Focused on our results

INTERVIEW WITH OUR CEO

Trevor Carvey, CEO

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Introduction

Conduit continued to make meaningful progress during 2024. Our core underwriting strategy remained unchanged and enabled us to grow our portfolio meaningfully with gross premiums written increasing by 24.8% and net reinsurance revenue by 29.4%.

This growth was achieved while maintaining our commitment to a diversified and balanced portfolio. Our capital base remains strong, giving us continued capacity to achieve our goals.

Overall pricing conditions remained stable throughout the year, with some variability by class, but in total, at attractive levels to generate meaningful returns.

The business continued to scale, reaching $1,162.4 million in gross premiums written annually and $3.1 billion in total since our inception for the 2021 underwriting year, with this growth coming from our approach to deploy our capacity actively into classes with the optimum risk and return profiles.

We all work closely together and this creates a highly collaborative, agile and informed team that can quickly execute on both general management matters but also the ever-evolving underwriting and risk selection environment. We believe that this close alignment of senior management allows us to manage the business evolution and our underwriting portfolio across the cycles as they develop.

Our multi-line approach gives us a broad view of the market. We see opportunities across classes and quota share and excess of loss structures, allowing us to select the risks and clients we support carefully while managing our exposures proactively, with diversification across classes and non-catastrophe / catastrophe exposures. As a rated carrier we continue to be a valued partner for our clients.

2024 performance

Conduit's financial performance in 2024 was characterised by strong premium growth and contributions from the investment portfolio. Our gross premiums written grew by 24.8% to $1,162.4 million in 2024. We achieved a discounted combined ratio of 86.0% and reinsurance service result of $131.6 million. This underwriting performance, along with a solid investment contribution, resulted in comprehensive income of $125.6 million or $0.80 per share for 2024 – a reasonable outcome in a year of heightened loss activity from both natural catastrophes and man-made events.

Our growth since inception has been deliberate. We have created a diverse business profile by selecting what we believe to be the most attractive risks available to us across the classes we participate in. The portfolio has continued to gain scale, but with varying growth rates by division as we have focused our capacity and resources on areas with the highest expected returns.

Growth in premiums was driven by the property and specialty divisions during 2024. We have seen strong pricing and increased demand in these divisions, driven by persistent inflation and loss activity. Our casualty division experienced modest growth, as we remain patient for more robust pricing conditions. The California Wildfire losses are significant for the industry and indeed for Conduit. However overall I believe that the portfolio has maintained a good balance which leaves us well-positioned in the market.

We ended 2024 by delivering RoE of 12.7% for the year. Conduit's TNAVS increased from $6.25 as at 31 December 2023 to $6.70 as at 31 December 2024, after providing shareholders with $0.36 per share in dividends during the year.

Reinsurance market conditions

2024 was an active year for natural and man-made catastrophe events, which included US land-falling hurricanes, as well as other climate-related perils such as severe convective storms, hail, flooding and wildfires across the globe. Man-made losses were also meaningful during 2024, such as the collapse of the Baltimore bridge and civil unrest in certain regions of the world. Early in the year, the US hurricane season was predicted to be above average by various forecasters, and it proved to be a very active season with meaningful losses for the industry, despite Hurricane Milton taking a less impactful track than initially projected. While insured losses from natural catastrophes have trended higher over time, each set of events has a different impact on local regions and the insurers and reinsurers that provide coverage. For example, Canada had a particularly damaging year in 2024, suffering from their largest individual catastrophe event and largest aggregate insured catastrophe losses on record.

These events have served as a reminder to the industry to remain disciplined in pricing to ensure an adequate return for shareholders, and generally we have continued to observe rational behaviour in the market after multiple years of compounding rate increases.

During 2024, prices in our markets remained elevated with tight terms and conditions across most classes. Overall, we achieved 1% risk-adjusted rate increases for the year, with some classes showing more strength than others. Our property and specialty divisions have continued to experience the strongest pricing conditions, with risk-adjusted rate increases of 3% and 1%, respectively during 2024. The events of 2024, and the impact of the California Wildfires in 2025, along with continued strong demand from the market for capacity, suggests that prices should remain at attractive levels for 2025 presenting favourable risk/return dynamics for our portfolio. Another factor supporting the rating environment in 2024 was the lack of significant capacity entering the market, aside from retained earnings generated by the industry over the last couple of years. Alternative capital and insurance linked securities ("ILS") have generated good returns for their investors and grown as well in 2024, although at a more modest pace than traditional balance sheets. That said, as a ground-up, predominantly quota share underwriter, it is difficult for many alternative capital sources to enter our space.

Growth of our specialty division has been a key focus for our team. It has been our fastest growing division over the last two years, more than doubling in scale. The diverse set of underlying specialty sub-classes add non-correlated risk to our portfolio (that is less exposed to natural catastrophes). Specialty is a broad market where pricing varies by class. With elevated loss activity in certain classes during 2024, such as marine liability, we expect pricing to respond favourably. Conduit has a clearly defined appetite within specialty, and we saw a healthy flow of new business opportunities as we continued to expand our book.

Moving on to casualty, pricing has been slow to respond to persistent economic and social inflation in our view. Legacy reserve issues continue to be in focus as the industry has struggled to capture fully the changes in the casualty risk environment. Risk selection is paramount in casualty, and we believe we have supported strong cross-cycle managers that are exhibiting prudence in a challenging environment. Certain casualty classes demonstrated re-acceleration of rate increases for primary insurers as 2024 progressed, and we are paying close attention to how our cedant partners adjust rates, terms and attachments. We expect the reinsurance market to show discipline as well and potentially push for additional rate in 2025.

Capital management

Conduit benefits from a strong balance sheet with no debt leverage, a relatively conservative investment portfolio and no exposure to pre-2021 underwriting years, providing significant capital flexibility as we trade forward. We have continued to deploy our capacity into strong market conditions in a deliberate manner, creating a portfolio that benefits from diversification of exposures. We view the current environment as attractive and will continue to deploy capacity but also recognise that we have several tools at our disposal to manage capital for the benefit of shareholders.

Over the last two years, we have nearly doubled our premium base. We have also paid an attractive dividend to shareholders. Conduit's shareholders' equity was $1.05 billion as at 31 December 2024, and AM Best recently affirmed its (A-) Excellent financial strength rating and revised the ratings outlook to "positive" from "stable" with a "very strong" balance sheet. At 31 December 2024 Conduit Re's estimated Bermuda Solvency Capital Requirement

(BSCR) coverage ratio was 269% compared with 381% as at 31 December 2023. This is well within our expectations as we continue to grow and deploy our capital, and we plan to maintain our target BSCR solvency range of 200% to 300% over our planning horizon.

Investments

Our investment strategy remained consistent throughout 2024, with a focus on capital preservation and liquidity to support our underwriting operations. We expect to continue to invest our cash flow in a broadly similar manner to maintain our high average credit ratings in the investment portfolio (AA as at 31 December 2024 and 2023). The investment portfolio's duration is similarly positioned conservatively (2.5 years as at 31 December 2024) and within a reasonable range of our liabilities.

The investment portfolio made a significant contribution to our results in 2024 with a total investment return of $66.1 million. We benefited from growing investment leverage and a higher book yield on the portfolio of 4.1% (31 December 2023: 3.7%). Our cash and investments as at 31 December 2024 were $1.8 billion versus $1.4 billion as at 31 December 2023, or an increase of 26.0%.

Total investment return in 2024 was 4.0%, reflecting a generally higher-yielding portfolio. While total return was down from 5.8% in 2023, the higher portfolio book yield and investment leverage produced net investment income of $65.0 million in 2024, a 57.4% increase over 2023.

This positions us well for strong recurring earnings contributions from investments over the medium-term.

People & ESG

Conduit was founded on a commitment to being a responsible business and that commitment is embedded in our culture. It determines how we engage with our employees and the community, as we seek to attract and retain the very best talent and to be an employer of choice. We also engage proactively with other key stakeholders, including our shareholders, to understand their ESG priorities and receive feedback on our own approach.

The Conduit team continued to grow during 2024, as we added support roles and made senior hires in various functional groups. At 31 December 2024 we had 65 employees, up from 59 employees at 31 December 2023. Our focus has been on building a team with a diverse background of technical skills and knowledge, as well as strong character and values. Working together, the Conduit team has achieved meaningful progress for the organisation over the last year.

We are committed to attracting and retaining talented employees and this is a key focus of the leadership team. We aim to create an environment that offers employees a rewarding experience to be challenged, share ideas and develop skills that will provide opportunities for career development. We regularly engage with employees through surveys and 'town hall' meetings and we encourage staff to share feedback on ways to improve Conduit for the future.

Outlook

We remain encouraged by the outlook for Conduit. Our multi-line platform is well suited for this market, allowing us to be nimble around changes in the environment on a class-by-class basis. As we enter the next phase of the market cycle, we expect pricing to be more idiosyncratic – the tide is not lifting all boats. Our coordinated functional groups, separated by only a few metres rather than offices or even time zones, are highly collaborative and can execute quickly or make adjustments to the inwards and outwards portfolio.

Overall, we view the market as being in a very healthy place for 2025 and we are excited by the opportunities while having plenty of headroom to deploy our capacity. While pricing has generally stabilised, this comes after several years of compounding rate increases and we expect to continue to find profitable growth opportunities. The industry appears broadly to be acting in a disciplined manner, as the loss events of 2024 serve as a reminder that fortunes can change quickly.

In closing, I would like to say to my colleagues, together we have built an enduring culture that welcomes sharing of ideas and information to meet our goals. I wish to thank you for your continued commitment to Conduit.

To our client partners and brokers, with whom we engage daily, thank you for your continued support. We look forward to expanding and deepening our relationships for our mutual benefit as we head into 2025.

And finally, to our shareholders, we thank you for your engagement, feedback and support as we continue to focus on the growth and continuing development of Conduit. While we are always learning from the past, we are squarely focused on the future and generating returns for our shareholders. I am pleased with how the business is performing and I believe we are well positioned to deliver on our objectives.

Trevor Carvey
Chief Executive Officer
26 February 2025