

Executive Chairman's statement continued

"Our efficient underwriting platform and strong balance sheet put us in a wonderful position to continue our growth in exceptional market conditions"

Having established a high-quality underwriting platform in our first year, our focus in 2022 has been on the continued execution of our vision. In 2022 our team has demonstrated the business's operational capabilities in constructing a high-quality and well-balanced portfolio while exhibiting the strong, healthy and inclusive culture which is already a core element of the Conduit DNA.



In a period that has seen heightened loss activity, inflation and rising interest rates, we have been able to focus on underwriting and deploying our capital into the business which provides the best balance of risk and reward. It's this ability to assess the risk and reward of different types of business, and nimbly underwrite where we see the best opportunities, that fills me with so much excitement moving into 2023, where we are well positioned to take advantage of current exceptional market conditions.

An extraordinary combination of events converged in 2022 to create the biggest shift in reinsurance market conditions that I have seen in my career, significantly beyond what we envisaged when the IPO plan was written in 2020. Since then, inflation and increasing interest rates, against a backdrop of significant losses from Hurricane Ian and other major events, with an overarching fear of climate change, have driven a fundamental rebalancing in the reinsurance market. As a result we are experiencing very high rate increases, increasing deductibles, more restrictions in coverage and a tightening in terms and conditions. This new environment suits us perfectly, playing to the strength of our business model to achieve our target returns.

Climate change is increasingly impacting the market. The simple facts are that the frequency and severity of natural peril losses are on the rise. In last year's annual report, Trevor wrote about whether the loss experience of 2017 to 2021 should be considered the 'new normal'. 2022 loss activity only serves to reinforce this view and reinsurance pricing has reacted accordingly.

Exceptional rating environment

While many business sectors will feel recessionary pressures this year, the reinsurance industry will benefit from increased demand and strong pricing, with more stringent terms and conditions. During the softening phase of the last market cycle, coverages were bundled and expanded with no corresponding improvements in price or terms and conditions. This situation must now reverse. Even before Hurricane Ian, at the Monte Carlo Rendezvous and the Baden Baden conference (the

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two most significant reinsurance market gatherings), there was much discussion about the unbundling of coverage in both property and specialty and the increasing use of 'named peril' coverage which should enable a more realistic assessment of natural peril risk. There is plenty of data around climate change. It is when coverage is broad and complex that failure occurs.

Culture and sustainability

Our successful journey throughout the start-up phase in 2021 can be directly attributed to the strong culture we have created and to the hard working, high-performing team that we have built: a team with a very clear sense of purpose and mission. Over half of our employees and a third of our board are female. The culture at Conduit Re is transparent, collaborative, responsible, enabling and forward thinking. All this, coupled with our flat structure, has a lot of advantages, not the least of which is the agility to adapt, without legacy constrictions, to market conditions. These strengths have been put to good use in 2022, as we have responded to a highly evolving market, and will stand us in good stead going into 2023 and beyond.

As a Bermuda-based reinsurer, we were always going to run the business from a single location. This comes with several social responsibilities which we continue to address as part of our charitable and social goals as overseen by our ESG Committee. We are grateful for the work carried out by the ESG Committee and the Board in overseeing the process and ensuring the integration of ESG into our underwriting, investments and also the fabric of our business and culture. There is still work to be done, but we have made significant progress as evidenced by our improving score in the ClimateWise annual survey.

In summary, operationally and financially Conduit is in a wonderful position for significant growth and has a capital base to comfortably carry us through our original IPO plan.

Conclusion

The sum of the hard work put in by the team is the pleasing progress we have made against the plan, strong financial performance and a clear pipeline of future revenue. On this basis we are pleased to maintain the final dividend for 2022 at \$0.18 (approximately 15 pence) per share, making it \$0.36 for the full year (approximately 30 pence).

I would like to thank all of my Board colleagues and all the Conduit team, led by Trevor, for their tremendous efforts, which have taken us so far in a very short space of time. I would also like to thank the broking community and our customers for their continued support. We are all looking forward to the future with confidence and enthusiasm.

Neil Eckert

Executive Chairman
3 March 2023