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Conduit Holdings Limited

2023 January renewals trading update

25 January 2023

Forward looking statements

Important note:

This announcement may include certain statements and indicative projections that are, or may be deemed to be, "forward-looking statements". These forward-looking statements are not based on current or historical facts and are forward looking in nature and may be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "estimates", "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 may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; and (ii) business and management strategies and the expansion and growth of the Group's operations. Forward looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Group's current view with respect to future events and are subject to known and unknown risks relating to future events and other risks, uncertainties, and assumptions and other factors relating to the Group's business, results of operations, financial position, liquidity, prospects, growth and strategies.

These factors include but are not limited to: the Group being recently established with a limited history of operations; the Group's ability to continue to build and sustain a business of writing reinsurance and implement its strategy; the Group's ability to assess accurately the risks of the potential underwriting losses; Conduit Reinsurance Limited being able to maintain its financial strength rating from A.M. Best; the number and type of reinsurance contracts that the Group writes or may write; competition from existing reinsurance carriers, as well as alternative capital providers, insurance linked funds and collateralised special purpose insurers; increased competition on the basis of pricing, capacity, coverage terms or other factors; the Group's ability to integrate its businesses and new joiners to the Group; the successful retention and motivation of the Group's key management; the potential loss of key personnel; the effectiveness of the Group's loss limitation methods; the reliability of, and changes in assumptions to, catastrophe, accumulation and estimated loss models; potential uncertainties relating to reinsurance recoveries, reinstatement premiums and other factors inherent in loss estimations; the global changing climate conditions which may lead to the possibility of greater frequency or severity of claims and loss activity than the Group's underwriting, reserving or investment practices have anticipated; possible low frequency of large events or unusual loss frequency; the actual development of losses and expenses impacting estimates for claims which have arisen or may arise, including cyclical downturns of the reinsurance industry; exposure to unanticipated or novel coverage disputes; the impact that the Group's future operating results, capital position and rating agency and other considerations may have on the execution of capital management initiatives, financing or dividends; the impact of swings in market interest rates, currency exchange rates and securities prices on the Group's investments or liquidity; 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 the Group operates; the increased regulatory burden facing the Group and the potential for development of an unfavourable regulatory environment; changes in governmental regulations or tax laws in jurisdictions where the Group conducts business; the focus and scrutiny on ESG-related matters regarding the (re)insurance industry from key stakeholders of the Group, and any adverse asset, credit, financing or debt capital market conditions generally, which may affect the ability of the Group to manage its liquidity.

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. The Group expressly disclaims any obligation or undertaking (save as required to comply with any legal or regulatory obligations including the rules of the London Stock Exchange) 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. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this announcement. Investors, including prospective investors, should specifically consider the factors identified in this announcement which could cause actual results to differ before making an investment decision.

The Group's 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 the Group'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 contracts. The future profitability of the portfolio of contracts within the change measure is dependent upon many factors besides the trends in premium rates.

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Market background

- Exceptional renewal season is evidence of structural shift in the marketplace caused by fundamental repricing of risk and the disequilibrium between supply and demand for reinsurance, driven by:
  - An increased inflationary environment
  - Market capital tightening
  - Natural catastrophe environment requiring additional coverage:
    - Natural catastrophes caused an estimated $115 billion of insured losses in 2022, coming in well above the 10-year average of $81 billion, while secondary perils such as floods and hailstorms caused over $50 billion insured losses
  - Significant ILS capacity withdrawn and/or trapped following impact of loss year(s)

- Hurricane Ian and the war in Ukraine further exacerbated underlying market conditions, with enhanced terms and deductibles across specific business lines

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Significant premium growth of 60%

- Estimated ultimate premiums written of $421.4 million, +60% vs 2022 ($262.6 million):
  - Extremely strong Property and Specialty market conditions provided the opportunity to grow those classes more
  - Continued selective growth in Casualty lines which continue to provide attractive underwriting opportunities
- 19% risk-adjusted rate change net of inflation[1)] across the portfolio, comprising
  - 39% risk-adjusted rate change on Property
  - 1% risk-adjusted rate change on Casualty
  - 14% risk-adjusted rate change on Specialty
- Successfully secured our retrocession programmes, with expanded panel
- Business continues to trend towards a mid-80's combined ratio in the medium term, further supported by:
  - Significantly enhanced terms and conditions
  - Reduced acquisition costs on renewed business
  - Exceptional pricing environment

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1) *These net rate changes reflect management's assessment of rate changes of our renewal business net of the impact of claims inflation, exposure changes and changes in any other terms and conditions. For more details see Trading Update RNS*

Conduit Re maintains its balanced and diversified approach, capitalising on exceptional pricing in Property and Specialty

The split of our estimated ultimate premiums written by line of business at 1 January 2023 was:

Type of business	2023 $m	%	2022 $m	%	Year on Year increase %
Property	197.3	47	109.3	41	81
Casualty	112.2	27	85.5	33	31
Specialty	111.9	26	67.8	26	65
Total	**421.4**	**100**	**262.6**	**100**	**60**

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Conduit Re market experience at the 2023 January renewals

- Another late renewal season for reinsurers
- Rate rises most evident on loss-impacted accounts
- Significant improvement in terms and conditions
- Conduit Re's year-on-year renewal business written at 1 January 2023 show a further hardening of pricing, with an overall risk-adjusted rate change, net of inflation, of 19%[1]:

Type of business	2023 January renewals	Q3 2022 to-date	H1 2022 to-date	Q1 2022 to-date	2022 January renewals
Property	**39%**	7%	8%	8%	8%
Casualty	**1%**	1%	1%	3%	4%
Specialty	**14%**	2%	2%	2%	2%
Weighted	**19%**	**4%**	**4%**	**5%**	**5%**

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Outlook

- The significant movement in pricing and terms and conditions is evidence of a structural shift in the marketplace caused by a fundamental re-pricing of risk and an imbalance in the supply and demand of capital
- We see this as an enduring environment creating the opportunity for improved margins across the rest of 2023 and beyond
- Conduit Re has entered 2023 from a position of strength and, with its legacy-free balance sheet, with capital to deploy to continue to take advantage of market conditions
- We will announce our 2022 year-end financial results on 22 February 2023

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Q&As

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