



CONDUIT RE

# Conduit Holdings Limited

Q1 2022 Trading Update

*11 May 2022*



# Forward looking statements

## Important note:

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "goals", "objective", "rewards", "expectations", "projects", "anticipates", "expects", "achieve", "intends", "tends", "on track", "well placed", "estimated", "projected", "may", "will", "aims", "could" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, pricing rate changes, terms and conditions, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, claims development, losses and future prospects; and (ii) business and management strategies and the expansion and growth of CHL's operations.

Forward-looking statements may and often do differ materially from actual results. Forward-looking statements reflect CHL's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to CHL's business, results of operations, financial position, liquidity, prospects, growth and strategies. These risks, uncertainties and assumptions include, but are not limited to: the possibility of greater frequency or severity of claims and loss activity than CHL's underwriting, reserving or investment practices have anticipated; the reliability of catastrophe pricing, accumulation and estimated loss models; the actual development of losses and expenses impacting estimates for claims which arose as a result of recent loss activity such as the Ukraine crisis, Hurricane Ida, and the European storms and floods in 2021; the impact of complex causation and coverage issues associated with attribution of losses to wind or flood damage; unusual loss frequency or losses that are not modelled; the effectiveness of CHL's risk management and loss limitation methods, including to manage volatility; the development of CHL's technology platforms; a decline in Conduit Re's ratings with A.M. Best or other rating agencies; the impact that CHL's future operating results, capital position and ratings may have on the execution of CHL's business plan, capital management initiatives or dividends; CHL's ability to implement successfully its business plan and strategy during 'soft' as well as 'hard' markets; the premium rates which are available at the time of renewals within Conduit Re's targeted business lines; increased competition on the basis of pricing, capacity or coverage terms and the related demand and supply dynamics as contracts come up for renewal; the successful recruitment, retention and motivation of CHL's key management and the potential loss of key personnel; the credit environment for issuers of fixed maturity investments in CHL's portfolio; the impact of swings in market interest rates, currency exchange rates and securities prices; changes by central banks regarding the level of interest rates and the timing and extent of any such changes; the impact of inflation or deflation in relevant economies in which CHL operates; CHL becoming subject to income taxes in the United States or in the United Kingdom; and changes in insurance or tax laws or regulations in jurisdictions where CHL conducts business. Forward-looking statements contained in this trading update may be impacted by the escalation or expansion of the Ukraine conflict on Conduit Re's clients, the volatility in global financial markets and governmental, regulatory and judicial actions, including coverage issues.

Forward-looking statements speak only as of the date they are made. No representation or warranty is made that any forward-looking statement will come to pass. These forward-looking statements speak only as at the date of this announcement. CHL disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein to reflect actual results or any change in the assumptions, conditions or circumstances on which any such statements are based unless required to do so by law or regulation.

"Estimated ultimate premiums written" is the estimated total gross premiums written that is expected to be earned assuming all bound contracts run to the end of the period of cover, after management discount for prudence.

The Conduit Re renewal year on year pricing change measure is an internal methodology that management intends to use to track trends in premium rates of a portfolio of reinsurance contracts. The change measure reflects management's assessment of relative changes in price, exposure and terms and conditions. It is also net of the estimated impact of claims inflation. The calculation involves a degree of judgement in relation to comparability of contracts and the assessment noted above, particularly in Conduit Re's initial years of underwriting. To enhance the methodology, management may revise the methodology and assumptions underlying the change measure, so the trends in premium rates reflected in the change measure may not be comparable over time. Consideration is only given to renewals of a comparable nature so it does not reflect every contract in the portfolio of Conduit Re contracts. The future profitability of the portfolio of contracts within the change measure is dependent upon many factors besides the trends in premium rates.

# First quarter of 2022 highlights

- ❑ Continued build of a high-quality reinsurance franchise focused on selective underwriting, with excellent support from clients and brokers:
  - Estimated ultimate premiums written of \$296.9 million, an increase of 49.1% on the first quarter of 2021 estimated ultimate premiums written of \$199.1 million
  - Gross premiums written of \$177.5 million, an increase of 114.9% over the same period of 2021
  
- ❑ Net incurred losses in the first quarter related to the Ukraine War estimated between \$15 million and \$30 million, after reinsurance and reinstatement premiums, with \$24.6 million net impact
  
- ❑ Market conditions remain strong, with continuing rate increases and improvements in T&Cs, promoting a diversified and balanced portfolio growth, with a renewal net rate change of 4.9%

# Ukraine-Russia conflict

The first-quarter of 2022 was the sixth first quarter in a row where weather-related insured losses have exceeded \$10 billion<sup>1)</sup>; Conduit had minimal exposure to these natural catastrophe events

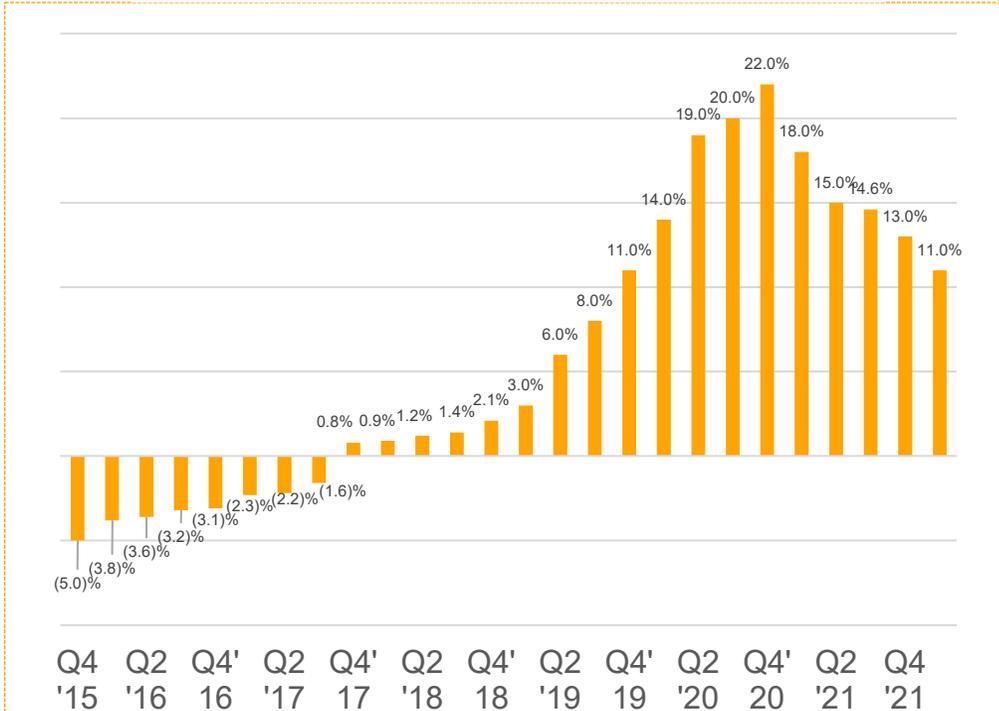
As regards the escalating crisis in Ukraine and the Russian invasion on 24 February:

- ❑ Ukraine and Russia net incurred losses in the first quarter of 2022 estimated between \$15 million and \$30 million, net of reinsurance and reinstatement premiums
  - The situation remains complex and the outcome uncertain
  - Net Impact for the quarter of \$24.6 million including aviation, war on land and marine war
  - Conduit Re's reserve estimates have been derived from a combination of market data and ground-up assumptions, modelled loss projections, reports from cedants and market determination of loss events
  - Conduit Re does not underwrite trade credit or political risk, nor active in cyber
  - Typical Conduit Re treaties' structures have provisions for event limits and aggregate caps

1) Source: AON April 2022 Global Catastrophe Recap

# Improving pricing environment

## Marsh Global Insurance Pricing Change



- Global commercial insurance prices rose 11% in the first quarter of 2022, marking the eighteenth consecutive quarter that composite prices rose

## Conduit Re pricing experience

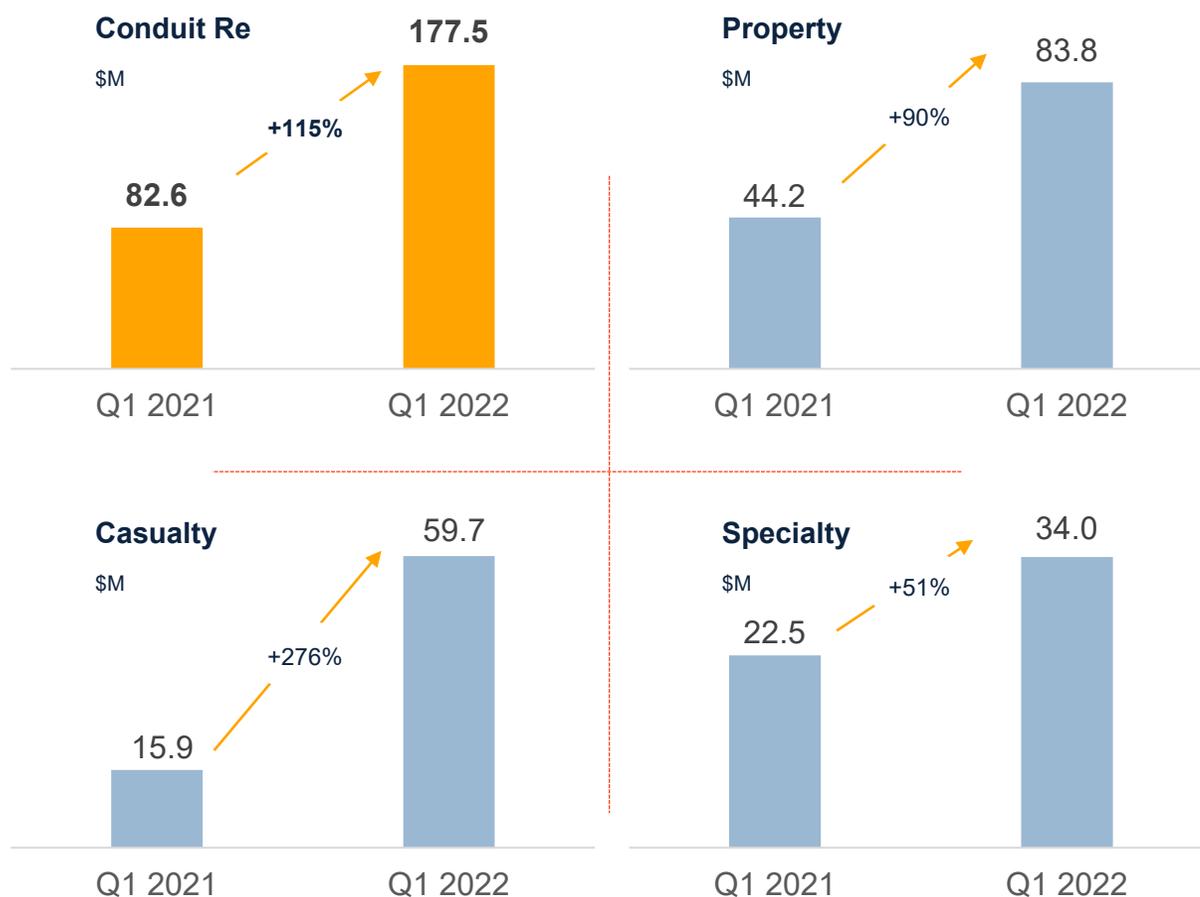
- Reinsurance pricing dynamics remain strong, with continued risk-adjusted rate increases across our portfolio
- Inflation remains topical, given continued supply chain issues and the geopolitical uncertainty with the Ukraine-Russia conflict
- On a year-to-date basis our overall risk-adjusted rate change net of inflation is 4.9%

Division	Rate Change Net of Inflation
Property	7.8%
Casualty	2.7%
Specialty	2.1%
<b>Weighted</b>	<b>4.9%</b>

- In line with our philosophy, we will continue to apply the same rigor and discipline, to selectively write business which meets our profitability requirements

# Strong growth across all divisions

## Gross Premiums Written



- Pricing and terms and conditions continue to improve in our target markets, particularly at primary level, hence the focus towards ground-up Quota Share (QS)
- “Pure Play Reinsurer” status continues to enhance trading relationships and facilitates greater information sharing
- April 2022 renewals confirm Conduit Re’s position as a valued reinsurer on cedants’ panels
- 70% of Conduit Re’s portfolio remains non Nat Cat
- Divisions’ underwriting teams fully operational
- Conduit Re’s July renewals outlook:
  - Closely monitoring North Atlantic Wind Storm (NAWS) dynamics, from an underweight position in Florida Wind (1:100 PML represents 4.5% of tangible capital as of end March 2022)
  - Selectively provide capacity to geographies and perils which may experience supply shortage

# First quarter of 2022, financial highlights

\$M	Q1 2022	Q1 2021
Est. Ultimate Premiums Written	296.9	199.1
Gross Premiums Written	177.5	82.6

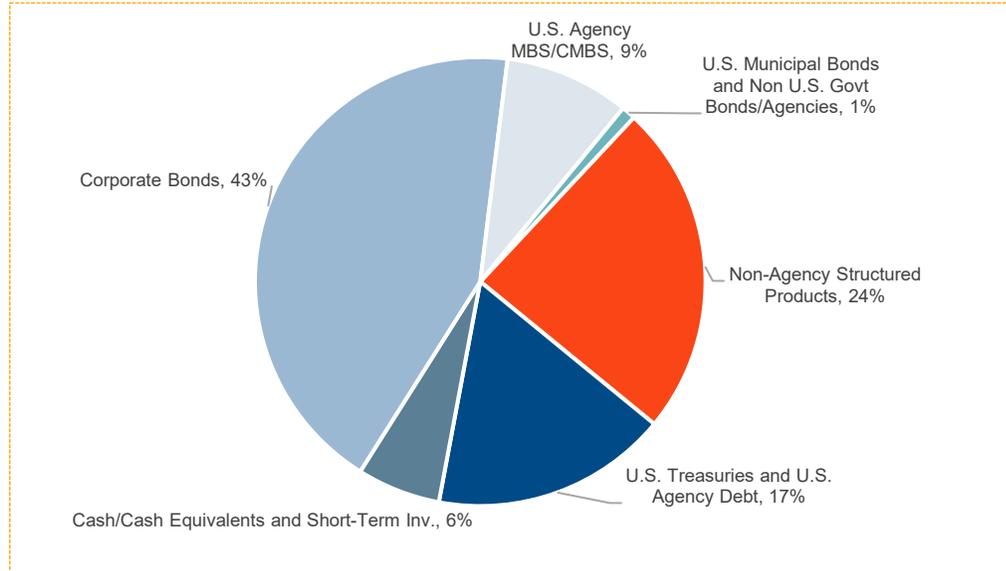
Est. Ultimate Premiums Written, \$M	Q1 '22 \$	Q1 '22 %	Q1 '21 \$	Q1 '21 %
Quota Share (QS)	200.6	67.6%	122.1	61.3%
Excess of Loss	40.1	13.5%	18.4	9.3%
QS of Excess of Loss	56.2	18.9%	58.6	29.4%
<b>Total</b>	<b>296.9</b>	<b>100%</b>	<b>199.1</b>	<b>100%</b>

Gross Premiums Written, \$M	Q1 '22 \$	Q1 '22 %	Q1 '21 \$	Q1 '21 %
Quota Share (QS)	114.2	64.3%	40.2	48.7%
Excess of Loss	40.1	22.6%	18.8	22.8%
QS of Excess of Loss	23.2	13.1%	23.6	28.5%
<b>Total</b>	<b>177.5</b>	<b>100%</b>	<b>82.6</b>	<b>100%</b>

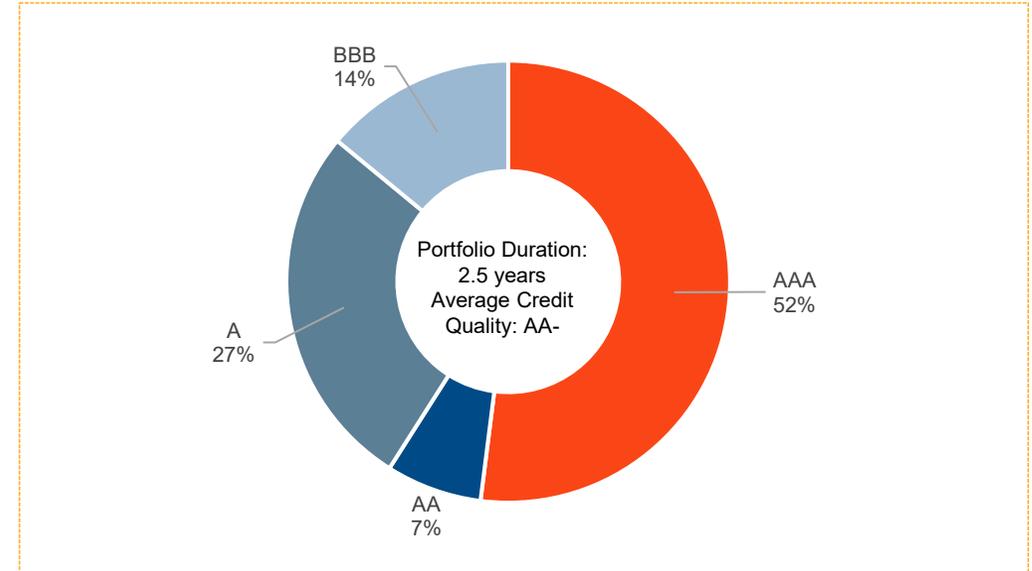
- Strong growth driven by continued positive rate increases and franchise momentum
- Total capital and tangible capital of the Group on 31 March 2022 was \$0.9 billion
- During the first quarter of 2022, the Group's Board of Directors declared a final dividend of \$0.18 (approximately £0.14) per common share (in respect of the second half of 2021)
- The dividend was paid in pounds sterling on 22 April 2022 to shareholders on record on 25 March 2022, resulting in an aggregate payment of \$29.7 million

# High quality investment portfolio

Asset Allocation as of 31 March 2022



Credit Quality as of 31 March 2022



- ❑ Capital preservation and liquidity to support our underwriting teams remain of paramount importance and determine our low-risk strategic portfolio allocation
- ❑ High quality investment portfolio, USD focused, with no equities, derivatives or alternatives
- ❑ Short duration portfolio allows Conduit Re to mitigate the impact of expected interest rate hikes or credit spread movements
- ❑ (2.9)% net investment return driven by expected rate hikes; \$32.6 million unrealised loss
- ❑ Continued consideration of ESG factors on management of investments

# Unique risk profile focused on underwriting

## Unique risk profile focused on Underwriting

1. Pure play reinsurer, single location and single balance sheet
2. Balanced and diversified approach
3. Class, geography and client agnostic
4. Conservative Asset Management approach
5. Strong balance sheet with no legacy issues
6. Data and technology focus for a fully integrated system delivering operational efficiency
7. Open, meritocratic culture



## Business Objectives

1. **Profitability:** focus on U/W to deliver mid-teens ROE
2. **Solvency:** maintained comfortably in excess of regulatory solvency requirements
3. **ESG:** being a force for change, embedding the principles in day-to-day responsibilities and performance objectives

# Conduit Re delivers on its focused growth strategy

- ❑ First quarter 2021 affected by Ukraine-Russia conflict and expectations of tightening monetary policy
- ❑ Thanks to our “Pure-Play” reinsurer status, our teams enjoy excellent support from both clients and brokers
- ❑ Conduit Re remains on a positive growth trajectory focused on underwriting profitability, aligned with its IPO plans
- ❑ Operationally, we are pushing ahead with the next stage of development of our systems and processes, leveraging from legacy-free IT systems and a collaborative & inclusive culture
- ❑ Within an attractive (re)insurance environment, Conduit Re pursues a highly diversified and balanced book of business and benefits from an A- rating with AM Best, with substantial capital to deploy within the best rating environment for a decade

# Q1 2022 Trading Update

## Q&A

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