CONVEX EUROPE S.A.

Solvency and Financial Condition Report 2025

Contents

Directors' statement

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report in all material respects in accordance with the Commissariat aux Assurances ("CAA") Rules and the Solvency II Regulations. We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the CAA Rules and the Solvency II Regulations as applicable to the insurer; and

b) it is reasonable to believe that the insurer has continued to comply subsequently and will continue to do so in future.

Signed on behalf of the Board of Directors on 7 April 2026 by:

Warren Brayn

Convex Europe S.A. Chief Financial Officer

Executive summary

The purpose of the Solvency and Financial Condition Report (“SFCR”) is to provide stakeholders with additional information over and above that contained in the Annual Accounts. This SFCR is prepared in accordance with the requirements of the Solvency II Directive (as implemented in Luxembourg by the Commissariat aux Assurances (“CAA”)). The SFCR contains qualitative and quantitative information on CES’s business and performance, system of governance, risk profile, valuation for solvency purposes and capital management together with standardised Quantitative Reporting Templates (“QRTs”) for 2025.

The Quantitative Reporting Templates (QRT) in this report are presented in US dollars rounded to the nearest thousand. Rounding differences of +/- one unit can occur. The rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Business and performance

Convex Europe S.A.’s ("CES") received regulatory approval in Luxembourg to write non-life (general) insurance business in thirty countries under the Freedom of Services regime on 15 September 2021. On 2 December 2021, the UK branch of CES received approval from the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA"), effective immediately, allowing CES to write European business via the UK branch in London. This has further enabled Convex to establish relationships with and provide high-quality solutions for new and existing European clients.

In 2025, CES focused on continued business growth, which has resulted in an increase in GPW to $369.8m (2024: $335.3m).

The prudent approach to risk retention resulted in significant use of reinsurance protection meaning a NPW of $75.3m (2024: $67.8m) This prudent approach proved beneficial in protecting the earnings and balance sheet of CES. CES’s gross loss ratio of 73.7% (2024: 63.4%) is above the prior year following the impact of adverse loss experience in the year in the Aerospace, Energy and Marine lines of business. Despite increased loss experience in 2025, the effective reinsurance programme in place resulted in a net loss ratio of 41.0% (2024: 50.0%)

The administrative expenses of the Company were $22.1m (2024: $19.8m) for the year. The increased expenses in 2025 result from the growth of the business and the associated increases in staff costs and the IT application landscape. Administrative expenses in relation to the acquisition of underwriting, claims and investment management are required to be represented to these lines of the technical account under Luxembourg accounting principles. Other lines of the technical result include expenses of $9.1m (2024: $7.3m) for acquisition costs, $9.6m (2024: $6.0m) for claims paid and $0.2m (2024 $0.1m) for expenses for the management of investments As the Company continues to grow in 2026 and earnings flow through on business written in 2025 the expense base of the business will be proportionate to the earned premium and the Company is expected to move closer to sustainable profitability.

The Company maintains a prudent approach to its management of investments with a high credit quality and short duration in its portfolio. This has resulted in a market yield of 3.8% on its bond portfolio (2024: 4.2%), an average duration of 3.2 years (2024: 1.7 year) and an average credit rating of AA- (2024: A). The investment portfolio including cash has benefited from positive cash flows including additional cash and investments from the $33,000 capital injection increasing to $175.1m (2024: $138.7m) at the end of the year.

On 19 August 2025, 15,000,000 new shares and 17 December 2025, 18,000,000 new shares of $1.00 each were issued to CIL and settled in combination of cash and investment securities further establishing the capital base of the Company. The purpose of the capital injection to support future business growth and maintain appropriate solvency margin.

Future Outlook

The Company will look to continue to grow its portfolio and remains focused on creating underwriting solutions for an ever-increasingly complex world, with a best in class claims service that delights as we continue on our journey to become our clients' favourite insurer.

System of governance and risk

Through the Risk Management function and the CES Board, the Company identifies all material and emerging risks. By understanding how these risks manifest, CES ensures they are effectively assessed, controlled, and mitigated. The CES Board meets at least four times a year and the management information reported to this Committee has been developed to ensure there is focused oversight, discussion and challenge of risk management at Board level.

The Company operates a 'three lines of defence' structure which assists in ensuring Convex takes risk seriously and that there is a risk culture embedded within the business; supported by the key functions of Risk Management, Compliance and Internal Audit.

The 'three lines of defence' model allows the Company to have:

- Improved communication of Risk and Governance across the Company;
- Increased governance minimising regulatory and legal discrepancies;
- Strengthened accountability across the governance model, in particular regarding First Line risk and control owners; and
- Complete risk awareness at all levels.

For further information refer to section B.1.

The Convex Group's Risk Management strategy supports the Group's wider strategy by articulating strategic objectives which enable the Risk Management function and the wider business to think about risk in a structured and consistent manner. These objectives are as follows:

- **Embedding risk within the business** by continuing to integrate the Group Risk Management function more closely into day-to-day operations. This will strengthen collaboration while still ensuring appropriate oversight and challenge that matches the Group's risk profile and complexity.
- **Enabling a positive risk culture** by helping build a well-managed and controlled business at Convex, which supports long-term growth and strengthens the Convex brand.
- **Embracing technology and outsourcing** to make the Risk Management function more innovative, efficient, and insightful for stakeholders.
- **Development of talent and skills** by continuously building the team's capabilities and ensuring the Risk Management function has the right people, expertise, and capacity to match Convex's risk profile and complexity.

The CES Board pays particular attention to business strategy, capital allocation, risk appetite, risk control framework and ensures these are implemented. The Company is exposed to risks from several sources, further details of which are set out below.

The key risk categories within Convex's Risk Management Framework are:

- **Strategic and Group Risk** - The risk of loss arising from changes in the business environment, from adverse strategic decisions, or from membership of a corporate group.
- **Insurance Risk** - The risk of adverse fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the firm at the time of underwriting while the policies are in force or after the expiration of coverage. This may occur due to either inherent volatility or errors in the selection, approval, pricing, reserving and handling of risks being insured.
- **Financial Risk** - broken down into:
    - **Market Risk** - The risk which arises from fluctuations in interest, inflation or exchange rates as well as asset risk valuations. Convex is exposed to Market Risk through the impact of market movements to its asset portfolio and to the value of its insurance liabilities.

- **Credit Risk** - The risk of loss due to the failure of a counterparty to meets its contractual obligation to repay a debt.
- **Liquidity Risk** - The risk that insufficient liquid funds are held to meet all liabilities as they fall due or that liabilities can only be met at a high cost.

- **Operational Risk** - The assessment of the uncertainty of likelihood and / or impact that Convex could incur future unplanned losses in respect of people, process or system failures, and external events during normal operation of its business.

Valuation for solvency

Assets and liabilities have been valued for solvency purposes in accordance with the Solvency II Directive. Table 1 shows the differences between CES's shareholders' equity (as presented in the financial statements prepared under Luxembourg generally accepted accounting principles ("GAAP") and the Solvency II excess of assets over liabilities ("EAL"), as presented in the Solvency II balance sheet shown in Appendix B of this report.

Table 1 – Shareholders' equity

	2025 $000s	2024 $000s
Shareholders' equity as shown in the financial statements	116,016	84,880
Solvency II valuation adjustments to assets (Note i)	(672,305)	(520,248)
Solvency II valuation adjustments to technical provisions (Note ii)	378,303	297,090
Solvency II valuation adjustments to other liabilities (Note iii)	293,801	226,441
Solvency II EAL	**115,815**	**88,163**

The differences between shareholders' equity and Solvency II EAL are due to valuation adjustments as explained below:

i. **Valuation of assets under Solvency II**
Valuation adjustments to assets relate primarily to adjustments to remove the deferred acquisition costs and insurance and reinsurance receivables not yet due, as these are taken into account in the valuation of technical provisions under Solvency II. Investments, valued on an amortised cost basis under Luxembourg GAAP have been adjusted to fair value as required for Solvency II.

ii. **Valuation of technical provisions under Solvency II**
Adjustments have been made to statutory technical provisions and reinsurance recoverables (consistent with the adjustments to valuation of assets) to reflect Solvency II valuation requirements. Solvency II requires the technical provisions ("claims provisions" plus "premium provisions") to be a best estimate of the current liabilities relating to insurance contracts, plus a risk margin. The best estimate liabilities are calculated as the discounted best estimate of all future cash flows relating to claim events prior to the valuation date, as well as the discounted best estimate of all future cash flows relating to future exposure arising from policies that the insurer is obligated to at the valuation date.

iii. **Valuation of other liabilities**
Valuation adjustments to other liabilities relate primarily to adjustments to remove deferred acquisition costs payable in the financial statements (relating to reinsurance ceded) and insurance and reinsurance payables not yet due, as these are taken into account in the valuation of reinsurance recoverables under Solvency II. CES has no material contingent liabilities that require recognition as liabilities in the Solvency II balance sheet.

Further details of CES's valuation of assets and liabilities for solvency purposes are included in Section D of this report.

Capital management summary

CES's solvency position under Solvency II is determined by comparing eligible Own Funds with the Solvency II Solvency Capital Requirement ("SCR"). CES is required to meet the SCR at all times and is required to rectify any breach within six months (though this period can be extended by a further three months). A breach of the lower Minimum Capital Requirement ("MCR") is required to be rectified within three months. At 31 December 2025, the own funds of CES were $115.8m (2024: $88.2m) compared to a standard formula SCR of $82.7m (2024: $60.0m), representing an SCR coverage ratio of 140% (2024: 147%). CES's MCR was $23.4m (2024: $18.2m).

CES's eligible own funds are set out in Table 2 below.

Table 2 – Solvency position

	2025 $000s	2024 $000s
Solvency II EAL	115,815	88,163
Foreseeable dividend	—	—
Restrictions on eligibility	—	—
Eligible own funds (Tier 1)	115,815	88,163
Minimum capital requirement	23,360	18,185
Solvency capital requirement	82,674	60,035
Solvency capital requirement ratio (%)	**140%**	**147%**

There are no restrictions on the availability or transferability of CES's own funds. The majority of CES's own funds is in the form of unrestricted Tier 1 items (i.e. ordinary share capital, related share premium and reconciliation reserve), and is therefore eligible to cover both the SCR and MCR. CES has not requested and therefore does not have in place approvals to use the matching adjustment, volatility adjustment, transitional interest rate term structure or the transitional deduction on technical provisions and therefore no adjustments have been made relating to these transitional measures.

The appropriateness of the Solvency II Standard Formula has been assessed with respect to the risk profile of CES. Overall, the qualitative and quantitative assessments of the appropriateness of the assumptions underlying the Standard Formula have concluded that it is 'not inappropriate' as a measure to calculate the capital requirements for CES. The Standard Formula captures key features of CES's risk profile and there are no material omissions in the Standard Formula of specific risks considered which could result in a material understatement of the SCR. As an approximate guide the assessment considers an understatement of the SCR of at least 10% as material.

Decisions on optimal capital levels are an integral part of CES's business planning and forward-looking assessment of risk processes which cover a three-year time horizon. CES manages its own funds in such a way that it will ensure it holds sufficient capital to meet its regulatory and business requirements.

For 2025 CES purchased a whole account stop loss to manage downside risk. This had the impact of reducing its catastrophe risk charge in the SCR calculation. Apart from this, there were no material changes to CES's capital management approach during the reporting period and there were no instances of non-compliance with the SCR or MCR. Further details of CES's capital management approach are included in Section E of this report.

A. Business and performance

A.1. Business

CES was incorporated on 26 March 2021 and is organised under laws on commercial companies of the Grand Duchy of Luxembourg as a public limited liability company (*société anonyme*). CES is registered with the trade and companies registry of Luxembourg ("RCS") with number B253295. CES' registered office is situated at 37 Boulevard Joseph II, L-1840, Grand-Duchy of Luxembourg.

CES carries out regulated non-life insurance activities under insurance classes 1-9 and 11-16. Under the freedom to provide services, CES is authorised to pursue insurance activities in all Member States of the European Union and the EEA. CES is authorised and supervised by the CAA. CES has established and registered a branch in the UK, which is supervised by the PRA and the FCA.

Their respective contact details are set out below.

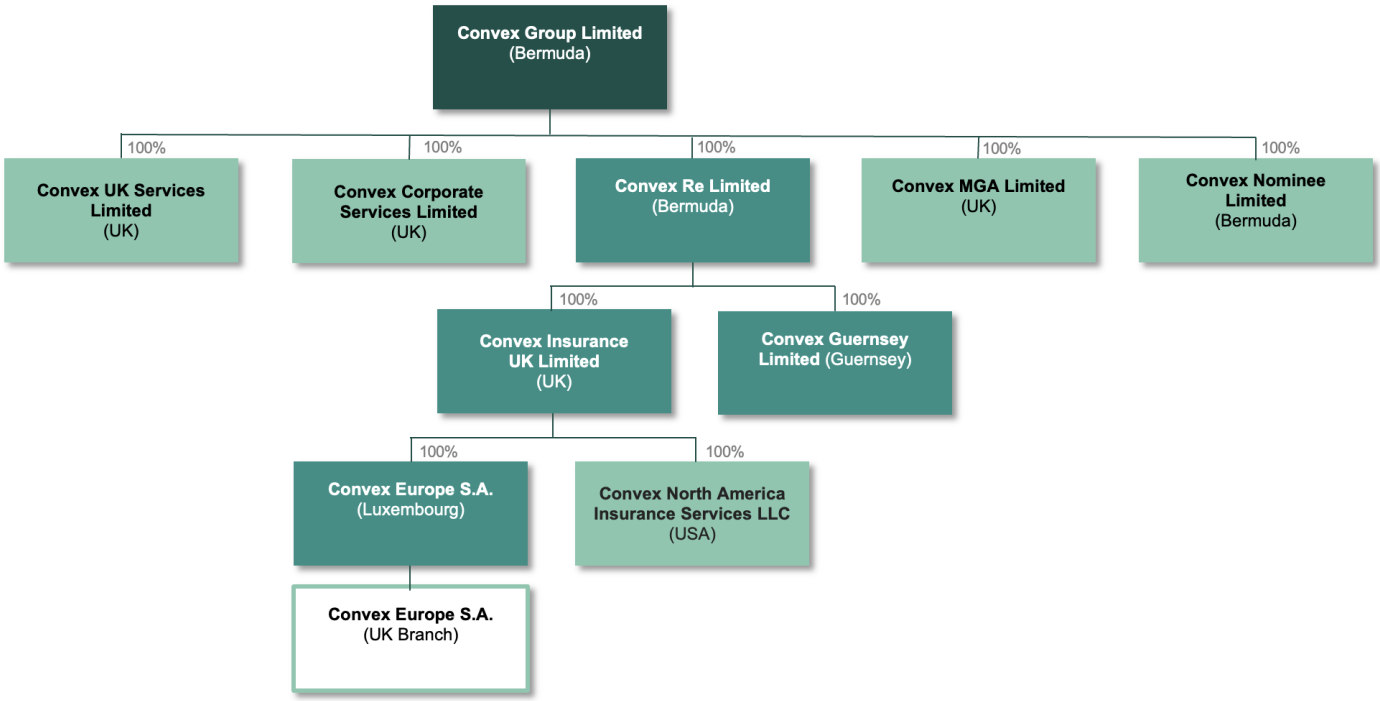
Commissariat aux Assurances 11, Rue Robert Stumper L-2557, Luxembourg	Prudential Regulation Authority Bank of England Threadneedle Street London EC2R 8AH	Financial Conduct Authority 12 Endeavour Square London E20 1JN

The external auditor of CES is PricewaterhouseCoopers société cooperative.

PricewaterhouseCoopers société cooperative
2, rue Gerhard Mercator
B.P. 1443 L-1014
Luxembourg

Details of CES's position within the legal structure of the Group and related undertakings are set out in the diagram below.

Diagram 1 – CES position within Group Structure



Convex Group

Convex Group is a property and casualty insurance and reinsurance carrier focused on large commercial clients with complex insurance requirements.

The Group has a streamlined organisational structure comprising of:

- **Convex Group Limited ("CGL"):** Holding company in Bermuda
- **Convex Re Limited ("CRL"):** Bermuda operating company, which seeks to be the best in class specialty P&C reinsurer focusing on complex risks
- **Convex Insurance UK Limited ("CIL"):** UK operating company, closely aligned with the Bermuda operating company
- **Convex UK Services Limited ("CSL"):** a services company, which is the main employing and contracting entity in the UK for efficiency and operational purposes
- **Convex Europe S.A. ("CES"):** European operating company, closely aligned with the UK operating company
- **Convex Guernsey Limited ("CGU"):** Guernsey operating company
- **Convex North America Insurance Services LLC ("CNAIS"):** US Managing General Agent
- **Convex MGA Limited ("CML")** is a UK managing general agent;
- **Convex Corporate Services Limited ("CCS"):** is a UK insurance intermediary; and
- **Convex Nominee Limited ("CNL")** is the trustee for CGL's employee share purchase scheme.

A.2 Underwriting performance

A.2.1 Measurement of underwriting performance

CES uses underwriting result to measure its underwriting performance. Underwriting result is a non-GAAP financial performance measure, calculated on a GAAP basis. It excludes certain items to enhance comparability and understanding of underwriting performance by highlighting net underwriting income attributable to on-going underwriting operations. Examples of items excluded from underwriting result are investment return and expenses not directly attributable to underwriting.

A.2.2 Underwriting profit

Table A.1 below presents the underwriting profit for CES for the period ended 31 December 2025 and 2024 as well as the reconciliation of underwriting loss to profit before tax. Profit / (loss) before tax is as shown in CES's financial statements.

Table A.1 – Underwriting Performance

	2025 $000s	2024 $000s
Gross written premiums	369,806	335,274
Premiums ceded to reinsurers	(294,523)	(267,501)
Premiums written net of reinsurance	**75,283**	**67,773**
Net change in provision for unearned premium reinsurance	(7,724)	(8,413)
Net premiums earned	**67,559**	**59,360**
Net investment return	6,794	5,886
Total Revenues	**74,353**	**65,246**
Claims paid net of recoveries from reinsurers	(13,019)	(13,177)
Change in insurance liabilities, net of reinsurance	(14,779)	(16,624)
Change in subrogation and salvages	128	119
Claims incurred, net of reinsurance	**(27,670)**	**(29,682)**
Fee and commission expense, net of reinsurance	(16,209)	(10,778)
Other expenses, net of reinsurance	(31,178)	(27,104)
Services rendered to Group companies	1,541	—
Foreign exchange gains / (losses)	(2,394)	3,060
Profit for the period before tax	**(1,557)**	**742**
Less: Net investment return	(6,794)	(5,886)
Add back: Indirect Expenses	31,178	27,104
Underwriting profit for the period	**22,827**	**21,960**

** Net inwards commissions and net operating costs in Table A.1 differ to the disclosures in the Annual Accounts, which includes $9.1m (2024: $7.3m) of administrative costs that were directly attributable to the acquisition of business in acquisition costs.*

As in 2024 Convex's prudent Group approach to risk retention in the early stages of operation resulted in a high level of reinsurance spend in 2025, which served to reduce net written, and hence net earned, premium.

In addition, the loss is due to the revaluation of Unearned Premium Reserve and Deferred Acquisition Cost, combined with USD weakening against the EUR. Given our foreign exchange management policy of maintaining surplus EUR assets, CES recorded a pre-tax loss of $1.6m (2024: $0.7m profit). However, the underwriting result, which excludes investment income and operating expenses including underwriting related operating expenses, was a profit of $22.8m (2024: $22.0m).

A.2.3 Quantitative Reporting Templates S.05.01

Quantification of premiums, claims and expenses, analysed by Solvency II lines of business, is provided in Quantitative Reporting Templates ("QRT") S.05.01, (see Appendix B). This QRT has been prepared in accordance with the definitions and formats prescribed under Solvency II. They include the items (except net investment income) excluded from underwriting result in the reconciliation presented in Section A.2.2.

A summary of the information provided in the premium, claims and expenses QRT S.05.01, analysed by Solvency II lines of business, is provided in the tables below.

Table A.2a – Summary of QRT S.05.01

	Direct and Proportional Reinsurance								Non Proportional Reinsurance					
Financial Year 2025 $000s	Income Protection	Marine, Aviation and Transport	Fire and Property Damage	General Liability	Credit and suretyship insurance	Assistance	Miscellaneous financial loss	Total	Health	Casualty	Marine, Aviation and Transport	Property	Total	Total
Gross written premium	1,718	179,424	36,911	80,244	17,061	4,881	3,354	323,593	(58)	2,663	29,402	14,205	46,213	**369,806**
Net earned premiums	436	34,314	4,871	17,747	766	960	955	60,049	18	747	4,846	1,898	7,509	**67,558**
Gross claims incurred *	4,274	108,981	24,812	41,866	673	4,397	298	185,301	23	953	49,060	5,120	55,156	**240,457**
Net claims incurred *	472	11,823	1,862	3,532	(175)	514	3	18,031	2	38	6,993	327	7,359	**25,390**
Direct Expenses Incurred	204	14,297	522	9,450	(59)	31	712	25,157	9	373	30	(300)	112	**25,269**

	Direct and Proportional Reinsurance								Non Proportional Reinsurance					
Financial Year 2024 $000s	Income Protection	Marine, Aviation and Transport	Fire and Property Damage	General Liability	Credit and suretyship insurance	Assistance	Miscellaneous financial loss	Total	Health	Casualty	Marine, Aviation and Transport	Property	Total	Total
Gross written premium	2,043	177,516	38,228	64,054	7,368	2,916	2,993	295,118	205	2,576	22,265	15,110	40,156	**335,274**
Net earned premiums	457	33,833	3,067	13,890	715	454	599	53,015	20	541	3,706	2,078	6,345	**59,360**
Gross claims incurred	900	109,937	11,959	33,122	1,649	1,648	971	160,186	(29)	1,208	8,336	7,487	17,002	**177,188**
Net claims incurred	188	16,229	2,397	5,534	234	294	157	25,033	(5)	204	1,247	877	2,323	**27,356**
Direct Expenses Incurred	139	12,176	184	4,786	(44)	21	371	17,633	9	179	431	(213)	406	**18,039**

Gross and net claims presented in Table A.2 above do not include $0.8m (2024: $0.7m) of claims handling costs and $1.6m (2024: $1.7m) of unallocated loss adjustment expenses. Direct expenses presented in Table A2 above are in respect of fees and commissions, net of reinsurance. These differ from those shown in Table 1 by administration costs attributable to the acquisition of business of $9.1m (2024: $7.3m).

Table A.2b – Technical Result – Analysis by Geographic Area *

31 December 2025	Luxembourg	Ireland	Germany	Italy	Malta	Norway	Other	Total $000s
Gross Premiums Written	216,558	21,143	17,073	13,102	10,746	10,066	81,118	369,806
Reinsurers' Share	171,928	14,871	14,230	9,561	8,521	9,126	66,286	294,523
Net Premiums Written	44,630	6,272	2,843	3,541	2,225	940	14,832	75,283
Gross Premiums Earned	204,524	21,288	16,744	10,791	10,038	6,612	59,442	329,439
Reinsurers' Share	163,403	15,170	14,224	7,973	7,950	5,753	47,408	261,881
Net Premiums Earned	41,121	6,118	2,520	2,818	2,088	859	12,034	67,558
Gross Claims Incurred	122,907	10,940	19,125	5,205	4,552	2,744	74,984	240,457
Reinsurers' Share	110,463	9,731	17,429	4,741	4,094	2,576	66,033	215,067
Net Claims Incurred	12,444	1,209	1,696	464	458	168	8,951	25,390
Expenses Incurred	30,384	4,520	1,862	2,083	1,543	634	8,893	49,919
Technical Result	(1,707)	389	(1,038)	271	87	57	(5,810)	(7,751)

31 December 2024	Luxembourg	Ireland	Germany	Poland	Malta	Netherlands	Other	Total $000s
Gross Premiums Written	224,390	20,526	15,107	8,091	7,875	6,653	52,632	335,274
Reinsurers' Share	176,148	15,268	13,867	7,013	6,477	5,725	43,003	267,501
Net Premiums Written	48,242	5,258	1,240	1,078	1,398	928	9,629	67,773
Gross Premiums Earned	199,695	19,551	7,589	7,380	6,137	4,443	38,310	283,105
Reinsurers' Share	156,417	14,696	6,644	5,971	4,922	3,635	31,460	223,745
Net Premiums Earned	43,278	4,855	945	1,409	1,215	808	6,850	59,360
Gross Claims Incurred	137,294	12,051	2,063	1,490	1,254	2,192	20,844	177,188
Reinsurers' Share	116,528	10,300	1,805	1,286	987	1,898	17,028	149,832
Net Claims Incurred	20,766	1,751	258	204	267	294	3,816	27,356
Expenses Incurred	31,071	3,480	84	947	530	384	3,846	40,342
Technical Result	(8,559)	(376)	603	258	418	130	(812)	(8,338)

The geographic location presented in Table A.2 above is derived from class of business as follows: 1) Income protection, fire and other damage to property and credit and suretyship classes of business are derived from location of risk; 2) Marine, aviation and transport, general liability, assistance and miscellaneous financial classes of business are derived from the location of underwriting; and 3) Proportional and non-proportional reinsurance from the location of reinsurer.

The technical result shown above differs from that presented in the Annual Accounts by $6.8m (2024: $6.0m) of investment income earned net of investment management charges. Expenses incurred presented in Table A.2 above include $0.8m (2024: $0.7m) of claims handling costs, $1.6m (2024: $1.7m) of unallocated loss adjustment expenses and investment expenses of $0.0m (2024: $0.0m).

A.3. Investment performance

A.3.1. Income and expenses arising from investments by asset class

CES's asset portfolio continued to be invested solely in investment grade fixed income securities during 2025. The investment assets produced a total investment return of 5.2% in 2025 (2024: 4.7%). The positive return was predominately driven by consistent coupon income earned throughout the year along with modest price gains as risk-free yields reduced. Investment income in the annual accounts from investments valued at amortised cost was $6,794 (2024: $5,886).

Table A.3 – Net investment income analysed by asset class

Financial Year 2025	Debt Securities	Other Financial Investments	Total ($000s)
Interest income	4,928	986	5,914
Net gains and (losses)	696	—	696
Other (incl. investment expenses)	(164)	—	(164)
Value adjustment	33	—	33
Unrealised gains and losses	373	—	373
Total Investment Return	**5,866**	**986**	**6,852**

Financial Year 2024	Debt Securities	Other Financial Investments	Total ($000s)
Interest income	3,870	1,340	5,210
Net gains and (losses)	(146)	—	(146)
Other (incl. investment expenses)	(133)	—	(133)
Unrealised gains and losses	(283)	—	(283)
Total Investment Return	**3,308**	**1,340**	**4,648**

A.3.2 Gains and losses recognised directly in equity

There were no gains and losses recognised directly in equity during the year. All investment gains and losses were recognised in profit and loss.

A.3.3. Information about any investments in securitisations

Investments were held in securitisation vehicles in the form of debt securities. These securities consisted of AA-rated agency mortgage backed securities ("Agency MBS") and AA/AAA-rated collateralised loan obligations ("CLO"). The fair value of investments in securitisations as at 31 December 2025 was $11.8m (2024: $3.4m).

A.4. Performance of other activities

A.4.1. Other material income and expenses incurred over the reporting period

CES has no other material income and expenses incurred over the reporting period.

A.4.2. Leasing arrangements

CES has no material leasing arrangements.

A.5. Any other information

There is no other material information to disclose regarding CES's business and performance.

B. System of governance

B.1. General information on the system of governance

This section of the report sets out information regarding the system of governance in place within CES. This includes a description of the CES Board, executive committees and a description of the roles, responsibilities and governance of CES's key control functions of Risk Management, Compliance, Internal Audit, and Actuarial.

B.1.1 Overview of the Group's Governance Framework

CES is the European operating entity within the Convex Group and carries out the business of insurance and reinsurance. It was incorporated on 26 March 2021, and authorised and regulated by the CAA on 15 September 2021. Its UK branch was authorised by the PRA on 1 December 2021 and is regulated by the PRA and FCA. CES underwrites risks located in the European Economic Area on an insurance and reinsurance basis.

CES has established a robust governance and control framework that includes levels of authority, accountability, responsibility, oversight and challenge and is supported by a 'three lines of defence' model.

CES Governance Framework - Governance Structure

CES Boards

CES is governed by a Board of Directors which is responsible for leadership and control, setting strategic direction, promoting the success of the Company and exercising oversight. The Board operates within its Terms of Reference and according to established principles and requirements of good governance. It meets at least four times a year and receives sufficient and timely information to ensure that the Board and Directors can fulfil their corporate and individual responsibilities.

The CES Board consists of the following stakeholders:

- Three Independent Non-Executive Directors (INEDs): Including the Chair of the Board;
- One Executive Director: Occupied by the Chief Executive Officer (CEO) of CIL; and
- Two Directors: The CES General Manager (Dirigeant Agréé) and the CES Chief Financial Officer (CFO).

The Board has established an Audit Committee consisting of non-executive Directors in order to assist it with the oversight of financial and other controls. The Audit Committee operates under Terms of Reference and is responsible for supporting the Board to maintain systems, practices and processes for the internal and external audit of the Company's business which are appropriate given the nature, scale and lines of its business and to maintain effective internal quality control and risk management systems regarding financial reporting. The Audit Committee reports to the Board on these matters.

CES Executive Committee

CES has established a CES Executive Committee consisting of key executives under the leadership of the CES Dirigeant Agréée. The CES Executive Committee meets monthly, excluding August, with additional sessions in March and November to support Board approvals and key reporting deadlines. The Executive Committee is responsible for supporting the Dirigeant Agréée in exercising the authority delegated by the CES Board for the management of CES.

B.1.2. Board Responsibilities

The Board's role is to be collectively responsible for promoting the long-term sustainability of the Company, generating value for shareholders in a manner which also allows it to discharge its responsibilities to its stakeholders whilst maintaining compliance with legal and regulatory requirements. The Board sets the purpose, strategy and values of the Company and seeks to ensure that the culture within the company is aligned with these. The Board is also responsible for setting the Company's risk appetite and satisfies itself that financial controls and risk management systems are robust, while ensuring the Company is adequately resourced. It also ensures that there is appropriate dialogue with shareholders on strategy and remuneration.

The Board's responsibilities include taking account of other stakeholders including employees, intermediaries, third party partners, policyholders and customers. This includes ensuring that an appropriate system of risk governance is in place throughout the Company. To discharge this responsibility, the Board has established frameworks for risk management and internal control using a 'three lines of defence model' to ensure that CES is managed in accordance with the risk appetite established by the Board.

B.1.3 Control Framework

The Board retains ultimate responsibility for the Company's systems of internal control and the risk management framework, which they review through an effective governance and monitoring process. This includes regular reporting and in-depth monitoring of the establishment and operation of prudent and effective controls.

CES operates a 'three lines of defence' controls framework whereby the business implements first line controls so as to ensure that the front-line business units comply with the requirements set by the Board regarding risk appetite and control. The Compliance and Risk Management functions undertake monitoring to provide second line assurance that these controls are effective, meet the expectations of our regulators and are in accordance with the company's risk appetite.

The Internal Audit function provides independent oversight across CES and reports to the Audit Committee of the CES Board.

The respective responsibilities of each line are shown below:

First line: Management Monitoring

Management is responsible for implementing and monitoring the system of internal control to ensure key business objectives are achieved and for complying with the risk appetite and controls set by the CES Board. Collectively the first line of defence is responsible for the day-to-day management of risk, including the identification and assessment of risks and controls.

Second line: Risk and Compliance functions

The Risk Management function is accountable for developing the Risk Management Framework ("RMF") and for the quantitative and qualitative oversight and challenge of the process to identify, measure, manage, monitor and report ("IMMMR") risk. As the business responds to changing market conditions, customer needs and regulatory requirements, the Risk Management function regularly monitors the appropriateness of the company's risk policies and the RMF to ensure they remain up to date.

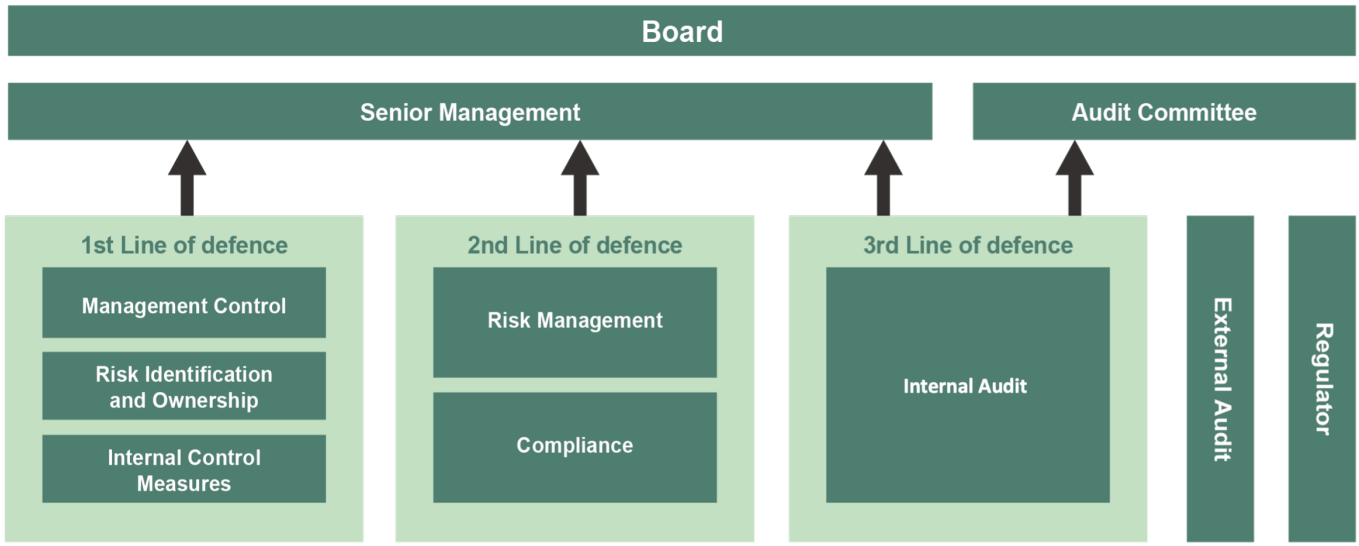
The Compliance function supports and advises the business on the identification, measurement and management of its regulatory, financial crime and conduct risks; in this regard the Compliance function acts as part of the first line of defence. Compliance also monitors, evaluates and provides assurance on the effectiveness of the first line controls and therefore also acts as part of the second line of defence. In addition, Compliance is accountable for monitoring and reporting on the performance of CES against the conduct risk metrics agreed by the Board.

Third line: Internal Audit

Internal Audit provides independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal controls to the CES Audit Committee and the Board.

CES Three Lines of Defence Model

Diagram 2 below sets out the structure of CES's three lines of defence model.



B.1.4 Remuneration

CES's reward principles and arrangements are designed to incentivise and reward employees for achieving stated business goals in a manner that is consistent with the company's approach to sound and effective risk management. These principles adhere to the Solvency II remuneration requirements, including the identification of Solvency II staff. The remuneration approach is aligned to the company's strategy, incentivises achievement of the company's annual business plan and longer-term sustainable growth of the business, and differentiates reward outcomes based on performance and behaviour that is consistent with the company's values. The remuneration approach provides market competitive remuneration and incentivises all staff members to contribute towards both the annual business plan and the longer-term strategic objectives of the company. Variable remuneration can be zero if performance thresholds are not met.

Remuneration of staff is split between the following components:

- Basic salary informed by individual and business performance, levels of increase for the broader Luxembourg employee population and relevant pay data;
- Variable components (based on business and individual performance);
- Pensions; and
- Benefits.

Non-executive Directors receive a basic annual fee in respect of their Board duties. Further fees are paid for membership and, where appropriate, chairing Board committees. Fees will be reviewed annually taking into account market data and trends and the scope of specific Board duties.

B.1.5. Material transactions during the reporting period with shareholders, persons who exercise a significant influence on CES and with members of the Board

The Company did not have any material transactions in the reporting period with persons who exercise significant influence or senior executives.

The Company enters into transactions with other Convex group entities in the normal course of business. The most material transactions are the reinsurance cessions to Convex Re Limited ("CRL") which is a company within the Convex Group.

B.2. Fit and proper requirements

B.2.1. Specific Requirements Concerning Fit and Proper

In accordance with Section 2 – System of governance (Article 72 and 73) of the Law of 7 December 2015 on the insurance sector, individuals who are performing roles where they are considered to effectively run the undertaking or have other key functions (as defined under Solvency II) are required to be assessed for their fitness and propriety at appointment and on an on-going basis by CES.

The individuals who are performing a role that is considered to effectively run the undertaking or is any other key function are required to be assessed for their fitness and propriety at appointment and on an on-going basis by CES.

Assessing a person's fitness and propriety includes an assessment of:

- Their honesty, integrity and reputation;
- Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management; and
- Their financial soundness.

The CES Board identifies the skills and experience that are required at Board level, including the appointments of executive Directors or independent non-executive Directors, so as to ensure the relevant diversity, experience, skills and knowledge required for effective oversight and challenge.

B.2.2 Polices and Process for assessing fitness and propriety

To ensure that CES identifies and recruits appropriate people to perform the roles which are key and / or are considered to effectively run the undertaking, the individual is assessed for:

- Fitness: skills and experience must be adequately matched to the role they are being employed to undertake.
- Propriety: checks are in place to ensure that an individual is honest, of good reputation, has integrity and is financially sound.

A basic level of screening is applied to all employees. Where an individual performs a role that is required to be approved by the CAA, a criminal record extract is required by the authorities of the country of predominant residence over the last 5 years if different to the individual's current place of residence. Additionally, for individuals performing an executive function subject to a licence or a Solvency II key function role, a declaration of honour confirming the individual has not previously been declared bankrupt is required to be made before a notary.

There are some individuals who are employed by CES who perform SMF roles for the UK Branch of CES. These individuals are employed and assessed in accordance with the requirements set by the FCA and PRA. The CES UK Branch operates under the SMCR rules and those individuals that undertake SMF roles are approved by the FCA / PRA through the application and, if necessary, interview process.

Fit and Proper assessments are carried out on an annual basis, although it is made clear to individuals that should they consider that they may have incurred a breach of the requirements, it is their responsibility to report this to HR immediately.

B.2.3 Culture and on-going monitoring

At CES the importance of fitness and propriety is reinforced by the culture set by the Board and this is expressed through:

- Mandatory training that all staff need to complete on an annual basis;
- Assessment of fitness to perform the role through the on-going performance management discussions;
- Ability for individuals to report where they consider there are barriers to them being able to perform their role such as not being provided with sufficient time or staff or where they have identified a training need;
- Completion of the annual fit and proper assessments; and
- Adherence to the applicable conduct rules as per the requirements under SMCR.

B.3. Risk management system including the ORSA

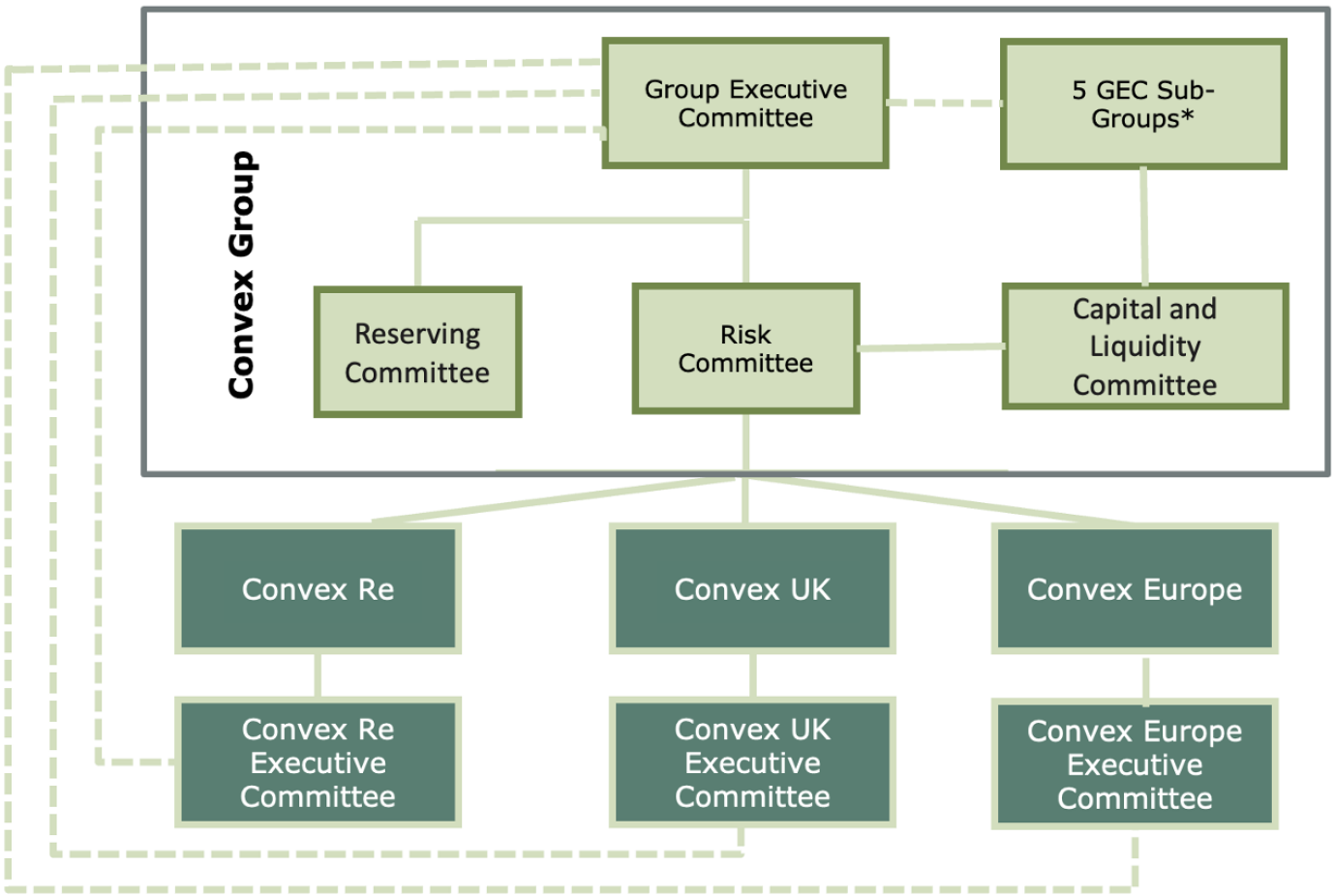
B.3.1. Description of the Risk management system

Risk Management Overview

Risk is defined by Convex as the possible occurrence of an event(s) which will affect the ability of Convex Group and / or its legal entities to achieve its strategy and goals adversely or opportunistically. The Risk Management function provides risk oversight of the business for all risk types and categories. Oversight of the function's operations is provided by the Group Executive Risk Committee and the Group Executive Committee ("GEC"), as well as the CES Executive Committee. The Group Risk Management function is led by the Group Chief Risk Officer ("CRO"), who attends Group Board and GEC meetings, and chairs the Group Executive Risk Committee. The CES Head of Risk attends the CES Board and is a member of the CES Executive Committee.

CES is part of the Convex Group. Certain functions applicable to CES are performed at the Group level, such as the Group Executive Risk Committee, though all risks related to CES are reviewed at the entity level. The diagram below sets out the committee structure for Convex Group, to provide a comprehensive overview of the committees relevant to CES.

Diagram 3 – Convex Group committee structure



B.3.2. Implementation of the risk management system

Risk Management Implementation

The following sections detail how the Risk Management function and System are implemented within CES.

Risk Strategy

The Convex Group's Risk Management strategy supports the Group's wider strategy by articulating strategic objectives which enable the Risk Management function and the wider business to think about risk in a structured and consistent manner. These objectives are as follows:

- **Embedding risk within the business** by continuing to integrate the Group Risk Management function more closely into day-to-day operations. This will strengthen collaboration while still ensuring appropriate oversight and challenge that matches the Group's risk profile and complexity.
- **Enabling a positive risk culture** by helping build a well-managed and controlled business at Convex, which supports long-term growth and strengthens the Convex brand.
- **Embracing technology and outsourcing** to make the Risk Management function more innovative, efficient, and insightful for stakeholders.
- **Development of talent and skills** by continuously building the team's capabilities and ensuring the Risk Management function has the right people, expertise, and capacity to match Convex's risk profile and complexity.

CES takes risk management seriously, and a strong risk culture is embedded within the business. Risk and assurance reviews are embedded with the first line to ensure risks are adequately identified and mitigated. For example, the Actuarial function is a key stakeholder from the first line in managing underwriting and solvency risks on a day to day basis. CES aims to differentiate itself from its peers and its business model requires a strong underwriting and operating cost discipline. As a result, the first line plays a strong role in identifying and managing risks.

The CES Board is responsible for the Company's risk and internal control framework, including setting and approving the Company's business strategy, determining its risk appetite, establishing appropriate risk policies and monitoring capital requirements and risks against the agreed risk appetite and in line with the risk appetite statements.

A number of processes support the Risk Management Framework including:

- Risk governance;
- The Risk Taxonomy;
- Key risk categories;
- Risk identification, assessment, response, monitoring, and reporting;
- Risk appetite setting;
- Risk incident management;
- Risk reviews and opinions;
- Risk training; and
- Climate change risk management considerations.

Risk Management Process

1) Risk identification – What might affect CES and its objectives?

The risk identification process enables CES to identify the risks, including emerging risks, that CES is facing, and to monitor and mitigate them. The Risk Management function has defined the risk taxonomy in which CES operates.

A key component of the risk identification process at CES is the Risk register. CES has a comprehensive Risk Register which is mapped against the risk taxonomy. The most material risks included in the Risk Register are reported to the CES Board on a quarterly basis. The Risk Management function also reviews and updates the Risk Register on a quarterly basis.

In addition to this, the effective management of emerging risks is essential for maintaining CES's business strategy and underwriting performance. It helps to identify external trends, threats and opportunities, and improves risk selection and knowledge of future risk exposures.

The Risk Management function, together with relevant stakeholders from the business, review the emerging risks landscape and assess the impact on CES's business profile and strategy. This process is performed in a formalised Emerging Risk Working Group ("ERWG") supported with external sources of information (including the Oracle Partnership), to provide foresight and strategic advice for future threats and opportunities. The regular emerging risk assessment also feeds into the ORSA process and ORSA report.

The Risk Register is the repository of all material risks and controls in the Company. It is one of the Risk Management function's most important Risk Management and monitoring tools and drives a significant portion of risk reporting to the CES Board, CES Executive Committee and Group Executive Risk Committee on a quarterly basis.

The fundamental sources of risk give rise to the following top-level risk categories that form the risk universe:

- Strategic and Group risk – such as incorrect assessment of insurance market and climate change.
- Insurance risk – such as aggregate exposures and reserves;
- Financial risk – such as Market, Liquidity and Credit risk; and
- Operational risk – such as operational resilience and disaster recovery.

2) Risk Assessment – Which uncertainties can impact CES and its objectives the most?

The Risk & Control Self-Assessment ("RCSA") process allows CES to identify key risks, assess the materiality and status of the risks and controls, use this information to manage the CES risks and potential impact to Group risks, and review and monitor them on a periodic basis. The outcome of the RCSA process is shared with the relevant stakeholders, CES Executive Committee, CES Board and the Group Executive Risk Committee on a regular basis.

Risk owners are responsible for the identification and day-to-day management of controls, including implementation, regular monitoring and reporting of the risk status. The Risk Management function uses its risk management system to perform quarterly risk and control self-assessments with risk and control owners to review each function's risk profile and effectiveness of controls in place, and provide further challenge as necessary. The output from these assessments enables the Risk Management function to focus their attention on those risks that have a high materiality.

3) Risk Mitigation – What will we do to manage these risks?

Risk mitigation is the process of reducing the potential adverse effects of a risk down to an acceptable level i.e. within CES's risk appetite. Risk mitigation is mainly achieved through the implementation of controls and management actions. It is the responsibility of each function within CES to own and manage their internal control environment. Risk Management provides an independent second line view of each function's internal control environment and reports findings to the relevant committees.

4) Risk Monitoring – Is the management of risk working effectively?

Risk monitoring is an important part of the risk management process. Effective risk monitoring ensures that CES is operating within risk appetite and tolerances. It is a continuous and dynamic process of keeping track of identified risks and monitoring residual risks for any changes. It is also used to monitor the effectiveness of controls over time.

Risk monitoring enables CES to make effective decisions on risks in advance of these materialising. It helps to ensure that the correct risks continue to be represented in the Risk Register, reflecting the changing risk profile of the business and ensures that the correct risk response actions have been implemented and are effectively working.

All identified material risks are monitored through the Risk Register to ensure risk profile changes are identified early, allowing appropriate mitigating actions to be applied in order to prevent negative outcomes. Any material changes identified form part of the risk reporting to the CES Board, CES Executive Committee and Group Executive Risk Committee.

In addition to the Risk Register and the regular risk assessment process, the Risk Management function has in place other second line risk monitoring tools and activities such as risk management deep dives, the ERWG and stress testing exercises.

5) Risk Reporting – Who needs to know about the status of risk management?

The purpose of risk reporting is to provide management with useful information, allowing them to make effective decisions about the risks the business faces. Risk reporting is a regular, continuous and important process for CES as it builds alignment and transparency of risk information between the business, management and the CES Board. The Risk Management Framework, system and processes facilitate this reporting throughout the year, allowing CES's Board to review and challenge risk information and make informed decisions about the changing risk profile of the business.

Information from the Risk Register is aggregated, analysed and presented in the risk report to the CES Board and Executive Committee, showing the top risks to the business and quarter-on-quarter changes in risk profile.

Risk reporting also provides the Board and the Executive Committee with the Risk Management function's opinion on the risks faced by each area of the business. The report is a combination of qualitative and quantitative information. Qualitative commentary is provided to support understanding of the current risk environment as well as the future risk outlook for the next reporting period.

This provides an opportunity for breaches and key trends to be explicitly raised by the Risk Management function, where relevant.

B.3.3. Own Risk and Solvency Assessment ("ORSA")

ORSA Overview

Overall responsibility for the ORSA framework, output and policy lies with the CES Board. This policy is reviewed annually by the Risk Management function and approved by the CES Board in Q1 of each year.

The ORSA requires inputs from a number of key business activities including but not limited to:

- Strategy and business planning: The forward-looking assessment section of the ORSA, which is the assessment of CES's strategic goals made up of the strategy and business planning processes;
- Risk profile: Assessment and understanding of the current and emerging risks facing CES across all risk categories, also including stress and scenario testing and other Risk Management Framework techniques to assess risk impacts;
- Risk appetite: Review of appetites and tolerances to allow CES to measure the level of risk currently being taken;
- Capital requirements: Assessment of CES's regulatory capital requirements; and
- Solvency assessment: Assessment of CES's solvency against requirements and appetite.

The ORSA provides a framework to enable the CES Board to be aware of the impact strategic decisions have on the risk and overall solvency needs of the business. The main outcomes of the exercise reported to the CES Board in relation to the ORSA are:

- The capital and solvency assessment is produced based on the risk profile of the firm and its business plan. Solvency is also considered under both normal and stressed conditions;
- The risk profile of the firm is reviewed and reported. The ORSA is based on the risk profile of CES;
- The risk appetite of the firm forms a key part of the risk profile reporting throughout the year and the CES Board is regularly informed of the position of the firm against its agreed risk appetite; and
- The adequacy of the standard formula and an assessment of any risk category which deviates significantly from the standard formula parameters.

ORSA Oversight

Oversight of the ORSA process and report is provided by the Board and relevant committees, as follows:

CES Audit Committee	• Provide independent oversight of the ORSA process through internal audit reports.
CES Board	• Set the overall business strategy and direction and ensure this is in line with Group objectives; • Set the risk appetite the for Company; • Review and signs off the ORSA process and annual ORSA report; • Ensure that CES has established appropriate governance arrangements and escalation procedures such that the risks are monitored and managed; • Review and sign off the results of any event driven ORSA reports arising from material changes to the business or business operating environment; • Approve the current and forward looking capital and changes to it in line with the entity's risk profile and operations; • Receive assurance relative to the effectiveness of the control environment from the Board Audit Committee and take actions as appropriate; and • Ensure compliance with regulatory requirements.
CES Executive Committee	• Review the Annual ORSA Report and ORSA Policy and recommend both documents to the CES Board for approval; • Review the quarterly risk appetite dashboard; • Review the quarterly risk and control assessment, and incident report; • Ensure CES's risk profile remains within the Board approved risk appetite limits; • Ensure CES has an appropriate risk and controls framework in place; and • Review and sign-off CES business plan before submission to the CES Board.
Group Executive Risk Committee	• Review the ORSA Policy; • Review the quarterly risk dashboard; • Review the Group Risk Management Framework and risk policies; and • Review the quarterly risk control assessment and incident report.
Group Executive Reserving Committee	• Review the technical provisions and will make recommendations to the CES Board for sign-off.

Supporting IT Systems

CES uses a risk system to capture pertinent details about risks and controls and other Enterprise Risk Management processes in support of the ORSA process. Other risk systems are also used by CES to assess the level of risk within the insurance and investment portfolios, how that risk has changed and to undertake scenario testing of the exposure.

Risk Management and Risk Appetite Frameworks

The ORSA process is built upon the established and embedded Risk Management Framework, and the Risk Appetite Framework. A full description of these frameworks is provided in the relevant internal documentation. A summary of the purpose of these frameworks is listed below:

- Establish the risk management governance requirements;
- Ensure a regular review of the risk profile takes place in relation to the strategic and operational objectives of CES;
- Ensure a regular review of the internal controls and mitigation plans designed to manage identified risks takes place;
- Ensure metrics to support assessment of risks are regularly gathered and reported;
- Ensure that regular review of the appetite for seeking or tolerating risk in pursuit of Convex's strategic and operational objectives take place; and
- Ensure that regular reporting of the status of risks against risk appetite to the CES Executive Committee and the CES Board takes place.

Reporting

ORSA reporting occurs throughout the year via the quarterly risk dashboard and also in an annual standalone report to the CES Board and to the CAA.

The risk dashboard contains information on all major risk categories considered by CES, and includes top risks, emerging risks, information on incidents, near misses, and risk appetite metrics.

Separately, the annual ORSA report:

- Recognises the risk, governance and management processes across CES;
- Conveys the strategy, capital and risk matters for the CES Board to review and challenge; and
- Identifies the material one-year and three-year risks to the business and confirm that these are monitored throughout the year through the ORSA process.

The results and conclusions of the annual ORSA report are presented to the CES Executive Committee for review, and ultimately to the Board for sign-off.

ORSA Process

The ORSA process considers all key risks faced by CES, including Insurance, Operational, Financial (Credit, Market and Liquidity), Strategic and Group risk, as well as risks included within the SCR calculation.

CES undertakes stress testing and scenario analysis to identify and quantify potential stress events that could heavily impact the performance and financial resilience of the business. The Risk Management function involves relevant subject matter experts from key business and functional areas in stress and scenario testing development and selection. This is reported to the Group Risk Committee and included in the annual ORSA report.

Sensitivity analysis is carried out on the business plan as part of the planning cycle, to challenge the resilience of the plan and financial impacts of further potential risks to the plan.

The Risk Management function uses the emerging risk process, in the support the Oracle Partnership, to help ensure that the identification, monitoring, and management of emerging risks that Convex should consider. The framework moves beyond historical ad-hoc analysis to a structured governance model. A key component of this evolution is the establishment of the Emerging Risk Working Group ("ERWG"). The framework clarifies accountabilities, placing primary responsibility for the identification and mitigation of risks within the First Line of Defence, while the Risk Management function provides oversight, facilitation, and reporting to the management and Board.

The results of this process are included in the annual ORSA report. Forward looking activities include:

- The cross-functional planning team meeting with Senior Management to gain their strategic views for the 3-year planning period;
- The cross-functional planning team holding discussions with the Chief Underwriting Officer (Insurance) to identify growth target, reinsurance trends, assumptions for rating levels and key risks facing the firm;
- The Board signing-off the business plan and risk and capital projections; and
- Independent challenge from the Risk Management function on the three-year business plan, risks to the plan and capital requirements.

Capital Requirements Calculation

The appropriateness of the SCR to cover the risks faced by CES is validated on an annual basis. This is carried out via an assessment of the assumptions underlying the Standard Formula versus the risk profile of CES, and any key differences are documented in the annual ORSA report. An overall assessment of the suitability of the SCR to calculate regulatory capital for CES based on these differences is also included in the annual ORSA report.

Solvency Assessment

The Finance function undertakes a periodic assessment of the funds available to support CES's economic capital requirements, ensuring that the proportions of available tier 1, tier 2, and tier 3 capital categories meet or exceed the requirements of the SCR.

ORSA Frequency

The ORSA process is continuous. There are quarterly updates to the Group Executive Risk Committee, CES Executive Committee and CES Board containing information on Insurance, Financial and Operational risks as well as an update on departmental control environments, incidents and near misses during the quarter and results of CES's comprehensive risk appetite metric process. This is supported by an annual ORSA report.

Ad hoc ORSAs and Triggers

An ad hoc ORSA may be run outside of the regular cycle in response to certain triggers (see below). This may be a full ORSA or a partial ORSA (where only a sub-section of the ORSA process is impacted). The principle of proportionality is applied to the running of an ad hoc ORSA.

Change to CES risk profile

The Group Executive Risk Committee will determine whether or not a full or partial ORSA run is required, upon the recommendation of the Risk Management function. The Group Executive Risk Committee will take into account the following potential triggers for an ad hoc re-run:

- Material change to the CES risk profile;
- Failure in underlying controls or risk assessment process leading to an incorrect assessment of capital requirements;
- Significant insurance loss, especially major or multiple natural catastrophe events;
- Major financial market shock; and
- Failure of counterparties or reinsurers, where there is significant exposure.

If one of the triggers occurs, the decision to run a full or partial ORSA report would be made through consultation involving the Head of Risk, Actuarial Director, Chief Financial Officer and Dirigeant Agréé for CES.

B.4. Internal control function

B.4.1. Description of the internal control system

The internal controls framework is based on the 'three lines of defence' model. Risk management is the responsibility of the employees who constitute the first line, the control owners. Oversight and guidance are provided by the second line through the Risk and Compliance teams.

Control activities carried out by control owners within the business as part of the Risk Management Framework are assessed at least annually. In practice, most are reviewed on a quarterly basis as part of the Risk and Control Self-Assessment ("RCSA") process to ensure that any deficiencies in the control environment are known, and appropriate actions can be taken to improve the overall control environment. These controls serve to reduce the likelihood of occurrence of risks, to mitigate any impact caused by the risk crystallising, or to enable early detection of the risk's impact.

Independent oversight of the systems of internal control for the business is the responsibility of the third line, the Internal Audit function. Internal Audit operates a risk-based audit review programme to provide independent assurance to the Board (via the Audit Committee) that the Risk Management Framework and control environment are suitably designed and properly operated and governed.

B.4.2. The Compliance function

The primary purpose of the Compliance function is to assess and manage the company's exposure to regulatory risk. The Compliance function is an integral part of CES's internal control system and constitutes a key part of CES's corporate governance (sc. second level of control).

The Compliance function reports to the Board of Directors and to the other corporate bodies about the regulatory risk. It manages the relationship with the CAA and other regulatory bodies and is committed to transparent and constructive relationships with regulators. The Compliance function is supported by Group Compliance and works closely with the Legal, Risk Management and Internal Audit functions. The Compliance function activities include:

- Regulatory landscape scanning and identification of forthcoming regulatory changes;
- Identification of (non-)compliance risks and supporting the Board in agreeing measures including metrics and conduct risk appetite;
- Providing advice, support, guidance, and challenge to the business in regards conduct risk, regulatory requirements and financial crime;
- Managing regulatory engagement with the vigilance authorities, including financial crime and data protection;
- Undertaking on-going and ad hoc monitoring of the controls implemented by the business and report findings to the CES Board;
- Managing compliance risks with outsourcing partners, ensuring that they are aligned with CES culture and risk appetite;
- Setting the financial crime policy and sanctions framework;
- Escalating identified risks and breaches to management and the Board;
- Liaising with Internal Audit regarding key risk areas and effective use of monitoring and audit inspections;
- Participating in the CES Executive Committee; and
- Reporting to the CES Board.

The Head of Compliance is approved as a Solvency II key function holder and as the SMF16 (Compliance Oversight) for the UK Branch of CES. The Head of Compliance reports to the CES Dirigeant Agréée.

B.5. Internal Audit function

B.5.1. Implementation of the internal audit function

Internal Audit's purpose is to provide independent and objective assurance to CGL, including its subsidiaries' Audit Committees, and to the Convex Executive Committees over the adequacy, effectiveness and sustainability of the Risk Management Framework and the system of internal control. It does this by establishing, undertaking and reporting on an approved assurance plan each year.

The Purpose, Authority and Responsibility of the Internal Audit function is defined within the Internal Audit Charter. Internal Audit operates in accordance with the Global Institute of Internal Auditors' international standards, the UK Chartered Institute of Internal Auditors Financial Services Code, all mandatory elements of the International Professional Practices Framework, and Convex's Internal Audit methodology. The Internal Audit Charter, which is reviewed annually, was approved by the CES Audit Committee in December 2025.

Internal Audit is primarily staffed internally with a professional team that has sufficient knowledge, skills, experience and professional qualifications. Where specialist technical support is necessary to supplement Internal Audit resource, this is available through a co-sourcing contract with external specialist firms, ensuring that Internal Audit has immediate access to specialist skills where required.

Internal Audit maintains a quality assurance and improvement programme which includes continuous external quality assurance activity undertaken by a third party as well as feedback gathered via stakeholder and employee engagement surveys. On an annual basis, Internal Audit confirms to the CES Audit Committees, that the International Standards for the Professional Practice of Internal Auditing of the Chartered Institute of Internal Auditors are complied with.

In order to operate an effective framework Internal Audit maintains regular and ongoing dialogue with the first and second line functions to maintain a current and timely perspective of business direction and issues. Demarcation between the third line of defense and the first two lines is preserved to enable Internal Audit to provide an independent overview to the CES Audit Committee on the effectiveness of risk management and assurance processes within Convex.

The Audit Services Guide provides a framework to Internal Audit on the spectrum of assurance work the function may perform, to give the various stakeholders the most appropriate type of assurance. For example:

- Risk-based internal audits – Internal Audit's standard audit response, this methodology will also be used in the limited circumstances where Internal Audit responds to ad hoc management requests for assurance. This response focuses on assessing the adequacy and effectiveness of key controls mitigating high risk areas.
- Programme & Project Assurance – a series of risk-based assurance responses to programmes and projects. This differs from standard risk-based audits in that it focuses on key controls as well as the commercial aspects of the programme, such as benefits realisation.
- Close and Continuous – this involves Internal Audit having regular meetings with key stakeholders and attending decision making forums as appropriate. It will also include ongoing assessment of key documents as they are produced. Any concerns will be raised with management at an early stage to allow the programme to address them in a timely manner.

The above are communicated through the following methods:

- Reporting to the CES Board and Audit Committee, including thematic reporting. Quarterly reporting is provided to the CES Audit Committee, where the Key Function Holder ("KFH") for Internal Audit for CES (who is also the Head of Operational Internal Audit) attends to summarise the output within the reporting period and provide an opinion on a number of key risk themes.
- Reporting to the CES Executive Committee, where the KFH for Internal Audit for CES presents a summary of the key successes / challenges within the period.
- In addition to the audit client, Internal Audit reports are issued to all executive management and relevant members of the business and the external auditor. Reporting of issues focuses on describing the control breakdown or failure, who was responsible, and the risk that has materialised or could potentially materialise. In response to the issues raised by Internal Audit, management are required to document the steps they are taking to address the issue, provide a realistic timescale and, importantly, the action is assigned a single owner to enhance accountability.

B.5.2. Maintaining the independence of the Internal Audit function

The Head of Internal Audit for CES, has a direct reporting line, with direct and unlimited access, to the independent Chair of the CES Audit Committee and a functional reporting line to the Convex Chief Audit Officer. The CES Audit Committee approves the appointment, or removal of the KFH for Internal Audit for CES, and the Chief Audit Officer approves the performance evaluation and his / her annual remuneration each year.

Internal Audit is functionally independent from the activities audited and the day-to-day internal control processes of Convex and is therefore able to conduct assignments on its own initiative, with free and unfettered access to people

and information, in respect of any relevant department, establishment or function of the organisation, including the activities of subsidiaries and outsourced activities. The KFH for Internal Audit for CES / Head of Operational Internal Audit and audit staff are not authorised to perform any operational duties for CES or the wider Group or direct the activities of any employee not employed by Internal Audit. Internal Audit maintains policies and procedures to ensure that potential conflicts of interest of audit staff are managed appropriately to maintain Internal Audit's independence.

To ensure that the system of governance works efficiently and effectively, Internal Audit will work together and co-operate with the other assurance functions in an appropriate open and collegiate way (for example, Risk Management and Compliance). Where such co-operation takes place, the work will be planned and carried out in such a way as to ensure that the independence and objectivity of Internal Audit remain safeguarded.

B.6. Actuarial function

The Actuarial function is led by the Chief Actuary ("CA"). CES also has an Actuarial Function Holder (“AFH”), who reports to the CES Dirigeant Agréée. The Actuarial function is accountable for actuarial methodologies and calibrations. It also considers the appropriateness of the capital modelling activities. The Actuarial function produces an annual report to the CES Board providing information necessary for the Board to form their own opinion on the adequacy of technical provisions and capital requirements, and on underwriting and reinsurance arrangements.

The Actuarial function has the authority to review all areas of the Company and has full, free and unrestricted access to all activities, records, property and personnel necessary to complete its work. The independence of the Actuarial function is derived through its organisational separation from other functional areas. The CAA ensures that those persons employed by the Actuarial function in a defined actuarial role are subject to the Fit and Proper policy requirements to ensure they have the requisite skills and knowledge to complete their responsibilities.

B.7. Outsourcing

B.7.1. CES outsourcing policy

Convex has developed a Group Outsourcing and Third-Party Management Policy which applies to each of its legal entities, including CES. The policy outlines and defines Convex's approach to identifying, assessing, and managing the risks associated with external vendors, ensuring that the Company exercises due skill, care, and diligence when entering into, managing, or terminating any outsourcing arrangement. The Outsourcing Policy is reviewed and approved annually by the CES Board.

Convex's culture challenges the status quo and incorporates innovation, flexible working and collaboration in our day-to-day working. Working with our outsourced business partners (both third parties and within the Convex Group) based in the UK, Europe, Bermuda and Asia, we believe that we can provide the best support to our underwriters, with nimble, efficient systems and processes to help them make the best decisions and provide value-added service excellence to our clients and brokers.

CES has considered the impact of all outsourcing and has established:

- Effective processes to identify, manage, monitor and report risks;
- Methods for assessing the standard of performance of the service provider;
- Appropriate escalation measures if the service provider may not be carrying out the functions effectively and in compliance with applicable laws and regulatory requirements;
- The necessary expertise to supervise the outsourced functions effectively; and
- The right to terminate the arrangement without detriment to the continuity and quality of its provision of services to clients.

CES also works to ensure that the service provider must:

- Have the ability, capacity, and any authorisation required by law to perform the outsourced functions, services or activities;
- Disclose any material impact on its ability to carry out the outsourced functions effectively;
- Protect any confidential information relating to the CES and its clients;
- Establish, implement and maintain a contingency plan for disaster recovery and periodic testing of backup facilities having regard to the outsourced function, service or activity, and

- Obtain prior approval from CES for the use of sub-delegates and warrant that the primary contract terms and conditions extend to the sub-contract with such sub-delegation.

CES recognises that the responsibility and accountability of all outsourcing functions remains with the CES Board and the designated Key Function Holders, who ensure that due diligence, expertise and skill is exercised when entering into, managing or terminating any outsourcing arrangement. The Board also acknowledges that CES remains fully responsible for discharging all the Solvency II Directive requirements, notwithstanding any outsourcing arrangements.

Where necessary, outsourcing agreements will be reviewed annually and where material changes are brought to the Board for consideration and approval. The governance structure for CES's major service provider has several layers, thereby ensuring the right audience and authority is engaged for discussion and agreement, whilst maintaining overall Board responsibility and accountability.

B.7.2 Critical or Important Functions Outsourced

To ensure operational resilience and compliance with CAA Circular Letters 21/15 and 22/16, CES has clearly defined its critical outsourcing arrangements.

Convex UK Services Limited ("CSL"), located in the United Kingdom, acts as the primary intra-group service provider supporting the Company's Critical or Important Functions. This includes the provision of operational resources and subject matter expertise to the Solvency II Key Functions (Actuarial, Risk Management, Compliance, and Internal Audit) and supporting critical operational areas such as Claims, Underwriting, Finance, HR, and Ceded Reinsurance.

CSL also manages material external outsourcing arrangements on behalf of CES in accordance with the Group Outsourcing Policy. The material external providers include:

- Amazon Web Services EMEA SARL: Cloud Infrastructure & Data Storage (EU / Global);
- EXL Services Holdings, Inc.: Operational Support Services (USA / India);
- Dr. Logic Ltd: IT Desktop and Application Support (United Kingdom); and
- Dropbox International Unlimited Company: Cloud Storage & Collaboration Services (Ireland / EU).

The CES outsourcing model will ensure that outsourcing does not result in the undue increase of operational risk, materially impair the quality of system of governance of the firm, impair the ability of supervisory authorities to monitor compliance of CES nor undermine continuous and satisfactory service to policyholders.

B.8. Any other information

With regard to ongoing geopolitical volatility and conflicts such as that in Ukraine and the Middle East, CES continues to monitor developments and is continually assessing the impact of them on its various operational functions including investments, compliance, and underwriting exposures.

C. Risk profile

C.1. Insurance risk

C.1.1. Risk description

At CES, we consider Insurance risk in a hierarchy to provide a structure for managing the different components of Insurance risk.

Beyond 'Level 1' Insurance risk we also define 'Level 2' and 'Level 3' sub-risks as follows:

Risk Category 'Level 2'	Risk Category 'Level 3'	Risk Category 'Level 3' Definition
Insurance / Reinsurance Underwriting Risk	Major Events Exposure Risk	The risk that Convex is over-exposed to losses arising from major events that are greater than expectations from the Business Plan.
	Non-Major Events Exposure Risk	The risk that Convex is over-exposed to losses arising from an accumulation of non-major events that are greater than the expectations from the Business Plan.
	Portfolio Risk	The risk that Convex's risk selection and Underwriting portfolio management is unaligned to the Business Plan and underwriting strategy.
	Premium Risk	The risk of failing to determine the appropriate price (based upon modelling, underwriting expertise or claims experience) that supports the Business Plan and underwriting strategy.
Reserve Risk	Actuarial Reserve Risk	The risk that the earned reserves held by Convex are inadequate or inaccurate.
	Claims Reserve Risk	The risk that outstanding amounts set for known claims are 'outside the claims reserving philosophy or inaccurate'.
	Inflation Risk	The risk of material losses in both assets and / or liabilities a rising from changes to the level of CPI or equivalent.
Portfolio Management Risk	Ceded Reinsurance Risk	The risk that Convex has inappropriate or inadequate reinsurance cover results in undue exposure or inadequate recoveries.
	Ranking Risk	The risk that Convex inadequately ranks risks for business decisions and Portfolio Optimisation.
	Exposure Management Risk	The risk that Convex inappropriately and / or inadequately analyses its aggregate exposures for business decisions and Portfolio Optimisation.
	Optimisation Risk	The risk that the Core Model inadequately assesses or optimises its risk profile for business decisions and Portfolio Optimisation.

C.1.2. Risk mitigation

Mitigation of Insurance risk at CES is broadly achieved through the following interlinked processes that create an effective control cycle for the risk. These processes are:

1. Governance;
2. Risk appetite and limits;
3. Internal controls;
4. Risk transfer;
5. Monitoring and reporting.

Governance:

Insurance risk is overseen by the following governance committees. where they undertake review and challenge. The key committees are:

- CES Board;
- CES Executive Committee;
- Group Executive Risk Committee;
- Reserving Committee;

- Major Event Committee;
- Insurance Underwriting Executive Committee; and
- CES Audit Committee.

Risk appetites and limits:

- CES has articulated risk appetites for underwriting risk, reserve risk and single risk exposure; and
- Each line of business also has specific appetites and underwriting guidelines which articulate our desired risk profile.

Internal controls

Underwriting and Portfolio Management risk:

- As part of the business planning process, the portfolio is developed ground up with granular risk selection supported by an in-house tool;
- Underwriting Authorities and Monitoring system;
- Delegated authority approval process;
- Underwriting Guidelines;
- Underwriting Game Plans;
- Peer review;
- Product Oversight and Governance process; and
- Pricing models.

Reserve risk:

- Claims Handling Authorities;
- Claims Core Principles and Procedures;
- Delegated Claims Core Principles and Procedures;
- Reserving Policy and Philosophy;
- Inflation Working Group; and
- Audit of reserves.

Risk transfer

Convex purchases a significant reinsurance programme (using traditional products and other transfer mechanisms to mitigate risk within acceptable limits), from which CES also benefits. Convex has a policy in place to help deliver an effective ceded reinsurance programme and to control and mitigate residual underwriting risk. This is managed by a dedicated Ceded Re team.

Monitoring and reporting

Insurance risk is monitored and reported through a number of mechanisms at Convex including:

- Natural catastrophe analysis;
- Key insurance and reinsurance underwriting metrics;
- Quarterly Reserving Dashboard;
- Claims trends reporting;
- Reserve report;
- Insurance Risk Monitor; and
- Insurance risk appetite reporting.

C.1.3. and C1.4. Measures used to assess risk and concentration

Convex has a number of modelling tools to help assess both Underwriting and Reserve risk. These include:

- The core internal reserving model;
- Vendor catastrophe models;
- Sequel Impact; and
- Renew pricing / ranking models.

These tools are used to produce a range of risk measures and metrics which are monitored and reported.

C.1.5. Material changes over the reporting period

- Enhancements to the risk and control register used in the RCSA process each quarter, following work with the relevant first line functions.
- An external consultant performed the first formal validation exercise over the Convex Core Model, which provides key outputs that inform Insurance risk appetite measurement and reinsurance purchase. This review focused on the more material elements of the Core Model and concluded that it was fit for purpose, while also identifying recommendations to be addressed by the Capital Modelling team. We expect Core Model validation, overseen by the Risk Management function, to be established as a regular activity going forward.
- Implementation of Verisk Touchstone v1 has been completed in 2025 and will be embedded and used in 2026. Verisk Touchstone v12 is in the process of implementation. This will improve the monitoring of natural catastrophe events.

C.2. Market risk

C.2.1. Risk description

Market risk is the risk which arises from fluctuations in interest, inflation or exchange rates as well as asset risk premiums. CES is exposed to Market risk through the impact of market movements to its asset portfolio and to the fair value of its insurance liabilities.

Market risk impacts to the balance sheet arise from various factors, including the following:

- Rising interest rates and / or credit spreads of the fixed-income investments can reduce the market value of the asset portfolio. From an economic point of view, there is a natural hedge provided by the liabilities because as interest rates increase, this decreases the market value of the liabilities, thus absorbing part of the impact. As a result, the net position remains sensitive to interest rate movements.
- A decline in the market value of assets other than fixed income, driven by equity and / or property markets could adversely impact the availability of surplus capital.
- A change in foreign exchange rates could have an impact for CES, due to any potential currency mismatches between assets (cash exposures, investment assets and any currency hedging derivatives) and liabilities (claims and expenses), as well as any currency mismatch between claims and internal reinsurance recoverables.
- An increase in inflation rate may lead to a nominal increase in the value of CES's liabilities and other expenses and affect the valuation of assets in the CES portfolio.

C.2.2. Investment management in accordance with the 'Prudent Person' Principle

CES manages its investment portfolio in line with the Prudent Person Principle as set out in Article 132 (Directive 2009/138/EC) by applying the requirements and principles described in the Group Financial Market Risk Framework and the Investment Guidelines. These requirements and guidelines ensure that risks in the current portfolio and in new investment proposals can be identified, measured, monitored, managed and controlled.

Assets are invested taking into consideration the profile of the liabilities in terms of timing and sensitivity to market factors.

Concentration risk limits are in place to ensure the portfolio is appropriately diversified and the overall level of risk is limited by an aggregate market risk limit. Further, CES has no exposure to Level 3 assets, and thus has lower uncertainty around the valuation of financial assets.

CES ensures the availability of assets to pay in a timely manner claims and other obligations by having in place procedures that measure excess liquidity in stressed market conditions, in line with the risk framework.

C.2.3. Risk mitigation

Market risk for CES is kept at a limited level, owing to the prudent investment strategy and asset allocation, which has limited exposure to higher volatility classes such as equities.

The level of Market risk is managed by:

- Taking into consideration the Market risks inherent in CES's insurance business, expenses and other liabilities including shareholder's capital when managing the investment portfolio;
- Setting and monitoring an Aggregate Market Risk Limit of 25% of the available risk capital, defined as a 1-in-200 return period loss over a one-year time horizon; and
- Setting individual stress test risk limits for the respective market sub-risks at two-thirds of the Aggregate Market Risk Limit for interest rate, spread, equity and property risks and at one-third of the Aggregate Market Risk Limit for foreign exchange ("FX").

C.2.4. Measures used to assess risk

Measures used to assess Market risk in the business include:

- Profit and loss results estimated using a set of stress tests, calibrated at a 1-in-200 one-year event, and subject to an overall market risk limit; and
- Capital requirements measured using the Solvency II Standard Formula to assess market risk by sub-risk and on aggregate.

C.2.5. Risk concentration

Concentration to Market risk factors is monitored by the quantitative stress tests, including stress tests for:

- Interest rate risk (separated by primary components such as parallel and steepening or flattening movements);
- Credit spread risk (separated by rating, duration and type of asset);
- Equity risk, including private equity and other illiquid assets;
- Foreign exchange risk;
- Real estate risk;
- Hedge funds; and
- Inflation risk.

Equity, real estate and hedge fund risks are currently not relevant for the CES portfolio.

In addition, as mentioned above, exposure to each market sub-risk is limited with a risk limit equal to two-thirds of the Aggregate Market Risk Limit for interest rate, spread, equity and property risks and to one-third of the Aggregate Market Risk Limit for FX.

Concentrations to issuers and single investments are limited in the concentration risk framework, discussed in the Credit risk section.

C.2.6. Material changes over the reporting period

CES's Market risk appetite statement is defined as: "Market risk managed across the balance sheet so that a 1-in-200-year event should not consume more than 25% of economic capital at the CES level". The low utilisation of the limit throughout the reporting period reflects CES's prudent approach to market risk.

During 2025, the methodology for calculating market risk was updated from an internally-developed system, which used a mixture of deterministic and stochastic approaches for different risks, to software provided by an external vendor which uses an economic scenario generator and a data feed of line-by-line security holdings. This new approach provides additional insights into the tails of the distribution and the ability to drill down into specific asset classes and security holdings in more detail than before. The magnitude of the market risk calculated by then old and new approaches is roughly consistent, with a 1-in-200 event reducing the portfolio value between 3% and 4%.

C.3. Credit risk

C.3.1. Risk description

Credit risk is the risk of loss due to the failure of a counterparty to meets its contractual obligation to repay debt. Credit risk arises either from the fixed income portfolio, where a default of a counterparty would incur a financial loss, or

through underwriting insurance due to the regular transactions which counterparties such as brokers and reinsurance companies.

Convex's credit risks arise principally through the following exposures:

- Fixed income securities, which includes investments in sovereign and corporate bonds, and collateralised securities;
- Insurance exposures arising from the Political and Credit Risk line of business;
- Reinsurance assets, where Credit risk arises in relation to the reinsurance asset held;
- Other assets, including bank deposits; and
- Insurance assets and receivables.

C.3.2. Risk mitigation

Credit risk is mitigated by monitoring a set of limits that control the risk of loss from a potential failure of an individual issuer or issue. These limits aim at managing the default risk of a given issuer, depending on its rating of all bonds issued by the issuer and held by CES (corporate, government agency and sub-sovereign) and are defined as a percentage of the Assets Under Management, with higher risk investments set at a lower percentage.

The set of limits ensures a well-diversified investment portfolio, including treasury exposures, limiting the loss following the default of a particular issuer. CES proactively monitors credit ratings, applying an internal rating that takes into consideration changes in market observable credit spreads that could indicate potential future downgrades.

Compliance with the limits is ensured through defined governance processes. The Risk Management and the Investment functions monitor the exposure against the limits on a daily basis, and report on a monthly basis, with any issuer exposure breaches reported to the relevant committee for remediation or a waiver if the risk is accepted.

Insurance exposures arising from the Political and Credit Risk line of business are subject to an overall limit and monitored monthly though a defined governance process. A net aggregate exposures limit is in place for the overall Political and Credit Risk underwriting line of business.

Credit risk on insurance assets is managed through the Group Finance function, which monitors the ageing of receivables and overdue balances. Further, reinsurance credit risk is managed via a reinsurance approval process, which takes into account the credit rating of the reinsurer and the size of the exposure, and also by holding collateral posted by non-rated counterparties. Limits have been established for reinsurance exposures, by counterparty and tier. The limits are calibrated with reference to stressed losses given default and the aggregate limit is set with reference to available capital to ensure losses in a shocked environment remain within risk appetite.

In terms of the Intragroup Reinsurance contract between CES (the reinsured) and Convex Re Limited (the reinsurer), a collateral arrangement has been put in place whereby for the benefit of the CES, Convex Re Limited posts collateral equal to 100% of the outstanding technical balances (i.e. the sum of unearned premiums and unpaid ultimate claims liabilities) should the loss ratio go above 175%.

C.3.3. Measures used to assess risk

Credit risk is measured in terms of exposure to default, probability of default and loss given default. Credit ratings are used as indicators to assess Credit risk, measure capital and take investment decisions. CES uses external credit ratings as well as market adjusted ratings which adjust rating according to spread levels.

A counterparty credit risk model producing a distribution of counterparty credit losses for Investment and Treasury exposures based on stochastic ESG scenarios was implemented in the prior year.

C.3.4. Risk concentration

Concentration risk is monitored by a set of limits that control the risk of loss from a potential failure of an individual issuer or issue. These limits aim at managing the default risk of a given issuer, depending on its rating, and related to Investment, Treasury and Ceded Reinsurance counterparty exposures. For Political and Credit Risk insurance exposures, counterparty and country limits are also in place to ensure concentrations are managed.

Compliance with the limits is ensured through defined governance processes. The Risk Management and the Investment function monitor the exposure against the limits on a daily basis, and reports on a monthly basis, with any issuer exposure breaches reported to the relevant committee for remediation or, in exceptional circumstances, a waiver.

As at 31 December 2025, Credit risk was well-diversified; concentration limits were adhered to, thereby limiting concentration risk in exposure to counterparties.

C.3.5. Material changes over the reporting period

Treasury exposures to banking counterparties increased slightly over 2025 in line with the growth of CES and the $33m capital injection by CIL into CES. There has also been an increase in both premium and reinsurance receivables over the period, driven by the increased size of the balance sheet.

The exposure of CES to CRL via the intragroup reinsurance also increased in line with line with the growth in business written but a collateral arrangement has been put in place. This provides an appropriate level of counterparty risk mitigation given CRL is a rated entity.

C.4. Liquidity risk

C.4.1. Risk description

Liquidity risk is the risk that insufficient liquid funds are held to meet all liabilities as they fall due or that liabilities can only be met at a high cost.

Managing liquidity is about limiting the possibility of having to be forced to sell assets or borrow money to meet obligations in a stressed environment, where either CES or the market itself is weak. Such scenarios would result in a weak bargaining position for CES and would likely force it to give up value at prices below inherent worth. The costs of such events may be compounded by the potential loss of market reputation, which may leave counterparties hesitant to place longer term risks with CES and thus erode franchise value.

The current risk appetite statement on liquidity requires that “CES will maintain sufficient liquidity to meet its obligations when they fall due, even under a stressed scenario”.

To satisfy the risk appetite statement, a Group Liquidity Stress Testing Framework is in place to ensure CES holds sufficient liquidity to meet an extreme stressed scenario, defined as the combination of a large loss event and a market liquidity shock, while ensuring sufficient liquidity is also available after the extreme stressed scenario to continue to support day-to-day operations.

C.4.2. Risk mitigation

CES manages Liquidity risk by setting up a framework that measures excess liquidity over five time horizons and in stressed scenarios and puts a limit that ensures excess liquidity is positive under all horizons and scenarios considered.

C.4.3. Measures used to assess risk

The measure employed to assess Liquidity risk is Net Excess Liquidity, defined as Available Liquidity less Required Liquidity (including a margin) and should remain positive for over the projected period defined within the Liquidity risk framework for both the normalised and stressed scenarios.

C.4.4. Expected profit included in future premiums

Expected Gross Profit included in Future Premiums (“EPIFP”) is the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy. EPIFP is presented in QRT S.23.01 ‘Own Funds’ within Appendix B.

As at 31 December 2025 the Company’s EPIFP was $99.4m (2024: $115.3m).

C.4.5. Risk concentration

There are no Liquidity risk concentrations identified as at 31 December 2025 (2024: nil).

C.4.6. Material changes over the reporting period

During 2025, the liquidity risk model has undergone several small enhancements which better capture some of the liquidity stresses the business faces, but these changes did not have a significant impact on the liquidity risk metric. However, the overall net liquidity position as a percentage of AUM is materially unchanged over the year.

C.5. Operational risk

C.5.1. Risk description

Operational risk is defined as an assessment of the uncertainty of likelihood and / or impact that Convex could incur future unplanned losses in respect of people, process or system failures, and external events during normal operation of its business.

In order to facilitate the identification and management of operational risk, CES breaks down operational risk into the following sub-categories:

Sub-risk	Description
People Risk	The risk that Convex is unable to attract, develop, motivate and / or retain the appropriate talent and skills needed for the business to fulfil its Strategic objectives and goals.
Process Risk	Risk / uncertainty associated with processes, including occurrence of errors and omissions arising within any of the functions within Convex.
Regulatory Risk	The risk that Convex fails to comply with applicable legislation and regulations for each of the local Regulators.
Conduct Risk	The risk that the Convex Conduct Risk Framework does not achieve fair outcomes for its policyholders and clients.
Data Risk	Risk / uncertainty relating to and or maintaining the quality of data used within Convex's daily operations and encompasses: external data, internal data input, data loss and data corruption. That data is accurate to within acceptable tolerances.
Outsourcing & Third-Party Risk	Risk / uncertainty of unintentional or deliberate failures of service providers to deliver services in accordance with pre-agreed service standard contracts or engaging with service providers with no service standards in place.
IT Risk	Risk / uncertainty related to ensuring the continued availability and effective functioning of Convex Group and its legal entities information technology infrastructure and encompasses information security, the network, software, hardware, communications, AI, and internal and external data interfaces

C.5.2. Risk mitigation

CES has developed and embedded an effective control environment to mitigate against Operational risk. These controls are rated according to their design and effectiveness and are stored within a risk system. Controls are reviewed periodically and analysed to ensure that the risk is being mitigated as expected.

C.5.3. Measures used to assess risk

Operational risk is assessed via the Risk Management Framework, with each risk being assigned an inherent impact, reflecting the level of risk in the absence of functional controls. Risks are then given an equivalent residual impact to reflect the level of risk with the current controls in place. The residual risk ratings are then summarised for reporting to management and the Board, including the identification of follow-up actions for key risks.

C.5.4. Material changes over the reporting period

Operational risk has continued to be an area of focus for management throughout 2025 as the operational element of the Company remains substantial.

The key developments in operational risk have been:

- Continued systems and infrastructure development to support underwriting and finance processes;
- A continued focus on cyber resilience; and
- Embedding of the new main Convex Group outsourcing partner.

Information security

Information Security and Cyber resilience remains an area of attention for Convex, as the emerging threat landscape coupled with the increasing sophistication of cyber-attacks has highlighted the necessity for CES to ensure it has robust and effective controls in place to mitigate against these threats. Convex's IT Security team regularly assess its maturity on cyber security controls with updates provided to the CES Board to ensure that senior leadership are aware of any related issues and outstanding actions in addition to the quarterly risk and control assessment process carried out by the Risk Management function. Convex carries out regular Business Continuity Planning ("BCP") exercises covering the cyber-breach scenarios to test the capabilities of our preparations to deal with a cyber incident.

Third-party and outsourcing management

Though Convex utilises third-party and outsourcing arrangements, it recognises the risk of these agreements and there is ongoing assessment and monitoring of the risk level to key outsourcing partners. Risks related to these arrangements and risk incidents are incorporated into the Risk Management Framework, with monitoring and oversight.

C.6. Other material risks

C.6.1. Description of other material risks

Strategic risk

There is a degree of Strategic risk inherent in the plans of CES. The aim of the Company is to become a scale player in the P&C market, focused on the EEA, and therefore there is an execution risk if CES fails to deliver on its European strategy.

Group risk

CES has a degree of Group risk associated with it, as it is a subsidiary company of Convex Group. However, the Group remains relatively small with a lean structure, which therefore reduces complexity and the impact of this risk.

Regulatory and Legal risk

There is a risk that CES fails to comply with regulations and laws within jurisdictions in which it operates. This risk is managed primarily by the Compliance function and the Legal function, which report to the Chief Compliance Officer and General Counsel respectively. Key regulatory and legal risks are noted within the CES Risk Register as operational risks.

Climate Change risk

Convex divides Climate Change into 3 distinctive categories:

1. **Physical Risk** - An increase in the frequency and severity of specific weather events which occur as a result of climate change e.g. floods, heatwaves and wildfires; or longer terms shifts in the climate such as a rise in the sea level or rising mean temperatures.
2. **Transition Risk** - Risks arising from the process of adjustment towards a low carbon economy e.g. the impact on business models from the emergence of disruptive technology, changing risk profiles of our insureds, asset price volatility and changes in government policy and consumer preferences.
3. **Liability Risk** - The risk of parties who suffer loss from climate change seeking to recover those losses from those who they believe may have been responsible and and risks associated with decarbonisation / environmental statements and commitments.

The inclusion of climate risks within the risk register allows the Risk Management function, and key stakeholders, to continually assess the risk and associated controls, and establish mitigating actions where necessary. Climate change risk has been incorporated into the Group Risk Management framework as a dedicated section, and will be further brought into the review of risk policies during their natural review cycle.

C.6.2. Risk mitigation

Strategic risk

Strategic risk is mitigated in part by the expertise of a wide array of industry veterans within the Company, who continually review the strategy being enacted, while being aware of current market developments. In this phase of business growth it is essential to remain agile and able to react positively to latest developments.

Additionally, the business planning process has robust controls, taking into account a variety of different market backdrops, and thereby indicating a range of differing outcomes on a multi-year basis.

Group risk

Group risk is mitigated largely by ensuring that all parts of the Group are aware of the strategy and priorities of the others, and from maintaining multiple functions and teams at a Group level. This allows CES to work in lockstep with the other companies in Convex Group.

Regulatory and Legal risk

The Compliance and Legal teams have continued to make enhancements and refinements to their control framework in 2025, including around the key areas of regulatory and legal risk, including licensing, sanctions, wordings, and conduct risk.

Climate Change risk

Climate Change risk is embedded within the Risk Taxonomy. The risks defined above are subject to the quarterly Risk and Control Self-Assessment (RCSA) process. During 2025, the implementation of Board-approved Risk Appetite statements for Physical, Transition, and Litigation risk further strengthened Board oversight and monitoring.

C.6.3. Measures used to assess risk

While there is Group-wide scenario testing and risk appetite statements in relation to Climate Change risk, none of the other additional risks are measured quantitatively at present, although work continues to assess and define an appropriate risk management approach for these risks. Key regulatory, legal, strategic and group risks are noted within the Convex risk registers as Operational risks.

C.6.4. Material changes over the reporting period

As with other risks, the material changes were the ones associated with the growth of Convex and continuing to embed a fully operational insurer of scale.

C.7. Any other information

C.7.1. Stress testing and sensitivity analysis

Stress testing and sensitivity analysis is an important part of the Risk Management Framework, and of the testing performed by the Risk team to ensure that CES remains prepared for potential deviations from expectations. Convex performs a significant number of stress tests within BAU processes at Group level and at subsidiary level as well as performing specific, bespoke stress tests for the annual ORSA report.

The testing throughout the year ranges from:

1. Sensitivity tests to understand the impact of key assumptions within models and business planning;
2. Stress testing to better understand and mitigate what could arise from single events;
3. Scenario analysis where several stresses across risks occur at the same time; and
4. Reverse stress testing to show how CES could 'break'.

The tests included in the latest ORSA report give a comprehensive view of the stress and sensitivity analysis performed at Convex both as BAU and bespoke tests. These include the risks noted below.

Underwriting risk:

- Stochastic underwriting stress tests - Analysis of natural catastrophe and non-natural catastrophe perils at a number of high return periods and bases.

Reserve risk:

- Stochastic reserve stress tests - Analysis of the reserve risk distribution to ultimate.

Credit risk:

- Reinsurance Credit risk in the event of default.

Market risk:

- 2008 Global Financial Crisis ("GFC")
- Covid-19
- Interest Rate Shock (+300bp)

Operational risk:

- Third-party unavailability simulations
- Group Incident Response Team (IRT) exercise
- Unavailability of key system tool tabletop exercises
- Insider threat tabletop exercise
- Several scenarios testing the operational resilience of Convex

Reverse stress tests:

- Analysis of the extremity of events required to render CES unviable from a capital or other perspective.

In all of these scenarios CES maintained an adequate SCR coverage ratio.

C.7.2. Exposure arising from off-balance sheet positions and / or special purpose vehicles ("SPV")
This currently does not apply to CES.

C.7.3. Other material information regarding the risk profile of the business

There is no other material information relating to the risk profile of the business.

D. Valuation for solvency purposes

The ‘Valuation for Solvency Purposes’ section of this report provides a description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset and liability class.

The Company’s GAAP balance sheet is presented in column (b) of Table D.1 below, in accordance with the classification of assets and liabilities used in its financial statements. The references given in column (a) are to relevant accounting policies and notes provided in the financial statements.

A number of reclassifications, required to align CES’s GAAP balance sheet as shown in its financial statements, to the classifications required for the prescribed format of the Solvency II balance sheet QRT, are given in column (c). The most significant reclassifications are:

- Under the Solvency II Regulations cash flows relating to reinsurance premiums are included within Reinsurance Recoverables, and cash flows relating to premiums and policyholder tax are included within Technical Provisions. In the GAAP balance sheet these amounts are included within reinsurance payables, insurance and intermediaries receivables and other liabilities respectively.
- Investments, including cash equivalents, are reclassified under Solvency II. They also include accrued investment income which is classified within prepayments and accrued income under GAAP.

CES’s assets and liabilities, as valued under Luxembourg GAAP ("Lux GAAP") and reclassified in line with Solvency II Regulations, are shown in column (d). CES’s Solvency II balance sheet is summarised in column (e) and detailed in the balance sheet QRT S.02.01 included in Appendix B.

Differences between the valuation of CES’s assets and liabilities under Solvency II and Lux GAAP are presented in column (f). Where the valuation of assets and liabilities is the same under Lux GAAP and Solvency II, a description of the bases, methods and main assumptions can be found in the accounting policies and notes of CES’s financial statements. If the valuation is materially different, a description of the bases, methods and main assumptions used under Solvency II is given in Sections D.1, D.2.1 and D.3 below. Where alternative methods of valuation have been used these are detailed in Section D.4.

Assets and other liabilities have been valued, according to the requirements of the Solvency II Regulations, at the amount for which they could be exchanged between knowledgeable willing parties in an arm’s length transaction. The value of other liabilities is not adjusted to take account of the impact of changes in own credit standing of CES.

CES applied the following hierarchy of valuation approaches:

1) Quoted market prices in active markets for the same assets or liabilities;
2) Quoted market prices in active markets for similar assets and liabilities (with adjustments to reflect differences where necessary);
3) Alternative methods of valuation.

CES considers markets to be active where transactions take place with sufficient frequency and volume for pricing information to be available on an on-going basis. Where CES has concluded that markets are not active, alternative methods for valuation are used.

Table D.1 – Luxembourg GAAP & Solvency II

As at 31 December 2025 ($000s)	Note in Financial Statements	Lux GAAP balance sheet classified according to financial statements	Reclassification of Lux GAAP balance sheet categories	Reclassified Lux GAAP balance sheet	SII balance sheet	Valuation differences between SII & Lux GAAP
	(a)	(b)	(c)	(d)=(b)+(c)	(e)	(f)=(b)-(e)
Deferred acquisition costs	6	46,993	—	46,993	—	46,993
Prepayments and accrued income	-	2	(2)	—	—	—
Debt securities and variable yield	5	169,055	(169,055)	—	—	—
Accrued Interest	-	1,123	(1,123)	—	—	—
Government Bonds	-	—	50,737	50,737	50,630	107
Corporate Bonds	-	—	58,043	58,043	58,486	(443)
Collateralised Securities	-	—	11,806	11,806	11,843	(37)
Collective Investment Undertakings	-	—	49,592	49,592	49,592	—
Reinsurance recoverables	6	596,555	—	596,555	196,745	399,810
Subrogation and salvages - gross amount	6	3,385	—	3,385	—	3,385
Insurance and intermediaries receivables	7	285,114	—	285,114	106,938	178,176
Reinsurance receivables	7	81,065	—	81,065	36,751	44,314
Receivables (trade not insurance)	7	2,973	(2,973)	—	—	—
Cash and cash equivalents	3	6,005	—	6,005	6,005	—
Fixed assets	8	—	—	—	—	—
Other assets	-	1,170	2,975	4,145	4,145	—
Assets		**1,193,440**	**—**	**1,193,440**	**521,135**	**672,305**
Technical provisions	6	(709,444)	—	(709,444)	(331,141)	(378,303)
Subrogation and salvages, reinsurers' share	6	(2,877)	—	(2,877)	—	(2,877)
Insurance payables	10	(62,012)	—	(62,012)	(62,012)	—
Reinsurance payables	10	(251,004)	—	(251,004)	—	(251,004)
Other liabilities	10	(9,914)	77	(9,837)	(9,837)	—
Accruals and deferred income	11	(42,173)	(77)	(42,250)	(2,330)	(39,920)
Liabilities		**(1,077,424)**	**—**	**(1,077,424)**	**(405,320)**	**(672,104)**
Excess of assets over liabilities		**116,016**	**—**	**116,016**	**115,815**	**201**

As at 31 December 2024 ($000s)	Note in Financial Statements	Lux GAAP balance sheet classified according to financial statements	Reclassification of Lux GAAP balance sheet categories	Reclassified Lux GAAP balance sheet	SII balance sheet	Valuation differences between SII & Lux GAAP
	(a)	(b)	(c)	(d)=(b)+(c)	(e)	(f)=(b)-(e)
Deferred acquisition costs	6	39,013	—	39,013	—	39,013
Prepayments and accrued income	-	5	(5)	—	—	—
Debt securities and variable yield securities	5	131,483	(131,483)	—	—	—
Accrued Interest	-	1,288	(1,288)	—	—	—
Government Bonds	-	—	53,886	53,886	53,721	165
Corporate Bonds	-	—	54,441	54,441	54,272	169
Collateralised Securities	-	—	3,359	3,359	3,410	(51)
Collective Investment Undertakings	-	—	21,086	21,086	21,086	—
Reinsurance recoverables	6	401,099	—	401,099	97,796	303,303
Subrogation and salvages - gross amount	6	2,706	—	2,706	—	2,706
Insurance and intermediaries receivables	7	209,217	—	209,217	66,973	142,244
Reinsurance receivables	7	54,005	—	54,005	21,306	32,699
Receivables (trade not insurance)	7	1,903	(1,903)	—	—	—
Cash and cash equivalents	3	7,225	—	7,225	7,225	—
Fixed assets	8	15	(15)	—	—	—
Other assets	-	433	1,922	2,355	2,355	—
Assets		**848,392**	**—**	**848,392**	**328,144**	**520,248**
Technical provisions	6	(485,186)	—	(485,186)	(188,096)	(297,090)
Subrogation and salvages, reinsurers' share	6	(2,311)	—	(2,311)	—	(2,311)
Insurance payables	10	(37,602)	—	(37,602)	(37,602)	—
Reinsurance payables	10	(192,790)	—	(192,790)	—	(192,790)
Other liabilities	10	(11,089)	—	(11,089)	(12,182)	1,093
Accruals and deferred income	11	(34,534)	—	(34,534)	(2,101)	(32,433)
Liabilities		**(763,512)**	**—**	**(763,512)**	**(239,981)**	**(523,531)**
Excess of assets over liabilities		**84,880**	**—**	**84,880**	**88,163**	**(3,283)**

D.1. Assets

Assets have been valued according to the requirements of the Solvency II Directive and related guidance, where the basis of the Solvency II valuation principle is the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

A description of the basis of valuation under Solvency II along with valuation differences between the Solvency II bases and the GAAP financial statements, by asset class, is provided below. If the valuation method has been described in the financial statements or is an alternative method of valuation detailed in Section D.4, it has not been included in this section.

D.1.1 Deferred acquisition costs

Deferred acquisition costs are recognised under Lux GAAP reporting and deferred to the extent they are expected to be recoverable out of future margins in revenues on those contracts. Under Solvency II these are not recognised and are therefore valued at $nil in the Solvency II balance sheet. The associated cash flows are included in the valuation of Solvency II Technical Provisions.

D.1.2 Deferred tax assets and liabilities

Deferred tax is determined on in accordance with the principles under Lux GAAP on temporary differences between the economic value of assets or liabilities on the Solvency II balance sheet and their tax base. The Company has decided not to recognise any deferred tax asset in line with Lux GAAP and not to recognise any further deferred tax assets arising from the timing differences between Lux GAAP and Solvency II. However, the Company recognises deferred tax liabilities arising from the timing differences between Lux GAAP and Solvency II.

D.1.3 Financial investments

On the GAAP balance sheet, financial assets are valued at amortised cost. Under Solvency II these are valued using a valuation hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. 'Quoted in an active market' in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the bid price.
- Level 2: when quoted prices are unavailable the instrument is valued using inputs that are observable either directly or indirectly including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs that are observable such as interest rates and yield curves observable at commonly quoted intervals, implied volatility or credit spreads and market-corroborated inputs.
- Level 3: when observable inputs are not available, unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using the valuation technique is to estimate what the fair value would have been on the measurement date.

Collective investment undertakings are carried at fair value using quoted unit prices, which is consistent with Solvency II guidance. The Solvency II valuation of deposits other than cash equivalents is in line with the Lux GAAP treatment.

As at 31 December 2025 financial assets and the accrued interest included in the annual accounts which are measured at amortised cost or fair value were $176,183 (2024: $139,996). Table D.2 below analyses these financial assets which, under Solvency II, are all measured at fair value at 31 December 2025, by.the level in the fair value hierarchy into which the fair value measurements is categorised.

Table D.2 - Fair value hierarchy

Financial Assets 2025 ($000s)	Level 1	Level 2	Level 3	Total
Government Bonds	46,401	4,229	—	50,630
Corporate Bonds	—	58,486	—	58,486
Collateralised securities	—	11,842	—	11,842
Collective Investments Undertakings	49,592	—	—	49,592
Cash and cash equivalents	6,005	—	—	6,005
Total financial assets at fair value	**101,998**	**74,557**	**—**	**176,555**

Financial Assets 2024 ($000s)	Level 1	Level 2	Level 3	Total
Government Bonds	50,174	3,547	—	53,721
Corporate Bonds	—	54,272	—	54,272
Collateralised securities	—	3,410	—	3,410
Collective Investments Undertakings	21,086	—	—	21,086
Cash and cash equivalents	7,225	—	—	7,225
Total financial assets at fair value	**78,485**	**61,229**	**—**	**139,714**

The financial assets presented above include accrued interest of $1,123 (2024: $1,288) which under Solvency II are part of the asset fair value but are shown separately in the annual accounts.

D.1.4 Reinsurance recoverables

Reinsurance recoverables are calculated as the probability-weighted average of discounted future cash flows relating to reinsurance contracts, adjusted for the expected losses due to counterparty default. Although established separately, reinsurance recoverables are valued on the same basis and using the same methodology and assumptions used to derive Technical Provisions - Best Estimate Liabilities, as described in Section D.2, subject to the following:

- Internal expenses are only allowed if they are recoverable under the reinsurance agreement;
- Where the timing of recoveries diverges from that for payments a separate projection is used;

- Allowance for risk of default depends on the credit rating and exposure to the reinsurance counterparty; and
- Reinsurance assets take into account reinsurance commissions.

Reinsurance recoverables, consistent with the calculation of Technical Provisions - Best Estimate Liabilities, includes expected recoveries from pre-inception contracts where they occur within the premium or claims provisions.

Cash flows relating to future reinsurance arrangements comprise both expected recoveries and expected reinsurance premium payments. This means reinsurance contracts which are expected to be written are taken into account and thus assumptions in relation to the likely future reinsurance purchasing decisions are required.

The material differences between the Solvency II and Lux GAAP valuation bases for reinsurance recoveries are as follows:

- Claims reserves are not discounted under GAAP whereas reinsurance cash flows are discounted under Solvency II.
- The unearned reinsurance premium reserve established under GAAP is replaced with a best estimate reinsurance premium provision under Solvency II. This is offset by the release of deferred reinsurance commissions from other liabilities (see Section D.3.2).
- The Solvency II valuation includes the additional reinsurance premium that is expected to be paid for reinsurance to cover business incepted at the valuation date. This is not accounted for under Lux GAAP.

The Company does not have any Special Purpose Vehicles.

D.1.5 Insurance receivables

Amounts to be collected from intermediaries for premiums not yet due are recorded in the GAAP balance sheet as insurance receivables. Under Solvency II, this amount is reclassified into the technical provisions as it constitutes a future cashflow.

D.2. Technical provisions

Reinsurance recoverables and Technical Provisions from the Solvency II Balance Sheet shown in Table D.1 above are combined to present net technical provisions shown in the table below.

Table D.3 – Net technical provisions

Solvency II Value	2025 $000s	2024 $000s
Best estimate technical provisions (best estimate) – Non-life & health similar to non-life	313,443	173,458
Best estimate reinsurance recoverables	(196,745)	(97,796)
Technical provisions risk margin – Non-life & health similar to non-life	17,697	14,638
Net technical provisions	**134,395**	**90,300**

D.2.1 Methodology and assumptions used in valuing the technical provisions

Technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using risk-free discount rates. The risk margin is then added to reflect the uncertainty in the underlying cash flows. The risk margin is calculated by estimating the cost of the capital required to run off the business, discounted using the risk-free discount rates. The risk-free discount rates described here are prescribed by EIOPA for each reporting period.

The best estimate technical provisions are calculated by using the Lux GAAP reserves as the starting point.

The following adjustments are then made:

- Removal of the prudence margin within the Lux GAAP reserves;
- Allowance for profit on the unearned premium within the Lux GAAP reserve;
- Inclusion of provisions for legally obliged but as yet not incepted business;
- Future premiums (both payables and receivables);
- Allowance for operating expenses pertaining to the business in force;
- Inclusion of an allowance for the expected reinsurer defaults; and
- Discounting of future cashflows.

Table D.4 below shows the net technical provisions by Solvency II line of business.

Table D.4 – Net technical provisions by Solvency II line of business.

Solvency II Value 2025	Best estimate ($000s)	Risk margin ($000s)	Total ($000s)
Marine, aviation and transport insurance and proportional reinsurance	40,067	7,839	47,906
Fire and other damage to property insurance and proportional reinsurance	23,058	1,323	24,381
General liability insurance and proportional reinsurance	33,987	4,797	38,784
Income protection insurance	1,266	186	1,452
Credit and suretyship and proportional reinsurance	494	454	948
Miscellaneous financial loss insurance and proportional reinsurance	219	77	296
Assistance and proportional reinsurance	737	75	812
Non-proportional casualty reinsurance	1,016	127	1,143
Non-proportional health reinsurance	68	3	71
Non-proportional marine, aviation and transport reinsurance	8,530	2,087	10,617
Non-proportional property reinsurance	7,256	729	7,985
Net technical provisions	**116,698**	**17,697**	**134,395**

Solvency II Value 2024	Best estimate ($000s)	Risk margin ($000s)	Total ($000s)
Marine, aviation and transport insurance and proportional reinsurance	40,034	7,006	47,040
Fire and other damage to property insurance and proportional reinsurance	7,626	1,089	8,715
General liability insurance and proportional reinsurance	17,234	4,011	21,245
Income protection insurance	274	107	381
Credit and suretyship and proportional reinsurance	(2,208)	387	(1,821)
Miscellaneous financial loss insurance and proportional reinsurance	1,253	69	1,322
Assistance and proportional reinsurance	(470)	48	(422)
Non-proportional casualty reinsurance	4	118	122
Non-proportional health reinsurance	(11)	8	(3)
Non-proportional marine, aviation and transport reinsurance	2,774	907	3,681
Non-proportional property reinsurance	9,152	888	10,040
Net technical provisions	**75,662**	**14,638**	**90,300**

Calculation of the best estimate technical provisions

CES has been writing business since November 2021 and writes a diverse portfolio of insurance business. The largest segments written to date are:

- Marine aviation and transport insurance; predominantly covering airlines but with smaller components of aviation products, general aviation, energy upstream property, marine and space business.
- General liability insurance worldwide.
- Non-proportional property insurance, worldwide coverage including both catastrophe and per risk cover.
- Fire and other damage to property insurance; predominantly covering energy downstream property, with smaller components of power, direct property, equine and fine art and specie business.

Given its recent establishment, CES has very limited claims history to date. Therefore, gross Lux GAAP best estimate earned reserves have been estimated at a class of business level using a combination of expectations of loss ratio and development patterns, based on both market benchmarks and the historical data available. These assumptions include an allowance for Events Not in Data (“ENIDs”). The best estimate reserves are then uplifted to include a margin to reflect the uncertainty in the reserves.

- This margin is removed from the Lux GAAP earned reserves to reach the best estimate reserve for inclusion in the technical provisions.
- The unearned premium included within the Lux GAAP reserves is reduced for the expected profit on that unearned business using the same market expectations of loss ratio.
- Provision for legally obliged but as yet not incepted business is also included using the same market expectations of loss ratio, adjusted for rate change.

The reinsurance programme is then applied, including reinsurance contracts which are legally obliged but as yet not incepted. The recoveries assumed are consistent with those included in the Lux GAAP earned reserves. Note that the full cost of the bound reinsurance programme is included within the technical provisions as CES are legally obliged to this.

Additional provisions in respect of operating expenses, Unallocated Loss Adjustment Expenses ("ULAE") and an allowance for the expected reinsurer defaults are included within the best estimate provisions.

These provisions are then discounted using the prescribed risk-free discount rates.

Calculation of the risk margin

The risk margin is intended to cover the cost of transferring the insurance and reinsurance obligations of all business CES has written or is legally obliged to write at the balance sheet date to another party, and immediately placing that business into run-off. This is calculated by applying the prescribed 6% cost of capital to the discounted value of the SCR necessary to support these obligations until they are fully run-off.

The SCR at the balance sheet date is calculated assuming no business is written in future and that the investment portfolio is reinvested in a risk free way. This SCR is then run off over time as the insurance and reinsurance obligations are expected to run off. The discounted sum of the SCR at each future point in time is assumed to be the capital required to run off the business. The prescribed cost of capital is then applied to give the risk margin to include in the technical provisions.

Change in Net technical provisions during the year

Table D.5 – Change In Net Technical Provisions During The Year

Solvency II Value	2025 $000s	2024 $000s	Movement
Marine, aviation and transport insurance and proportional reinsurance	47,906	47,040	866
Fire and other damage to property insurance and proportional reinsurance	24,381	8,715	15,666
General liability insurance and proportional reinsurance	38,784	21,245	17,539
Income protection insurance	1,452	381	1,071
Credit and suretyship and proportional reinsurance	948	(1,821)	2,769
Miscellaneous financial loss insurance and proportional reinsurance	296	1,322	(1,026)
Assistance and proportional reinsurance	812	(422)	1,234
Non-proportional casualty reinsurance	1,143	122	1,021
Non-proportional health reinsurance	71	(3)	74
Non-proportional marine, aviation and transport reinsurance	10,617	3,681	6,936
Non-proportional property reinsurance	7,985	10,040	(2,055)
Net technical provisions	**134,395**	**90,300**	**44,095**

As this is fifth year that CES has written business, the technical provisions have increased significantly during the year as a result of the growth in business written. There has been particular growth in the general liability insurance and proportional reinsurance and fire and other damage to property insurance and proportional reinsurance.

D.2.2 Key uncertainties

There is inherent uncertainty in the estimation of claims reserves, and it is possible that actual claims experience will differ significantly from the actuarial projections. This uncertainty stems from a variety of sources, such as:

- There is increased uncertainty around the level of future inflation to be expected across a variety of lines of business as a result of elevated economic inflation, resulting from Covid 19, the war in Ukraine and supply chain disruption.
- There is increased global instability due to the current international political environment.
- Given the immaturity of the business written to date, the reserves are largely based on the initial expectation of loss ratios. The expectation of loss ratio selected is heavily dependent on expert judgement, and it is visible from the history of the market that performance in any individual year can vary significantly from expectations.
- Reliance on market benchmarks in order to set expectations of loss ratio for the business, as we are unable to rely on historical performance of CES's business given its immaturity.
- One of the growth areas of CES's portfolio is into long tailed liability business. By its nature this business takes longer for claims to be notified and then settled, so there is increased uncertainty in the final settlement value of claims resulting from these classes of business.

D.2.3 Explanation of material differences between Solvency II and financial statement basis

The following table summarises the bridge between Luxembourg GAAP reserves and Solvency II Technical Provisions, on a net of reinsurance basis.

Table D.6 – Bridge between the Luxembourg GAAP Reserves and the Solvency II provisions

Net of reinsurance	2025 $000s	2024 $000s
GAAP Reserves	**112,889**	**84,087**
Removal of Prudence Margin	(6,431)	(3,638)
Allowance for Profit on UPR	(32,506)	(28,010)
Include Future Premium	29,537	18,925
Include Profit on Unincepted Business	8,794	349
Include New Expenses Allowance	8,079	6,951
Apply Discounting Credit	(5,335)	(4,047)
Include Risk Margin	17,697	14,638
Reinsurance Bad Debt	1,671	1,045
Solvency II Provisions	**134,395**	**90,300**

The material differences between the Solvency II and Lux GAAP valuation bases are summarised below:

- **Removal of Prudence Margin**: An explicit margin for uncertainty is included within Lux GAAP Provisions but removed under Solvency II. This reduces Solvency II Technical Provisions compared to Lux GAAP Provisions.
- **Allowance for Profit on UPR**: The unearned premium reserve established under Lux GAAP is replaced with a Best Estimate premium provision which incorporates the expected cost of claims and expenses on the unearned periods of exposure.
- **Future Premium**: Premium receivables and payables form part of the Technical Provisions under Solvency II.
- **Profit on Unincepted Business**: Under Solvency II provisions are established for Legally Obliged Unincepted Business, whereas these provisions are not included within the Lux GAAP valuation basis.
- **Additional Expenses Allowance**: Solvency II requires inclusion of expenses pertaining to the business in-force.
- **Discounting Credit**: Claims reserves are not discounted within Lux GAAP, whereas all cash flows are discounted under Solvency II.
- **Risk Margin**: This is calculated as the cost of capital of transferring the insurance obligations of the business at the balance sheet date to a third party, who immediately place that business in run-off.
- **Reinsurance Bad Debt**: A bad debt provision has been calculated based on the probability of default of CES's reinsurers, using their credit rating.

2.4 Recoverables from reinsurance contracts and SPVs (Special purpose vehicles)

Recoverables from reinsurance contracts are included within the best estimate of technical provisions (Table D.3.).

There are no recoverables expected from SPVs.

D.2.5 Transitional measures

No transitional measures have been applied.

D.3. Other liabilities

Other liabilities have been valued according to the requirements of the Solvency II Directive and related guidance. The basis of the Solvency II valuation principle is the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

A description of the basis of valuation under Solvency II along with valuation differences between the Solvency II basis and the GAAP financial statements, by material class, is provided below. If the valuation method has been described in the financial statements or is an alternative method of valuation detailed in Section D.4, it has not been included in this section. CES has no material contingent liabilities to recognise under Solvency II.

D.3.1 Payables and other financial liabilities

Amounts to be paid to reinsurers but not yet due are recorded in the GAAP balance sheet as reinsurance payables. Under Solvency II, this amount is reclassified into the technical provisions as it constitutes a future cashflow.

D.3.2 Accruals and deferred Income

Reinsurers' share of deferred acquisition costs of £24.6m included within accruals and deferred income under GAAP, are not recognised and therefore valued at $nil in the Solvency II Balance Sheet. Material differences in the valuation of Technical Provisions are explained in Section D.2.3. There are no other material differences between the GAAP and Solvency II valuation bases.

D.3.3 Assumptions, judgements and uncertainty

No material assumptions or judgements were applied to, nor is any material uncertainty associated with, the recognition and valuation of other liabilities.

D.4. Alternative methods of valuation

CES does not value any assets or liabilities using alternative methods of valuation as outlined in Articles 10(5) – (7) of the Solvency II Delegated Regulation.

D.5. Any other information

All material information relating to CES's valuation for solvency purposes has been disclosed in sub-sections D.1 to D.4 above.

E. Capital management

This section of the report provides information on the Company's own funds and SCR.

E.1. Own funds

E.1.1 Objectives, processes employed by CES for managing its own funds

The primary objective of capital management is to manage the balance between return and risk, whilst maintaining economic capital in accordance with risk appetite. CES's capital and risk management objectives are closely interlinked, and support the dividend policy, whilst also recognising the critical importance of protecting policyholder and other stakeholder interests. In managing own funds, CES seeks to, on a consistent basis:

- Maintain sufficient, but not excessive, financial strength in accordance with risk appetite, to satisfy the requirements of regulators and other stakeholders;
- Retain financial flexibility by maintaining strong liquidity; and
- Allocate capital efficiently to remain within risk appetite and drive value adding growth.

CES uses a number of sensitivity tests to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital efficiently. Sensitivities to economic and operating experience are regularly produced on CES's key financial performance metrics to inform decision making and planning processes over a multi-year planning horizon, and as part of the framework for identifying and quantifying the risks to which CES is exposed.

There have been no material changes to the objectives, policies or processes with respect to the management of own funds during the year.

E.1.2 Structure, amount and quality of own funds at the end of the reporting period and analysis of changes over the reporting period

CES's own funds comprise unrestricted Tier 1 capital which consists of its ordinary share capital and retained earnings. Retained earnings are not separately disclosed in own funds but are notionally included in the Reconciliation Reserve, which reconciles the total excess of assets over liabilities with identifiable capital investments included in own funds. Own funds by tier are presented in QRT S.23.01.01 'Own Funds' within Appendix B. The table below sets out a summary of the Company's own funds by tier for the year ended 31 December 2025:

Table E.1 – Own Funds

Basic own funds by tier 2025	Tier 1 unrestricted ($000s)	Tier 1 restricted ($000s)	Tier 2 ($000s)	Tier 3 ($000s)
Ordinary share capital	126,585	—	—	—
Reconciliation reserve	(10,770)	—	—	—
An amount equal to net deferred tax assets	—	—	—	
Total Basic Own Funds	**115,815**	**—**	**—**	**—**

Basic own funds by tier 2024	Tier 1 unrestricted ($000s)	Tier 1 restricted ($000s)	Tier 2 ($000s)	Tier 3 ($000s)
Ordinary share capital	93,585	—	—	—
Reconciliation reserve	(5,422)	—	—	—
An amount equal to net deferred tax assets	—	—	—	—
Total Basic Own Funds	**88,163**	**—**	**—**	**—**

Table E.2 – Reconciliation reserve

Reconciliation Reserve as at 31 December	2025 $000s	2024 $000s
Solvency II excess of assets over liabilities	115,815	88,163
Ordinary Share Capital	(126,585)	(93,585)
Amounts equal to net deferred tax assets	—	—
Reconciliation Reserve	**(10,770)**	**(5,422)**

E.1.3. The eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

Own funds items are unrestricted Tier 1 and Tier 3 and therefore all available own funds are eligible to cover the SCR, as shown in Table E.3.

Table E.3 – SCR

	2025 $000s	2024 $000s
Total eligible own funds to meet the SCR	115,815	88,163

E.1.4. The eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

As Tier 3 own funds are not eligible to cover the MCR, the own funds to cover the MCR are restricted to Tier 1, as shown in Table E.4.

Table E.4 – MCR

	2025 $000s	2024 $000s
Total eligible own funds to meet the MCR	115,815	88,163

E.1.5. Explanation of any material differences between equity as shown in CES's financial statements and the EAL as calculated for solvency purposes

Differences between CES's shareholders' equity per the financial statements and the Solvency II EAL per the Solvency II balance sheet relate to valuation differences as shown in Table E.5 and explained in Sections D.1 to D.3 this document.

Table E.5 – Reconciliation of Equity

	2025 $000s	2024 $000s
Shareholders' equity as shown in the financial statements	116,016	84,880
Solvency II valuation adjustments to assets	(672,305)	(520,248)
Solvency II valuation adjustments to technical provisions	378,303	297,090
Solvency II valuation adjustments to other liabilities	293,801	226,441
Solvency II EAL	**115,815**	**88,163**

E.1.6. Own Fund items included under transitional arrangements under Solvency II

All Own Funds items are unrestricted Tier 1 Own Funds and no other items are included in Own Funds under transitional arrangements under Solvency II.

E.1.7. Ancillary own funds

CES has not applied for CAA approval of any Ancillary Own Funds items and therefore no such items are included within Own Funds.

E.1.8. Own funds restrictions

CES does not have any ring-fenced funds and has not identified any other restrictions which need to be made to Own Funds as a result of availability or transferability of Own Funds within CES.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement and Minimum Capital Requirement results

The SCR is the amount of Own Funds that CES is required to hold under Solvency II. The SCR is calculated using the Standard Formula, which is a prescribed approach to calculating the SCR under Solvency II and is calibrated by EIOPA to ensure that all quantifiable risks are taken into account.

The MCR is the Own Fund threshold below which the CAA would intervene. This is calculated in a prescribed way as described in section E.2.3.

The Standard Formula SCR and MCR under Solvency II at 31 December 2025 are shown in Table E.6 below.

Table E.6 – SCR & MCR

Solvency II Value	2025 $000s	2024 $000s
Solvency Capital Requirement (SCR)	82,674	60,035
Minimum Capital Requirement (MCR)	23,360	18,185

The Standard Formula SCR process is owned by the Actuarial Function, and includes inputs from the Finance, Underwriting, Ceded Reinsurance and Investment Functions, and other relevant stakeholders. The results are subject to various levels of review, including by Senior Management.

The company is not subject to any capital add-ons prescribed by the regulator.

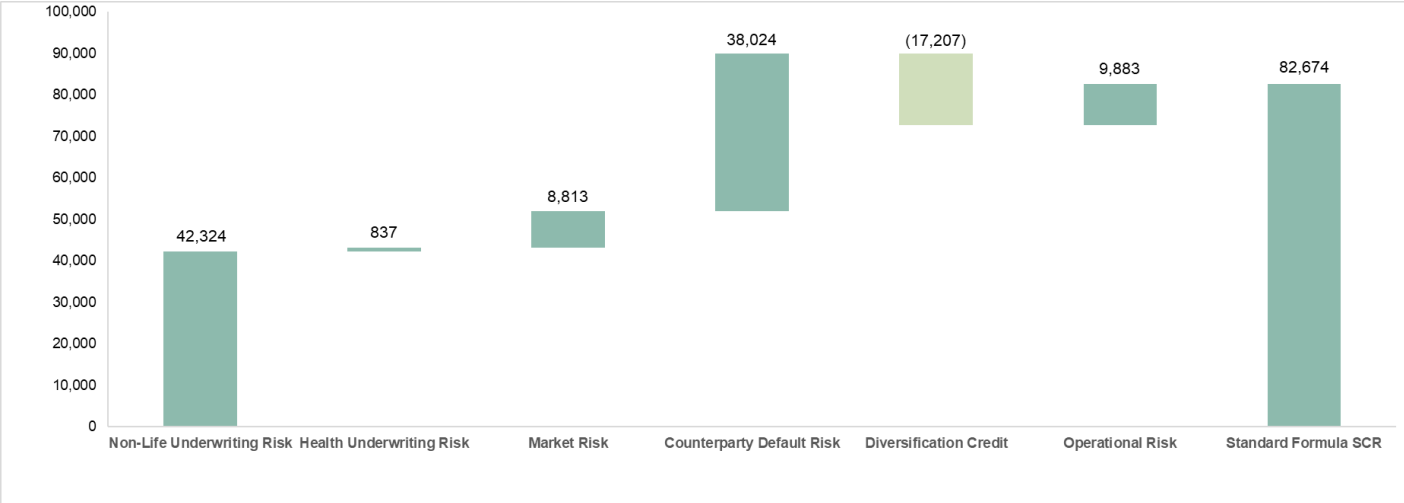
The company uses Finance and the Standard Formula SCR inputs to calculate the MCR.

E.2.2 Solvency Capital Requirement calculation

Overview

The Standard Formula SCR by risk module is set out in the graph below (figures in $000s).

Graph G.1



There has been no use of Undertaking Specific Parameters in the calculations.

Non-life underwriting risk

Non-life underwriting risk is the largest component of the SCR. Table E.7 below shows the components of the non-life underwriting risk charge.

Table E.7 – Diversified non-life underwriting risk

Solvency II Value	2025 $000s	2024 $000s
Premium and reserve risk	42,128	35,115
Catastrophe risk	—	—
Lapse risk	4,071	4,497
Undiversified non-life underwriting risk	**46,199**	**39,612**
Diversification credit	(3,875)	(4,210)
Diversified non-life underwriting risk	**42,324**	**35,402**

The largest component of the non-life underwriting risk charge is 'premium and reserve risk', which reflects the risk that:

- The premium charged for the business expected to be earned throughout the next year will not be sufficient to pay claims on that business; and
- The risk that the technical provisions are insufficient to pay the claims to which they pertain.

The 'catastrophe risk' component reflects the risk of catastrophe events occurring that impact CES's inwards business. CES has written business across a variety of lines of business that are exposed to catastrophe events. The reinsurance programme purchased by CES, which includes a stop loss, acts to fully mitigate the impact of catastrophe risk on the overall capital requirement.

The other component of the non-life underwriting risk charge is the lapse risk charge to allow for the loss of profits should some of the currently bound policies lapse.

Table E.8 – Health underwriting risk

Solvency II Value	2025 $000s	2024 $000s
NSLT underwriting risk	837	401
SLT underwriting risk	—	—
Catastrophe risk	—	—
Undiversified counterparty market risk	**837**	**401**
Diversification credit	—	—
Diversified health underwriting risk	**837**	**401**

The largest component of the health underwriting risk charge is in respect of the NSLT (Not Similar to Life Techniques) underwriting risk. This is calculated in the same way as the non-life premium and reserve risk, using the same inputs but for the health lines of business.

The other component of the health underwriting risk charge is in respect of catastrophe risk which reflects the risk of health catastrophe event occurring that impacts CES's inwards business. The reinsurance programme purchased by CES, which includes a stop loss, acts to significantly mitigate the impact of this on the overall capital requirement.

Market risk

Market risk forms a smaller component of the SCR Table E.9 below shows the components of the market risk charge.

Table E.9 – Diversified market risk

Solvency II Value	2025 $000s	2024 $000s
Interest rate risk	4,493	2,343
Spread risk	4,417	1,976
Currency risk	4,325	2,122
Concentration risk	—	—
Property risk	—	—
Equity risk	—	—
Undiversified market risk	**13,235**	**6,441**
Diversification credit	(4,422)	(2,142)
Diversified market risk	**8,813**	**4,299**

CES's asset portfolio (excluding cash) consists predominantly of bonds and collateralised securities, so the risks associated with holding these assets drive the risk charges here.

The largest charge is interest rate risk, which reflects the risk that interest rates will differ from expectations, resulting in a mismatch in the present value of assets (bonds, and other assets exposed to interest rate fluctuations) and liabilities (net technical provision).

The next largest charge is the spread risk which reflects the risk that the values of the bonds, loans, and collateralised securities within CES's asset portfolio will differ from expectations due to changes in the level of credit spreads over the risk-free interest rate term structure.

The currency risk, reflecting the risk that exchange rates differ from expectations, resulting in a mismatch between assets and liabilities.

CES does not hold more than the prescribed proportions (which vary by credit rating of that asset) of its assets in investments which are exposed to a single counterparty, nor does it hold any property or equities, therefore no risk charge is required for the remaining three modules of the Standard Formula.

Counterparty default risk

The of counterparty default risk is shown in Table E.10 below.

Table E.10 – Diversified counterparty default risk

Solvency II Value	2025 $000s	2024 $000s
Type 1 counterparty default risk	16,406	11,308
Type 2 counterparty default risk	24,138	12,624
Undiversified counterparty default risk	40,544	23,932
Diversification credit	(2,520)	(1,541)
Diversified counterparty default risk	**38,024**	**22,391**

The largest charge is in respect of the risk of default by overdue balance sheet debtors, shown as Type 2 in the table.

There is also a charge in respect of the risk of default by banks in which cash is held and recoverables from CES's reinsurers, as shown Type 1 in the above table.

Operational risk

Operational risk is calculated using a prescribed formula applied to either:

- Premium earned in the previous 12 months and premium earned in the 12 months prior to the previous 12 months; and
- Gross best estimate technical provisions with a floor of nil.

The Operational risk is then selected as the largest of the premium calculation and the technical provisions calculation, subject to a cap of 30% of the SCR excluding Operational risk.

Table E.11 below shows each of the potential operational risk charges and so the resulting risk charge.

Table E.11 – Operational risk

Solvency II Value	2025 $000s	2024 $000s
Gross earned premium in the previous 12 months	329,440	283,105
Gross earned premium in 12 months prior to the previous 12 months	283,105	208,493
Operational risk - premium calculation	9,883	9,210
Gross technical provisions	313,443	173,458
Operational risk - technical provisions calculation	9,403	5,204
Calculated operational risk	**9,883**	**9,210**
Cap – 30% SCR	21,837	15,576
Operational risk	**9,883**	**9,210**

Table E.12 - Loss Absorbing Capacity of Deferred Tax (LACDT)

The Standard Formula SCR is adjusted for the loss absorbing capacity of deferred tax (LACDT) by allowing the Deferred Tax Liability (DTL) to offset the solvency capital requirement. The DTL is calculated by applying the 25% Corporation Tax rate to the net increase in own funds as a result of the adjustment needed to convert the Lux GAAP balance sheet to the Solvency II balance sheet.

Solvency II Value	2025 $000s	2024 $000s
Loss Absorbing Capacity of Deferred Tax (LACDT)	—	1,094

E.2.3 Minimum Capital Requirement calculation

The Combined MCR is calculated by applying prescribed factors to the net of reinsurance technical provisions and premium written in the previous year, with a floor of 25% of the SCR and a cap of 45% of the SCR. The MCR is then the larger of this Combined MCR or the Absolute Floor of the MCR prescribed by EIOPA.

The table below shows each of these potential MCR figures and so the resulting MCR.

Table E.13 – Minimum Capital Requirement

Solvency II Value	2025 $000s	2024 $000s
Linear MCR	23,360	18,185
Floor – 25% SCR	20,669	15,009
Cap – 45% SCR	37,203	27,016
Absolute Floor of the MCR	4,622	4,353
Minimum Capital Requirement	**23,360**	**18,185**

Therefore, the MCR is calculated as the Linear MCR (2024: MCR was calculated as the Linear MCR).

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

CES is not using the duration-based equity risk sub-module as it is not applicable.

E.4 Differences between the standard formula and any internal model used

This section is not applicable as CES does not use an approved internal model.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

During the reporting period, there were no instances of non-compliance with either of the Solvency II MCR or SCR. Over this period, CES held Own Funds in excess of the SCR at all times.

E.6. Any other information

All material information relating to CES's capital management has been disclosed in Sections E.1 to E.5 above. All amounts in the Solvency and Financial Condition Report, unless otherwise stated, are shown in US dollars rounded to the nearest thousand. The rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Appendix A: Glossary of terms

Abbreviation	Details of abbreviations
CAA	Commissariat aux Assurances
CES	Convex Europe S.A.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRA	Chief Risk Actuary
CRO	Chief Risk Officer
EAL	Excess of assets over liabilities
EU	European Union
FCA	Financial Conduct Authority
GAAP	Generally Accepted Accounting Principles
GEC	Group Executive Committee
GPW	Gross Premiums Written
IMMMR	Identify, Measure, Manage, Monitor and Report
MCR	Minimum Capital Requirement
NAIC	National Association of Insurance Commissioners
NPW	Net Premiums Written
NSLT	Not Similar to Life Techniques
ORSA	Own Risk and Solvency Assessment
P&C	Property & Casualty
PRA	Prudential Regulation Authority
RAG	Red, Amber, Green
RAYG	Red, Amber, Yellow and Green
RBLE	Risk-bearing Legal Entity
RMF	Risk Management Framework
SCR	Solvency Capital Requirement
SLT	Similar to Life Techniques
SM&CR	Senior Managers & Certification Regime
SMF	Senior Management Function
The Company	Convex Europe S.A.
The Group	Convex Group

Appendix B: QRTs

This Appendix contains the following templates which the company is required to disclose as part of the SFCR as set out in Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 (Procedures, Formats and Templates of the Solvency and Financial Condition Report in accordance with Directive 2009/138/EC).

The Quantitative Reporting Templates (QRT) in this report are presented in US dollars rounded to the nearest thousand. Rounding differences of +/- one unit can occur. The rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life Insurance Claims
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement – for undertakings on standard formula
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	170,550
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	120,958
R0140	*Government Bonds*	50,630
R0150	*Corporate Bonds*	58,486
R0160	*Structured notes*	0
R0170	*Collateralised securities*	11,843
R0180	*Collective Investments Undertakings*	49,592
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	196,745
R0280	*Non-life and health similar to non-life*	196,745
R0290	*Non-life excluding health*	192,849
R0300	*Health similar to non-life*	3,897
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	106,938
R0370	Reinsurance receivables	36,751
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	6,005
R0420	Any other assets, not elsewhere shown	4,145
R0500	**Total assets**	521,135

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	331,141
R0520	*Technical provisions - non-life (excluding health)*	325,720
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	308,212
R0550	*Risk margin*	17,508
R0560	*Technical provisions - health (similar to non-life)*	5,420
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	5,231
R0590	*Risk margin*	189
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	62,012
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	9,837
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	2,330
R0900	**Total liabilities**	405,320
R1000	**Excess of assets over liabilities**	115,815

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business		1,718				170,577	36,039	80,244	17,061		0	3,495					309,134
R0120	Gross - Proportional reinsurance accepted		0				8,847	872	0	0		4,881	-141					14,459
R0130	Gross - Non-proportional reinsurance accepted													-58	2,663	29,402	14,205	46,213
R0140	Reinsurers' share		1,392				144,090	31,544	58,680	14,936		3,858	1,928	-40	1,750	24,080	12,305	294,523
R0200	Net		326				35,334	5,367	21,564	2,125		1,023	1,426	-18	914	5,322	1,900	75,283
	Premiums earned																	
R0210	Gross - Direct Business		2,230				163,920	29,997	70,187	6,795		0	2,394					275,524
R0220	Gross - Proportional reinsurance accepted		0				4,840	1,209	0	0		4,592	180					10,821
R0230	Gross - Non-proportional reinsurance accepted													56	2,337	27,007	13,694	43,095
R0240	Reinsurers' share		1,794				134,446	26,335	52,439	6,029		3,632	1,619	38	1,591	22,161	11,796	261,881
R0300	Net		436				34,314	4,871	17,747	766		960	955	18	747	4,846	1,898	67,558
	Claims incurred																	
R0310	Gross - Direct Business		4,274				107,273	24,145	41,866	673		0	191					178,422
R0320	Gross - Proportional reinsurance accepted		0				1,708	666	0	0		4,397	107					6,879
R0330	Gross - Non-proportional reinsurance accepted													23	953	49,060	5,120	55,156
R0340	Reinsurers' share		3,802				97,158	22,950	38,334	847		3,883	294	21	915	42,067	4,793	215,065
R0400	Net		472				11,823	1,862	3,532	-175		514	3	2	38	6,993	327	25,392
R0550	**Expenses incurred**		387				26,954	2,277	15,650	204		379	1,034	15	627	2,082	308	49,918
R1210	**Balance - other technical expenses/income**																	0
R1300	**Total technical expenses**																	49,918

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**		0				0	0	0	0		0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross		112				-22,458	1,651	-2,963	-7,112		-355	-807	-9	-254	-2,179	-464	-34,838
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-41				-25,890	-6,875	-8,291	-3,405		-410	-710	-57	-297	-2,814	-3,331	-52,119
R0150	**Net Best Estimate of Premium Provisions**		153				3,433	8,525	5,327	-3,706		54	-97	48	43	635	2,866	17,282
	Claims provisions																	
R0160	Gross		5,094				148,243	27,406	98,337	3,010		2,195	406	34	2,553	44,476	16,527	348,281
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		3,981				111,608	12,874	69,678	-1,190		1,512	90	14	1,579	36,581	12,137	248,865
R0250	**Net Best Estimate of Claims Provisions**		1,113				36,634	14,532	28,659	4,201		683	316	20	973	7,895	4,390	99,417
R0260	**Total best estimate - gross**		5,206				125,785	29,057	95,374	-4,101		1,840	-401	25	2,299	42,297	16,063	313,443
R0270	**Total best estimate - net**		1,266				40,067	23,058	33,987	494		737	219	68	1,016	8,530	7,256	116,698
R0280	**Risk margin**		186				7,839	1,323	4,797	454		75	77	3	127	2,087	729	17,697
R0320	**Technical provisions - total**		5,393				133,624	30,380	100,171	-3,648		1,915	-324	28	2,426	44,385	16,792	331,141
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**		3,940				85,718	5,999	61,387	-4,596		1,103	-620	-43	1,283	33,768	8,807	196,745
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**		1,453				47,906	24,381	38,784	948		812	296	71	1,144	10,617	7,985	134,395

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	-8	0	0	0	0	0	0	0	0	0			0	0
R0180	-7	0	0	0	0	0	0	0	0				0	0
R0190	-6	0	0	0	0	0	0	0					0	0
R0200	-5	0	0	0	0	0	0						0	0
R0210	-4	0	1,217	25,871	13,638	4,365							4,365	45,091
R0220	-3	1,047	14,987	27,416	10,721								10,721	54,171
R0230	-2	2,497	36,716	33,001									33,001	72,215
R0240	-1	9,451	36,873										36,873	46,323
R0250	0	8,041											8,041	8,041
R0260												Total	93,001	225,841

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	-9	0	0	0	0	0	0	0	0	0	0		0
R0170	-8	0	0	0	0	0	0	0	0	0			0
R0180	-7	0	0	0	0	0	0	0	0				0
R0190	-6	0	0	0	0	0	0	0					0
R0200	-5	0	0	0	0	0	0						0
R0210	-4	-431	50,366	38,046	22,103	16,559							15,749
R0220	-3	11,470	56,858	57,485	45,774								43,199
R0230	-2	25,016	95,058	90,658									85,158
R0240	-1	878	125,963										117,743
R0250	0	91,604											86,432
R0260												Total	348,281

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	8,813		0
R0020	Counterparty default risk	38,024		
R0030	Life underwriting risk	0	0	0
R0040	Health underwriting risk	837	0	0
R0050	Non-life underwriting risk	42,324	0	0
R0060	Diversification	-17,207		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	72,791		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

		C0100
	Calculation of Solvency Capital Requirement	
R0130	Operational risk	9,883
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	82,674
R0210	Capital add-ons already set	0
R0211	*of which, capital add-ons already set - Article 37 (1) Type a*	0
R0212	*of which, capital add-ons already set - Article 37 (1) Type b*	0
R0213	*of which, capital add-ons already set - Article 37 (1) Type c*	0
R0214	*of which, capital add-ons already set - Article 37 (1) Type d*	0
R0220	**Solvency capital requirement**	82,674
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

		Yes/No
	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Yes

		LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0130
R0640	LAC DT	0
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

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