisors (2006), Mr. Govrin spent the majority of his reinsurance career at Goldman Sachs (1997 - 2002) and Guy Carpenter (1989 - 1997), in addition to Citigroup and Ritchie Capital Management. Prior to entering the reinsurance business (1989), Mr. Govrin spent three years in fixed income at Dean Witter Reynolds and was a commercial credit analyst at Horizon Bank. Mr. Govrin holds a Bachelor of Science in finance/real estate from the University of Denver and a Master of Business Administration in Finance from NYU's Stern School of Business.

*David W. Junius* has served as the Chief Financial Officer of SiriusPoint Ltd. since the closing of the merger with Sirius International Insurance Group, Ltd. (the "Merger") on February 2021. He previously served as Chief Operating Officer since October 2020. Mr. Junius brings 23 years of industry experience derived from his tenure at AIG having most recently served as Chief Financial Officer for the International division of the General Insurance segment of AIG from 2018 until October 2020. Mr. Junius previously served as AIG's Corporate Treasurer from 2016 to 2018, the Head of Capital Strategy for AIG's Treasury Group from 2014 to 2016, the Chief Financial Officer and Executive Vice President for the Asia Pacific division of AIG's Property and Casualty segment from 2009 to 2014, Managing Director of AIG Strategic Planning from 2000 to 2009, and a Senior Political Risk Underwriter for AIG's Trade Credit and Political Risk division from 1997 to 2000. Mr. Junius holds a Bachelor of Arts in International Relations & Soviet Studies from Boston University, a Master of Arts in International Affairs from the George Washington University and an MBA in Analytical Finance & Accounting from the University of Chicago Booth School of Business.

## **Officers of the Company**

As of April 1, 2020, the Officers of the Company consisted of the following persons:

Jeffrey Davis - See above.

David W. Junius - See above.

### **a(ii). Remuneration Policy**

#### ***Board of Directors***

The directors of the Company do not receive remuneration for their role as directors.

#### *SiriusPoint Board of Directors*

SiriusPoint adopted a Director Compensation Policy that provides that each independent director will receive annual compensation under their Director Services Agreements of \$137,500 per year (or \$172,500, in the case of the chairman of the Audit Committee of the Board, or \$187,500, in the case of the Lead Independent Director, or \$237,500 in the case of the non-executive Chairman of the Board. The cash portion of the retainer is paid in equal, quarterly installments, and is pro-rated for partial years of Board service. Each independent director will also receive an annual grant of \$137,500 worth of restricted shares. Restricted share grants are typically made on or around the date of the annual meeting of shareholders, with the number of shares being calculated based on the fair market value of a common share of the Company on the date of grant. Restricted share grants are also prorated for partial years of Board service, with the grant typically being made on the date that the director begins his or her Board service. All restricted share grants are subject to the Omnibus Incentive Plan and applicable award agreements entered into between the Company and the director, including vesting and forfeiture provisions. The restricted shares fully vest on April 30th of the calendar year following the year in which the grant is made, subject to the director's continued Board service through each vesting date.

#### ***Senior Executives and Employees***

The compensation program for our senior executives and employees consists primarily of salary, short-term incentive compensation, long-term incentive compensation and retirement, health and welfare benefits.

The Compensation Committee of the Board of SiriusPoint ("Compensation Committee") is responsible for reviewing and approving the compensation and benefits of our directors, senior executives, and employees.

The Chief Executive Officer of SiriusPoint meets from time to time with the Compensation Committee and makes compensation recommendations to the Compensation Committee for review, feedback and approval with respect to our senior executives and employees, other than himself, including recommendations for salary adjustments, annual incentives and long-term incentive awards.

#### *Annual Incentive Pay*

The purpose of annual cash incentive pay is to reward performance during the year based upon the achievement of individual and business goals. We believe that annual cash incentives benefit the Company as follows:

- Directly support the Company's high-performance environment by providing executive officers with clear opportunities for performance-based rewards;

- Focus executive officers on achieving the annual financial goals of the Company by paying rewards to the extent that goals are fulfilled;
- Recognize how individuals have performed in meeting their established goals for the year, which are above and beyond their regular job duties; and
- Subject to the amount of the overall annual cash incentive pool, exceptional performance can increase the cash incentive payout while individual performance below expectations can reduce such payout.

Performance metrics are set based on the measures that the Compensation Committee determines are necessary to achieve operational success. The performance metrics are periodically reviewed and adjusted, where required, in the Compensation Committee's judgment.

All of our employees and senior executives participate in our annual incentive plan (the "Annual Incentive Plan"). Under the Annual Incentive Plan for 2021, the aggregate annual cash incentive pool will be determined 50% based on the Company's annual Combined Ratio (subject to a CAT collar) and 50% based on achievement of strategic goals. A collar is a common tool used in our industry to limit the impact of material catastrophes (or absence of catastrophes in a given year), either negative or positive, on incentive compensation based on a Combined Ratio target. Actual catastrophe losses will be compared to budgeted catastrophe loads with a maximum load. Similar to the Annual Incentive Plan for 2020, individual payout amounts will be determined based on the achievement of both Company performance metrics and individual performance measures.

#### *Long-Term Incentives*

For performance-based restricted shares granted in 2021, the Compensation Committee approved changes to the design of the Company's long-term incentive program for 2021, including the performance metrics, achievement and vesting ranges, and mix of long-term incentives for the program. We believe that these changes will align the interests of our executives with those of our shareholders, and help us incentivize and retain key employees of the combined company in the critical integration period following the closing of the Merger. For the performance-based restricted shares granted in April 2021, the Compensation Committee determined that a single performance metric, Tangible Book Value Per Share Growth ("TBVPS Growth"), was appropriate for the 34-month performance period beginning February 26, 2021, and ending December 31, 2023. This performance period is slightly shorter than the three-year performance periods historically used by the Company for performance-based awards. In order to more accurately capture performance of the combined company post-Merger, the pre-Merger portion of 2021 was excluded from the performance period. The portion of the 2021 awards actually earned will vest based on continued employment in April 2024.

The aforementioned provisions set out the details of our remuneration policy with respect to our Directors, senior executives and employees. For further information regarding remuneration of our Directors and Officers, please see SiriusPoint's Proxy Statement, Executive Compensation, filed with the SEC on April 19, 2021, which is also included on our website at [www.siriuspt.com](http://www.siriuspt.com).

#### **a(iii). Supplementary Pension or Early Retirement Schemes**

The Company maintains defined contribution benefit plans that provide eligible employees with an opportunity to save for retirement. The Company contributes up to 10% of the employees' salary, subject to the statutory contribution limits to these plans.

#### **a(iv). Material Transactions with Shareholder Controllers**

For information regarding SiriusPoint's related party transactions, please see the audited consolidated financial statements and SiriusPoint's Proxy Statement, *Certain Relationships and Related Party Transactions*, filed with the SEC on April 19, 2021, which is also included on our website at [www.siriuspt.com](http://www.siriuspt.com).

#### **b. Fitness and Propriety Requirements**

##### ***Board of Directors***

###### *Identifying and Evaluating Nominees*

In considering candidates for the SiriusPoint Board of Directors, the Governance and Nominating Committee is responsible for identifying, screening and recommending candidates to the Board of Directors for Board membership. When formulating its Board of Directors' recommendations, the Governance and Nominating Committee may also consider advice and recommendations from others, including shareholders, as it deems appropriate.

The Governance and Nominating Committee and the SiriusPoint Board of Directors believe that diversity along multiple dimensions, including opinions, skills, perspectives, personal and professional experiences and other differentiating characteristics, are an important element of its nomination recommendations. The Governance and Nominating Committee has not identified any specific minimum qualifications which must be met for a person to be considered as a director candidate. However, board candidates are selected based upon various criteria including business and professional experience, judgment, diversity, age, skill, background, time availability in light of other commitments, and such other relevant factors that the Governance and Nominating Committee considers appropriate in the context of the needs of the Board of Directors. Although the Board of Directors does not have a formal diversity policy, the Governance and Nominating Committee and Board of Directors review all of these factors, including diversity, in considering candidates for Board membership.

###### *Nominees Recommended by Shareholders*

The Governance and Nominating Committee will also consider nominees recommended by shareholders. In order to submit shareholder proposals, nominations must be received by the Secretary at the Company's principal office at that time. Such nominations must include a description of all arrangements or understandings between the shareholder and each nominee and any other person(s), naming such person(s), pursuant to which the nomination is to be made by the shareholder, and if applicable, the consent of each nominee to serve as a director if elected.

##### ***Senior Executives***

The SiriusPoint CEO, in consultation with other key stakeholders, ensures that the senior executives have appropriate skills, knowledge and experience to fulfill the strategic plans and day to day operation of SiriusPoint and its subsidiaries. The CEO will work with other senior executives and key stakeholders to define a role and seek suitable candidates, either directly or through an engaged third party vendor. Once a suitable shortlist of candidates has been presented, an assessment and selection process is undertaken which involves candidates being interviewed by the CEO and other key stakeholders. Once an offer has been accepted, the appropriate pre-employment background checks are conducted (which might include criminal record, financial, employment and education history) and any applicable regulatory approvals are obtained.

For information regarding the Company's fitness and propriety requirements for directors and officers, please see SiriusPoint's Proxy Statement, *Board of Directors, Executive Officers and Corporate Governance*, filed with the SEC on April 19, 2021, which is also included on our website at [www.siriuspt.com](http://www.siriuspt.com).



**b(ii). Board and Senior Executives Professional Qualifications, Skills and Expertise**

Refer to 2a(i) Board of Directors and Senior Executives for a complete description of our board and senior executives professional qualifications, skills and expertise.

**c(i). Risk Management and Solvency Self-Assessment**

The Company has developed a comprehensive risk management strategy that is governed by an articulated vision of risk appetite and control that is conveyed throughout the organization and measured in a transparent and consistent manner. Our risk management strategy, metrics and progress are summarized in a report that is presented to the Board on a quarterly basis by the SiriusPoint Chief Risk Officer (the “CRO”). The Company’s internal capital model incorporates statistics from the pricing, reserving, cat modeling, and investment processes to produce an estimate of the amount of capital used at set points in time (e.g., each quarter-end) as well as the overall potential variability in the prospective financial results. The Company works closely with the risk management personnel of Third Point LLC, our investment manager, to measure and report the variability of results from our investment portfolio. The Company also monitors the contractual exposure to catastrophic losses as aggregated across all bound reinsurance contracts.

***Risk Identification***

Management has documented the Company’s risk profile. The major risks facing the Company are set out in SiriusPoint’s Form 10-K filed with the SEC from time to time and as updated in SiriusPoint’s Form 10-Q filings. They are also documented within SiriusPoint’s risk register. The majority of the Company’s senior management team, including staff from all functional areas, meet at least quarterly to discuss the risk register and consider it in the context of the Company’s evolving risk profile, market conditions, emerging risks, changes in the business environment, management and mitigation of any risk occurrences and any changes in the Company’s risk control environment. These meetings are chaired by the SiriusPoint CRO.

***Risk Measurement***

Management has developed or adopted various tools and protocols for measuring the Company’s exposure to certain of the risks identified and estimating the potential financial impact to the Company from all risks. Key risk exposures are tracked and measured explicitly; others are captured in the analysis that forms the foundation that underpins the Company’s internal capital model.

***Risk Management***

The Company’s risk appetite and limits framework is approved by SiriusPoint's Board and consists of a set of criteria to ensure that senior management has a clear view of its specific risk tolerance levels relative to approved management constraints. The risk appetite and limits framework is maintained by the CRO and articulates senior management’s view and approach to the management of certain key risks. Risk management techniques range from the use of direct mitigation such as retrocession or hedging of exposure to frontline moderation of appetite.

***Risk Reporting***

The CRO presents a comprehensive quarterly risk report to the Board as well as one to the Risk and Capital Management Committee of the SiriusPoint board of directors (the “Risk Committee”) and senior management detailing the Company’s risk monitoring, evaluation and management activities and conclusions for each quarter.

**c(ii). a description of how the risk management and solvency self-assessment systems are implemented and integrated into the insurer’s operations; including strategic planning and organizational and decision making process;**

The CRO, who also acts as the Company's CRO, reports directly to the group CEO and to the Risk Committee in relation to all risks and to the Board in relation to risks relevant to the Company. The CRO works closely with and has frequent contact with the entirety of the Company’s senior management team. As a consequence, the risk perspective, and in particular the impact on solvency and required capital, is incorporated in all significant operational and strategic decisions. These decisions are made within the context of the overarching risk appetite and limit statements adopted by the SiriusPoint board of directors and promulgated throughout the group. The Company's key underwriting and operating appetites, thresholds and guidelines are determined with explicit reference to their capital and solvency implications. The SiriusPoint internal audit function reviews the processes and controls of the Risk Management function on a periodic schedule to ensure that they are appropriate and effective.

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

The Company’s Commercial Insurers’ Solvency Self-Assessment (“CISSA”) is produced and reviewed with the Board and senior management quarterly to ensure that the Company’s capital resources are sufficient based on the risks to the Company that arise from its operations.

Every quarter, and more frequently as required, we calculate capital requirements under the CISSA, BSCR and A.M. Best Best’s Capital Adequacy Ratio (“BCAR”) regimes, allowing for target margins over the required minimums. At any point in time, our estimates of solvency needs, and capital and risk management systems are calibrated to the highest of the aforementioned capital requirements.

**c(iv). Solvency Self-Assessment Approval Process**

The CISSA is prepared quarterly by the risk management team. It is reviewed by the CRO. The CRO presents the key findings quarterly to the Board and senior management. This document addresses the CISSA in the context of the internal capital model (“ICM”) behind the Solvency Self-Assessment, including quarterly changes, and highlights results, current or emerging Enterprise Risk Management issues, development and sensitivity of our primary capital metrics (ICM, BSCR and BCAR) and estimates and developments in exposures. As well as the review by the Board and senior executives, the Company receives periodic reviews of the ICM from external consultants. The results of any external reviews are shared with senior management and the Board.

**d(i). Internal Controls**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over SiriusPoint’s financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, SiriusPoint’s principal executive and principal financial officers and effected by the SiriusPoint board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of internal control over SiriusPoint's financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "2013 Framework"). Based on its assessment, management concluded that, as of December 31, 2020, SiriusPoint's internal control over financial reporting is effective based on those criteria.

The Company has established a robust process for managing its control and risk environment. In line with the 2013 Framework, this process is founded upon a three lines of defense model with (a) Management providing ownership for the control environment; (b) functions such as Compliance (refer to subsequent section) and Risk Management (refer above to section (c)) providing a monitoring role in support of Management; and (c) Internal Audit (refer below to section (e)) providing independent assurance over the effectiveness of the internal control environment.

In addition to the Internal Audit function (refer to (e) below), which is responsible for the testing of the design and operating effectiveness of the internal control environment, the Audit Committee of the SiriusPoint board of directors (the "Audit Committee") plays an active role in oversight of this function. The Audit Committee (a) reviews the appointment, replacement or dismissal of any senior internal audit personnel or SiriusPoint's internal auditors; (b) reviews with management and senior internal audit personnel the charter, plans, activities, staffing, budget, compensation and organizational structure of the internal audit function; (c) reviews all significant reports to management prepared by internal audit personnel and management's response thereto; and (d) reviews any restrictions on the scope of the internal audit function's activities or access to information.

Further, the Audit Committee shall review with management and internal audit, as appropriate, significant findings and recommendations with respect to (a) the adequacy of SiriusPoint's internal accounting controls; (b) SiriusPoint's financial, auditing, and accounting organizations and personnel; (c) internal control related reports and procedures, including (i) management's internal control report prepared in accordance with promulgated by the SEC pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act, and (ii) the procedures undertaken by the Chief Executive Officer and Chief Financial Officer in connection with their certifications contained in the SiriusPoint's periodic reports, including their evaluation of the SiriusPoint's disclosure controls and procedures and internal control over financial reporting.

In addition to the internal management of the control environment, Ernst & Young Ltd., an independent registered public accounting firm, which has audited and reported on the consolidated financial statements contained in SiriusPoint's Annual Report on Form 10-K, has issued its written attestation report on its assessment of SiriusPoint's internal control over financial reporting, which is also included on our website at [www.siriuspt.com](http://www.siriuspt.com).

There have been no material changes to our internal control over financial reporting during the most recent fiscal year that has materially affected, or are reasonably likely to materially affect, SiriusPoint's internal control over financial reporting.

**d(ii). Compliance**

The SVP, Deputy General Counsel, Secretary and Group Chief Compliance Officer (the “CCO”) has designated responsibility for the group compliance program, and in this capacity has the authority to exercise independent judgment and make recommendations to the Board in relation to compliance matters.

Through the SiriusPoint Board Committees, the board of directors of SiriusPoint has ultimate oversight of the Company’s corporate governance, compliance and risk framework. Within this framework, material group policies are reviewed and approved by the board of directors of SiriusPoint prior to implementation and annually thereafter. The compliance function is responsible for developing and updating group policies to address corporate compliance and mitigate compliance risk and to provide employee compliance training. The Code of Business Conduct and Ethics (the “Code”) is the Company’s overarching principles-based document that establishes the Company’s conduct principles and is supplemented by various other group policies. The group’s compliance function provides employee compliance training to reinforce principles contained within the group policies. Further, the group compliance function develops, implements, and updates all group policies and requires employees of the group to certify compliance therewith on a periodic basis. The CCO reports quarterly to the Audit Committees on compliance which includes employee compliance violations, corporate regulatory compliance, policy certification and employee compliance training, among other matters. The General Counsel reports to the Audit Committee on the legal activities of the Company. The Audit Committee provides input and recommendations, which are implemented as appropriate either directly or through the compliance function.

The Company is, and will continue to be, committed to the highest standards of ethics and business conduct. The Company strives to conduct its business as a good corporate citizen and group employees are expected to demonstrate integrity and accountability.

The Company complies with all applicable and material laws and regulations within its relevant jurisdictions, and works with its regulators to maintain compliance with all requirements. The group’s policies, guidelines, and procedures, collectively, constitute the compliance program.

**e. Internal Audit**

Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Company. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s risk management, internal control, and governance processes.

The Company’s Internal Audit activity is authorized to assist members of the Audit Committee and management of SiriusPoint and the Company in executing their responsibilities for internal control, accurate financial reporting and the protection and optimal utilization of company assets.

The objective of Internal Audit is:

- (a) to provide management and the Audit Committee independent, objective analysis, appraisals, recommendations and pertinent comments designed to add value and improve the Company’s operations;
- (b) to provide management and the Audit Committee with an independent appraisal function to assess the Company’s internal control and operating environment so as to provide reasonable assurance that:

- (i) financial reporting is reliable;
- (ii) operations are effective and efficient;
- (iii) there is compliance with laws and regulations; and
- (iv) assets are appropriately safeguarded.

(c) to provide an annual assessment to the Audit Committee and the management on the overall condition of the Company's internal control environment based on conducting a risk based internal audit program, which includes reviewing the internal controls over financial reporting operational controls, and fraud and risk management controls deemed necessary for such an assessment.

This is accomplished by following a risk based internal audit plan. At least annually, Internal Audit will submit to senior management and the Audit Committee an internal audit plan for review and approval. The internal audit plan will be developed based on a prioritization of the audit universe using a risk based methodology, including input from senior management and the Audit Committee. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. Internal Audit will communicate significant changes to the approved internal audit plan and the impact of these changes to senior management and the Audit Committee for approval. The Company uses external consultants to provide Internal Audit services.

To maintain independence, the Internal Audit function reports directly to the Audit Committee and the Audit Committee is mandated to review any restrictions on the scope of the department's activities or access to information. While Internal Audit will receive input from management, as noted above, ultimate responsibility and authority for determination of the Internal Audit plan lies solely with Internal Audit with the oversight of the Audit Committee.

#### **f. Actuarial Function**

The Company employs actuaries that are responsible for the pricing, including an Actuarial Director. In addition, there are other actuaries employed by the group that are also involved in the reserving function, including the Chief Reserving Actuary of SiriusPoint, who has responsibility for oversight of reserving for the group. Each of the specific officers referenced above is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries.

A description of the Company's actuarial pricing and actuarial reserving functions is provided below:

##### ***Actuarial Pricing***

For every contract, with the exception of property cat contracts, a pricing analysis is completed by one of the Company's actuaries. These analyses utilize pricing models that were developed internally that are specifically designed for the types of business that we target. The results of each pricing analysis are discussed with the underwriter and management. The results of each pricing analysis as well as the supporting data are documented in an actuarial pricing memo. Each pricing analysis and memo are also subject to independent peer review by a different actuary at the Company. Any findings of the peer review and the resolution of those findings are documented and saved with the other pricing support.

For property catastrophe contracts, pricing is performed using dedicated property catastrophe risk modeling software. The model is run using assumptions that have been reviewed by several actuaries, and the modeling, including any adjustments to the model output, is performed by a Fellow of the Casualty Actuarial Society.

### ***Actuarial Reserving***

The group's actuaries perform a quarterly reserve analyses. Each reserve analysis includes contract-by-contract estimates of the loss reserves and any loss sensitive features (e.g. sliding scale ceding commissions, profit commissions, or additional premiums). The data used in each analysis is subjected to detailed reconciliation and review by both the actuarial and finance departments to verify the accuracy and consistency of the data. The reserve analyses themselves are prepared using standard industry reserving methods (as described in more detail in our Form 10-K filed with the SEC, which is also included on our website at [www.siriuspt.com](http://www.siriuspt.com)), with modifications where needed. After the initial quarterly reserve analysis is completed by one actuary, it is subject to review by two other credentialed actuaries. Once the actuaries have collectively finalized their estimates, the results are shared with management in a quarterly reserve close meeting. During that meeting, the following are discussed: material reserve movements during the quarter; a comparison of actual vs expected loss experience; a review of the data reconciliation; and any differences between the actuarial reserve estimate and management's estimate. Periodically, the Company also engages an external actuary to perform an independent analysis of the loss reserves.

### **g(i-ii). Outsourcing**

The Company assesses and documents the competency and related party nature of all key outsourced service providers ("OSP") at the time of entering into a contract with an OSP. On an annual basis the analysis of the OSP is updated to determine if any changes have occurred that would impact the Company's operations or reliance on the OSP. The Company has outsourced the investment management function to Third Point LLC. For additional information on Third Point LLC, please see SiriusPoint's Annual Report on Form 10-K filed with the SEC. The Company has not outsourced any control functions (being Actuarial, Risk Management, Finance and Compliance) but does use external consultants to provide Internal Audit services.

The Company and SiriusPoint have entered into a services agreement with Third Point Re BDA, pursuant to which Third Point Re BDA and SiriusPoint provide certain IT, finance, actuarial, legal and administrative support services to Third Point Re USA and Third Point Re USA provides certain actuarial and investor relation services to Third Point Re BDA and SiriusPoint.

Third Point Re Marketing (UK) Ltd. ("TPRUK") entered into an agreement with the Company whereby TPRUK recharges the Company for the provision of marketing services performed in the United Kingdom on behalf of the Company.

### **h. Any other material information**

No other material information to report.

## Section 3 - Risk Profile

### a. Material Risks

The Company is exposed to material risks arising from underwriting risk, market risk and operational risk. Given the nature of the business that we underwrite and the Company's limited purchase of retrocessional reinsurance, the Company faces relatively low risk from liquidity and credit risks. Our underwriting risk is measured in the aggregate by considering the probabilistic distribution of our composite ratio on risks written over a 12 month period. Further, for specific lines of business and exposures to certain catastrophic perils by region, we estimate probable maximum losses at various likelihood thresholds on an occurrence basis and in the aggregate. Given the actively traded nature of the Company's investment portfolio, the Company's exposure to market risk is measured by tracking the historic volatility and market beta of the investment results over time and as the ratio of the Company's invested assets to our shareholders' equity at any point in time. The Company's operational risk is measured by application of probability and severity bands to the operational risks identified in our risk register. There have been no material changes in any of these over the past reporting period.

For underwriting and market risks, the Company largely mitigates the associated risk via our initial internal appetite. For underwriting risk, we have elected to limit materially our underwriting of property catastrophe exposures. Through year-end 2018, the Company assumed a minimal amount of property catastrophe risk and only on a residual basis; the Company did not write excess of loss property catastrophe reinsurance directly. As of January 1, 2019, the Company began assuming a relatively modest of property catastrophe exposure. We manage the portfolio to specific PMLs in aggregate and on a regional basis that we believe are materially lower than for the majority of our industry peers. The Company monitors our underwriting risk aggregations and PMLs quarterly to ensure the effectiveness of our underwriting appetite in mitigating risk.

For further information regarding the Company's material risks, please see "Risk Factors" in SiriusPoint's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2020, which is also included on our website at [www.siriuspt.com](http://www.siriuspt.com).

### b. Risk Mitigation

In order to mitigate market risks, and pursuant to our investment management agreements, Third Point LLC is required to manage the Company's investment portfolio on substantially the same basis as its main hedge fund, subject to certain conditions set forth in the Company's investment guidelines. These conditions include limitations on investing in private securities, a limitation on portfolio leverage, and a limitation on portfolio concentration in individual securities. The Company receives weekly, monthly and quarterly reports from Third Point LLC including Net Asset Value ("NAV") and performance statistics; portfolio leverage and beta; sector, strategy, geography, and market cap splits; contributions to long, short, gross and net positions; weekly profit and loss ("P&L"); top long and short investments by percentage of NAV; top winners and losers by weekly P&L; strategy mapping to beta group, betas and net exposure; and various risk and drawdown scenarios. The Company also has regular calls with Third Point LLC risk function to assess the effectiveness of these market risk mitigants.

Operational risk is relatively low due to the size and relative simplicity of the organizational structure of the Company and mitigated by a rigorous oversight and control process. The effectiveness is monitored via our Internal Audit function as well as quarterly meetings where the majority of the Company's senior management team meet to discuss the risk register and consider it in the context of the Company's evolving risk profile, market conditions, emerging risks, changes in the business environment, management and mitigation of any risk occurrences and any changes in the Company's risk control environment. More broadly, the Board, SiriusPoint's Risk and Capital Management Committee, the Management Risk

Committee and the CRO review the enterprise risk management framework to ensure the processes, procedures and tools in place for monitoring and mitigating risk are appropriate and operating as intended.

The Company entered into a Net Worth Maintenance Agreement with SiriusPoint, pursuant to which SiriusPoint has agreed to commit funds sufficient to maintain a minimum level of capital at the Company of \$250 million (the “Net Worth Maintenance Agreement”).

### **c. Material Risk Concentrations**

Given the Company’s underwriting risk appetite through the end of 2018, in particular our restricted appetite for property catastrophe risk and other event driven severity risks, the majority of risk concentrations in the Company’s underwriting portfolio are lower than for the the Company’s peers. Further discussion of this is contained in the Stress Test and Sensitivity Analysis section below. The Company writes a significant amount of mortgage risk, predominantly in the United States but also elsewhere. The risk concentration arising from this risk is monitored quarterly and reported to senior management and the Board. The Company assumes concentration risk through our investment portfolio, however no single investment position in the investment portfolio may constitute more than 15% of the underlying long exposure of the portfolio.

### **d. Investment Management**

Substantially all of the Company’s investable assets are managed by our investment manager, Third Point LLC, which is wholly owned by Daniel S. Loeb, one of our founding shareholders. The Company’s investments primarily consist of an investment in TP Fund and certain collateral assets consisting of debt securities and restricted cash. The TP Fund investment strategy, as implemented by Third Point LLC, is intended to achieve superior risk-adjusted returns by deploying capital in both long and short investments with favorable risk/reward characteristics across select asset classes, sectors and geographies.

### **e. Stress Testing and Sensitivity Analyses**

The Company runs various stress and scenario tests on a quarterly basis to assess the adequacy of our capital in possible adverse situations. These tests consider the impact of extreme but realistic shocks to the Company’s capital position.

#### *Underwriting Risk*

To assess the potential impact of natural catastrophe events on the Company’s reinsurance portfolio, we calculate property catastrophe PMLs and losses under various realistic disaster scenarios (“RDS”). For these calculations, the Company uses the net limits exposed on the majority of the Company’s reinsurance treaties which are exposed to very modest natural catastrophe risk combined with PML estimates on our property catastrophe book, derived predominantly using a third-party catastrophe model.

The Company runs RDS and other stress tests against our reinsurance portfolio of mortgage risk at least quarterly. These scenarios are intended to emulate macroeconomic conditions and losses equivalent and worse to those experienced in the global financial crisis of 2007-2008.

#### *Market Risk*

The Company conducts various stress and sensitivity tests on our investment portfolio, including simulating shocks to equity markets, commodities, currencies and interest rates, as well as testing the impact on our capital of the impact of an event commensurate with the losses sustained over 2008, the worst investment period in recent history.



Under all of the RDS and PML calculations that we perform, for both Underwriting Risks and Market Risks, the Company is able to meet the Bermuda Monetary Authority's ECR.

**f. Any other material information.**

We face various risks related to pandemics and other catastrophic events, including the recent global outbreak of the novel coronavirus (“COVID-19”). In recent months, the continued spread of COVID-19 has led to disruptions to commerce, reduced economic activity and increased volatility in the global capital markets. The COVID-19 pandemic and its resulting macroeconomic conditions has caused the financial markets to become volatile, and such effects may continue or worsen in the future, amplifying the negative impact on global growth and global financial markets. These conditions could materially and adversely affect our cash flows, as well as the value and liquidity of its invested assets, which could affect our creditworthiness.

Our investment portfolio (and specifically, the valuations of investment assets it holds) may be adversely affected as a result of market developments from COVID-19 and uncertainty regarding its outcome. Moreover, changes in interest rates, adverse credit ratings migration and increased credit defaults, increased equity volatility, reduced liquidity or a continued slowdown in the U.S. or in global economic conditions may also adversely affect the values and cash flows of these assets. Specifically, lower underlying interest rates may adversely affect the portfolio’s ability to invest at levels sufficient to meet liability cash flows, which in turn could affect our creditworthiness. Negative market conditions may result in a reduction in the volume of premium that our clients write and cede to us, which could lead to a negative effect on our results of operations. Further, extreme market volatility may leave us unable to react to market events in a prudent manner consistent with our historical investment practices in dealing with more orderly markets.

Our companies that are treated as foreign corporations for U.S. federal income tax purposes have historically intended to operate in a manner that will not cause them to be subject to current U.S. federal income taxation on their net income. Travel restrictions arising as a result of the COVID-19 pandemic, however, limit the ability of certain directors and other personnel to be present outside the U.S. While we have implemented contingency plans to mitigate the impact of such travel restrictions, no assurances can be provided that we will not become subject to greater tax liabilities than anticipated as a result of such restrictions.

The spread of COVID-19 has caused us to modify our business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, and partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19. In addition, we may experience operational disruptions as a result of the COVID-19 pandemic, including as a result of its employees being unable to work due to illness, travel restrictions, quarantines, government actions or other measures taken in response to COVID-19. These disruptions could have a negative impact on our business and operations. Despite having taken significant steps to avoid disruption and maintain security, an extended period of remote work arrangements could strain our business continuity plans, introduce operational risk, including but not limited to cybersecurity risks, and impair our ability to manage our business.

There continue to be significant uncertainties associated with the COVID-19 pandemic, including with respect to the severity of the disease, the duration of the outbreak and actions that may be taken by governmental authorities and private businesses to attempt to contain the outbreak or to mitigate its impact. We could have unexpected consequences from changes in regulation related to the COVID-19 pandemic and the short time window in which we may have to implement them. We continue to monitor the situation and to assess further possible implications to its business and customers. We cannot predict how legal and regulatory responses to concerns about the COVID-19 pandemic and related public health issues will impact

our business. Such events or conditions could result in additional regulation or restrictions affecting the conduct of our business in the future.

## Section 4 - Solvency Valuation

### a. Valuation Basis

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. The economic valuation principles require that we measure assets and liabilities on a fair value basis, which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The fair value principles used for the assets are as follows:

- Cash and cash equivalents: includes liquid cash held at banks and is fair valued using the value held in banks at the balance sheet date.
- The Company's investments primarily consist of an investment in TP Fund, collateral assets consisting of restricted cash, U.S. Treasuries and sovereign debt, and also structured credit and corporate credit securities such as corporate bonds, asset-backed securities and bank debt.
  - The Company values its investment in TP Fund at fair value. The Company has elected the practical expedient for fair value for this investment which is estimated based on the Company's share of the NAV of the limited partnership, as provided by the independent fund administrator, as the Company believes it represents the most meaningful measurement basis for the investment assets and liabilities. The NAV represents the Company's proportionate interest in the members' equity of the limited partnership. The resulting net gains or net losses are reflected in the consolidated statements of income. In order to assess the reasonableness of the NAV, the Company performs a number of monitoring procedures on a monthly, quarterly and annual basis, to assess the quality of the information provided by the investment manager and fund administrator underlying the preparation of the NAV. These procedures include, but are not limited to, regular review and discussion of the fund's performance with the investment manager.
  - The inputs used to measure the fair value of the Company's debt securities may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment. See Note 4 in the Company's audited consolidated financial statements for additional information on the framework for measuring fair value established by U.S. GAAP disclosure requirements.

### b. Technical provisions

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

The best estimate for the loss and loss expense provision is calculated by using U.S. GAAP reserves as the starting point and then performing a series of adjustments:

- Removal of prudence margins;

- Incorporation of expected reinsurance counterparty defaults;
- Incorporation of events not in data (ENIDs);
- Other adjustments related to consideration for investment expenses, etc.; and
- Discounting of cash flows.

The best estimate for the premium provision is calculated by using the unearned premium reserve on a U.S. GAAP basis, adjusting for bound but not incepted business and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows which are then discounted.

As of December 31, 2020 and 2019, the total Technical Provisions comprised the following:

	<u>2020</u>	<u>2019</u>
	(\$ in thousands)	
Best Estimate Loss and Loss Expense Provision	\$ 103,285	\$ 70,652
Best Estimate Premium Provision	(21,345)	(5,534)
Risk Margin	12,214	9,051
Total Technical Provisions	<u>\$ 94,154</u>	<u>\$ 74,169</u>

#### **d. Other liabilities**

Similar to the treatment of 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 on a fair value basis. All other liabilities, which include accounts payable and deposit liabilities, are fair valued, which approximates U.S. GAAP basis and settlements not expected to be settled within a year, are discounted using the prescribed discount rates provided by the Bermuda Monetary Authority.

## Section 5 - Capital Management

### a(i). Eligible Capital

The primary capital management objective of the Company is to maintain a strong capital base to support the growth of its business and to meet regulatory and rating agency capital requirements. The Company recognizes the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance. It strives for an appropriate capital structure that efficiently allocates the risk to the capital. The Company's capital and risk management strategy are primarily unchanged over the prior year.

To maintain a strong capital base, the Company identifies, assesses, manages and monitors the various risk sources it faces in the course of business both currently and as anticipated over a two-year planning horizon. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management given the firm's risk profile. The Company's risk profile includes an assessment of the current and anticipated future material risks faced by the Company, the strength of the organization's enterprise risk management, capital measures derived from proprietary and vendor models, qualitative risks, stress testing, liquidity, and contingent financing mechanisms.

### a(ii). Eligible Capital Categorized by Tiers in Accordance With the Eligible Capital Rules

Eligible Capital represents the Company's assessment of the quality of its capital resources eligible to satisfy its regulatory requirements. As of December 31, 2020 and 2019, the Company's Eligible Capital was categorized as follows:

	2020	2019
	(\$ in thousands)	
Tier 1	\$ 279,118	\$ 268,004
Tier 2	17,820	6,217
Tier 3	—	—
Total	<u>\$ 296,938</u>	<u>\$ 274,221</u>

The majority of Eligible Capital for the Company is Tier 1, consisting of capital stock, contributed surplus and statutory economic surplus. The Company also has Tier 2 capital consisting of the excess of encumbered assets over the related policyholder obligations.

### a(iii). Eligible Capital Applied to Enhanced Capital Requirement ("ECR") and Minimum Margin of Solvency ("MSM")

As of December 31, 2020 and 2019, the Company's Eligible Capital applied to the ECR and MSM was categorized as follows:

	Applied to ECR		Applied to MSM	
	2020	2019	2020	2019
	(\$ in thousands)			
Tier 1	\$ 279,118	\$ 268,004	\$ 279,118	\$ 268,004
Tier 2	17,820	6,217	17,820	6,217
Tier 3	—	—	—	—
Total	<u>\$ 296,938</u>	<u>\$ 274,221</u>	<u>\$ 296,938</u>	<u>\$ 274,221</u>

**a(iv). Transitional Arrangements**

N/A

**a(v). Encumbrances Affecting the Availability and Transferability of Capital to meet the Eligible Capital Rules**

As of December 31, 2020 and 2019, the Company had cash and cash equivalents, restricted cash, short-term investments and fixed maturity investments that were pledged during the normal course of business, of which certain assets were held in trust. Pledged assets are generally for the benefit of the Company's cedents and policyholders, to support fully collateralized reinsurance transactions and to facilitate the accreditation of the Company by certain regulators. These assets are released to the Company upon the payment of the obligations or the expiration of the risk period.

**a(vi). Ancillary Capital Instruments that Have Been Approved**

N/A

**a(vii). Reconciliation of Shareholder's Equity Determined in Accordance with U.S. GAAP to Available Statutory Capital and Surplus**

As of December 31, 2020 and 2019, the principal difference between statutory capital and surplus and shareholders' equity presented in accordance with U.S. GAAP is that prepaid expenses are a non-admitted asset for statutory purposes. The following is a reconciliation of U.S. GAAP shareholder's equity attributable to shareholders to available statutory capital and surplus as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	(\$ in thousands)	
U.S. GAAP shareholder's equity attributable to common shareholder	\$ 297,415	\$ 271,624
Statutory non-admitted assets	(668)	(356)
Technical provision adjustments, net	191	2,953
Available statutory economic capital and surplus	<u>\$ 296,938</u>	<u>\$ 274,221</u>

**b. Regulatory Capital Requirements**

Under the Bermuda Insurance Act 1978, as amended, and related regulations, Third Point Re USA is subject to capital requirements calculated using the BSCR model, which is a standardized statutory risk-based capital model used to measure the risk associated with Third Point Re USA's assets, liabilities and premiums. Third Point Re USA's required statutory capital and surplus under the BSCR model is referred to as the enhanced capital requirement ("ECR"). If a company fails to maintain or meet its ECR, the BMA may take various degrees of regulatory action. In 2016, the BMA implemented the EBS framework, which is now used as the basis to determine the Company's ECR. Under this framework, assets and liabilities are mainly assessed and included on the EBS at fair value, with the insurer's U.S. GAAP balance sheet serving as a starting point. The model also requires insurers to estimate insurance technical provisions, which consist of the insurer's insurance related balances valued based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate, with the addition of a risk margin to reflect the uncertainty in the underlying cash flows.

Third Point Re USA is also required under their Class 4 licenses to maintain minimum liquidity ratios whereby the value of their relevant assets are not less than 75% of the amount of their relevant liabilities for general business.

The following table compares shareholders' equity as per the Company's financial statements prepared using U.S. GAAP to Statutory Economic Capital and Surplus as calculated under EBS as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	(\$ in thousands)	
Available statutory economic capital and surplus	\$ 296,938	\$ 274,221
Required statutory capital and surplus	115,086	112,601
Enhanced capital requirement	115,086	112,601
Minimum margin of solvency	\$ 114,706	\$ 112,601

The Company was in compliance with its regulatory capital requirements as of December 31, 2020 and 2019.

**b. (ii)-(iv)**

Not applicable. The Company is in compliance with the MSM and the ECR.

**c. (i)-(vii) Approved Internal Capital Model used to derive the ECR**

Not applicable. As described in b(i), the Company uses the BSCR model to calculate capital requirements.

## **Section 6 - Subsequent Event**

### **Acquisition of Sirius**

On February 26, 2021, Third Point Reinsurance Ltd. completed the acquisition of Sirius Group, a provider of multi-line insurance and reinsurance on a worldwide basis. The total deal consideration was estimated at the time of announcement as \$788.0 million, which comprises stock, cash, and other contingent value components. Third Point Reinsurance Ltd. was renamed SiriusPoint Ltd. upon completion of the acquisition.