

# Financial Condition Report

## 2023 Year End

International General Insurance Co. Ltd.



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## Summary

The purpose of the Financial Condition Report ('FCR') is to provide stakeholders with information to enable an informed assessment on how International General Insurance Holdings Ltd ('IGI Group') and the Bermuda Monetary Authority ('BMA') Licensed business is run in a prudent manner. This FCR is prepared in accordance with the requirements of the BMA Insurance (Public Disclosure) Rules 2015.

This report relates to International General Insurance Co. Ltd ('the Company' or 'IGI Bermuda') for the year ended 31st December 2023.

The FCR contains qualitative and quantitative information in relation to the business and performance of the Company, its governance structure, risk profile, solvency valuation and capital management, and subsequent events post year ended 31st December 2023.

### Business and Performance

The Company delivered strong premium growth in 2023, with Gross Written Premium ('GWP') rising 18.4% to US\$688.7m (2022: US\$581.8m). Net incurred claims for 2023 were 20.0% higher at US\$189.1m and net underwriting profit of US\$147.1m was 26.6% higher than 2022.

The Company saw higher volumes of premium primarily driven due to 26.2% growth in the specialty short tail segment and an increase of 94.0% in the reinsurance segment. The increase in gross written premiums was primarily due to new business generation and an increase in overall renewal premium rates by 6.7% on average.

The return on investment for 2023 was 5.6% versus 1.9% for 2022. The return on term deposits has increased in 2023 primarily due to an increase in interest income attributable to rising interest rates and well-negotiated placements. Returns on the fixed income securities has showed a 1.1% increase from 2022. The overall return on equity portfolio 31.5% in 2023 compared to negative 11.3% in 2022, was primarily due to positive realised gains and unrealised fair value movement recorded in 2023 compared to negative unrealised fair value movement in 2022.

### Governance Structure

The Company maintains an efficient and sound organisational structure commensurate with its operational requirement and with a view to governing and managing its business efficiently and effectively. All major changes in the organisation's structure are approved by the IGI Group Board. The governance structure is based on well-defined lines of responsibility ('three lines of defence') spanning front line functions, Risk, Compliance and Internal Audit functions which are governed by the Board in order to provide independent oversight and challenge.

The executive management team consists of experienced insurance industry professionals with extensive international market experience and long histories of success in their respective specialist areas.

### Risk Profile

The Company's Risk Universe encompasses those intrinsic risks that are fundamental to the Company, operational risks (that may crystallise either independently of, or be correlated with the intrinsic 'core' and 'non-core' risks as defined below) and those more subjective yet nevertheless important sources of risk such as Strategic, Group, Reputational, Environmental, Social and Governance ('ESG') and Emerging risks.

Intrinsic risk includes those 'core' risks that the Company actively pursues in order to optimise risk adjusted return including Underwriting and Investment risks, and 'non-core' risks that are a necessary consequence of our business but have little or no potential to generate a reward, such as Currency risk, Reserving risk, Liquidity risk and Credit risk.

Operational risk differs from the core and non-core categories in that its subject matter is not limited to the intrinsic riskiness and 'random' uncertainty surrounding our core business, but rather the specific risk of losses arising from inadequate or failed internal processes, personnel, systems, or external events. Because of this, its impact can crystallise both as a specific loss event in its own right (e.g. the imposition of a fine) or through exacerbating the level of risk crystallising primarily through one of the other risk categories (e.g. a catastrophe loss exceeding the level expected and not contained within our reinsurances due to inaccurate coding of exposure data).

Strategic, Group, Reputational, ESG and Emerging risks may not have the potential to impact on current period volatility and / or loss capital that drive the focus of our quantitative modelling but are nonetheless important in terms of our ability to generate and sustain shareholder value and therefore are considered through the Risk and Capital Management Framework ('RCMF') and Commercial Insurer Solvency Self-Assessment ('CISSA') process. Therefore, the Company's risk management approach focuses on understanding and assessing these risks, enabling an evaluation of possible impacts that in turn guides formulating preparedness and response plans.

#### Solvency Valuation

Section D provides details of the valuation bases, assumptions, and methods to derive the value of each asset class. The section also provides a reconciliation of amounts reported in total assets and liabilities under the Statutory Financial Statements against the U.S. GAAP financial statements.

Section D.2 also provides the valuation bases, assumptions, and methods to derive the value of Technical Provisions. The risk margin has been considered to ensure that the value of the Technical Provisions is equivalent to the amount that would be expected to have to be paid to a third-party insurance company in order to take over and meet the insurance obligations.

#### Capital Management

The primary driver of the capital required at the level of the Group is the level of capitalisation required to maintain its A/A- ratings provided by both AM Best and S&P respectively - this being significantly higher than that required to satisfy the minimum capital requirements of prudential regulation that is broadly equivalent to a BBB credit rating.

At year end 2023, the capitalisation of the Group is in excess of the level that would equate to an A/A- rating under both the AM Best and S&P models respectively and consequently provides significant headroom over the levels required to satisfy its regulatory requirements.

The Company uses the standard Bermuda Solvency Capital Requirement ('BSCR') model to assess the Enhanced Capital Requirement ('ECR'). IGI Bermuda (Consolidated) Statutory Economic Capital and Surplus of US\$550.0m provided US\$286.9m of headroom over its BSCR (a Solvency II equivalent measure) resulting in a 209% solvency ratio at 2023 year end.

## A. Business and Performance

### A.1. The Insurer

This report relates to International General Insurance Co. Ltd ('the Company' or 'IGI Bermuda').

The Company is a limited liability company registered and incorporated in Bermuda under the Companies Act of 1981 and licensed as a Class 3B insurer by the BMA to write a range of specialty classes of general insurance and reinsurance business.

### A.2. Supervisor

The Company is supervised by the BMA as detailed below. Subsidiaries of the Company are subject to local supervision in their respective jurisdictions as detailed in Section A.5 below.

#### **BMA**

BMA House  
43 Victoria Street  
Hamilton  
Bermuda

### A.3. Auditors

#### **BMA Supervisory Reporting**

Ernst & Young Ltd  
3 Bermudian Road  
Hamilton, Bermuda

#### **US GAAP Accounts**

Ernst & Young LLP  
London, United Kingdom

#### A.4. Ownership Structure

The IGI Group commenced operations in March 2002 and has emerged as a major participant within its specialised lines of business. The Group's business is widely diversified, in terms of geography, writing business across the Middle East and North African ('MENA') region, Asia, Central and South America and Europe and operates from several platforms worldwide, allowing it access to a broad spread of risks while providing appropriate jurisdictions to accept a wide range of policy types.

IGI Bermuda is a Class 3B (re)insurer regulated by the BMA and acts as the principal underwriting entity for IGI Group, a Nasdaq listed company incorporated in 2019. IGI Bermuda is a wholly owned subsidiary of IGI Group.

IGI Bermuda is rated "A-" (Strong) by Standard and Poor's ('S&P') and "A" (Excellent) by AM Best. Both ratings have a Stable Outlook.

International General Insurance Holdings Limited ('IGIH') is a non-regulated holding company registered and domiciled in the Dubai International Financial Centre ('DIFC') which has acted as a holding company of the Group and was founded in 2006.

IGI Underwriting / Jordan 'Exempted' ('IGIU') provides management, underwriting and operational support for all the subsidiaries of the IGI Group. It is a wholly owned subsidiary of IGIH.

North Star Underwriting Limited ('NSUL') operates as a specialist marine underwriting agency for IGI Bermuda and International General Insurance Company (UK) Limited ('IGIUK') based in London and regulated by the FCA. It is a wholly owned subsidiary of IGIH.

IGIUK is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA. It is a wholly owned capitalised subsidiary of IGI Bermuda.

International General Insurance Company (Europe) Ltd. ('IGIE') is a company incorporated in Malta and authorised by the Malta Financial Services Authority ('MFSA') to carry on the business of insurance and reinsurance in terms of the Insurance Business Act (Cap 403 of the laws of Malta). It is a wholly owned subsidiary of IGI Bermuda. The MFSA approved the change from a SE Company to a Public Limited Company ('PLC') with effect from 28<sup>th</sup> August 2023. The MFSA also approved the change from a PLC to Private Limited Liability Company ('LTD') with effect from 6<sup>th</sup> December 2023.

IGI Dubai is regulated by the Dubai Financial Services Authority ('DFSA') as Insurance Intermediation and Insurance Management. IGI Dubai acts as an intermediary and agent of IGI Bermuda, underwriting a number of classes as an underwriting agent of IGI Bermuda.

International General Insurance Co. Ltd. - Labuan Branch ('IGI Labuan') is registered as a foreign offshore company of IGI Bermuda in Labuan in accordance with section 121 of the Offshore Companies Act 1990. IGI Labuan is classified as a second-tier reinsurer regulated by the Labuan Financial Services Authority and acts as an offshore capitalised branch of IGI Bermuda. It is supported by a marketing office in Kuala Lumpur.

IGI Casablanca acts as the representative office of IGI Bermuda for Northern, Central and West African markets and is regulated by Casablanca Finance City ('CFC').

Following the completion of the acquisition of Norway based managing general agency Energy Insurance Oslo AS, IGI Nordic AS is a subsidiary of IGI Bermuda, and managing general agency duly incorporated under the laws of Norway.

IGI Services was established in the Cayman Islands in October 2016 and is engaged in the business of owning and chartering of aircraft. The Company is a wholly owned subsidiary of IGI Bermuda.

Specialty Malls Investments Co. is a limited liability company registered and incorporated on August 2004 under the Jordanian Companies Law No. (22) of 1997. The Company's office is located in Jordan and the main business objectives of the Company are developing and leasing of real estate properties. The Company is a wholly owned subsidiary of IGI Bermuda.

*Ownership and Shareholdings*

IGI Bermuda is ultimately owned by IGI Group, a Nasdaq-listed company incorporated in Bermuda in 2019. The following shareholdings of more than 10% in IGI Group are provided in the table below:

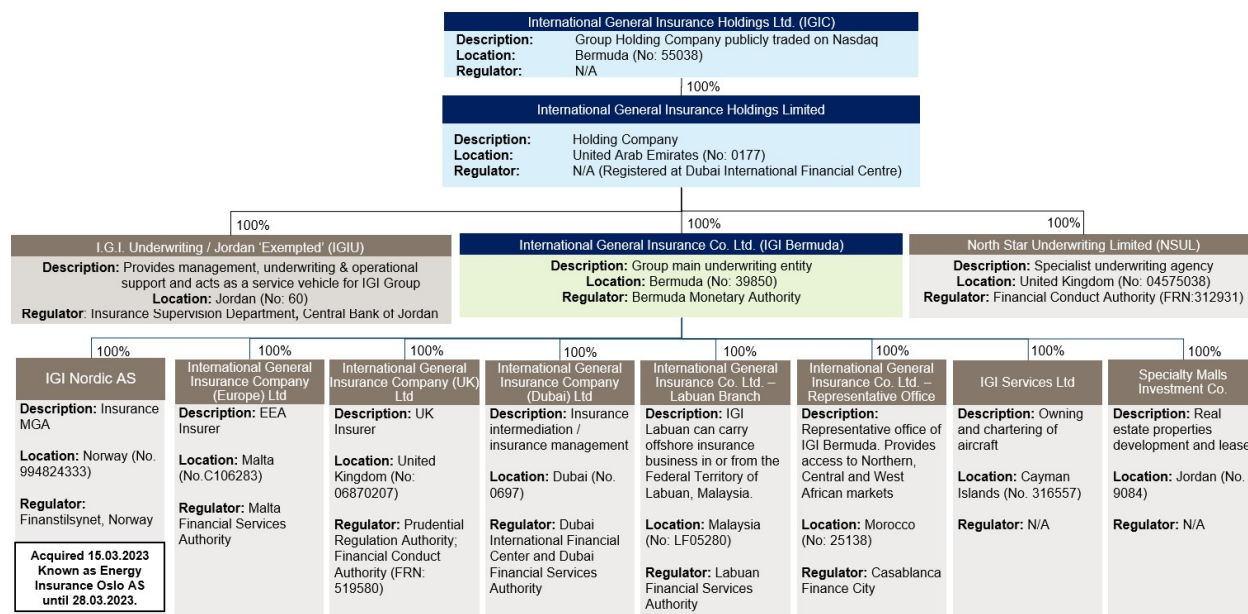
| Shareholder   | % Holding <sup>(Note 1)</sup> |
|---|-------------------------------|
| W Jabsheh Investment Company Ltd <sup>(Note 2)</sup>  | 31.2                          |
| Oman International Development and Investment Company SAOG (through its subsidiary Jabreen Capital) | 20.8                          |

Note 1 - The % Holding includes common shares only and is based on the total outstanding shares as at 31 December 2023.

Note 2 – As from 17<sup>th</sup> March 2023, Wasef Salim Jabsheh has held his shares through W Jabsheh Investment Company Ltd. W. Jabsheh Investment Co Ltd ownership in IGI Group is equal to 30.9%. The 31.2% also includes Wasef Jabsheh's own shares (who fully owns W. Jabsheh Investment Company Ltd).

**A.5. Group Structure**

The following 2023 year end chart shows the Group Structure\* including the fully owned subsidiaries of the Company and their respective local regulators:



**A.6. Underwriting Performance**

The IGI Group has adopted a careful and disciplined underwriting strategy since inception, which it continues to develop and enhance with emphasis on specialty lines. The IGI Group focuses on the profitability of the business

that it underwrites rather than on volume of business, relying on a team of experienced underwriters with strong, long standing relationships with brokers, cedants and reinsurers.

IGI Group conducts its worldwide operations through three reportable segments:

- **Specialty Short-tail** comprising Energy (Upstream, Downstream, Renewable), Property, Construction and Engineering, Political Violence, General Aviation, Marine Cargo, Marine Trades, Contingency and Ports & Terminals;
- **Specialty Long-tail** comprising Professional Indemnity, Directors and Officers, Legal Expenses, other Casualty lines (non-US), Financial Institutions, Inherent Defects Insurance and Marine Liability; and
- **Reinsurance** comprising Proportional and Non-proportional Reinsurance Treaty business.

In total, IGI Group has exposures in over 200 countries.

IGI Group operates from several platforms worldwide, allowing access to a broad spread of risks, while providing appropriate jurisdictions to accept a wide range of policy types (including Middle Eastern regional business, London market risks, African business, Islamic Insurance etc.). Underwriting is carried out across the platforms, with individual team members physically based in the relevant geographies.

The underwriting performance by business segments and geographical region for the years ended on 31st December 2023 and 2022 is provided below:

*Underwriting Performance by Business Segment*

| <i>US\$'000</i>              | <b>Gross written<br/>premiums<br/>2023</b> | <b>Concentration<br/>Percentage %</b> | <b>Gross written<br/>premiums<br/>2022</b> | <b>Concentration<br/>Percentage %</b> |
|------------------------------|--|---------------------------------------|--|---------------------------------------|
| <b>Specialty Short tail:</b> | <b>400,682</b>                             | <b>58</b>                             | <b>318,658</b>                             | <b>55</b>                             |
| Energy                       | 145,864                                    | 21                                    | 117,322                                    | 20                                    |
| Property                     | 99,232                                     | 14                                    | 88,074                                     | 15                                    |
| Ports & Terminals            | 29,426                                     | 4                                     | 27,263                                     | 5                                     |
| Construction & Engineering   | 51,199                                     | 7                                     | 31,208                                     | 5                                     |
| Aviation                     | 19,070                                     | 3                                     | 21,872                                     | 4                                     |
| Political Violence           | 18,050                                     | 3                                     | 11,461                                     | 2                                     |
| Marine Cargo                 | 18,167                                     | 3                                     | 10,533                                     | 2                                     |
| Contingency                  | 19,674                                     | 3                                     | 10,925                                     | 2                                     |
| <b>Specialty Long tail:</b>  | <b>226,864</b>                             | <b>33</b>                             | <b>232,209</b>                             | <b>40</b>                             |
| Casualty                     | 187,333                                    | 27                                    | 191,287                                    | 33                                    |
| Financial Institutions       | 26,287                                     | 4                                     | 28,648                                     | 5                                     |
| Marine Liability             | 5,749                                      | 1                                     | 3,666                                      | 1                                     |
| Inherent Defects Insurance   | 7,495                                      | 1                                     | 8,608                                      | 1                                     |
| <b>Reinsurance</b>           | <b>61,132</b>                              | <b>9</b>                              | <b>30,980</b>                              | <b>5</b>                              |
| <b>Total</b>                 | <b>688,678</b>                             | <b>100</b>                            | <b>581,847</b>                             | <b>100</b>                            |

*Underwriting Performance by Geographical Region*

| <i>US\$'000</i>   | Gross written premiums<br>2023 | Concentration<br>Percentage % | Gross written premiums<br>2022 | Concentration<br>Percentage % |
|-------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| Africa            | 33,312                         | 5                             | 32,692                         | 6                             |
| Asia              | 71,685                         | 11                            | 54,684                         | 9                             |
| Australasia       | 20,286                         | 3                             | 19,474                         | 3                             |
| Caribbean Islands | 27,904                         | 4                             | 30,438                         | 5                             |
| Central America   | 26,740                         | 4                             | 25,332                         | 4                             |
| Europe            | 83,614                         | 12                            | 51,734                         | 9                             |
| Middle East       | 62,708                         | 9                             | 58,893                         | 10                            |
| North America     | 89,610                         | 13                            | 61,646                         | 11                            |
| South America     | 21,671                         | 3                             | 20,701                         | 4                             |
| United Kingdom    | 195,504                        | 28                            | 189,975                        | 33                            |
| Worldwide         | 55,644                         | 8                             | 36,278                         | 6                             |
| <b>Total</b>      | <b>688,678</b>                 | <b>100</b>                    | <b>581,847</b>                 | <b>100</b>                    |

- The GWP increased from US\$581.8m in 2022 to US\$688.7m in 2023, registering a growth of 18.4% from previous year. The retained premiums for 2023 of US\$497.2m were 25.8% higher than 2022 whilst net earned premiums has risen by 18.8%. Net acquisition costs as a proportion of net earned premium were 24.8% compared to 27.5% for 2022. Net incurred claims for 2023 were 20.0% higher at US\$189.1m and net underwriting profit of US\$147.1m was 26.6% higher than 2022.

*Underwriting Results*

| <i>US\$'000</i>                             | 2023<br>Year End | 2022<br>Year End | Variance |
|---|------------------|------------------|----------|
| Gross Written Premiums                      | 688,678          | 581,847          | 18.4%    |
| Retained Premiums                           | 497,213          | 395,364          | 25.8%    |
| Net Earned Premiums                         | 447,152          | 376,453          | 18.8%    |
| Net Acquisition Cost                        | 110,924          | 102,520          | 8.2%     |
| Net Incurred Claims                         | 189,087          | 157,700          | 20.0%    |
| Net Underwriting Profit                     | 147,141          | 116,233          | 26.6%    |
| Net Acquisition Cost to Net Earned Premiums | 24.8%            | 27.2%            |          |
| Net Incurred Claims to Net Earned Premiums  | 42.3%            | 41.9%            |          |

- The Company posted an overall increase of 18.4% in its GWP compared to last year. The increase was primarily due to a 26.2% growth in the specialty short tail segment and an increase of 94.0% in the reinsurance segment. This was slightly offset by the decrease of 2.7% in the long tail segment from last

year. The increase in gross written premiums was primarily due to new business generation and an increase in overall renewal premium rates by 6.7% on average.

- The Net Earned Premiums increased by 18.8% from US\$376.5m in 2022 to US\$447.2m in 2023 primarily due to an increase in retained premiums.
- Net Acquisition Costs as a proportion of Net Earned Premiums were 24.8% for 2023 year end versus 27.2% in 2022.
- On a Year on Year ('YoY') basis, the ratio of Net Incurred Claims to Net Earned Premiums was 42.3% vis-à-vis 41.9% of previous year. This was primarily driven by the small decrease in net favourable development in loss reserves from prior periods partially offset by the small increase in current accident year losses.

## A.7. Investment Performance

### *Investment Portfolio Composition*

The Company maintains a highly liquid portfolio comprised primarily of cash and fixed income securities, which represented close to 96% of invested assets as at 31st December 2023.

A summary of the investment portfolio by asset class as at 31st December 2023 is given below:

### *Investment Portfolio by Asset Class*

| <i>US\$'000</i>         | <b>IGI Bermuda Consolidated Carrying Values</b> | <b>Composition %</b> | <b>IGI Group Carrying Values</b> | <b>Composition %</b> |
|-------------------------|---|----------------------|----------------------------------|----------------------|
| Term Deposits           | 204,045   | 20.15                | 204,045                          | 20.15                |
| Fixed Income Securities | 767,584   | 75.82                | 767,584                          | 75.82                |
| Equity Securities       | 37,268  | 3.68                 | 37,268                           | 3.68                 |
| Real Estate             | 3,522   | 0.35                 | 3,522                            | 0.35                 |
| <b>Total</b>            | <b>1,012,419</b>                                | <b>100.00</b>        | <b>1,012,419</b>                 | <b>100.00</b>        |

The investment strategy of IGI Group is comprised of high-level objectives and guidelines, which govern assets allocation amongst other things. In support of these guidelines, the investment strategy prescribes investment allocation targets by asset class.

The actual asset allocation mix has adhered to these targets throughout the year in 2023. The Company does not however actively change its investments mix in response to short-term factors such as increased volatility or changes in market sentiment. During the year 2023, the Company maintained a sizeable portfolio of high quality and diversified fixed income securities, term deposits and to a lesser extent a modest allocation to equities, funds and real estate holdings.

IGI Group uses a panel of high-quality third-party investment bankers acting as custodians, brokers, traders and at times as advisors and assist in implementing the investment strategy. The IGI Group's Vice President–Investment is responsible for implementing the investment strategy and routinely monitors the portfolio to ensure that these parameters are being met and the portfolio is behaving appropriately with further independent oversight provided through the Risk Management function and associated Board reporting.

*Investment Portfolio Performance*

The following table shows the Return on Investment ('ROI') by asset class achieved by for Company 2023 year end against 2022 year end:

| Investment by Asset Class                   | 31 December 2023  |          |                  | 31 December 2022  |          |                |
|---|-------------------|----------|------------------|-------------------|----------|----------------|
|   | Asset Allocation% | Return % | Return           | Asset Allocation% | Return % | Return         |
| Term Deposits                               | 20.15             | 6.25     | 16,441           | 34.80             | 2.70     | 6,949          |
| Fixed Income Securities                     | 75.82             | 3.82     | 22,923           | 57.50             | 2.60     | 12,624         |
| Equity Securities                           | 3.68              | 31.45    | 12,630           | 5.10              | (5.90)   | (2,320)        |
| Real Estate                                 | 0.35              | (30.10)  | (1,385)          | 2.60              | (2.10)   | (598)          |
| Total Investment Return                     | 100.00            | 5.56     | 50,609           | 100.00            | 2.00     | 16,655         |
| <b>Total Investment Assets<br/>US\$'000</b> |                   |          | <b>1,012,419</b> |                   |          | <b>853,338</b> |

The return on investments above represents the investment income recorded in the Profit & Loss account for the year.

The return on investment for 2023 was 5.6% versus 1.9% for 2022. The return on term deposits has increased in 2023 primarily due to an increase in interest income attributable to rising interest rates and well-negotiated placements. Returns on the fixed income securities showed more than 1.1 percentage points increase from 2022. Returns on real estate, which represent equity ownership in several companies located in Beirut, have decreased from 2022 due to ongoing political and economic uncertainties which are affecting the real estate market in Lebanon. The overall return on equity portfolio 31.5% in 2023 compared to negative 11.3% in 2022, was primarily due to a positive realised gains and unrealised fair value movement recorded in 2023 compared to negative unrealised fair value movement in 2022.

*Other material Income & Expenses*

The main income and expenses outside of underwriting results are management and other expenses, impairment loss on insurance receivables, investment income and foreign exchange gain and losses as summarised below:

| US\$'000  | 2023           | 2022          |
|---|----------------|---------------|
| Management Expenses   | (46,881)       | (39,229)      |
| Other Expenses  | (1,631)        | (542)         |
| Change in allowance for expected credit losses on receivables | (2,452)        | (3,154)       |
| Total Investment Income                                       | 50,609         | 16,655        |
| Forex Gain (Loss)   | 5,148          | (9,186)       |
| <b>Profit before tax</b>                                      | <b>151,937</b> | <b>80,777</b> |

- An increase in management expenses from last year was primarily due an increase in employee-related costs primarily as a result of increased salary costs due to new hires, an increase in business travel as attributable to growth in business, and investment in technology infrastructure to support the Company's growth.

- The increase in other expense from last year was primarily due to once off maintenance costs incurred during the current year.
- The decrease in impairment loss on insurance receivables of US\$0.7m, was mainly due to an improved collection of receivables during the year.
- The gain on foreign exchange for 2023 was US\$5.1m compared to a loss of US\$9.2m in 2022. This was primarily attributable to the strengthening of the major transactional currencies, Pound Sterling, and Euro, against the U.S. Dollar in 2023 compared to 2022.

#### *Any Other Material Information*

#### *Geopolitical Risks*

Geopolitical risks continue to be a key area of uncertainty, particularly in respect of the Russia / Ukraine war since February 2022 and the war between Israel and Hamas since October 2023. Whilst the Company has minimal insurance exposures to these conflicts, there may be subsequent issues including international sanctions, political instability, and disruption to supply chains which could have an impact to IGI in the future.

The Company is also aware of the potential risks relating to civil unrest due to several elections taking place during 2024, including Bangladesh, India, USA, Indonesia, Pakistan, Russia, Mexico, and the UK general election to occur before 28th January 2025. These geopolitical risks are monitored continuously in respect of exposures to the Political Violence class and the wider IGI business.

#### *Inflation*

After decades of historically low levels, inflation picked up from around the second half of 2021. Initially this was considered to be temporary, and central banks were reluctant to raise interest rates to dampen excessive economic demand. However, inflation increased rapidly, and inflationary pressures were compounded by the Russian invasion of Ukraine and the consequent price rises in food and energy.

Whilst inflation appears to have passed its peak, there remains continued uncertainty around future inflationary trends.

#### *Interest Rate Movements*

Interest rates also remained in focus, largely as a mechanism for central banks to control inflationary pressures. By end of 2023, the US Federal Reserve and Bank of England both peaked fund rates to 5.50% and 5.25%, respectively, to combat persisting inflation caused by many macro and geopolitical factors. Similarly, the European Central Bank also increased interest rates over the year to 4.50% to fight off the surge in inflation. However, going forward, most of the central banks expect to cut interest rates between two to three times, to ensure they are not behind the curve.

The Group's investment portfolio is predominantly held in bonds but the increase in rates has had a positive impact on the Group's bond portfolio of approximately US\$24m during 2023 due mainly to overpricing of the potential hikes in 2022 and heavily investing in cherry-picked bonds during 2023. The overall investment portfolio remains robust and adequately liquid. IGI will aim to invest in high-grade bonds to lock the higher rates for longer to minimise interest rate risk simultaneously managing spread risk within the Investment Policy parameters.

#### *Arbitration*

One of the Group's operating subsidiaries is engaged in an arbitration proceeding concerning a dispute with another insurer over a policy coverage. The Group has established reserves which it believes represents a

reasonable estimate of its expected future cash outflows in respect of this matter. If the arbitration does not rule in the Group's favour, it is possible that the ultimate cost may exceed amounts that have been specifically reserved. However, it is not practicable to reliably estimate any potential excess amount because the merits of the underlying claims have yet to be assessed and there are a number of uncertainties regarding how the policy may respond. Having considered the uncertainties described above, the Group believes that, even in reasonably remote adverse scenarios, the ultimate costs would be within the risk margins inherent within the Group's overall claims reserves and would have no material impact on the Group's business or financial condition.

## B. Governance Structure

This section provides information regarding the system of governance, fit and proper requirements and assessment, remuneration policy and practices, risk management and solvency self-assessment framework, internal controls, key functions, and outsourcing.

### *System of Governance*

The IGI Group Board of Directors is supported by its Audit Committee, Nominating/Governance and Compensation Committees.

The following Management Committees support both the Group and the Company in its day to day functioning:

- Executive Risk Management Committee ('ERMC')
- Delegated Authority Committee
- Reinsurance Security Committee
- Reserving Committee
- Disclosure Committee; and
- ESG Committee.

IGI has adopted a 'Corporate Code of Business Conduct and Ethics' which applies to Board of Directors, the officers, and other employees of all IGI Group entities and contractors who provide significant services to IGI. The Code ensures that directors, officers, and other employees of IGI Group and contractors act in the best interest of the Company while maintaining full compliance with the laws, rules, and regulations of the jurisdictions in which it operates.

The Financial Code of Ethics was adopted in 2020 which applies to IGI Group's Chairman, CEO, President, CFO (or other principal financial officer), Chief Accounting Officer and Controller (or persons performing similar functions) and all other financial professionals with financial reporting responsibilities.

In line with the listing of the IGI Group holding company, International General Insurance Holdings Ltd on Nasdaq Capital Market, IGI Insider Trading Policy, IGI Social Media Policy and IGI Public Disclosure Policy have become applicable to the IGI Group where applicable.

### *Structure*

IGI Group maintains an efficient and sound organisational structure commensurate with its operational requirement and with a view to governing and managing its business efficiently and effectively. All major changes in the organisation's structure are approved by the IGI Group Board.

The governance structure is based on well-defined lines of responsibility ('three lines of defence') spanning front line functions, Risk, Compliance, and Internal Audit functions which are governed by the Board in order to provide independent oversight and challenge.

The executive management team consists of experienced insurance industry professionals with extensive international market experience and long histories of success in their respective specialist areas.

## B.1. Board and Senior Executives

The following table shows the Board and Senior Executives of 'the Company' and 'IGI Group' as at 2023 year end:

### *Board Members:*

| Name              | Board Position (IGI Bermuda)                            | Board Position (IGI Group)                              |
|-------------------|---|---|
| Wasef Jabsheh     |   | Chairman  |
| Walid Jabsheh     | President, Chief Executive Officer & Executive Director | President, Chief Executive Officer & Executive Director |
| Pervez Rizvi      | Chief Financial Officer and Executive Director          |   |
| Andreas Loucaides | Non-Executive Director                                  | -   |
| Maria Fahy        | Executive Director and Head of Bermuda Operations       | -   |
| Michael T. Gray   | -   | Non-Executive Director                                  |
| David King        | -   | Non-Executive Director                                  |
| Andrew J Poole    | -   | Non-Executive Director                                  |
| Wanda Mwaura      | -   | Non-Executive Director                                  |
| David D. Anthony  | Independent Non-Executive Director                      | Non-Executive Director                                  |
| Richard Hartley   | Independent Non-Executive Director                      | -   |
| David Ezekiel     | Independent Non-Executive Director                      | -   |

### *Officers & Senior Management:*

| Name                | Board Position (IGI Bermuda)                            | Officers Position (IGI Group)               |
|---------------------|---|---|
| Wasef Jabsheh       |   | Executive Chairman                          |
| Walid Jabsheh       | President, Chief Executive Officer & Executive Director | Chief Executive Officer                     |
| Pervez Rizvi        | -   | Chief Financial Officer                     |
| Hatem Jabsheh       | -   | Chief Operating Officer                     |
| Christopher Jarvis* | -   | Chief Underwriting Officer                  |
| Tim Deardon*        | -   | Senior Vice President, Group Head of Claims |
| Stav Tsielepis*     | -   | Chief Actuary                               |
| Donal Barrett*      | -   | Head of Risk                                |
| Rawan Alsulaiman*   | -   | Chief Legal and Compliance Officer          |
| Simon Levy*         | -   | Senior Vice President - Reinsurance         |
| Ruwan Perera*       | -   | Chief Technology and Information Officer    |
| Tandy Harris*       | -   | Chief Human Resources Officer               |

|             |                            |   |
|-------------|----------------------------|---|
| Maria Fahy* | Head of Bermuda Operations | - |
|-------------|----------------------------|---|

\* *Senior Management of IGI Bermuda or IGI Group.*

#### *Board and its Committees Role, Responsibilities*

The Board of Directors is responsible for directing the activities of the Company and for setting the goals and strategies necessary to operate and provide oversight for the implementation of those strategies carried out by the Executive Management. Potential conflicts of interest are discussed and disclosed at the start of every Board meeting.

The IGI Group Board fulfils its duties and obligations through its following Committees:

#### **Audit Committee ('AC')**

The Committee meets at least quarterly and at such other times as deemed necessary by the Board. The Committee is comprised solely of Non-Executive Directors and is Chaired by an Independent Non-Executive Director who has significant experience in risk, finance, and compliance. The other two members bring extensive experience in the areas of Underwriting, Corporate, IT and Financial management. The Committee is attended by members of the Group executive and senior management team from the specific subject matter expertise and input as required.

The Committee's objective is to assist the IGI Group Board in fulfilling its financial reporting, controls, and compliance responsibilities to achieve the IGI Group's goals while protecting shareholder interest. These oversight responsibilities span key functions including risk management, business continuity management, compliance including financial crime and whistleblowing, internal audit, and reserving. The Committee also oversees the appointment and engagement of the IGI Group's external auditors.

The Committee is authorised to investigate any matter within its remit, seek any information from the Directors and/or employees which is necessary to satisfactorily discharge its duties and make recommendations to the Board where action or improvement is required.

In addition, IGI Bermuda and IGI UK have local Audit Risk & Compliance Committees which report into their respective Boards of Directors and assist in fulfilling their financial and statutory reporting requirements.

#### **Compensation Committee**

IGI Group's Board of Directors formed a Compensation Committee initially consisting of Walid Jabsheh, David Anthony, and Andrew Poole. David Anthony, an Independent Non-Executive Director is the Chair of the Committee.

The Group has adopted a Compensation Committee Charter which sets forth the requirements for Committee members and the responsibilities of the Committee.

The purpose of the Compensation Committee is to review, evaluate and approve compensation paid to IGI's officers and directors and to administer IGI's incentive compensation plans, including authority to make and modify awards under such plans. Each year, the Compensation Committee will review and make recommendations to the Board of Directors with respect to incentive-compensation plans and equity-based plans. The Compensation Committee will make recommendation to the Group Board with respect to the compensation of the Group's Chief Executive Officer and, in consultation with the Chief Executive Officer, other executive

officers, as well as directors. The Committee meets at least twice per year and as frequently as circumstances dictate. The Committee reviews the Compensation Committee Charter at least annually.

### **Nominating/Governance Committee**

IGI Group's Board of Directors has a Nominating/Governance Committee with a majority of independent directors. The members of the Nominating/Governance Committee are Walid Jabsheh, Michael Gray and David King. David King is the Chair of the Nominating/Governance Committee. The Nominating/Governance Committee is responsible for overseeing the selection of persons to be nominated to serve on IGI's Board of Directors. It also advises the Board and makes recommendations regarding appropriate corporate governance practices and assists the Board in implementing those practices.

The Group has adopted a Nominating/Governance Committee Charter which sets forth the requirements for the Committee members and the responsibilities of the Committee.

The Committee will meet at the call of its Chair, two or more members of the Committee or the Chair of the Board.

The Committee will meet as frequently as circumstances dictate.

#### *Changes During the Period*

In May 2023, due to unforeseen circumstances, Stav Tsielepis fulfilled the role of Group Chief Actuary, on an interim basis in Stephen Rix's absence. On 1<sup>st</sup> of November 2023, Stav Tsielepis was appointed Group Chief Actuary on a permanent basis and Donal Barrett was appointed as Head of Risk.

On 1<sup>st</sup> of July 2023, Wasef S. Jabsheh transitioned from the role of Chief Executive Officer of IGI Group and IGI Bermuda. Walid Jabsheh has been promoted from the office of President to the office of Chief Executive Officer of IGI Group and IGI Bermuda.

On 1<sup>st</sup> of November 2023, Maria Fahy and Richard Hartly were appointed as Directors of IGI Bermuda Board.

On 14<sup>th</sup> of November 2023, Wasef S. Jabsheh resigned from IGI Bermuda Board.

#### *Remuneration Policy*

The Remuneration Policy and practices in respect of executives, officers and employees are designed to compensate employees equitably based on their performance, consistent with the Company's business needs and financial strength and in a way that does not discriminate against anyone in accordance with the terms of the IGI Employee Diversity and Inclusion Policy.

The Company pays an employee a basic salary that is considered appropriate given the market rate for the role being performed. IGI Group's pay philosophy is committed to attracting the required talent globally and conducts an analysis of country and local relevant benchmarking data to ensure the accuracy of both variable and fixed remuneration.

Executive directors are remunerated in accordance with their employment contracts issued and executed in their relevant entity country.

In addition to fixed salary entitlement, IGI Group rewards employees with discretionary Short-Term Incentives ('STI') in the form of annual cash bonuses. The STI bonus awards are at the Company's discretion and do not constitute a contractual right. The STI bonus is based on the employee's individual performance and the profitability of the Group. The STI remuneration provides incentives for prudent risk taking in the short term, long term, and for sound risk management. Discretionary Long-Term Incentives (LTI) may also be rewarded to

Executive and Senior Management in the form of Restricted Share Units in IGI Group in accordance with the IGI Holdings Ltd. 2020 Omnibus Incentive Plan.

Independent Non-Executive Board members are compensated via the terms of their respective Service Agreements or Terms of Appointment Letters.

*Pension or Early Retirement Schemes for Members, Board and Senior Employees*

There is no defined benefit pension or early retirement schemes for Directors. For senior executives and employees, pension contributions are in line with the local labour laws of land where IGI Offices are domiciled.

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

None.

## **B.2. Fitness and Proprietary Requirements**

*Fit and Proper Process in assessing the Board and Senior Executive*

The Company has a policy to ensure that persons appointed to carry out a senior management role or key function are 'fit and proper' to perform the role. This includes demonstrating prior to appointment and on an ongoing basis that the individual:

- Possesses the level of competence, knowledge, experience, qualifications, and has undertaken the required training;
- Acts with integrity, due skill, care, diligence, honesty, and has sound judgment to properly perform their duties;
- Past conduct and performance reflects high standards;
- Is not disqualified from acting in their position or performing their duties in terms of any legislation; and
- Complies with Conduct Standards/Rules.

The assessment includes an extensive range of background checks which include but are not limited to:

- The fit and proper declaration form to be completed by the applicant;
- The undertaking of credit checks to determine the status of the person's credit record;
- The checking of qualifications and work experience;
- The undertaking of background checks for violation of any regulations; and
- Undertaking of checks via the internet or any other means for any other adverse information relating to the person.

*Board and Senior Executives Professional Qualifications, Skills and Expertise*

Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and be selected based upon the contributions they can make to the Board.

The Nominating/Governance and Compensation Committee reviews the qualifications of potential Director candidates and makes recommendations to the Board.

The Board of IGI Group currently consists of members from various backgrounds and qualifications that serve IGI's business.

Biographies of IGI Group Board of Directors are set out below as at 2023 year end:

|  |
|--|
| <b>Wasef S. Jabsheh</b>  |
| Chairman   |
| <p>Wasef Jabsheh serves as Executive Chairman of the Board, a position he has held since July 1, 2023. Previously, Wasef Jabsheh served as IGI Group's Chief Executive Officer between 17 March 2020 and 30 June 2023. Wasef Jabsheh founded IGI in 2001 and served as the Chief Executive Officer and Vice Chairman of IGI Dubai from 2011 until 17 March 2020. Wasef Jabsheh has specialized in marine and energy insurance for more than 50 years in various prominent roles with the Kuwait Insurance Co and with ADNOC (the Abu Dhabi National Insurance Company) from the mid-1970s to the late 1980s. In 1989, Mr. Jabsheh established Middle East Insurance Brokers and two years later founded International Marine and General Insurance Co. He also served as a member of the Board of Directors of HCC Insurance Holdings Inc. from 1994 until 1997.</p>   |
| <b>Walid Jabsheh</b>   |
| President, Chief Executive Officer, and Executive Director   |
| <p>Walid Jabsheh has served as our Chief Executive Officer since 1 July 2023 and as the President and Director since 17 March 2020. Walid Jabsheh began his career at Manulife Reinsurance in Toronto, Canada and later joined LDG Reinsurance Corporation, a subsidiary of Houston Casualty Co, in 1998 where he served as Senior Underwriter managing a US\$30 million book of treaty and facultative business.</p>  |
| <b>David King</b>  |
| Non-Executive Director   |
| <p>David has served as a Director since March 17, 2020. Mr. King served as a Non-Executive Director on the Board of our wholly-owned subsidiary, International General Insurance Holdings Limited, a company organised under the laws of the Dubai International Financial Center ('IGI Dubai') from November 2012 through 2020. He also served as Non-Executive Chairman and a member of the audit committee of International General Insurance Company (UK) Limited, our wholly owned subsidiary, until March 2022. He also serves as Non-Executive Chairman, Audit Committee member and Nomination and Remuneration Committee member of Stratos Markets Limited since October 2023. Prior to that, from 2014 until October 2023, Mr. King was Non-Executive Chairman, Audit Committee member and Nomination and Remuneration Committee member of Forex Capital Markets Ltd. From 2010 to 2012, Mr. King was Executive Director of Middle East business development at China Construction Bank International. Prior to that, he was the Director of Finance and Administration of the London Metal Exchange between 1987 and 1989, Chief Executive Officer of The London Metal Exchange from 1989 to 2001, Managing Director and acting Chief Executive of the Dubai Financial Services Authority from 2003 to 2005 and Managing Director of global banking in the MENA division of HSBC Bank Middle East Limited from 2005 to 2008. David King is a Fellow in the Association of Chartered Certified Accountants and holds a Master of Business Administration from Cranfield University.</p> |

**David D. Anthony**

## Non-Executive Director

David has served as an Independent Non-Executive Director since March 17, 2020. Mr. Anthony previously served as a Non-Executive Director on the Board of IGI Holdings Dubai Limited from July 2018 through March 2020. From March 1994 to June 2018, Mr. Anthony was a Director and Senior Analyst with S&P Global Ratings (formerly Standard & Poor's), where he was a lead rating analyst and a Chair of its Insurance Rating Committee. Before joining S&P Global Ratings, Mr. Anthony was Senior Relationship Manager and Vice President, European Insurance Banking Group, at Citibank N.A. London from June 1987 to April 1992, and senior insurance analyst at Moody's Investors Service, New York, from April 1992 to March 1994. Mr. Anthony has more than 35 years of experience analysing the insurance and reinsurance industries. During his career he has worked extensively in Europe, the Middle East, North Africa, and the United States and holds a Master of Science degree in Economic History from the University of London.

**Michael T. Gray**

## Non-Executive Director

Michael has served as a Director since 17<sup>th</sup> March 2020. Mr. Gray has over 30 years of leadership experience in the insurance industry. He served on the Board of Delwinds Insurance Acquisition Corp., a company formed for the purpose of effecting a business combination, which went public in December 2020 and closed its initial business combination with FOXO Technologies Inc. in September 22. He served as the Executive Chairman and Chief Executive Officer of Tiberius from its inception until the closing of the business combination between IGI and Tiberius in March 2020. He is the principal executive and President of The Gray Insurance Company, a middle-market property and casualty insurance company. Mr. Gray became President of The Gray Insurance Company in 1996. In addition to his role at the Gray Insurance Company, Mr. Gray has served as Chairman of the Board of the Louisiana Insurance Guaranty Association since 2008 (Director since 1995), Director of the American Property Casualty Insurance Association (APCI) since 2019 (and was director of the predecessor organizations American Insurance Association of 2011 and Property Casualty Insurers Association of America since 2010), Director of the Tulane University Family Business Center Advisory Council since 2008 and, from 1999 to 2003, served on the Board of Directors of Argo Group International Holdings (NASDAQ: AGII), a global property and casualty, specialty insurance, and reinsurance products provider. Mr. Gray was the Chairman of the Board of Family Security, a personal lines/homeowners insurance company, in which The Gray Insurance Company held an ownership interest from 2013 to 2015. This culminated in the sale of the company, which Mr. Gray led, to United Insurance Holding Corporation (NASDAQ: UIHC). The parent of The Gray Insurance Company, Gray and Company, has acquired or developed several businesses under Mr. Gray's guidance, including surplus lines insurance and title insurance, casualty and surety insurance, oil production and exploration facilities, technology development and real estate. Mr. Gray holds a B.A. from Southern Methodist University and an MBA from Tulane University. Mr. Gray graduated from the Harvard Business School "Presidents Program in Leadership" in 2020.

**Wanda Mwaura**

## Non-Executive Director

Wanda has served as a Director since March 17, 2020. Ms. Mwaura has more than 28 years of financial services, with extensive (re)insurance, accounting, and advisory experience. She began her career in the insurance industry at Ernst & Young Ltd. ('EY') in 1996, specializing in financial services and reinsurance. Ms. Mwaura was at EY from 1996 through 2013, including serving as a Partner from 2005 to 2013. She later served as the Head of External Reporting and Accounting Policy at PartnerRe, a leading global reinsurer, from October 2013 to February 2017, and as External Reporting Director and Chief Accounting Officer at PartnerRe from February 2017 to July 2019 and, since August 2019, has been the sole proprietor of Consult.bm, a Non-Executive Director and consulting services provider to various entities in Bermuda. Ms. Mwaura is a Non-Executive Director for a Bermuda regulated bank and a London Stock Exchange listed independent exploration and production company serving as audit committee member and audit and risk committee chair, respectively. She also serves as the Executive Director of the Bermuda Public Accountability Board in Bermuda. Ms. Mwaura holds a Bachelor of Commerce (Co-op) degree from Dalhousie University and is a Chartered Professional Accountant (CPA) and a member of CPA Bermuda.

**Andrew J. Poole**

Non-Executive Director

Andrew has served as a Director since March 17, 2020. Mr. Poole previously served as a Non-Executive Director of FOXO Technologies Inc. from the September 2022 closing of a business combination with Delwinds Insurance Acquisition Corp. (Delwinds), a blank check company which went public in December 2020 with \$201.250 million held in trust, until November 2023. He was previously Chairman of the Board of Directors and Chief Executive Officer of Delwinds. Mr. Poole has over 19 years of diversified investment experience. Mr. Poole was the Chief Investment Officer of Tiberius, a blank check company which went public in March 2018 and which consummated its initial business combination with IGI. Concurrently, from 2015 through December 2022, Mr. Poole was an investment consultant at The Gray Insurance Company. Mr. Poole's most recent role prior to joining Tiberius and The Gray Insurance Company was as Partner and Portfolio Manager at Scoria Capital Partners, LP, a long/short equity hedge fund, where he managed a portion of the firm's capital including insurance sector investments from 2013 to 2015. Prior to Scoria, Mr. Poole held various positions at Diamondback Capital Management from 2005 to 2012 (including Portfolio Manager from 2011 onwards) and SAC Capital from 2004 to 2005, both of which are multi-strategy multi-manager cross capital structure long/short hedge funds. Earlier, Mr. Poole started his career at Swiss Re (SIX: SREN) working in facultative property placements in 2003 and was on the Board of Family Security, a personal lines insurance company, from 2013 to 2015 prior to the sale of the company to American Coastal Insurance Corporation (Nasdaq: ACIC) (f/k/a United Insurance Holdings Corporation). Mr. Poole is a graduate of The George Washington University.

Biographies of IGI Bermuda Board of Directors are set out below:

**Walid Jabsheh**

President, Chief Executive Officer, and Executive Director

Biography as above

**Pervez Rizvi**

Chief Financial Officer and Executive Director

Pervez has served as the IGI Group Chief Financial Officer since March 17, 2020. Mr. Rizvi has served as the Group Financial Officer of IGI Dubai since 2015. He has over 38 years of experience out of which 35 years are in the insurance and banking sectors. He obtained a Bachelor of Commerce in Accounts and Management followed by a CA (India) and a CPA (USA). Mr. Rizvi is a member of the Institute of Chartered Accountants of India. Mr. Rizvi began his insurance career with the Life Insurance Corporation of India in 1989 and later worked with a number of financial institutions and insurance companies in the Middle East and Far East including HSBC Bank in the UAE and Malaysia and Zurich Financial Services at DIFC, Dubai

**Maria Fahy**

Head of Bermuda Operations and Executive Director

Maria has over 35 years' experience in the insurance industry. She has held various underwriting positions at both Lloyd's syndicates and London market re/insurers. She started her career as a graduate trainee in the Casualty Treaty team at Excess Insurance, later Hartford Re, transferring to their Property Treaty team. She also worked as a Property Treaty underwriter at Limit, Syndicate 566 and the London subsidiary of Endurance Bermuda.

She joined IGI in 2015 from Chaucer Syndicate at Lloyd's where she was a Class Underwriter, writing an International ex USA/Canada Inwards Treaty book of business, on both a Proportional and Non-Proportional basis. Maria more recently transferred to Bermuda, where she is Head of IGI's Bermuda operations and Class underwriter, writing both an International and US Inwards Treaty book.

**Andreas Loucaides**

Non-Executive Director

Andreas has served as the Chief Executive Officer of IGIUK since 2015. He began his career in the insurance industry in 1971, joining syndicate 702 at Lloyd's which was sold to Markel in 2000. He later founded a start-up insurance Company, PRI Group Plc (an FSA licensed "A-" rated AIM listed Company with a market cap of £120m) in 2002 as Chief Executive Officer. Following the profitable sale of PRI Group plc to Brit Holdings, Mr. Loucaides joined Catlin UK in 2004 as the Chief Executive Officer. In 2008, he joined Jubilee Group at Lloyd's as the Chief Executive Officer, overseeing the sale to Ryan Specialty Group in 2011. In 2012, Mr. Loucaides joined Lloyd's Syndicate 2526, assisting with its sale to AmTrust and supporting AmTrust in its purchase of Sagicor at Lloyd's.

### David Ezekiel

Non-Executive Director

David was educated at Sherwood College, Nainital, India and undertook his articles of clerkship in London commencing in 1965. He was admitted as a Member of the Institute of Chartered Accountants in England and Wales in 1971 and was admitted to Fellowship in 1978.

In 1972/73 he attended the Graduate Business Centre of the City University, London and received his Master of Business Administration, majoring in Investment Analysis.

Before establishing International Advisory Services Ltd ('IAS') in April 1981, David was a Partner with one of the leading accounting practices in Bermuda - KPMG Pear Marwick. While at KPMG he was responsible, along with one other Partner, for the firm's rapidly expanding insurance auditing department and was responsible for much of the staff training in this area.

IAS grew to be the largest independent Captive Management Company in the Bermuda insurance sector, and in September of 2009 IAS was acquired by Marsh McLennan at which time IAS had some 160 clients and 95 staff. David assumed the position of Chairman and Managing Director of the combined entity, Marsh IAS until his retirement from Marsh at the end of 2015.

David has also served as Chairman of ABIC (Association of Bermuda International Companies) for a period of 13 years and played a key role in the development of the International Business sector in Bermuda over that period. In 2005 David was named as 'Insurance Person of the Year' by the Bermuda Insurance Institute (BII) and 5 years later was presented with the BII's 'Lifetime Achievement Award'.

### David D. Anthony

Non-Executive Director

Biography as above

### Richard Hartly

Non-Executive Director

Richard is a UK qualified accountant who founded the Acumen Group in Bermuda with a vision when founding Acumen to develop a business, valued by every single client, delivering a personal local service to each of Acumen's clients.

The Group has grown organically from a single employee in 2006 to over 200 today and operates in over 10 jurisdictions without raising any debt or investment. Prior to founding Acumen Richard worked for Deloitte and an SEC registered reinsurer in Bermuda. Richard serves as a Director on a number of Bermuda registered entities in the insurance, shipping, investment and real estate sectors.

Biographies of IGI Group Officers and Senior Management are set out below:

### Hatem Jabsheh

Chief Operating Officer

Hatem has served as the IGI Group Chief Operating Officer since March 17, 2020. Mr. Jabsheh has been IGI's Group Chief Operating Officer since 2017, and IGI's Chief Investment Officer since 2010. Mr. Jabsheh began his career in 2001 with Spear, Leads, and Kellogg, a subsidiary of Goldman Sachs. He worked in several pits at the CBOE (Chicago Board Options Exchange) and CME (Chicago Mercantile Exchange) as a primary market maker. He then moved to Amman, Jordan in 2004 to set up Indemaj Financial, an asset management and brokerage Company, which he successfully sold in 2009. In 2006, Mr. Jabsheh set up Indemaj Technology, an open-source web development Company, which was also later sold in 2012. His 22-year professional career spans executive roles in the asset management sector and reinsurance, all underscored by an aim to promote innovation and transformation. He is actively involved in the Tech community, promoting disruption within the reinsurance industry. Mr. Jabsheh currently serves on the Boards of the Swiss Jordanian Business Club and the United Cable Industries Company. Hatem Jabsheh is a graduate of Marquette University with a dual major in International Business and Finance and a minor in History.

### **Chris Jarvis**

#### Chief Underwriting Officer

Chris has over 30 years' industry experience. He held various underwriting positions at several Lloyd's syndicates and London market re/insurers, including AmTrust Syndicates Ltd., ANV Managing Agency, Flagstone Marlborough, BMS Group, and SVB (Novae) UW Limited.

He joined IGI in 2022 from Canopius Managing Agency where as Active Underwriter he held joint responsibility for all aspects of the Lloyd's underwriting platform, including regional underwriting operations in the USA and across the Asia Pacific region.

### **Tim Deardon**

#### Senior Vice President, Group Head of Claims

Tim has over 38 years of experience in international insurance markets and claims management. He previously served as head international claims consultant for the energy business of Marsh Ltd and was also the international Head of Claims for its political risk business. Prior to that, Tim worked as a marine and energy claims manager at a major Lloyd's syndicate.

He has first-hand knowledge of the requirements of IGI's customers and business partners and has built up a network of professional service providers that understand the high servicing standards required by IGI's claims team and who support the strategy of IGI's pro-active and transparent approach to claims management.

### **Stav Tsielepis**

#### Chief Actuary

Stav has over 20 years of industry experience, including actuarial and risk management roles, and joined IGI on 31st January 2022 from Arch Capital Group's London-based subsidiary Arch Insurance International, where he was Chief Risk Officer with responsibility for key projects such as implementing Brexit plans and working closely with regulators, including the Central Bank of Ireland. During his tenure, he was a Board member of Arch Underwriting at Lloyd's Australia. Prior to his time at Arch, Mr. Tsielepis was an Actuarial Consultant for Towers Watson Ltd.

Stav qualified as a Fellow of the Institute and Faculty of Actuaries in 2008 and holds a UK Practising Certificate. Stav obtained an MA in Mathematics at the University of Oxford.

### **Donal Barrett**

#### Head of Risk

Having started out in Insurance Broking, Donal has over 40 years' experience in the insurance sector, mainly in the Lloyd's market. He has served at Board level at two Lloyd's Managing Agents. At various times he has had responsibility for Risk and Compliance, Operations, Information Technology and Human Resources. He has also been heavily involved in Mergers and Acquisitions activity. Donal is a business studies graduate from University College Dublin. He joined IGI in 2023 as Head of Risk.

|   |
|---|
| <b>Rawan Alsulaiman</b>   |
| Chief Legal and Compliance Officer  |
| <p>Rawan has over 19 years of experience in the insurance industry, she joined IGI in December 2007 as head of its Legal Department and was promoted in 2014 to Chief Legal Officer, and in 2018 to Chief Legal and Compliance Officer. She also holds the position of Company Secretary of the Board of Directors.</p> <p>Rawan started her career in 2005 with Abu Ghazaleh Intellectual Property (AGIP) where she established the Special Customers Department to handle key customers and oversaw their intellectual property rights, anti-counterfeiting, infringement and IP enforcement actions across the MENA region.</p> <p>Rawan obtained her Master's degree in International and Comparative Public Law from the University of Exeter.</p> |
| <b>Simon Levy</b>   |
| Senior Vice President – Reinsurance   |
| <p>Simon has over 37 years of experience in the (re)insurance industry, he worked within the reinsurance industry since 1985 with DG Durham and subsequently for EW Payne (London). In 1996, Simon left the UK and worked for Alliance Re (latterly Flagstone Re) as an Underwriter concentrating on a WWX USA/Canada Proportional and Non-Proportional inwards treaty portfolio.</p> <p>Simon joined IGI in 2010 and is responsible for underwriting and managing the inwards treaty reinsurance portfolio of IGI, whilst also being a main member of the management team responsible for all group outwards purchases.</p>  |
| <b>Ruwan Perera</b>   |
| Chief Technology / Information Officer  |
| <p>Ruwan has over 23 years of experience in the international insurance and banking sectors. He held senior executive and management positions in global insurance carriers, software houses and the Big 4 consultancies. He specializes in successfully delivering large scale information technology and business transformations, recovery initiatives and strong and well-functioning global operations from concept. He is solution-orientated and is highly regarded in the industry for his progressive approach to innovation and delivering results that drive change and enable growth. Ruwan joined IGI in 2019.</p>   |
| <b>Tandy Harris</b>   |
| Chief Human Resources Officer   |
| <p>Tandy has over 26 years of experience in leading human resources innovation and implementing HR strategy in high-growth companies. Tandy has a proven track record of establishing fast-paced, team-oriented, and results-driven cultures that enable strong corporate performance. Prior to joining IGI, Tandy held senior HR positions in various companies including Atypical Digital, CGI, Infosys, Open English, Sara Lee Corporation, and PWC. Tandy joined IGI in 2023 as Chief Human Resources Officer leading all IGI corporate human resources functions with a strong focus on talent management, company culture, and scalable processes.</p>  |

### B.3. Risk Management and Solvency Self-Assessment

#### *Risk Management System*

IGI Group closely monitors and manages risk exposures and the aggregate risk profile through a dedicated Risk Management function operating processes aimed at containing volatility, ensuring adequate policyholder protection at all times, and optimising risk / return profiles through the use of effective capital allocation.

Risk management oversight is the responsibility of the relevant Board of Directors with delegation of risk-related decisions as appropriate to the IGI Group Audit Committee.

The Head of Risk reports directly to the Committee. The governance structure includes well-defined lines of accountability for individuals, committees and boards and is laid out in the IGI Group's RCMF. As with other business functions, the Risk Management function is subject to Internal Audit.

IGI Group has a comprehensive risk framework designed around a clear understanding of the sources and nature of risks faced by the business, consistent with the best practices recognized and in line with regulatory expectations.

The key objectives of the Framework include:

- delivering an acceptable balance of risk / return volatility;
- ensuring the ability of the business to withstand severe but plausible stresses;
- maintaining sufficient liquidity at all times to service policyholder obligations; and
- minimising exposure to non-core risks with no potential for value creation.

The Risk Management function provides detailed Risk and Capital reporting to the Board at least quarterly encompassing the full scope of the risk universe and against the Board's approved Risk Appetite Framework.

In the event of an actual, projected, or proposed material change in the risk profile, the function performs an analysis to understand the potential implications from a risk and capital perspective ensuring that the results of the self-assessment form an integral part of the management and strategic decision-making process.

In addition to this ongoing monitoring and reporting, the function provides regulatory reporting on an annual/triennial basis including the CISSA, IGIE and IGIUK Own Risk and Solvency Assessments ('ORSA'), the FCR, the Solvency and Financial Condition Report ('SFCR') and Regular Supervisory Report ('RSR'), to the respective regulatory authorities.

### **Risk Identification**

On a quarterly basis, risk owners are required to formally reassess and reaffirm the full scope of risks and emerging risks, and associated core processes and controls, for which they are responsible through discussion with the Risk Management function. Any changes to existing items, including the addition of new risks etc. are considered during this discussion to ensure that all significant operational risks faced by the Company are fully understood and monitored on a regular basis.

### **Risk Assessment**

IGI Group embedded a Group-wide Risk and Control Self-Assessment ('RCSA') framework whereby a qualitative assessment on all key risks and controls is carried out on a quarterly basis. The assessments of risks and controls are performed through discussions with Risk and Control owners and challenged by the Risk Management function.

All key risks are assigned inherent and residual probability and severity ratings, taking into consideration the effectiveness of the mitigating controls in place. Controls are rated as Fully Effective, Partially Effective or Not in Effect, based on supporting narrative provided by Control Owners.

The assessments of controls ensures that the controls in place remain effective and the level of residual risk remains within the Company's risk appetite. The aim is to articulate risks and controls clearly and at a level that they can be monitored against and audited more effectively providing a comprehensive assessment of the control's environment in place.

A quantitative assessment of risks is also carried out using capital models to quantify the risks to which the Company is exposed and the capital to hold to meet those risk exposures.

## Risk and Control Monitoring

The monitoring of all identified risks and controls is an integral part of the Company's risk management process.

Monitoring of all key risks is performed across the IGI Group on at least a quarterly basis to ensure risks remain within the risk appetite and tolerance limits. This includes the monitoring of natural (e.g. Earthquake, Windstorm) and man-made (e.g. Fire, Terror) risk exposures, quality of investments and their performance, security and credit ratings of counterparties, liquidity and mismatches between assets and liabilities, as well as operational risks, risk events and potential emerging risks.

Furthermore, the Risk Management function monitors the appropriateness of the control environment and the resolution of any identified deficiencies therein in the form of actions recorded on the risk management application. Actions may also manifest from other sources in relation to the RCMF, such as from risk events, emerging risks, internal audit and Board and Committee meetings.

## Risk Reporting

A Risk and Capital Review Report is provided to the IGI Group and Bermuda Boards on a quarterly basis. The report outlines material changes that have taken place during the quarter, which includes; movements in the inherent or residual risk ratings, control assessment changes, any new emerging risks, and key updates to existing emerging risks, risk events or near misses reported over the period and details over the quantitative risk assessment results based on the Bermuda Solvency Capital Requirement calculation.

In addition, the Report includes an overview of the Risk Appetite Framework highlighting any amber triggers or red breaches reported during the quarter. Additional commentary is included regarding the breaches which are closely monitored by the Risk Management function and the Board.

Furthermore, all underlying detail of control assessments and actions, including the Risk Management function challenge, granular control assessments and justification of action statuses is fully visible to the Internal Audit function.

### *Implementation and integration of the Risk Management System in the organisational structure and decision-making process*

The Board of Directors retain ultimate accountability for ensuring the adequacy of the Company's RCMF, approval of the Risk Appetite Framework, promoting a positive risk culture and ensuring compliance.

The Boards and committees in turn are supported by the Risk, Actuarial, Compliance and Internal Audit functions consistent with the governance model operated across the IGI Group and its operating entities and recognised industry good practice.

The governance structure is based on well-defined lines of responsibility ('three lines of defence') for individuals within business functions, committees, Board, Risk Management, Actuarial, Compliance and Internal Audit. Ownership and clear lines of accountability are defined for all risk tasks, and these are ultimately linked to individual objectives.

Individuals within business functions are responsible for identifying and effectively managing and monitoring risks within their respective business function. The governance framework then enables the Risk Management function to have independent oversight and challenge to the first line through review and ongoing discussions to ensure that risks are being adequately monitored and kept within the boundaries defined by IGI Group and underlying entities.

The Compliance function is responsible for the identification and assessment of compliance risks, as well as identifying any emerging compliance risks, such as new laws and regulatory information which may have an impact on the Company. The third line of defence, the Internal Audit function, provides an objective and independent assurance on the effectiveness of the risk management and internal control system.

Furthermore, a good risk culture is a key element contributing to the effectiveness of the RCMF and the day-to-day risk management processes across all areas of the Company. The Board assume an important role in providing the 'tone from the top' to embed a positive risk culture within the Company, by promoting support and collaboration among employees for the benefit of stakeholders. IGI encourages the open reporting of risk events and near-misses and as a result is establishing a culture of continuous learning, improving processes and the control environment.

IGI's risk culture is also demonstrated through the following:

- Risk ownership – All risks are attributed an owner. This would be the most relevant individual with responsibility to identify and manage and monitor risks to ensure that the risk exposure remains within risk appetite. On a regular basis, risk owners report to the Risk Management function on its management of current and forward-looking risk exposures.
- Core Process and Control Owners – Core process owners and control owners are integrated into the RCMF, and regular meetings are held with the Risk Management function and control owners to ensure the effective management of risks.
- Policies and procedures – The IGI Group has policies and procedures to ensure that all risk and operational decisions are made in accordance with approved policies and procedures and are within the IGI Group risk appetite.
- Management information – The Risk Management function and senior management report and communicate risk-related information to all relevant Boards and management committees across the IGI Group and its entities to ensure that risk information is transparent across all areas of the IGI Group.

#### *Risk Management and Solvency Self-Assessment Systems Implementation*

The Company's Risk Appetite Framework is a key input in to both the business and strategic planning processes. The consideration of alternative strategies being informed by their risk / return profile within the bounds of the aggregate levels of risk the Company is willing to accept and its capacity from the perspective of capital sufficiency in light of the requirement to satisfy the requirements of its prudential regulators and the more stringent requirements to maintain its AM Best and S&P ratings.

To date, the collation and reporting of the aggregate narrative reporting has been driven by regulatory filing timescales however the underlying elements are considered at appropriate points in the business lifecycle - the regulatory returns effectively being 'after the event' whereas the underlying process of monitoring and projecting the risk / capital profile is considered on a rolling quarterly basis and at other points as required in response to a projected or actual significant change in the risk / capital profile.

#### *Relationship between Solvency Self-Assessment, Solvency Needs and Capital, and Risk Management*

The three dimensions of risk / capital / solvency are inter-related and as such are considered alongside each other. As an example, the quarterly Risk and Capital Review Report produced by the Risk Management function for the Board considers regulatory capital, rating agency capital, intrinsic / financial risk exposures, operational and emerging / strategic risk.

This approach is reflected in the composition and business plan of the Risk Management function itself.

At an aggregate level, the IGI Group targets its economic capital such that it remains sufficient to withstand foreseeable shock or series of shocks whilst maintaining an “A-” rating from S&P and an “A” rating from AM Best that support its ability to access attractive business in its core markets. Headroom over and above this level is held in order to maintain financial flexibility to allow for continued investment in business development.

The resultant level of capital held at the Company is therefore significantly higher than the BSCR (considered broadly equivalent to the Solvency II Solvency Capital Requirement (‘SCR’)).

#### *Solvency Self-Assessment Approval Process*

The CISSA philosophy centres around embedding the core elements in our ongoing processes in a way that is proportionate and reflects the inter-relationship between IGI Group and its underlying entities.

It provides for quarterly monitoring via the Risk and Capital Review Report of the dynamic elements of the risk and capital profile of the Company whilst providing the Board, Audit Committee and management with full visibility of the multi-year capital and solvency profile and associated deterministic and stochastic scenarios. This approach operates at both the level of the consolidated Group and in parallel at the IGI Bermuda entity.

In addition to review and challenge of this quarterly aggregate report, the Committees provide specific challenge and sign-off of deterministic capital model assessments (the BMA BSCR) supported by appropriate expert and external review / audit.

The combination of these elements addresses the full scope of the requirements of the CISSA process and is considered both proportionate and appropriate to the risk profile of the Company.

The results of the CISSA and BSCR projections and stress test results are used in strategic decision-making including management focus, monitoring and Board review, development or changes in investment strategy and risk mitigation techniques. In the event that due to the baseline solvency position, planned changes in business strategy or results of stress testing, the CISSA results anticipate possible non-compliance with capital requirements over the business planning period, an appropriate management action plan shall be presented to Boards of the respective entities for approval including details of proposed near term or potential medium / longer term future management actions.

In respect of the CISSA, whilst the report will be based on the assessment as described above, the report will be updated for full year end numbers and submitted in time with the standard BMA timetable as part of the BSCR.

## **B.4. Internal Controls**

### *Description of the Internal Control Framework*

The Company has established an Internal Control Framework which is directly linked to risk management and compliance. The Framework has been established to ensure that the Company has an effective internal control system in place and that the control activities are commensurate to the risks arising from the Company’s activities and processes.

In addition, since the Group is listed on the Nasdaq Capital Markets, IGIC and its subsidiaries are subject to Section 404 of the Sarbanes-Oxley Act of 2002 (‘SOX’). SOX is a law that seeks, among other things to:

- Restore public trust in the public securities market;
- Improve corporate governance and promote ethical business practices;
- Enhance transparency of financial statements and disclosures;
- Ensure that company executives are aware of material information emanating from a well-controlled environment;

- Hold management accountable for material information that is filed with the SEC and released to investors; and
- Achieve new levels of corporate excellence and resilience.

Furthermore, SOX 404 requires management to accept responsibility for the effectiveness of the Company's internal control environment over financial reporting and evaluate effectiveness using suitable control criteria supported with sufficient evidence.

The system of internal control follows the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') framework and encompasses:

**Control environment** which sets the tone of an organisation, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. The control environment includes delegated authorities, policies and procedures within IGI Bermuda and the outsourced functions.

**Risk assessment** to identify, analyse and manage the relevant risks to the achievement of the Company's objectives and risks of material misstatements and which may significantly impact the system of internal control and the Company's performance.

**Control activities** which reflect policies and procedures to help ensure that management directives are carried out, and any necessary actions are taken to address risks to achievement of the Company's objectives.

**Information and Communication** whereby internal and external information is produced and shared across the Company to facilitate the effective operation of the control activities. Effective communication enables all employees and outsourced functions to receive clear and consistent information to assist them in understanding their role within the internal control system.

**Monitoring** whereby internal controls are monitored on a regular basis to ensure that all controls are adequately designed, executed, effective and adaptive. Any failures, or observed weaknesses identified by employees and/or outsourced functions as part of its ongoing activity shall be reported to management and the Board as soon as is practicable.

#### *The Compliance Function*

The Compliance function is independent and reports to the Group Audit Committee and the Board of Directors of the Company.

The Compliance function is involved in:

- Identifying and assessing compliance risks;
- Advising the Board of Directors on compliance and regulatory matters;
- Assessing the impact of any changes in legislation and regulation;
- Establishing a compliance plan;
- Ensuring that the Company adheres to all applicable laws, rules, and regulations; and
- Providing training programmes for staff on compliance issues.

The function ensures that the business of the Company complies with regulatory compliance requirements with a key role in the management of risks relating to financial crime (including Money Laundering, Sanctions and Anti Bribery and Corruption). The responsibility for the identification and assessment of regulatory risks rests with Compliance. Compliance is involved in identifying and assessing regulatory risks in day-to-day business activities both directly and through providing assistance, support, and challenge to line management.

### **B.5. Internal Audit**

The Internal Audit function is responsible for auditing the group's processes and has an approved internal audit policy and charter outlining their responsibilities and reporting lines.

To achieve the degree of independence necessary to carry out its responsibilities effectively, the team has direct and unrestricted access to senior management and the Board achieved through a dual-reporting relationship. The Internal Audit function is free from interference in determining the scope of internal auditing, performing work, and communicating results and discloses any interference to the Board together with its implications.

Internal Audit is objective in performing audits and does not subordinate judgment on audit matters to that of others. Individual objectivity is achieved through performing audits in such a manner that no significant quality compromises are made, and must have an impartial, unbiased attitude and avoid conflicts of interest and impairment of independence.

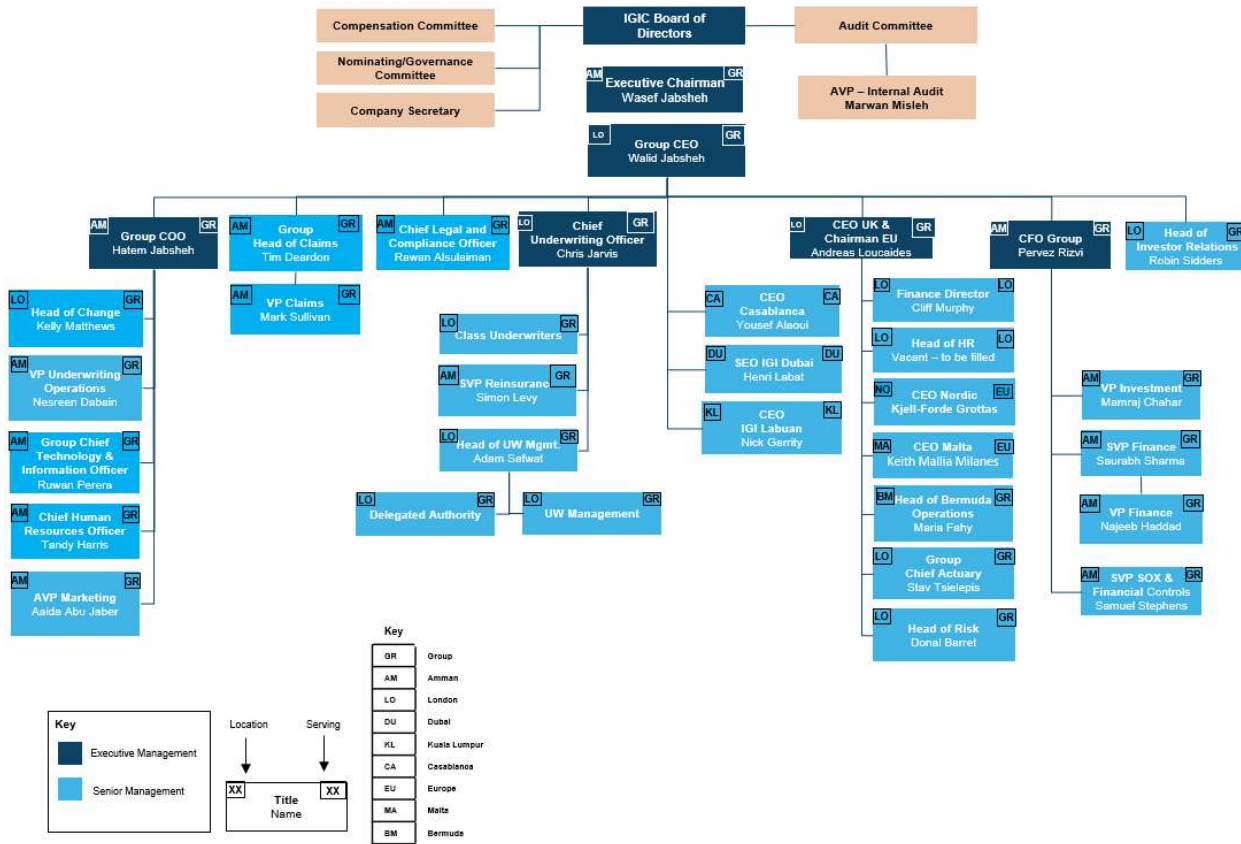
### **B.6. Actuarial Function**

The Actuarial function operates across pricing, capital, and reserving. Reserving analyses are carried out quarterly, providing a range of best estimate results by each line of business and accident year. Results are presented to and discussed by the Group Reserving Committee for the purpose of U.S. Generally Accepted Accounting Principles ('U.S. GAAP') reserves and forming the basis for regulatory provisions across several legal entities and reporting regimes.

By maintaining a set of internally agreed and governed un-margined actuarial best estimate ultimate claims provisions we are able to ensure consistency between reserving, pricing, planning, performance management, and capital model calibration.

### B.7. Organization Structure

The following diagram outlines the IGI Group reporting structure by function:



### B.8. Outsourcing

#### Outsourcing Framework and Key Functions that have been Outsourced

The Company’s Procurement and Outsourcing Framework sets out the methodology for managing outsourced arrangements. This document outlines the outsourcing lifecycle which encompasses risk management processes to support the selection (including due diligence), assessment and monitoring of third-party arrangements. Once a provider has been selected, a risk assessment is conducted to determine the materiality and the extent of monitoring and risk mitigation strategies.

#### Material Intra-Group Outsourcing

IGI Underwriting Jordan is a service group company which, through intercompany service level agreements, provides operational support for functions that may be required by each group company. These arrangements cover the following services; Underwriting Operations, Claims, Finance and Investments, Human Resources, Legal and Compliance, Information Technology, Internal Audit, Risk Management and Reserving.

### B.9. Other Material Information

There is no other material information regarding the governance structure that requires disclosure.

## C. Risk Profile

Achieving the Company's Business Plan and strategic objectives is subject to the risk environment in which it operates.

The Company's Risk Universe encompasses those intrinsic risks that are fundamental to the Company, operational risks (that may crystallise either independently of, or correlated with the intrinsic 'core' and 'non-core' risks as defined below) and those more subjective yet nevertheless important sources of risk such as Strategic, Group, Reputational, ESG and Emerging risks.

Intrinsic risk includes those 'core' risks that the Company actively pursues in order to optimise risk adjusted return including underwriting and investment risks, and 'non-core' risks that are a necessary consequence of our business but have little or no potential to generate a reward, such as Market risk, Reserving risk, Liquidity risk and Credit risk.

Operational risk differs from the core and non-core categories in that its subject matter is not limited to the intrinsic riskiness and 'random' uncertainty surrounding our core business, but rather the specific risk of losses arising from inadequate or failed internal processes, personnel, systems, or external events. Because of this, its impact can crystallise both as a specific loss event in its own right (e.g. the imposition of a fine) or through exacerbating the level of risk crystallising primarily through one of the other risk categories (e.g. a catastrophe loss exceeding the level expected and not contained within our reinsurances due to inaccurate coding of exposure data).

Strategic, Group, Reputational, ESG, and Emerging risks may not have the potential to impact on current period volatility and / or loss of capital that drives our quantitative modelling but are nonetheless important in terms of our ability to generate and sustain shareholder value and therefore are considered through the RCMF and CISSA process. Therefore, the Company's risk management approach focuses on understanding and assessing these risks, enabling an evaluation of possible impacts that in turn guides formulating preparedness and response plans.

### C.1. Material Risks the Insurer is exposed to in the Period

The Company's primary risk exposures are to the core risks of Underwriting and Investments, and this is reflected in the frequency and scope of the risk monitoring and reporting to Boards.

Material underwriting risk exposures are to Catastrophes (Natural and Man Made) which are monitored through a combination of third-party stochastic probabilistic loss models (Sequel Impact and Verisk) and, where appropriate models do not exist, through a range of deterministic or Probable Maximum Loss approaches to assess its exposure to individual loss scenarios.

These are reported in detail in the "Catastrophe Risk Return" schedule and associated "IGI Catastrophe Management and RDS Scenarios" of the Company's filings to the BMA. The Company's exposures in this regard have remained relatively stable over the period and we note that in comparison to peers, IGI's catastrophe risk exposures remain prudent reflecting its well diversified portfolio, immaterial exposures to peak zone atmospheric perils and prudent line sizes / reinsurances.

Material investment risk exposures are to counterparty default in respect of term deposits and interest rate volatility / counterparty risk in respect of fixed income securities and are monitored through regular investment portfolio reporting including quarterly review by the Investment and Risk Committees. The Company has relatively modest exposures to Equities (3%) and Real Estate Investments (<1%) across a diverse portfolio and de-minimis exposure to alternative assets (<1%).

## C.2. Risk Mitigation in the Organization

The identification, assessment, management and reporting of risks is performed by the Risk Management function as detailed within the RCMF. The Company mitigates risk through the use of extensive controls and prudent risk limits and tolerances, cascading these down to the front-line operations combined with 'three lines of defence' monitoring supported by the Risk Management function and the Internal Audit function.

### Underwriting Risk

The primary tools for managing underwriting risk include:

- Having a versatile and diversified book of business;
- Having effective underwriting guidelines and authority matrices in place and monitoring compliance against these;
- Underwriting within prudent aggregate loss and PML limits at individual and combined portfolio levels;
- Maintaining an effective exposure management system;
- Having a matching stratified reinsurance programme; and
- Maintaining effective and frequent monitoring and performance review practices.

In addition to the range of controls detailed above, the Company employs an extensive reinsurance programme designed to contain underwriting risk to acceptable levels.

The programme is designed and purchased at the level of IGI Bermuda in order to leverage the purchasing power of the IGI Group and afford protection to all IGI Group insurance risk taking entities. It encompasses:

- 'Excess of Loss' treaty arrangements to contain peak or catastrophe losses to an acceptable level;
- 'Quota Share' or 'Proportional' treaty arrangements to share the risk of particular lines of business, particularly newer lines, with partner reinsurers; and
- 'Facultative' reinsurances placed on a case-by-case basis to contain individual risk exposures and protect the treaty reinsurance.

The effectiveness of these arrangements is monitored on a current and retrospective basis through the reserving process whereby their impact on mitigating the gross risk and potential default risk is explicitly considered.

On a prospective basis, the effectiveness and risk / return profile of the arrangements is assessed in the business planning and reinsurance placement process using a combination of internal and external deterministic and stochastic analysis.

The following specific risks relating to the programme are monitored on an ongoing basis to ensure that it continues to provide protection consistent with the Risk Appetite Framework and the basis upon which capital requirements have been calculated:

- The potential for 'vertical exhaustion' (i.e. the potential for gross losses to exceed the amount of protection provided by the programme) is monitored through the modelling of catastrophe exposures – the gross and net of reinsurance potential losses from a series of deterministic and stochastic scenarios being reported in full to management and the Group Audit Committee on at least a quarterly basis.
- The potential for 'horizontal exhaustion' (i.e. the potential for a number of losses to exhaust the number of reinstatements available under one or more elements of the programme) is considered through a

combination of monitoring utilisation to date and modelling the potential volume and quantum of losses that might be expected to attach to the programme in a given return period.

### Liquidity Risk

Liquidity risk is mitigated through investment guidelines that require a highly liquid asset portfolio sufficient to cater for a combination of a significant payout of reserves plus gross underwriting stress loss.

As at 2023 year end, the Company's investment portfolio was composed of cash, term deposits and short-term well rated fixed-income securities, all of which are considered high liquid assets.

### Market Risk

The Company has a low appetite for Market risk and asset-liability mismatch and aims to hold investments in line with the internal and conservative investment guidelines, as its primary focus for value creation is underwriting rather than investment activity.

The primary tools for managing Market risk include:

- Clear investment guidelines with limited exposure to non-traditional investment classes and requirements as to minimum investment counterparty quality or credit rating, minimum and/or maximum limits in the type of investment and maximum limits for geographical concentrations;
- Maintaining compliance with the Prudent Person Principle;
- Monitoring of the investment portfolio - investment holdings per class, cost, and current market price;
- Monitoring of investments' credit rating; and
- Quarterly Asset Liability Management reports.

### Credit Risk

The Company has a low appetite for credit risk including material levels of bad debt in respect of intermediaries, reinsurers and other third parties.

The primary tools for managing Credit risk include:

- Minimum credit quality criteria in respect of outwards reinsurance counterparties, reinsurers to be either "A-" rated or better by AM Best or "BBB+" or better by S&P for short tail classes, or, "A" rated or better by AM Best or "A-" or better from S&P for long tail classes. Outwards reinsurance counterparties with a credit rating lower than that stated above shall only be accepted subject to Group Reinsurance Security Committee review and approval. Applying effective credit control policies and procedures in respect of broker and reinsurer receivables, including producing and monitoring aged debt reports on a regular basis.
- Regular monitoring of the banks' financial performance and credit ratings, including the credit ratings of the Company's investments other than cash. The Company developed an investment strategy and guidelines to ensure a better diversification of its investment portfolio.

### Operational Risk

The Company has no risk appetite for the failure of internal systems or processes which could lead to material disruption to our business or the unauthorised access to data or systems arising from external events (such as a cyber security breach, natural catastrophe, etc.).

The operational risk mitigation approach includes:

- Established procedural controls including workflow management;
- Monitoring compliance with all applicable laws and regulations, established policies, procedures, and processes;
- Business Continuity Management Framework and underlying policies and procedures (e.g. related to Office Response, IT Security, IT Disaster Recovery and Outsourcing);
- Maintaining an appropriate Information and Communications Technology (ICT) and IT Security framework to ensure that adequate hardware and software is in place to support business needs and market expectations and mitigate IT disruptions;
- The reporting and analysis of risk events (actual and near misses);
- Periodic reviews of third-party service providers; and
- Maintaining effective human resource management and development practices.

Furthermore, during 2023, the Company continued to prepare for the implementation of the newly enacted Digital Operational Resilience Act ('DORA') which requires insurance undertakings to enhance its level of security of network and information systems, including that of its critical outsourcing partners providing ICT services, to mitigate ICT and cyber risks and ensure that the Company can withstand, respond to and recover from all types of ICT-related disruptions and threats.

On a quarterly basis and/or following an operational loss event materialising, the Risk Management function meets risk and control owners to formally discuss and reassess / reaffirm the risk ratings and control assessments for which they are responsible.

The risk and control assessment enables the Risk Management function and the Board to identify the top risks of the Company and understand which risks are being effectively mitigated and controlled and those which require additional oversight and resources to mitigate.

### **C.3. Material Risk Concentrations**

The Company writes a diversified book of business across eleven geographical regions and through different classes of business. The Company seeks to manage its exposure to insurance and reinsurance losses through a number of loss limitation methods, including internal risk management procedures, writing business on an excess of loss ('XOL') basis, enforcement and oversight of underwriting processes, outwards reinsurance protection, adhering to maximum limitations on policies whether written on a proportional, first loss or XOL basis, written in defined geographical zones, limiting programme size for each client, establishing per risk and per occurrence limitations for each event, employing coverage restrictions and following prudent underwriting guidelines for each program written.

In relation to catastrophe risk, the Company monitors and controls the accumulation of risk for a number of realistic disaster scenarios. There are specific scenarios for natural, man-made and economic disasters, and for different lines of business.

In respect to investment risk, IGI has an Investment Policy and Guidelines in place to guide the Company in effectively investing, monitoring, and managing its investments. The Policy outlines various limitations to safeguard the Company against concentration risk in terms of credit, interest, geographical spread, and other risk areas. Risk concentration in relation to insurance exposures are considered as part of our stress and scenario testing detailed within section C.4.

#### C.4. Investment in Assets in Accordance with the Prudent Person Principles

The Company has established investment guidelines approved by the Board for the purpose of effectively managing and monitoring the Company's investments and to ensure that assets are invested in accordance with the Prudent Person Principle of the Code of Conduct, taking into consideration the security, quality, liquidity, and profitability of the investment portfolio.

Furthermore, the Company may only assume investment risks that it is able to identify, measure, respond to, monitor, control, and report on while taking into consideration the capital requirements and adequacy, liquidity requirements, the financial market environment, policyholder obligations and sustainability factors.

The guidelines outline the parameters and allocation limits of the Company's assets that are available for investment including risk tolerances for counterparty quality, concentration, and asset types. The allocation limits are set to ensure the risk is maintained within the risk tolerance levels and that the portfolio meets appropriate regulatory requirements. These are updated at least annually and at other such times as required to adapt to the changing economic, business and investment market conditions.

#### C.5. Stress Testing and Sensitivity Analysis to Assess Material Risks

The primary stress testing performed by the Company is in respect of underwriting risk which, given the overall risk profile of the Company, provides the greatest potential to generate losses that could materially impact its capital and solvency profile.

In addition to the stochastic modelling of elemental catastrophes and the deterministic modelling of Realistic Disaster Scenarios ('RDS') the Company considers the potential for these to aggregate in a given year and potentially be exacerbated by correlated reinsurer defaults. In addition to considering underwriting risk scenarios, the Company considers the potential for these to coincide with losses on the asset side of the balance sheet arising from significant economic shocks.

In the Company's 2023 year end return to the BMA, the BMA defined "Worst Case Annual Aggregate Loss Scenario" represented an aggregate potential loss of US\$132.1m (24% of Statutory Economic Capital and Surplus of US\$550.0m) and remains comfortably within the level of headroom held over the Company's regulatory capital requirements.

The "Worst Case Annual Aggregate Loss Scenario" is comprised as the total of the "Combined Financial Market Stress Scenario" and the "Worst Case Annual Aggregate Catastrophe Loss Scenario" defined by the BMA guidance.

The "Combined Financial Market Stress Scenario" is in itself a combination of following 4 individual stresses – the total impact being calculated on the basis that it assumes independence between the events i.e. diversified on a square root of the sum of squares approach as prescribed in the BMA guidance.

The impact of this combined scenario is US\$48.8m, which is within risk appetite:

- 40% peak to trough decline in equities consistent with the Black Monday event of 1987. The stress is considered to occur and be realised instantaneously i.e. allows no credit for markets' tendency to revert towards the mean over time;
- An equivalent stress loss applied to the alternative investments and real estate portfolios;
- A moderate widening of credit spreads impacting the bond portfolio being parameterised by the BMA to a level that is representative of a 1/100 return period shock; and

- An upward movement in the U.S yield curve on the value of the assets and liabilities.

The “Worst Case Annual Aggregate Catastrophe Loss Scenario” assumes the simultaneous occurrence of the 3 most significant events from the BMA defined event catalogue which in respect of this return San Francisco Earthquake, Japanese Earthquake and UAE Earthquake totalling US\$83.2m.

## D. Solvency Valuation

### D.1. Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

Under the Economic Balance Sheet ('EBS') framework, the consolidated Statutory Financial Statements ('SFS') form the starting point for the preparation of the EBS.

Below is a reconciliation of amounts reported in total assets and liabilities under the Statutory Financial Statements against the U.S. GAAP financial statements:

| <b>Adjustments / Reclassifications</b><br><i>US\$'000</i>                                   | <b>Assets</b>    | <b>Liabilities</b> | <b>Net Assets</b> |
|---|------------------|--------------------|-------------------|
| <b>U.S. GAAP Financial Statements</b>   | <b>1,896,567</b> | <b>1,341,870</b>   | <b>554,697</b>    |
| <b>Adjustments:</b>   |                  |                    |                   |
| Prepaid Expenses  | (5,713)          | -                  | (5,713)           |
| Intangible Assets   | (4,923)          | -                  | (4,923)           |
| <b>Reclassifications:</b>   |                  |                    |                   |
| Reinsurance Assets  | (310,262)        | (310,262)          | -                 |
| Off balance sheet items - Contingent liabilities other than insurance related own contracts | -                | 333                | (333)             |
| <b>SFS</b>  | <b>1,575,669</b> | <b>1,031,941</b>   | <b>543,728</b>    |

The table below shows the amounts of total assets and liabilities reported under the EBS against the Statutory Financial Statements:

| <b>Adjustments / Reclassifications</b><br><i>US\$'000</i> | <b>Assets</b>    | <b>Liabilities</b> | <b>Net Assets</b> |
|---|------------------|--------------------|-------------------|
| <b>SFS</b>  | <b>1,575,669</b> | <b>1,031,941</b>   | <b>543,728</b>    |
| <b>Adjustments:</b>                                       |                  |                    |                   |
| EBS – Net General Business Technical Provisions           | -                | 565,994            | (565,994)         |
| Risk Margin   | -                | 35,107             | (35,107)          |
| SFS – Net General Business Technical Provisions           |                  | (845,361)          | 845,361           |
| Not Due Insurance Payables                                | -                | (43,707)           | 43,707            |
| Unquoted Investments                                      | -                | -                  | -                 |
| Deferred Acquisition Cost ('DAC')                         | (87,241)         | -                  | (87,241)          |
| Not Due Insurance Receivables                             | (194,003)        | -                  | (194,003)         |
| Property, premises & equipment                            | (431)            | -                  | (431)             |
| <b>EBS</b>  | <b>1,293,994</b> | <b>743,974</b>     | <b>550,020</b>    |

The valuation principles applied to each material asset class under the EBS framework are explained below:

### **Cash and Cash Equivalents**

Recorded at amortized cost, which approximates fair value, based on the balances confirmed by the relevant banks and financial institution at the end of the year. Furthermore, the non-USD cash balances are translated into equivalent US\$ using the year end exchange rate available from Bloomberg terminal.

There are no material estimations or judgments made due to the nature of these assets.

### **Quoted Investments**

Recorded at fair value reflecting market prices traded on securities exchange at the reporting date.

### **Unquoted Investments**

Recorded at fair value using other techniques for which all inputs that have a significant effect on the recorded market value are observable either directly or indirectly. These techniques are consistent with the EBS framework fair valuation hierarchy principles.

### **Investment in Affiliates**

Recorded at fair value in accordance with the provisions as prescribed in U.S. GAAP. Economic balance sheet valuation principles are applied to the investment in affiliates where appropriate before deriving the investment values.

### **Investment in Property and Real Estate Occupied by the Company**

Recorded at fair value based on recent external valuation report performed by an accredited professional third-party valuer at the reporting date.

### **Deferred Acquisition Cost**

There is no concept of deferred acquisition cost ('DAC') under the EBS framework. The DAC is implicitly included in the premium provisions valuation and not reflected as an asset.

### **Deferred Tax Assets**

Recognition of deferred tax assets is subject to a degree of estimation and judgment. The Company makes use of all available evidence when determining the future taxable profits. There is no difference between the recognised deferred tax asset in the U.S. GAAP financial statements and the deferred tax asset recognised in the economic balance sheet.

### **Accounts and Premium Receivable**

Valued based on the best estimate of the recoverable value, discounted to present value where the expected recovery is greater than one year in accordance with the EBS framework. The outstanding premiums that relate to future collection dates are included in the EBS best estimate premium provision calculation.

### **Property, Plant and Equipment**

Recorded at fair value using relevant observable market inputs according to the EBS valuation hierarchy.

## Other Assets

Recorded at the carrying value stated in the U.S. GAAP financial statement which deemed to approximate the fair value due to the short-term nature of these assets. The only exceptions are prepayments and deferred expenses which do not meet the EBS valuation criteria with the caveat that prepayments could not be exchanged between knowledgeable willing parties in an arm's length transaction.

There are no material estimations or judgments made due to the nature of these assets.

## D.2. Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

### Claims Provision

Claims provision is the expected present value of the future cashflows arising from claim events occurring before or at the valuation date. The claims provision consists of:

- Balance Sheet Reserve estimates made up of:
  - Outstanding Claims Reserves ('O/S') (reserves held for claims that have already been reported and which will be paid and settled in the foreseeable future) as determined by the Claims team based on a legal view, loss adjuster reports etc.
  - Incurred But Not Reported ('IBNR') (reserves held for claims that have occurred but have not been reported as at the valuation date).
- An estimate of Unallocated Loss Adjustment Expense ('ULAE') is also added to these reserves.
- An estimate of Additional Expenses is also added to these reserves.

The IBNR reserve is estimated according to a range of widely used actuarial methods including evaluation of run-off patterns of paid and incurred claims (both internal and external benchmarks), and evaluation of expected loss ratios (both internal and external benchmarks) having regard to the impact of the underwriting cycle. This analysis takes place separately for each material line of business.

Reserves are estimated on both a Gross and Net of reinsurance basis. The Actuarial function assess how the reinsurance programme should respond to known unreported claims, historical recovery rates from reinsurance contracts and considering current Gross/Net ratios for each line of business, accident year and reinsurance contract type. This is estimated without margins for prudence as required by the regulations.

Using the patterns of claims payments and risk-free interest rates published by the BMA in accordance with the Valuation principles outlined by BMA's 'Guidance Notes for Commercial Insurers and Insurance Groups Statutory Reporting Regime' ('Guidance Notes'), cash-flows are estimated and discounted for the time value of money.

EBS Technical Provisions are required to be a best estimate for all possible events. This will include events that may not have been experienced historically. Such events which are not presented in the observable historical data are referred to as Events Not in Data ('ENIDs').

The Gross Claims Provision is then: O/S **plus** IBNR **less** Discount Credit **plus** ENIDs **plus** Expenses.

The ceded Claims Provisions is analogous to the gross with an allowance (deduction) for Reinsurance Default ('RI Default'). RI Default takes account of the amount of total expected recoveries within the claims reserve banded by the credit ratings of the reinsurers and is a different basis from U.S. GAAP bad debt provisions.

## Premium Provision

Premium provision is calculated on both future exposures related to existing business and for business that is bound but not yet incepted ('BBNI'). BBNI policies are contracts that the Company is contractually committed to, but which are not yet on-risk.

The approach is to estimate likely future claims and remove future premium to be received.

Likely future claims are estimated according to U.S. GAAP Unearned Premium Reserves multiplied by appropriate loss ratios which vary by line of business and are consistent with the loss ratios adopted in the Claims Provision calculations. Future premiums are estimated according to the actual payment terms of the policies. Both components are calculated gross and net of reinsurance, with assumptions where appropriate that future reinsurance terms will be consistent with projections within the Company's business plan and future management actions. The future reinsurance recoveries, allowed for in the net loss ratios, take account of the type of reinsurance applicable and for non-proportional coverage, are consistent with the recoveries modelled in the derivation of the Business Plan. Netting down is undertaken by line of business, accident year and reinsurance contract type.

Where the allowance for future reinsurance anticipates recoveries on reinsurance contracts that are to be paid for after the valuation date, allowance is made for this cost. The largest element of this is likely to be the renewal of Treaties purchased on a Losses Occurring During ('LoD') basis.

A further allowance is calculated for additional expense reserves, being an estimate of future expenses that would be required to manage the claims without regard for future underwriting and which is calculated on a different basis from the allowance for claims management expenses in U.S. GAAP reserves. A single loading across Claims and Premium Provisions is calculated and included within Premium Provisions.

As with the Claims Provision calculation above, allowance is made for discounting, ENIDs, and RI Default. The calculation methods are the same but the results are different to allow for different claim payment timings and different exposure to reinsurers.

The Gross Premium Provision is then:

The Future claims **less** future premiums **less** Discount **plus** Future cost of Reinsurance, **plus** ENIDs, **plus** total additional expense reserves.

The ceded Premium Provision is analogous to the gross with an allowance (deduction) for RI Default.

## Risk Margin

The risk margin has been considered to ensure that the value of the Technical Provisions is equivalent to the amount that would be expected to have to be paid to a third-party insurance Company in order to take over and meet the insurance obligations.

The risk margin has been calculated based on the estimated capital requirements to run off the insurance obligations and applying a cost of capital of 6% as specified by the BMA's Guidance Notes. The capital required to run-off the portfolio is based on the future estimated BSCRs, taking account of underwriting risk and reinsurance counterparty risk.

As at 31<sup>st</sup> December 2023 the total EBS Technical Provisions including the above-mentioned risk margin amounted to US\$601,101 which is comprised of:

| <i>US\$'000</i>                               |                |
|---|----------------|
| Best Estimate Loss and Loss Expense Provision | <b>490,933</b> |
| Best Estimate Premium Provision               | 75,061         |
| Risk Margin                                   | 35,107         |
| <b>Total</b>                                  | <b>601,101</b> |

### *Uncertainties*

The key areas of uncertainty in the Technical Provisions are:

#### **Outstanding Case Reserves**

As a specialty insurer IGI is exposed to large individual claims which in both first party and especially in third party coverages can change over time as new information emerges and negotiations take place. This risk is managed through regular claims reviews, consistent reserving philosophy and the allowance in IBNR for expected future movements on case reserves.

#### **IBNR Claims**

Uncertainty in the estimate of IBNR is usually greater than for outstanding case reserves because much of the IBNR is in respect of claims that have not yet been reported. Regular Reserve Review meetings are held with the Claims Department and Underwriters in which movements in the account are discussed and differences in the Actual-to-Expected critically examined to identify random timing or fluctuations as distinct from clear reserving signals. A formal Reserving Committee containing representatives of Underwriting, Claims, Finance, Management and Actuarial meet at least quarterly providing robust reserving governance.

#### **Estimation of claims on future exposures**

Estimation of future claims are generally more uncertain than reserves for claims that have already taken place. The Company has a formal Business Plan to derive expected loss ratios for future exposures which considers attritional, large and catastrophe claims separately and takes account of historical and expected future movements in premium rates. These loss ratios, which are consistent with the IBNR reserving analysis, inform the Company's annual corporate plan and are used for future claims estimates in the Premium Provision.

#### **Catastrophe Losses**

The Claims Provision incorporates known natural catastrophe events, whereas the future claims part of the Premium Provision is exposed to potential future catastrophes. The Company models its catastrophe exposure and incorporates the findings into its reinsurance purchases, risk capital and expected future loss ratios.

#### **Environmental, Social and Governance (ESG)**

If they occur, environmental, social or governance events / conditions could cause an actual or a potential material negative impact to the value of the Technical Provisions or to the entire balance sheet of IGI.

IGI is aware of the impact and potential risks of climate change. IGI's current assessment is that in the short to medium term, it presents very limited uncertainty on the Technical Provisions other than the uncertainty inherent in the transaction of insurance and reinsurance obligations.

IGI continues to focus on ESG initiatives and actively monitors upcoming regulatory and local requirements for each relevant jurisdiction.

## Geopolitical Risks

Geopolitical risks continue to be a key area of uncertainty, particularly in respect of the Russia Ukraine war since February 2022 and the war between Israel and Hamas since October 2023. Whilst the Company has minimal insurance exposures to these conflicts, there may be subsequent issues including international sanctions, political instability, and disruption to supply chains which could have an impact to IGI in the future.

The Company is also aware of the potential risks relating to civil unrest due to several elections taking place over 2024, including Bangladesh, India, USA, Indonesia, Pakistan, Russia, Mexico, and the UK general election to occur before 28<sup>th</sup> January 2025. These geopolitical risks are monitored continuously in respect of exposures to the Political Violence class and the wider IGI business. At the time of writing, we consider there to be no material impact to include within the Technical Provisions and note that some of the previously mentioned elections have occurred with no notifications of loss to IGI through either the Political Violence class or the wider business.

## Inflation

After decades of historically low levels, inflation picked up from around the second half of 2021. Initially this was considered to be temporary, and central banks were reluctant to raise interest rates to dampen excessive economic demand. However, inflation increased rapidly, and inflationary pressures were compounded by the Russian invasion of the Ukraine and the consequent price rises in food and energy.

Whilst inflation appears to have passed its peak, there remains continued uncertainty around future inflationary trends.

Inflationary pressures will ultimately result in claims inflation through the increase in the cost to settle insurance claims in the future. While this will increase uncertainty around future claim settlement costs, IGI is taking claims inflation into consideration in its Premium Provisions, via Initial Loss Ratio Assumptions, and Claims Provisions, via a loading applied to IBNR and Outstanding Claims. We will continue to monitor inflation rates and remain alert to emerging trends.

Additionally, so-called 'Social inflation' has been observed in the US insurance market, particularly in the liability classes of business. Social inflation refers to the impact that societal factors (e.g., legal advertising, litigation funding, expanding class-action lawsuits, public distrust of corporate defendants, etc.) can have on insurance claims. There is currently no evidence that social inflation has increased claims frequency and severity for the IGI Group as a whole. However, we continue to monitor any developments such as frequency trends of class actions, and any changes in the legal environment and Directives.

At the time of writing, IGI has not observed any significant increased claims frequency arising from recessionary pressures on several global economies. However, we believe we have made robust assumptions to deal with the prevailing market conditions.

## Market environment

IGI operates through brokers and is subject to uncertainties including rating environment, customer retention and broking trends such as creation of automatic acceptance facilities. Each line of business is affected differently.

The Company responds to these uncertainties by regular monitoring of these trends and incorporating up to date insight in its forward-looking Business Plan and projections.

### D.3. Description of Recoverables from Reinsurance Contracts

Reinsurance recoveries are provided on the basis of paid and incurred for each Line of Business ('LoB')/Accident Year by type (Facultative, external Quota Share and Excess of Loss Treaty) as factual inputs to the IBNR assessment process.

Reserves for outward reinsurance recoveries on estimated IBNR claims are determined by the application of reinsurance recovery ratios to the estimated gross IBNRs. Specifically, IBNR by line of business and year is apportioned by policy and Facultative and Proportional Treaty.

The resulting IBNR is then subdivided between Pure IBNR and Incurred But Not Enough Reported ('IBNER'). Pure IBNR is netted down using the Initial Expected reinsurance recovery ratio, derived in the business planning exercise and IBNER netted down by applying a judgementally selected net to gross ratio, based on the ratio of net to gross incurred claims for each line of business, year.

Having allocated gross and net IBNR by policy, results for each risk-taking entity of IGI Group are readily derived.

#### *Material Differences With U.S. GAAP*

The Company financial statements are prepared according to U.S. GAAP. The most material element in Technical Provisions – U.S GAAP claims reserves (O/S + IBNR) – is common to both U.S. GAAP and Technical Provisions.

The following describes the linkage between U.S. GAAP reserves and Technical Provisions:

- Removal of Unearned Premium Reserve: This is a material component of reserves on an U.S. GAAP balance sheet, but its removal is accompanied by the removal of premiums receivable as an offsetting asset. The effect when taking the balance sheet as a whole is therefore less material than when comparing only U.S. GAAP reserves against Technical Provisions. This is the most important difference arising from the cashflow basis of the EBS approach compared with the accrual's basis of U.S. GAAP, and is replaced by the inclusion of the Premium Provision;
- Explicit consideration of contract boundaries, such as recognising 'bound but not incepted' business as a liability;
- Applying yield curves to future cashflows to allow for the time value of money;
- Inclusion of additional expense reserves to provide an amount reflecting the full cost of running off the Claims and Premium Provisions;
- Inclusion of Risk Margin;
- Inclusion of provision for ENIDs; and
- Different basis for provision for RI Default.

### D.4. Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

There are no material differences in the EBS valuation of the liabilities other than Technical Provisions except for the reinstatement premium payables, excess of loss minimum and deposit premium payable and the undue insurance premium payables which form part of the EBS best estimate Technical Provision calculation.

The amounts held under U.S. GAAP measurement principles are deemed to be approximations the fair value. Moreover, and based on the management experience, the final settled amount of these liabilities does not typically deviate materially from the original valuation.

**D.5. Any Other Material Information**

There is no other information that requires disclosure.

## E. Capital Management

### E.1. Eligible capital

#### *Capital Management Policy and Process for Capital Needs*

The primary driver of the capital required at the level of the Group is the level of capitalisation required to maintain its A/A- ratings provided by both AM Best and S&P respectively - this being significantly higher than that required to satisfy the minimum requirements of prudential regulation that might typically be considered as providing a BBB level of protection.

The Company at least on an annual basis (and at other times in response to a significant planned or actual change in the risk / capital profile) assesses the capital required under the S&P, AM Best and BMA BSCR deterministic models based upon its opening balance sheet and projected business plan.

At 2023 year end, the capitalisation of the Group is in excess of level that would equate to an A/A- rating under both the S&P and AM Best models respectively and consequently provides significant headroom over the levels required by to satisfy its regulatory requirements.

#### *Eligible Capital Categorised by Tiers in Accordance with the Eligible Capital Rules*

The total Eligible Capital is shown below by Tiers and detailed further in the following section:

| <b>Tier</b>     |                |
|-----------------|----------------|
| <i>US\$'000</i> |                |
| Tier 1          | 550,020        |
| Tier 2          | -              |
| Tier 3          | -              |
| <b>Total</b>    | <b>550,020</b> |

#### *Eligible Capital Categorised by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of the Insurance Act*

A summary of the eligible capital categories is shown below:

#### **Tier 1 basic capital**

| <b>Type</b>                       |                |
|-----------------------------------|----------------|
| <i>US\$'000</i>                   |                |
| a. Fully paid common shares       | 120            |
| b. Fully paid contributed surplus | 144,690        |
| c. Statutory economic surplus     | 405,210        |
| <b>Total Tier 1 basic capital</b> | <b>550,020</b> |

## Total Eligible Capital

| Measure<br>US\$'000                                |         |
|--|---------|
| Available Statutory Economic Capital & Surplus (a) | 550,020 |
| Enhanced Capital Requirement (b)<br>(ECR)          | 263,167 |
| Minimum Margin of Solvency<br>(MSM)                | 65,792  |

As at the reporting date, Company reflects a healthy BSCR/ECR ratio' (a/b) of 209%. Furthermore, the Company enjoys a high buffer in available economic capital over the MSM.

The BMA requires every Class 3B insurer to maintain available statutory economic capital and surplus of an amount that is equal to or exceeds the value of its minimum margin of solvency and Enhanced Capital Requirement ('ECR') respectively by following certain criteria and thresholds as described in the eligible capital rules.

As illustrated above, the Company's Tier 1 capital comprises 100% of the available eligible capital against a regulatory minimum requirement of 80% and 60% for the MSM and ECR respectively, hence Tier 1 capital by itself covers the ECR and the Minimum Margin of Solvency.

Accordingly, the Company is in compliance with BMA eligible capital rules and requirements.

### *Confirmation of Eligible Capital That is Subject to Transitional Arrangements*

None.

### *Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR*

None.

### *Identification of Ancillary Capital Instruments Approved by the Authority*

None.

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

Total equity as per the U.S. GAAP financial statements was US\$554,697k as at 31st December 2023.

The available statutory economic capital and surplus calculated under the EBS framework was US\$550,020k.

The difference of US\$4,677k between the net assets of the Company in the financial statements and the economic balance sheet is due to adjustments made through the valuation process of the assets and liabilities undertaken in accordance with the EBS framework requirements.

The following table analyses the differences between the equity in the U.S. GAAP financial statements and the available statutory economic capital and surplus as at 31st December 2023:

| Description<br>US\$'000   |           |
|---|-----------|
| Total Shareholder Equity in U.S. GAAP financial statement                                     | 554,697   |
| Difference in the valuation of assets as per U.S. GAAP financial statements and EBS framework | (292,310) |
| Difference in the valuation of technical provisions   | 244,259   |
| Difference in the valuation of other liabilities  | 43,374    |
| Available statutory economic capital and surplus as per EBS framework                         | 550,020   |

There are no differences between ordinary share capital and contributed surplus in the financial statements and the amount reported in the economic balance sheet.

## E.2. Regulatory Capital Requirements

*ECR and MSM Requirements at the End of the Reporting Period*

*Identification of Any Non-Compliance with the MSM and the ECR*

There have been no instances of non-compliance of ECR and MSM capital requirement. The Company holds significant headroom over its regulatory capital requirements.

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

None.

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

Not applicable.

## E.3. Approved Internal Capital Model

Whilst the Company uses stochastic capital modelling to support its decision making and pricing processes, it uses the BSCR Model for the purpose of calculating its regulatory capital requirements.

## F. Declaration

We declare that to the best of our knowledge and belief, the information in this Financial Condition Report fairly represents the financial condition of the Company in all material respects.

Signed: /s/ Walid Jabsheh

Walid Jabsheh

Role: President, Chief Executive Officer, and Executive Director

Date: 29 April 2024

Signed: /s/ Donal Barrett

Donal Barrett

Role: Head of Risk

Date: 29 April 2024