



# HARRINGTON RE LTD.

## Financial Condition Report

For the twelve months ended December 31, 2024

**HARRINGTON RE LTD.**

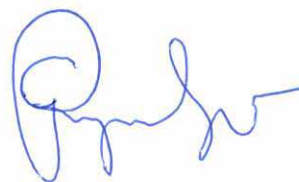
**DECLARATION**

**Declaration on Financial Condition Report**

To the best of our knowledge and belief, the financial condition report represents the financial condition of Harrington Re Ltd. (the "Company" or "Harrington Re") in all material respects.



Name: William Fischer  
Title: Chief Executive Officer and President  
Date: May 30, 2025



Grzegorz Rymon-Lipinski  
Chief Financial Officer  
May 30, 2025

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**HARRINGTON RE LTD.**  
**FINANCIAL CONDITION REPORT**  
**For the twelve month period ending December 31, 2024**

Harrington Re Ltd. was incorporated under the laws of Bermuda on March 16, 2016. The Company is licensed as a Class 4 multi-line insurer under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Insurance Act") and is licensed to underwrite general business on an insurance and reinsurance basis. The Company was licensed by the Bermuda Monetary Authority (the "BMA") effective June 22, 2016, and commenced its operations subsequently. The Company provides a broad range of reinsurance products on a worldwide basis.

Harrington Re has engaged AXIS Reinsurance Managers Limited ("ARM" or the "Liability Manager"), a company incorporated in Bermuda and a wholly-owned subsidiary of AXIS Capital Holdings Limited ("AXIS Capital"), to act as its liability manager pursuant to a Services Agreement dated July 1, 2016, as amended and restated (the "Services Agreement"). The Liability Manager manages the day-to-day underwriting activities of the Company subject to the provisions of the Services Agreement and the oversight of the Company's management and Board of Directors (the "Board").

Pursuant to an Investment Management Agreement dated July 1, 2016, as amended (the "Investment Management Agreement") between Blackstone Harrington Partners L.P., a Cayman Islands exempted limited partnership (the "Fund") and Blackstone Multi-Asset Advisors L.L.C., a Delaware limited liability company and an affiliate of the Blackstone Group Inc. ("BMAA"), which was assigned by BMAA to Blackstone ISG-II Advisors L.L.C., a Delaware limited liability company and an affiliate of the Blackstone Group Inc. ("BISA-II" or the "Investment Manager"), as of October 1, 2017, BISA-II serves as the investment manager of the assets of Harrington that are invested in the Fund. Harrington is the sole limited partner of the Fund. The Fund seeks to achieve attractive risk-adjusted returns through a portfolio of diversified investments, including a significant allocation to alternative strategies.

## **Section 1 - Business and Performance**

### **a) Name of the Insurer**

Harrington Re Ltd.

### **b) Supervisors**

#### *Insurance Supervisor*

Bermuda Monetary Authority  
BMA House  
43 Victoria Street,  
Hamilton, HM 12, Bermuda

### **c) Approved Auditor**

Deloitte Ltd.  
Corner House  
20 Parliament Street  
Hamilton, HM 12, Bermuda

**d) Ownership Details**

The Company is a wholly-owned subsidiary of Harrington Reinsurance Holdings Limited (the "Parent", and together with the Company and the Fund, the "Group"). The Parent was incorporated under the laws of Bermuda on March 15, 2016.

Significant shareholders of the Parent include:

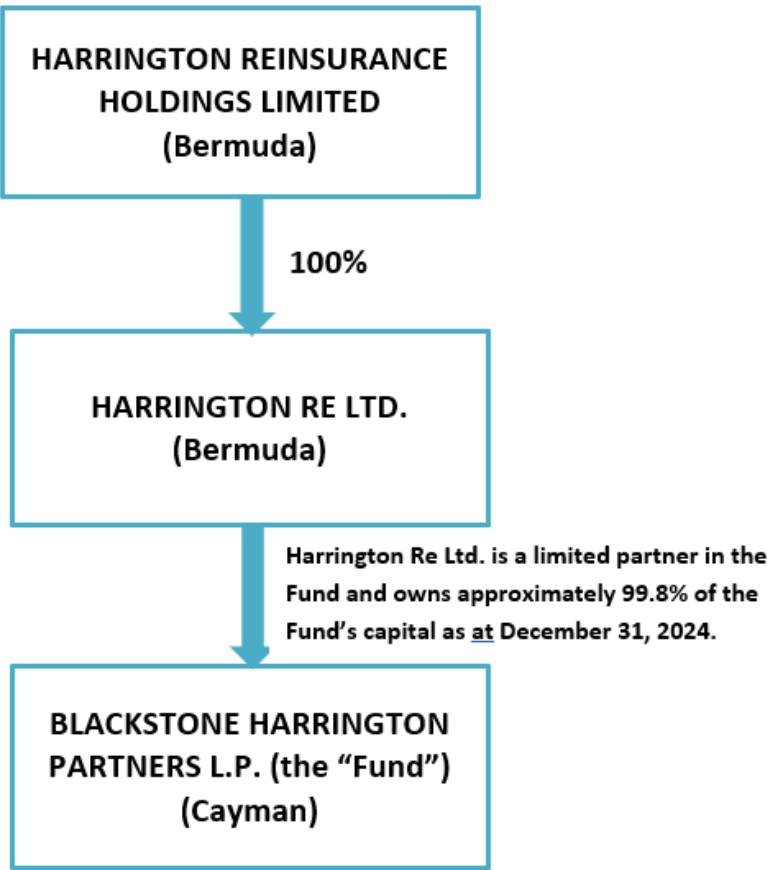
- AXIS ILS Ltd., a wholly-owned subsidiary of AXIS Capital, holds 21.6% of the Parent’s common equity.
- The Blackstone Group Inc. (“Blackstone Group”), through a wholly-owned subsidiary, together with investment entities formed for certain senior professionals and employees of the Blackstone Group, hold in total 10.8% of the Parent’s common equity.

**e) Group Structure Chart**

The following diagram provides details of the Company in the Group Structure:

**HARRINGTON REINSURANCE HOLDINGS LIMITED**

**GROUP ORGANIZATIONAL CHART**



**f) Insurance Business Written by Business Segment and by Geographical Region**

The Company's strategy is to couple a multi-line reinsurance portfolio with a diversified investment strategy, which includes a significant allocation to alternative asset classes, in order to earn attractive risk-adjusted returns over the reinsurance cycle. The Company writes multiple lines of reinsurance business, with a focus on low volatility and medium to longer tailed liabilities where the liability payout is expected to be medium to long term duration. This provides a 'premium float' which is invested in assets managed by the Investment Manager. The lines of business that the Company writes include liability, professional, motor, accident and health, and credit and surety lines.

The Company's consolidated financial statements, from which the financial results within this document have been derived, have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

**Gross Premiums Written**

The following is a summary of the Company's gross premiums written by line of business and by geographical region, for the twelve months ended December 31, 2024, and December 31, 2023 (in US\$ 000s):

<u>Line of Business</u>		<u>2024</u>		<u>2023</u>
Liability	\$	74,163	\$	125,404
Accident & Health		57,223		51,396
Professional		30,220		55,479
Motor		26,300		41,297
Credit & Surety		19,361		16,993
Other		11,060		1,789
<b>Total Gross Premiums Written</b>	<b>\$</b>	<b>218,327</b>	<b>\$</b>	<b>292,358</b>

<u>Region<sup>1</sup></u>		<u>2024</u>		<u>2023</u>
USA	\$	135,415	\$	192,152
Europe		81,700		97,202
Bermuda		835		1,435
All Other		377		1,569
<b>Total Gross Premiums Written</b>	<b>\$</b>	<b>218,327</b>	<b>\$</b>	<b>292,358</b>

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<sup>1</sup> Geographical region split is based on the location of the cedant and its affiliates.

## **g) Performance of Investments & Material Income & Expenses for the Reporting Period**

### **Performance of Investments for the Reporting Period**

The Company's investments are composed of fixed maturities, investments in funds, and other securities managed by BISA-II in the Fund. The Fund is a Cayman Islands exempted limited partnership that was formed on August 20, 2015, and commenced operations on July 5, 2016. Blackstone Harrington Associates L.L.C., a Delaware limited liability company serves as the general partner of the Fund (the "General Partner"). The Company is the sole limited partner of the Fund. The Investment Manager provides certain administrative and investment management services to the Fund, including the investigation, evaluation, selection, allocation, negotiation, structuring, commitment to, monitoring of and disposition of the Fund's investments (including allocation of the Fund's assets among investment strategies). The General Partner and the Investment Manager are affiliates of the Blackstone Group.

The Fund seeks to achieve attractive risk-adjusted returns through investing in a portfolio of diversified investments, which includes a significant allocation to alternative asset classes.

The following table summarizes the fair value of the Fund's securities grouped by investment strategy held by the Fund as at December 31, 2024 and 2023 (in US\$ 000s):

		<b><u>2024</u></b>		<b><u>2023</u></b>
<b><u>Strategy</u></b>				
<b><u>Liquid Investments</u></b>				
Investment Grade	\$	243,116	\$	294,267
Long Credit		232,573		305,871
Real Estate Liquid Credit		256,767		297,031
 <b><u>Drawdown and Commitment-Based Funds</u></b>				
Liquid Credit Alternative		24,083		36,355
Private Credit Alternative		37,644		50,439
Private Equity		375,743		368,702
Private Real Estate		242,775		269,182
Tactical Opportunities		32,529		39,826
<b>Total Invested Assets</b>		<b>1,445,230</b>		<b>1,661,673</b>
 Senior Secured Facility Borrowings		<b>(60,000)</b>		<b>(70,000)</b>
Other Balances <sup>2</sup>		98,994		65,180
 <b>Limited Partner Net Asset Value at Year End</b>	<b>\$</b>	<b><u>1,484,224</u></b>	<b>\$</b>	<b><u>1,656,853</u></b>

<sup>2</sup> Includes but is not limited to cash, management fees accruals, performance-based allocation to and ownership interest of the General Partner, other interest, and general and administrative expense accruals.

For the year ending December 31, 2024, the Fund generated a net investment return on total invested assets of 3.5%<sup>3</sup>. The Fund's net investment return during the year was driven by favorable returns on the Liquid products portfolio which generated a return of 6.8%<sup>4</sup>. The Drawdown and Commitment-Based Funds portfolio generated a flat<sup>4</sup> return for the 2024 financial year. The performance of the Drawdown and Commitment-Based Funds was driven by the positive performance of the Credit and Private Equity fund strategies which was offset by fund mark-downs impacting the Real Estate strategies. The 2024 financial year returns for the Drawdown and Commitment-Based Funds portfolio are a reflection of what have been volatile market conditions during the year, largely driven by global macro-economic conditions which caused the real estate and private equity market activity to be significantly lower than expected.

For the year ending December 31, 2023, the Fund generated a net investment return on total invested assets of 5.1%<sup>3</sup>. The Fund's net investment return during the year was driven by favorable returns on the Liquid Products portfolio which generated a return of 10.2%<sup>4</sup>. The Drawdown and Commitment-Based Funds portfolio generated a return of 0.1%<sup>4</sup> for the 2023 financial year. The performance of the Drawdown and Commitment-Based Funds was driven by the positive performance of the Credit and Private Equity fund strategies which was largely offset by fund mark-downs impacting the Real Estate strategies.

#### Material Income & Expenses for the Reporting Period

The Company's main revenue source is reinsurance premiums and, in line with the Harrington Re accounting policy, reinsurance premiums are recorded at the inception of the contract and are estimated based upon information received from ceding companies. Harrington Re may source reinsurance premiums through quota-share and facultative cessions from companies in the AXIS Capital group, as well as from other third-party cedants as recommended by its Liability Manager. For the period from inception to December 31, 2024, the Company wrote business solely through reinsurance treaties with entities in the AXIS Capital group.

The Company's major expense arises from claims losses, and the reserve for losses and loss expenses is reviewed on a quarterly basis. Case reserves (reported claims) are primarily established based on amounts reported by the ceding companies. Management determines booked reserves for losses incurred but not yet reported ("IBNR") after reviewing detailed actuarial analyses and applying informed judgment regarding qualitative factors that may not be fully captured in the actuarial estimates.

In 2024, the Company reported net income of \$51.1 million compared to net income of \$48.8 million in the 2023 financial year.

The net income reported during 2024 was driven by the performance of the Company's investment portfolio. The favorable net investment income was driven by strong returns on our Liquid investments portfolio while the performance of the Drawdown and Commitment-Based Funds portfolio was flat for the year. The returns on the investment portfolio were slightly offset by a loss from the underwriting operations. The negative underwriting performance was impacted by adverse prior year development in our loss and loss expense reserve estimates, primarily impacting pre-2020 underwriting years and the liability lines of business which was partially offset by favorable prior year loss and loss expense reserve development in the professional and motor lines of business.

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<sup>3</sup> The net investment return reflects the total investment return generated by the Fund less the Fund's expenses and fees excluding the interest expense related to the Fund's senior borrowing facilities, divided by the period's average invested assets of the Fund that are attributable to Harrington Re as the Limited Partner of the Fund.

<sup>4</sup> The net return contribution from individual asset classes includes interest and dividends received, unrealized and realized appreciation / (depreciation) in the value of the investments, and includes expenses and management and performance fees.

Additionally, during 2024, the Company entered into a novation transaction which resulted in \$92.5 million of loss and loss expense reserves being transferred to a third-party. The Company recognized a gain of \$13.5 million related to this transaction. This gain is shown as Other Income in the Company's financial statements.

Comparatively, the net income reported during 2023 was also driven by the performance of the Company's investment portfolio. The favorable net investment income was driven by strong returns on our Liquid investments portfolio with a minor contribution from the Drawdown and Commitment-Based Funds portfolio. The returns on the investment portfolio were partially offset by a loss from the underwriting operations. The negative underwriting performance was driven by adverse prior year development in our loss and loss expense reserve estimates, primarily impacting pre-2019 underwriting years and the professional and liability lines of business.

The following presents the Company's financial performance for the years ended December 31, 2024, and 2023 (all in US\$ 000s):

		<u><b>For the Year Ended December 31, 2024</b></u>	<u><b>For the Year Ended December 31, 2023</b></u>
<b>Gross Premiums Written</b>	\$	<b>218,327</b>	\$ <b>292,358</b>
Net Premium Earned		265,665	298,650
Losses and Loss Expenses		(184,387)	(223,101)
Acquisition Costs		(73,092)	(81,993)
Underwriting-related General and Administrative Expenses		(10,133)	(9,216)
Underwriting Loss		(1,947)	(15,660)
Net Investment Income		45,968	72,034
Other Income		13,482	-
Other Items		(6,445)	(7,544)
<b>Net Income</b>	\$	<b>51,058</b>	\$ <b>48,830</b>

#### **h) Other Material Information**

No other material information to report.



## Section 2 - Governance Structure<sup>5</sup>

The Company's governance structure is established to:

- Maximize shareholder value over the long-term through diligent oversight of policies, processes and decisions taken by the Company's executive management and Board of Directors;
- Ensure high standards of enterprise risk management are implemented and maintained;
- Ensure the business is operating in an efficient and effective manner; and
- Align control procedures within the organization based on identified risks.

### a) **Board and Senior Executives**

#### **Directors:**

*The Board of Directors comprises the following individuals:*

<b>Name</b>	<b>Board Position</b>
Robert Friedman	Chairman of the Board /Chair of the Audit and Risk Committee
Peter Durhager	Board Member/Chair of the Compensation Committee
Martin Alderson Smith	Board Member/Chair of the Investment Committee
Robert Lupo (until April 30, 2024)	Vice-Chairman/Chair of the Underwriting Committee
Kyle Freeman (from May 1, 2024)	Vice-Chairman/Chair of the Underwriting Committee
William Fischer	Board Member

#### **Senior Officers:**

*The Executive Team comprises the following individuals:*

<b>Name</b>	<b>Executive Position</b>
William Fischer	CEO and President
Greg Rymon-Lipinski	Chief Financial Officer
Nicholas Buckley	Chief Risk Officer and Chief Actuary

#### *i) Board and Senior Executive Structure, roles, responsibilities and segregation of responsibilities.*

The Board of Directors of Harrington Re Ltd. provides oversight of the Company through Board committees and involvement of the executive team and comprises individuals who meet the Fit and Proper criteria set out in the Schedule to the Insurance Act 1978. The Board comprises five directors and includes the Company's Chief Executive Officer (the "CEO"), a representative from each of the Company's sponsors, AXIS Capital and Blackstone Group (the "Sponsors"), as well as two independent directors. Board members must understand (i) the Company's Bye-Laws, the Code of Business Conduct, the Corporate Governance Principles and all other relevant company policies concerning corporate governance; and (ii) how the policies are enforced to help protect against illegal or unethical conduct.

The annual duties of the Board include the following:

- Setting and overseeing the implementation of business objectives and strategies;
- Approving corporate policies and procedures;

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<sup>5</sup> The Board matters discussed herein related to the combined oversight and governance activities of the Boards of Directors of both Harrington Re Ltd. and its parent Harrington Reinsurance Holdings Limited.

- Oversight of the integrity and effectiveness of the Risk Management Function;
- Oversight of risk funding and ensuring the adequacy of the Company's financing facilities;
- Approving financial results and statutory filings;
- Approving external audit fees;
- Ensuring that the Company is compliant with the BMA's Insurance Code of Conduct;
- Appointment of internal auditors;
- Electing Officers, the Principal Representative and Committee members;
- Review of Board Committee charters;
- Review of Directors' and Officers' insurance coverage; and
- Approving the remuneration of non-executive directors.

The Board also selects and evaluates the performance of the CEO and other senior executive officers.

#### Committee Governance and Oversight:

The following committees have been established by the Board as part of its overall responsibility for corporate governance:

1. *Audit and Risk Committee:* The purpose of this committee is to assist the Board in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's internal controls and the internal controls that exist at the Company's liability and asset managers, to the extent they affect the adequacy and effectiveness of the Company's respective financial, operating, compliance and risk management controls, (iii) the integrity and effectiveness of the Company's risk management framework and to ensure that the Company's risk assumption and risk mitigation activities are consistent with that framework. (iv) the Company's compliance with legal and regulatory requirements, (v) the independent auditors' qualifications and independence, and (vi) the Company's internal audit function. In fulfilling its purpose, the committee shall maintain free and open communication with the Company's independent auditors, the Company's internal auditors and management.
2. *Underwriting Committee:* The purpose of this committee is to assist the Board in overseeing the Company's underwriting strategy and activities.
3. *Investment Committee:* The purpose of this committee is to assist the Board in overseeing the Company's investment strategy and activities.
4. *Compensation Committee:* The purpose of this committee is to: (i) determine the compensation of the Chief Executive Officer, (ii) to make recommendations to the Board with respect to employee compensation, incentive compensation plans and equity-based compensation plans, and (iii) take a leadership role in shaping the Company's compensation policies.

Each committee shall consist of no fewer than three directors, as determined by the Board, except that AXIS Capital and Blackstone Group shall each have the right to appoint one committee member to each committee. Each committee shall meet at least once per calendar quarter or more frequently as circumstances dictate. All committee reports are presented to the Board.

#### Executive Team

The Company's executive team consists of the following individuals:

1. William Fischer – President and Chief Executive Officer, who also serves as the Chief Underwriting Officer for the Company
2. Greg Rymon-Lipinski – Chief Financial Officer and Principal Representative
3. Nicholas Buckley – Chief Risk Officer and Chief Actuary

Each of the members of the executive team is responsible for the resource and information needs that are required to support their respective functions, including the management of services provided by the Liability Manager and the Investment Manager, as well as the functions performed by the outsourced service providers that are discussed further below.

#### *ii) Remuneration Policy*

The Company believes that the retention of its key members of management is critical to the success of the Company and the achievement of its strategic objectives. The Company's executive compensation policy was designed to retain and reward management who create long-term value for our shareholders. The remuneration policy provides a fixed base salary along with an annual performance-based bonus which varies in accordance with both the Company's and individual's performance. Additionally, senior executives and select employees receive stock-based compensation accompanied by long term incentives to align with the Company's goal of sustained success. Such amounts are approved by the Board's Compensation Committee. The Company may also provide reimbursements for a certain amount of personal travel, and in some cases for housing allowances to help defray the costs of maintaining a second residence for executives who are working away from their home countries. The Company also provides certain other perquisites and benefits, such as a general health plan, which the Company believes will give the executives security and convenience that will allow them to focus their attention on carrying out their responsibilities for Harrington Re.

Compensation for our independent directors consists of cash compensation in the form of annual retainers for Board and Committee service. Directors who are also employees of Harrington Re, AXIS Capital or the Blackstone Group do not receive compensation for their service as directors. The Company's Chairman of the Board, who is an independent director, receives an additional retainer.

#### *iii) Pension or Early Retirement Schemes for Members, Board and Senior Employees*

For purposes of providing employees with retirement benefits, the Company maintains self-directed defined contribution retirement plans in Bermuda. Contributions are based on the participants' eligible compensation. The contributed funds are invested in one of the Company's pension investment portfolios based on the employee's preference, which is administered by a third-party advisor. The Company does not have any early retirement schemes.

#### *iv) Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions*

During 2024, the Company declared and paid dividends totaling \$130.0 million to the Parent.

During 2024, the Company paid a distribution from contributed surplus to the Parent of \$52.0 million.

Certain directors and executive officers of the Company acquired and hold common shares of the Parent.

AXIS Capital participated in the capital raising activities of the Parent, acquiring approximately 19% of the Parent's common stock. During 2024 and 2023, the Parent made share tender offers to repurchase a portion of its common shares. As AXIS Capital chose not to participate in the share tender offers, consequently following the close of the latest share tender it currently owns 21.6% of the Parent's common stock.

An entity in the AXIS Capital group serves as the exclusive liability manager for the Company. All reinsurance business written since inception through December 31, 2024, was entered into with companies in the AXIS Capital group.

The Blackstone Group, through a wholly-owned subsidiary, together with investment entities formed for certain senior professionals and employees of the Blackstone Group, purchased in total 9.9% of the Parent's common equity. During 2024 and 2023, the Parent made share tender offers to repurchase a portion of its common shares. As the Blackstone Group and its

related entities chose not to fully participate in the share tender offers, consequently following the close of the latest share tender they currently own 10.8% in total of the Parent's common stock.

An affiliate of the Blackstone Group serves as the Company's exclusive investment manager.

## **b) Fitness and Propriety Requirements**

### *i) Fit and Proper Process in assessing the Board and Senior Executives*

Harrington Re Ltd. places a high value on appointing fit and proper persons and seeks to ensure that each person hired is suitably qualified to do the job for which he or she is being recruited and that he or she is honest and trustworthy.

The Company's Board has adopted a Fit and Proper Policy and Procedures to provide guidance to ensure appropriate processes are undertaken to assess and document the fitness and propriety of the Company's Board and senior executives.

As part of the Fit and Proper Policy and Procedures, each candidate for a Board or senior executive position is assessed to determine whether he or she is fit for the particular role, specifically with reference to competency and capability. Each candidate is assessed to determine whether he or she meets Harrington Re's standards for probity, specifically with reference to honesty, integrity, fairness, ethical behavior and financial soundness.

This recruitment process includes the following:

- A written job description setting forth the duties and responsibilities of the role,
- A process (i.e., number and diversity of interviews) that matches the person with the requirements of the role, and
- Verification of qualifications, experience, references and professional memberships.

For the Board appointees that are nominated by the Sponsors as their representatives, the Company relies on the fit and proper control processes and procedures at the Sponsors to ensure the new directors meet the Company's fit and proper person requirements.

The annual performance review process for each director and senior executive includes continuing consideration of fitness and probity.

Executive management is authorized to hire middle management and other staff to ensure there is sufficient expertise to achieve the Company's objectives. The Human Resources function arranges background screening and other support for all hires to ensure appropriate alignment with Harrington Re's values and culture.

### *ii) Board and Senior Executives Professional Qualifications, Skills and Expertise*

#### **Board of Directors:**

1. Robert Friedman (Chairman of the Board of Directors) – Robert Friedman is the Chairman of the Harrington Re Board of Directors. Mr. Friedman is a former Senior Managing Director of the Blackstone Group. Mr. Friedman joined the Blackstone Group in 1999 and served as Chief Legal Officer of the firm from 2003 through 2010 and was also the firm's Chief Administrative Officer during most of that period. He retired as a Senior Managing Director in 2012 and subsequently became a Senior Advisor of the firm. Before joining the Blackstone Group, Mr. Friedman was a partner with Simpson Thacher & Bartlett for 25 years, where he was a senior member of that law firm's mergers and acquisitions practice. Mr. Friedman graduated from Columbia College and the University of Pennsylvania Law School. He is a member of the Boards of Directors of New Alternatives for Children, the Nantucket Land & Water Council and the Institute for Law and Economics of the University of Pennsylvania.

2. *Peter Durhager (Director)* – Peter Durhager is a member of the Harrington Re Board of Directors. Mr. Durhager is the former President of RenaissanceRe Services Ltd. and a former Executive Vice President and Chief Administrative Officer of RenaissanceRe Holdings Ltd. Mr. Durhager was the Chief Administrative Officer of the global reinsurer, RenaissanceRe Holdings Ltd., from June 2003 until December 2014 and its Executive Vice President from February 2010 until December 2014. He served as the President of RenaissanceRe Services Ltd. from June 2003 until his retirement in December 2014. Mr. Durhager served as Deputy Chairman at Ascendant Group Ltd. from June 1, 2012, until his election as Chairman in 2014. He served as Chairman of the Board of Ascendant Group Ltd until the completion of the sale of the company to Algonquin Power & Utilities Corp in November 2020. Mr. Durhager co-founded Promisant Holdings Ltd. and served as its President and Chief Operating Officer from January 2000 to February 2003. He served as Vice Chairman of Promisant Holdings Ltd. from 1999 to 2003. Mr. Durhager also served as Chief Executive Officer of Logic Communications Ltd. from January 1996 to December 1999 and Chairman from 1995 to 1999. From 1997 to 1999, he served as President and Chief Executive Officer of Millennium International Limited. From July 1991 to December 1995, he served as Head of Electronic Banking & Card Services at the Bank of Butterfield. Mr. Durhager was a Director of Ascendant Group Ltd. from 2003 to 2020 and was a Director of One Communications (formerly KeyTech Limited) from 2000 to 2014. Mr. Durhager served as Chairman of America’s Cup Bermuda from 2015 to 2018 and the Bermuda Community Foundation from 2014 to 2019. He also served as a Non-Executive Director of F&G Re Ltd. and F&G Life Re Ltd from December 2017 to December 2020. Mr. Durhager also served as a Non-Executive Chairman of Somers Limited until March 2024. He was appointed as an independent director of UIL Limited, a London listed investment company with effect from March 31, 2024. Mr. Durhager is an Executive Director of the Allan & Gill Gray Foundation since January 2020. He is a Member of Young Presidents Organization (YPO). Mr. Durhager holds a bachelor’s degree in Philosophy from Transylvania University in Lexington, Kentucky.
3. *Martin Alderson Smith (Director)* –Martin Alderson Smith is a member of the Harrington Re Board of Directors. Mr. Alderson Smith is an Executive Advisor to Blackstone. Prior to taking up his current role at Blackstone, Mr. Alderson Smith was Chief Operating Officer at Blackstone Insurance Solutions as well as Head of Corporate Development working on firm wide strategy and evaluation of new business initiatives. Mr. Alderson Smith was formerly the Managing Partner of Blackstone’s M&A advisory business and a Senior Managing Director in the Financial Institutions Group. In that capacity, he worked on a wide array of insurance and asset management projects, including representing the State Regulators of New York, New Jersey, Iowa, Maryland and Washington on the proposed demutualization and conversion of John Hancock, MetLife, Prudential, Principal, Carefirst and Premier Blue Cross. He also was retained by the Commonwealth of Pennsylvania Insurance Department to review a number of corporate transactions including the affiliation of Highmark with West Penn Allegheny Health System, and Highmark’s acquisition of Blue Cross of Northeastern Pennsylvania. In addition, he has advised clients including Aviva, State Street, AIG and Ullico on a spectrum of acquisitions, divestitures and partnership transactions. Earlier in his career, Mr. Alderson Smith worked for First Boston in London and New York for eight years before joining Blackstone in 1991. Mr. Alderson Smith holds an MA from Oxford University and an MBA from Harvard Business School.
4. *Robert Lupo (Vice-Chairman and Director until April 30, 2024)* - Until April 30, 2024, Mr. Lupo was the Vice-Chairman of the Harrington Re Board of Directors. Mr. Lupo was the Finance Chief Operation Officer at AXIS Capital and was responsible for Global Legal Entity Accounting & Regulatory Reporting, Global Tax, and Global Finance Shared Services at AXIS Capital. Mr. Lupo had been with AXIS Capital for 17 years. Prior to AXIS Capital, Mr. Lupo was the Head of Strategic Investments and Risk Services for Wells Fargo (Legacy Wachovia); Global Head of Tax at Everest Re; and Senior Tax Manager at PwC (legacy Coopers & Lybrand) specializing in the (Re)Insurance Industry. Mr. Lupo is an attorney with a Masters of Law in Taxation.

5. Kyle Freeman (Vice-Chairman and Director from May 1, 2024) - From May 1, 2024, Kyle Freeman is the Vice-Chairman of the Harrington Re Board of Directors. Mr. Freeman is the Head of AXIS ILS at AXIS Capital Holdings Limited. Mr. Freeman's responsibilities include overseeing the Axis Capital's activities related to third party assets under management in support of its ambition to achieve specialty leadership. Mr. Freeman joined AXIS Capital in 2021 as Head of ILS Structuring, Property, and was responsible for managing existing investor relationships as well as capital invested in property catastrophe sidecars, catastrophe bonds, joint ventures, and other ILS structures. Prior to AXIS Capital, Mr. Freeman served as Head of North America Programs Pricing for AXA XL. Mr. Freeman also held senior roles at companies such as JPMorgan, AIR Worldwide, and USAA. Before entering the corporate world, Mr. Freeman served for seven years in the U.S. Navy where he was a nuclear engineer and submarine officer. Mr. Freeman graduated from Virginia Tech with a bachelor's degree in mathematics (Phi Beta Kappa and summa cum laude) and graduated from the University of California, Santa Barbara with a master's degree in mathematics. Mr. Freeman is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries.
6. William Fischer (Director) – see biography below.

The Executive Team:

1. William Fischer (CEO, President and Director) – William Fischer is the Chief Executive Officer of Harrington Re and has over 35 years of reinsurance industry experience. Prior to joining Harrington Re, Mr. Fischer served as the Chief Underwriting Officer for the global Reinsurance operations of AXIS Capital and had worked at AXIS Capital since the company's inception in 2001, helping to found the company. Mr. Fischer played an integral role in building AXIS Capital's global reinsurance business to over \$20 billion in cumulative gross written premium across 14 lines of business with experience leading and managing all aspects of the business including underwriting, risk and capital management. Mr. Fischer moved to Bermuda in 2001 to build the reinsurance business and served as President and Chief Executive Officer of AXIS Reinsurance. Mr. Fischer returned to the United States in June 2011 to assume the role of Chief Underwriting Officer for AXIS Reinsurance globally. Prior to joining AXIS, Mr. Fischer was Executive Vice President at Everest Re Group and had responsibilities for a variety of reinsurance product lines including property, accident and health and financial products. Mr. Fischer previously worked at Transatlantic Reinsurance in both the London and New York offices and began his reinsurance career at Skandia America Group in 1987. Prior to reinsurance Mr. Fischer was a design engineer with Honeywell. Mr. Fischer has both a Bachelor of Science in Engineering and a Master of Business Administration from Columbia University as well as graduating from the prestigious Challenge of Leadership program at Insead. Mr. Fischer is also a founding partner in Alpasión Wines helping to build a thriving wine business in the Uco Valley of Mendoza, Argentina with his partners.
2. Greg Rymon-Lipinski (Chief Financial Officer and Principal Representative) – Greg Rymon-Lipinski is the Chief Financial Officer at Harrington Re. Mr. Rymon-Lipinski has over 28 years of professional experience in the (re)insurance industry. Prior to joining Harrington Re, Mr. Rymon-Lipinski led the external financial reporting function at AXIS Capital. As part of his role at AXIS Capital, Greg was responsible for meeting the internal and external financial reporting requirements, providing corporate finance and accounting expertise to other AXIS Capital group functions, including investor relations, treasury and corporate development teams, as well as the oversight of the group accounting policies. Prior to joining AXIS Capital in 2013, Mr. Rymon-Lipinski was employed at the global reinsurer, PartnerRe Ltd. as the Head of External Reporting. Between 1997 and 2010, Mr. Rymon-Lipinski was employed by the global accounting firm PricewaterhouseCoopers ("PwC"), most recently as Director, with a focus on the insurance and reinsurance industry. At PwC, his primary responsibilities included the supervision of audits of large US and UK listed (re)insurance clients, leading of local regulatory compliance audits, and the management of consulting engagements such as M&A due diligence reviews, corporate governance analyses, internal controls projects and operational efficiency engagements. Mr. Rymon-Lipinski holds a Bachelor of Commerce Honours degree

in Accounting and Auditing from the University of the Witwatersrand and is a member of the Chartered Professional Accountants of Bermuda and the South African Institute of Chartered Accountants.

3. Nicholas Buckley (Chief Risk Officer and Chief Actuary) – Nicholas Buckley is the Chief Risk Officer and Chief Actuary at Harrington Re. Mr. Buckley has over 28 years of experience in the non-life insurance industry. Prior to joining Harrington Re, Mr. Buckley worked at AXIS Capital, where he held the roles of Chief Risk Officer for AXIS Re Europe SE and Senior Vice President within the Group Risk Team. Mr. Buckley joined AXIS Capital in 2008, playing an integral role in the development and build out of AXIS Capital's Risk function and Enterprise Risk Management framework. During the years 2001 to 2008 Mr. Buckley was a member of the Remetrics team at reinsurance broker Benfield (now part of Aon Benfield) where he worked on a range of reinsurance risk modeling and advisory projects. Mr. Buckley also held the position of Vice President at XL Financial Solutions working on non-traditional reinsurance. He began his career at the actuarial consultancy Tillinghast-Towers Perrin (now part of Willis Towers Watson) where he worked on a variety of reserving and financial modeling assignments. Mr. Buckley graduated from the University of Manchester with a joint honors degree in Mathematics and Physics and has been a Fellow of the Institute of Actuaries since the year 2000.

### **c) Risk Management and Solvency Self-Assessment**

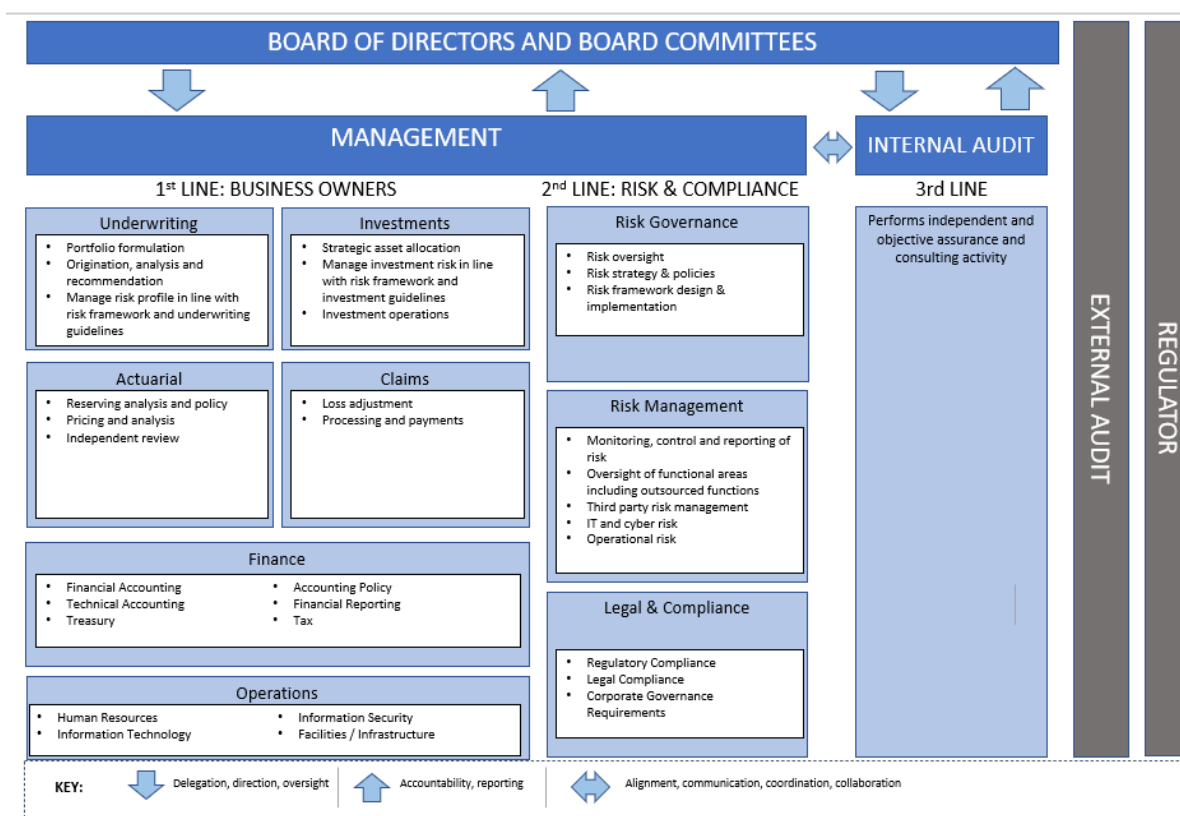
#### *i) Risk Management Process & Procedures to Identify, Measure, Manage and Report on Risk Exposures*

The mission of the Enterprise Risk Management ("ERM") function at Harrington Re is to promptly identify, measure, manage, monitor and report risks that affect the achievement of the Company's strategic, operational and financial objectives. The Company's major risk management objectives are to:

- Protect Harrington Re's capital base and earnings by ensuring that risks are not taken beyond its stated Risk Tolerances;
- Promote a sound risk management culture through disciplined and informed risk taking;
- Enhance value creation and contribute to an optimal risk-return profile by providing the basis for efficient capital deployment;
- Support decision making processes by providing reliable and timely risk information; and
- Safeguard the reputation of Harrington Re and its Sponsors.

The Company's ERM framework provides a structured approach to ensure that risks are appropriately identified, managed, monitored and reported with clear ownership and appropriate levels of oversight.

Enterprise Risk Management process is executed at Harrington through the three lines of defense model as illustrated on the following page.



## Risk Identification

Management have available a range of tools that can be used to identify material foreseeable risks to the Company. Management may use a combination of one or more tools on a regular basis to identify material risks including those indicated by the BMA. In terms of risk identification, the Company's Risk Universe describes the risk landscape that Harrington Re has determined itself exposed to. It encompasses risks common to the industry, strategic risks, assumed risks (i.e. the underwriting and market risks that Harrington Re is paid to assume), financial risks and the operational risks inherent in running the business. The Company has also incorporated applicable environmental, social and governance ("ESG"), aspects, including climate risk, into the overall corporate ERM framework.

The Risk Register documents the risks and sub-risks identified by the Company along with the results of the risk assessment process and the status of the Company's controls as discussed below.

## Risk Measurement/Assessment

The assessment of material risks involves the evaluation of potential risk exposure including the likelihood and severity of each of the risks. This assessment is then translated into an overall risk assessment rating and reported in the Company's Risk Register.

The assessment of the Company's risks will depend upon their nature. For quantifiable risks, risk measurement techniques used may include, but are not limited to, statistical simulation models, deterministic models, stress testing and scenario analysis.



## Risk Management

Each of the Company's risks has an assigned risk owner who has overall accountability for managing the risk and ensuring that appropriate controls are in place to help manage risk exposure in line with the Company's risk appetite and tolerances.

Harrington Re's Risk Appetite and Tolerance Framework provides the principles, policies, and governance under which the Company assumes risk and guides the risk-taking decisions in pursuit of Harrington Re's objectives. Through the framework, Harrington Re aims to provide financial security to policyholders, while providing an optimal balance of risk, profitability, and growth for investors.

Harrington Re's Risk Appetite and Tolerance Framework consists of:

- Qualitative statements of Risk Appetite
- Solvency Standard (policy relating to how the Company measures and holds adequate capital)
- Quantitative Risk Tolerances around risk accumulation and individual risk positions

The framework is reviewed at least annually by executive management and the Board to ensure that it remains relevant to the Company's strategic goals, external environment and risk profile.

## Risk Reporting

The Company's Risk Register is updated and reported to the Audit and Risk Committee of the Board on a regular basis. The Company's key risk positions are also monitored against its Risk Tolerance framework and reported to the Board via a risk dashboard.

### *ii) Risk Management and Solvency Self-Assessment Systems Implementation*

The Company's Risk Appetite and Tolerance Framework, which is approved by the Board, includes an overall Solvency Standard and Risk Tolerances for material risks. The framework is aligned with the Company's strategic, operational and financial objectives. The framework is reviewed at least annually with the Board along with the Commercial Insurer's Solvency Self-Assessment ("CISSA") process. The Company, in collaboration with its Sponsors, uses the framework as a critical part of its strategic processes to help determine the underwriting and investment portfolios for the Company. Risk positions are monitored against the Risk Tolerances and reviewed with the Board, Management and Sponsors. In the event of a breach of a Risk Tolerance it is the responsibility of Management and the Board to develop a risk mitigation plan which includes actions that will be taken to move the portfolio back into tolerance.

The Company conducts an annual review of its framework in light of the changing risk environment and to ensure it continues to reflect the most up-to-date view of key risks. In line with the Company's strategy, the risk profile of the Company is dominated by investment risk and reserve risk arising out of its underwriting activities.

The Company assesses solvency requirements through a combination of regulatory, rating agency models and stress testing.

The exercise is conducted at least annually and identifies any deficiencies in solvency requirements. The Company's stress testing utilizes a combination of internally defined and regulatory required scenarios. Any solvency issues noted are brought to the attention of the Board and actioned upon.

### *iii) Relationship Between Solvency Self-Assessment, Solvency Needs & Capital, and Risk Management*

The Company performs a solvency self-assessment as part of the CISSA process. The self-assessment contemplates the achievability of both short- and longer-term plans in the context of the Company's available resources and the identified risks to which it is exposed.

The self-assessment includes a determination of the capital required by the Company to achieve its goals in relation to both internal and external constraints such as regulatory and rating agency capital.

The analysis is performed on a forward-looking basis as part of Harrington Re's planning cycle. The Company analyzes its exposure based upon the potential impact of executing alternative strategies against the Company's Solvency Standard and Risk Tolerances. Where necessary, the Company's business plans, and risk mitigation strategies are modified to ensure compliance with the Company's Risk Framework.

Reverse stress testing is also used and provides insights into scenarios that might lead to the Company's business model becoming unviable under proposed business plans.

### *iv) Solvency Self-Assessment Approval Process*

The Company's Chief Risk Officer prepares the annual Solvency Self-Assessment Report. This follows a process of consultation and review with the executive management team and with the Company's Sponsors. The report is provided to the Board for review and approval.

## **d) Internal Controls**

### *i) Internal Control System*

The Company's internal control system consists of five components:

- Control environment. The control environment is a framework of policies, processes, and structures that provide the basis for internal control throughout the organization. Harrington Re has implemented a Code of Business Conduct through which it communicates the importance of integrity and ethical values in day-to-day corporate decision making to its employees. The Company's management also ensures that all employees possess appropriate technical competencies and knowledge to effectively perform their job responsibilities, including maintaining effective internal controls.
- Risk assessment. The Company's risk assessment process is an integral component to the Company's ERM framework and is described in other sections of this report. The Company also maintains a Risk and Control Matrix that assists with identifying, prioritizing, implementing and improving control measures to mitigate material risks.
- Control activities. The Company has designed and implemented policies and procedures that help ensure that necessary actions are taken to mitigate the risks to achievement of the Company's objectives, data and reporting is reliable, organizational policies are adhered to, and adequate security measures are implemented. These encompass a range of activities including approvals, authorizations, verifications, reconciliations, and others.
- Information and communication. To support the functioning of its internal control system, the Company keeps current policies and procedures available to personnel, provides training on a regular basis, and communicates other relevant information in a timely manner. Management has established procedures to communicate information effectively with both internal and external stakeholders to assist in decision making and achieving the Company's objectives.
- Control monitoring. The effectiveness of the controls is regularly evaluated by the control owners. Independent internal audits are also periodically undertaken to verify that the Company's internal controls and its corporate

governance framework are effective. Identified internal control deficiencies are remediated by management in a timely manner.

The Company has systems, processes and procedures in place to ensure that data and reporting is reliable, organizational policies are adhered to, and adequate security measures are implemented. The Audit and Risk Committee is responsible for reviewing and evaluating financial information and disclosures, the work of the internal auditors and any significant changes in internal controls over financial reporting.

#### *ii) Compliance Function*

The Company's compliance function is overseen by executive management and is supported by external specialists. The compliance function regularly monitors applicable law, regulation and corporate requirements. The Company has access to legal and regulatory support and training, and access to specialist expertise in particular issues or jurisdictions. Compliance is the responsibility of the directors, senior management and all employees.

The Harrington Re compliance function works to ensure compliance with applicable laws, rules and standards by (i) developing and implementing policies, procedures, and guidelines, such as a Code of Business Conduct; (ii) providing training to the Company's employees on compliance-related matters; and (iii) working with Company personnel to interpret and apply applicable laws, rules and standards as we conduct our business.

Harrington Re has retained specialist legal counsel, responsible for the day to day monitoring of legal and regulatory requirements. Harrington Re also engages third party lawyers and other external advisors (both in the US and Bermuda), as and when required to supplement its resources. In addition to ongoing monitoring of new and changing regulation within Bermuda and any applicable jurisdiction, there is also regular and ongoing engagement by the executive management with the Bermuda regulators, ensuring that regulatory and compliance matters are appropriately reported and discussed.

#### **e) Internal Audit**

The internal audit function is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Company.

The internal audit function is currently outsourced to an independent third party who, along with its internal processes to ensure independence and objectivity from the Company, has direct access to the Audit and Risk Committee of the Board, agrees the audit plans with the Audit and Risk Committee, and prepares reports on findings from each audit for discussion at the Audit and Risk Committee meetings.

The internal audit function assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, internal control, and governance processes.

Internal audit procedures are carried out to test adherence of practice to stated frameworks and policies. In addition, the internal audit team is responsible for reporting major internal control findings or issues to the Audit and Risk Committee to help strengthen group-level governance, assist the Board-level committee to exercise its oversight and to provide advice and recommendations to the management of Harrington Re.

#### **f) Actuarial Function**

An external actuarial consultancy is retained by the Company to provide quarterly actuarial reserve estimates. Under this arrangement the Company benefits from the experience and broader market perspective that external consultants can provide. This enables the Company to access market benchmarks and supplementary data that are required for the analysis of the

Company's reserves given its relatively limited history and the characteristics of its longer duration reserve portfolio. The Company's actuaries review the reserve estimates and supporting analyses prepared by its actuarial consultants along with information relating to risks and uncertainties present in the reserving process and inherent to the subject business. Following consideration of these analyses and the materials provided, the Harrington Re Chief Actuary prepares the final reserve recommendations for review and approval by the Company's Reserve Committee. The Reserve Committee includes all executive officers of the Company and meets at least once per quarter prior to the reserves being recorded in the Company's financial statements. The Company's reserves estimates are also presented to and reviewed by the Audit and Risk Committee of the Board each quarter.

The Company's external actuarial consultants also perform an annual independent review of the Company's technical provisions. An independent external actuary serves as loss reserve specialist for the Company and provides the annual Loss Reserve Specialist Opinion required by the BMA.

The Company also has access to the AXIS actuarial team via their role as the Company's Liability Manager and Sponsor and utilizes their pricing and modelling capabilities in various aspects of the Company's operations.

### **g) Outsourcing**

#### *i) Outsourcing Policy and Key Functions that have been outsourced*

The Company outsources a number of key functions and has formal policies in place with respect to contractors, consulting services and outsourcing activities.

The key functions that are outsourced, in part or full, include day to day underwriting activities, risk and actuarial, accounting, legal and compliance, internal audit, investment management, information technology and human resources services, all of which are based on agreements with various third parties.

A significant portion of the Company's operational activities are outsourced to its Sponsors under long-term service and investment management agreements. These include the following:

#### **AXIS Reinsurance Managers Limited (Liability Manager and other operational support)**

Harrington Re has engaged AXIS Reinsurance Managers Limited ("ARM"), a wholly-owned subsidiary of AXIS Capital, to act as its Liability Manager pursuant to the long-term Services Agreement. The Liability Manager manages the day-to-day underwriting activities of the Company subject to the provisions of the Services Agreement and the oversight of management and the Board of Directors of the Company. The Services Agreement also provides for ARM to provide certain other services to the Company, including claims handling, risk management and information technology support as specified in the Services Agreement.

#### **Blackstone ISG-II Advisors L.L.C. (BISA-II) (Investment Manager)**

Pursuant to the Investment Management Agreement, BISA-II serves as the investment manager of the assets of the Company that are invested in the Fund. The Company is the sole limited partner of the Fund. The Fund seeks to achieve attractive risk-adjusted returns through a portfolio of diversified investments, including a significant allocation to alternative strategies. Pursuant to the Investment Management Agreement, the Investment Manager provides certain administrative and investment management services to the Fund, including the investigation, evaluation, selection, allocation, negotiation, structuring, commitment to, monitoring of and disposition of investments (including allocation of the Fund's assets among investment strategies).

Executive management receives and reviews independent management assertion reports from the material vendors on the effectiveness of selected key internal controls.

*ii) Material Intra-Group Outsourcing*

There are no material intra-group outsourcing functions utilized by the Company.

**h) Other Material Information**

No other material information to report.

## Section 3 - Risk Profile

### a) Material Risks the Insurer is Exposed to During the Reporting Period

The Company has identified various risk categories to which it considers itself exposed. These are summarized below into five major Risk Categories and 22 Sub-categories according to the groupings defined by Harrington Re:

Major Risk Universe Categories	Sub-categories
<b>Strategic Risks</b>	<p><b>Strategic Positioning</b> – The risk of disconnect between existing strategy and the external environment, thereby threatening the Company’s competitive position and its ability to ensure ongoing profitability and viability.</p> <p><b>Risk Funding</b> - The risk that the Company does not have adequate or appropriate funding in place to execute its strategic objectives.</p> <p><b>Enterprise Risk Management</b> - Inappropriate or ineffective ERM framework leading to inappropriate risk culture and risk taking that prevents the Company from achieving its strategic, operational and financial objectives.</p> <p><b>Reputational Risks</b> – Risks associated with negative publicity, public perception or uncontrollable events resulting in loss of financial capital, social capital and/or market share.</p>
<b>Assumed Risks</b>	<p><b>Underwriting</b> – Risks due to variability in the frequency, severity and timing of insured events relative to our expectations at the time of underwriting.</p> <p><b>Investment Risk</b> - The risk of adverse movements in the valuation of assets, as well as the income from assets, caused by movements in equity prices, interest rates, exchange rates and credit spreads.</p> <p><b>Reserve Risk</b> - The risk that the loss reserves we have established to cover losses already incurred are insufficient.</p> <p><b>Claims Handling</b> – This risk covers operational failure in the handling and settlement of claims leading to inappropriate reserves and claim payments.</p> <p><b>Natural Catastrophe Accumulation</b> - The risk that the aggregation of natural catastrophe risk exposure is not understood or managed appropriately.</p> <p><b>Non-Natural Catastrophe Accumulation</b> - The risk that the aggregation of non-natural catastrophe exposure is not understood or managed appropriately.</p>
<b>Financial Risks</b>	<p><b>Counterparty Credit</b> - the risk of failed or delayed premiums due to Harrington Re and/or settlements of reinsurance claims recoverable.</p> <p><b>Liquidity Risks</b> - the risk that Harrington Re, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.</p>

	<b>Tax</b> - the risk of non-compliance with tax legislation within each jurisdiction as well as the unintended tax exposure from specific transactions or business decisions.
<b>Operational Risks</b>	<p><b>Business Interruption</b> - The risk that the business is unable to respond to a major disruption to its operations.</p> <p><b>Information Technology and Cyber Security</b> – Risk of failure to maintain the confidentiality, integrity and availability of key information assets.</p> <p><b>Financial Crime</b> – Risk that Harrington is subject to or complicit with financial crime.</p> <p><b>Legal and Compliance</b> - Failure to comply with laws, regulations, rules, related self-regulatory standards, and codes of conduct applicable to business activities. This category also includes the risk that the Company will face legal action.</p> <p><b>External Financial Reporting</b> – Risk of material misstatement in the financial statements or other public disclosures of material financial information.</p> <p><b>Third Party Vendor Risk</b> – Risk of financial loss, business disruption or other adverse effects arising from relationships with sponsors and third parties.</p>
<b>Environmental, Social and Governance Risks</b>	<p><b>Environmental / Climate Change</b> – Risk of adverse impact of changes in the environment/climate on economic activities and human well-being.</p> <p><b>Social and Human Capital</b> – Risks that impair the Company’s ability to employ adequate and appropriate staff, including the inability to retain, motivate and/or reward staff, thereby preventing the organization from operating at full capacity and/or efficiency.</p> <p><b>Corporate Governance</b> - Inadequate or inappropriate board level corporate governance leading to the Company not acting in the best interests of shareholders or policyholders.</p>

Within each risk category there are multiple individual risks. For each individual risk the Company assesses the materiality to which it is exposed by considering both the potential likelihood and severity of each risk. These individual risk assessments are then translated into an overall rating per the risk sub-categories in the table above. The assessment process may be quantitative or qualitative or a combination of both depending upon the nature of the risk. The Company also uses proprietary models, vendor models and internal scenario analysis for risk assessment.

#### **b) Risk Mitigation in the Organization**

Risks are controlled by the Company using a variety of tools, techniques and processes. For each material risk category identified in the Risk Universe there is a risk owner who has overall responsibility for ensuring that appropriate mitigation strategies are designed and implemented to mitigate risks to acceptable levels. Risks are periodically assessed both before (“gross risk”) and after (“net risk”) consideration of the effectiveness of the Company’s various mitigation strategies.

One of our key risk mitigation strategies is ensuring implementation and operation of a sound internal controls system. Its description is provided in the Internal Controls System subsection of this report.

The Company also has defined Risk Tolerances which represent the maximum amount of risk that the Board regards as acceptable to bear for certain material risk categories. The Risk Management Function reports actual risk positions against the Risk Tolerances on a regular basis to the Audit & Risk Committee of the Board and to the executive management team via the

Company's Risk Dashboard to facilitate effective oversight. In the event of a Risk Tolerance breach the Board and management team are responsible for developing appropriate risk mitigation strategies to bring the reported risk positions back within tolerance.

### **c) Material Risk Concentrations**

The most material areas of risk concentration relate to underwriting risk, reserve risk and investment risk as described below:

#### **Underwriting Risk**

The vast majority of the Company's underwriting risk is derived from premium (non-natural catastrophe) risk due to the Company's strategy to focus on low volatility and medium to longer tailed lines of business. The Company monitors its non-natural catastrophe risk positions using a number of internally defined scenarios.

The Company has focused on building a highly diversified book of business since inception in 2016. The most material lines of business currently written are Casualty, Professional Liability, Motor, Accident and Health, and Credit and Surety.

The Company also has some limited exposure to natural catastrophe risk via the underwriting portfolio although this is small relative to the Company's capital base.

#### **Reserve Risk**

The Company is exposed to reserve risk since there is uncertainty around the value at which the claims for which it carries loss reserves will finally settle. The Company focusses on medium to longer tailed lines of business including Casualty, Professional and Motor lines of business which are subject to risks including economic and social inflation, systemic events including emerging mass tort risks.

Harrington's management considers the risks and uncertainties inherent in the estimation of its loss reserves through the reserving process discussed in Section 2 (f) of this report. As part of this process the Company retains external third-party actuarial consultants to perform independent reviews.

The Company has implemented a Reserve Risk Tolerance which is designed to ensure that booked reserves are set at an appropriate level relative to the external actuarial reserve analyses.

#### **Investment Risk**

Investment risk is the most material individual risk category that is currently borne by the Company. Potential exposures to adverse investment risk events are monitored and quantified to help understand the potential volatility within the portfolio.

The analysis utilizes proprietary Blackstone and third-party modelling tools and considers the potential risk exposure to adverse economic scenarios that are defined by Harrington Re. Risks are modelled both by individual investment category and in the aggregate after allowing for correlation across investment types.

The Company has implemented an Investment Risk Tolerance which is designed to limit the maximum risk exposure based upon these analyses.

The Company has also implemented a Concentration Risk Tolerance and has strict Investment Guidelines in place as part of the Investment Management Agreement with Blackstone.

#### **Economic Event Risk**

The Company recognizes the potential for correlation between its investment exposures and certain underwriting exposures (for example, Credit, Professional and Mortgage Reinsurance) under certain adverse economic scenarios. The Company



utilizes scenario analysis to assist with the monitoring of this risk and has implemented an aggregate Economic Event Risk Tolerance for this purpose.

#### **d) Investment in Assets in Accordance With the Prudent Person Principles of the Code of Conduct**

The Company's Investment portfolio is managed by BISA-II in accordance with the Company's Investment Policy and Investment Guidelines.

In considering the prudent investment of the Company's capital, surplus and cash flow from underwriting, the Company's liquidity needs are of primary importance. These are therefore considered in asset class participation and the asset allocation process.

A primary objective of the investment portfolio is to contribute to the positive growth in book value of the Company over time. The Company seeks to balance the investment portfolio objectives of increasing book value with the generation of attractive risk adjusted returns, while maintaining ample liquidity.

To achieve this objective the contractual and operational arrangements with the Fund have been designed to limit liquidity risk. The Company performs analysis of its liquidity profile to ensure that it is in compliance with its internal Liquidity Risk Tolerance and to ensure that it has sufficient liquidity to meet cash flow requirements even in highly stressed scenarios.

#### **e) Stress Testing and Sensitivity Analysis to Assess Material Risks**

Harrington Re performs a variety of internally defined and regulatory stress and sensitivity tests to assist with the assessment of the materiality of the different risk categories to which the Company is exposed.

The results of certain stress scenarios are reported regularly to the Board via the Company's risk dashboard. Stress scenarios are also contemplated as part of the Company's solvency self-assessment when evaluating capital adequacy. Key stress tests performed by the Company include the following:

##### **Underwriting Risk**

For Premium Risk, Harrington Re monitors its exposure to a number of internally defined deterministic Non-Natural Catastrophe scenarios.

For Natural-Catastrophe Risk, Probable Maximum Loss estimates are produced by key peril region and monitored using proprietary vendor models.

##### **Investment Risk and Economic Risks**

The Company's investment portfolio is tested for the impact of sensitivity to adverse economic scenarios. The scenarios are intended to capture the potential impact to the investment portfolio due to changes in interest rates, credit spreads, equity markets and other factors.

The potential aggregate impacts of these adverse economic scenarios upon both the Underwriting and Investment Portfolios are also monitored and considered via the Company's framework.

##### **Liquidity Risk**

Harrington Re performs analysis of the liquidity profile of the Company and applies stress tests for various internally defined scenarios to ensure that it has sufficient liquidity to meet cash flow requirements even in highly stressed scenarios.

### Reverse Stress Testing

As part of the Strategic planning process and forward-looking assessment, reverse stress testing is also used. This helps the Company to identify scenarios that might lead to its business model becoming unviable.

Based upon the results of the various analyses at December 31, 2024 the Company believes it has sufficient capital and liquidity to meet its contractual obligations and that risks are managed in line with its risk appetite.

To protect the Company against the potential occurrence of various stress events the Company targets a minimum internal capital buffer in excess of rating and regulatory requirements. The Company's capital was higher than this internal requirement at year end 2024, helping to ensure that the Company remains resilient against a wide range of stress scenarios.

## Section 4 - Solvency Valuation

### **a) Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class**

The Company has used the valuation principles outlined by the Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis, which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The fair value principles used for the assets are as follows:

Cash and cash equivalents - Cash and cash equivalents include cash and investments with original maturities of three months or less. Cash and cash equivalents are recorded at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities.

Investments – The Investment Manager values investments according to U.S. GAAP which defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures regarding fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price) under current market conditions.

The Investment Manager receives market and investment specific data ("Market Data"), including quotations from market participants and pricing services, that is used to determine investment fair values. The Investment Manager evaluates Market Data received from market participants and pricing services for investments that are publicly traded as well as private assets that are not traded on an exchange and may require significant judgment when determining the valuation. Investments in open ended registered investment companies are valued at the published daily quotation of their net asset value.

When selecting price sources, the Investment Manager generally prioritizes fair value price sources that are most observable for each investment. Below is a listing of the valuation techniques used by the Investment Manager to determine the fair value of the Company's investments as of the measurement date.

#### *Over the counter ("OTC") market prices*

Certain investments that trade on OTC markets may also utilize published transaction prices when it is both readily available and representative of fair value.

#### *Market Participant and Pricing Service quotations*

Certain investments that trade on OTC markets, where published transaction prices are not utilized are generally valued with indications of fair value from market participants and pricing services ("Quotations").

To determine the fair value of an investment, market participants and pricing services may consider observable market transactions for identical or similar investments, quotations by other market participants, pricing matrices or pricing relationships between investments with similar characteristics.

When evaluating quotations from a pricing service, the Investment Manager may consider the number of indications of fair value from market participants, the ability to transact at such prices based on recent trading activity, reviews of Quotations and prices for similar assets, as well as other Market Data.

#### *Modeled values*

Investments that are privately held or thinly traded are generally characterized by few or no quotations and often rely on significant unobservable inputs. The Investment Manager performs an analysis of these investments incorporating current market conditions, investment terms, capital structure and comparable investments at the measurement date. The Investment

Manager may consider the valuation technique discussed below or other techniques to derive fair value and may apply a significant degree of judgment regarding technique weighting, internal and external assumptions that may be quantitative or qualitative in nature. Under certain circumstances recent transaction prices may be the best indicator of fair value given the proximity of the investment acquisition date to the measurement date.

#### *Performance Multiple Methodology*

A relative valuation approach where a set of comparable public or private companies and/or transactions are identified and used to determine a multiple of value that is applied to a financial measure for the investment. Earnings before interest, taxes, depreciation and amortization (“EBITDA”), is generally used as the basis for investment multiples and may be obtained from unaudited or preliminary financial data.

#### *Discounted cash flow – equity investments*

For certain equity investments the Investment Manager will use projected unlevered free cash flows of the portfolio company. The terminal value is projected using an assumed exit multiple, which is generally based on the performance of multiple methodologies. All cash flows and the terminal value are discounted back to the valuation date using a discount rate which represents the return a market participant would require for a similar investment and risk profile. The calculation results in an enterprise value which is then reduced by the amount of the net debt outstanding to arrive at the equity value.

#### *Valuation Process*

On a quarterly basis, the Investment Manager validates its valuations of Level 3 investments through back testing of sales of certain material investments by comparing the amounts realized against the most recent fair values reported, and if necessary, uses any findings to recalibrate its valuation procedures.

Accounts and premiums receivable and other sundry assets – the carrying value of accounts and premiums receivable and other sundry assets excluding derivatives, has been used to approximate fair value due to the short maturity of these assets. The Company measures all derivative instruments at fair value, which is determined based on observable market inputs.

#### **b) Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions**

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money. The best estimate for the loss and loss expense provision is calculated by using U.S. GAAP reserves as the starting point and then performing a series of adjustments:

- Removal of any elements of prudence.
- Incorporation of expected reinsurance counterparty defaults.
- Incorporation of events not in data (“ENID”).
- Other adjustments related to consideration for investment expenses, etc.
- Discounting of cash flows.

The best estimate for the premium provision is calculated by using the unearned premium reserve on a U.S. GAAP basis, adjusting for bound but not incepted business as at December 31, 2024 and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows which are then discounted.

For discounting purposes the Company utilizes a risk-free discount rate term structure with an appropriate illiquidity adjustment. The discount rate term structures are prescribed by the Bermuda Monetary Authority for each reporting period.

In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows. This is calculated using the cost of capital approach and a risk-free discount rate term structure.

As at December 31, 2024 and December 31, 2023 the Company's technical provisions amounted to \$672.7 million and \$690.1 million, respectively, comprising the following (reported in US\$000s):

	<b><u>2024</u></b>	<b><u>2023</u></b>
Best Estimate Loss and Loss Expense Provision	657,031	670,809
Best Estimate Premium Provisions	(57,482)	(71,346)
Risk Margin	73,155	90,680

**c) Description of Recoverables from Reinsurance Contracts**

The Company did not enter into any ceded reinsurance contracts in the period from inception through December 31, 2024.

**d) Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities**

Similar to the valuation principles for assets, the Company's liabilities follow the valuations principles outlined by the Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" which values liabilities at a fair value basis. All other liabilities are valued on a U.S. GAAP basis. The carrying value of other liabilities has been used to approximate fair value due to the short-term nature of these liabilities.

**e) Any Other Material Information**

No other material information to report.

## Section 5 - Capital Management

### a) Eligible Capital

#### *i) Capital Management Policy and Process for Capital Needs, How Capital is managed and Material Changes during the Reporting Period*

The capital management objectives of the Company are to maintain a strong capital base to support the development of its business and to meet regulatory and rating agency capital requirements at all times.

To achieve this objective Harrington Re has implemented a formal Board approved Solvency Standard that establishes target levels of capital in relation to regulatory requirements and target rating capital. The Solvency Standard is reviewed at least annually to ensure it remains appropriate in light of any changes in the Company's business strategy, operations, risk environment or any other factors affecting its risk profile and capital resources.

The Solvency Standard considers the minimum amount of capital required to absorb shock losses and still satisfy the minimum solvency targets in relation to regulatory capital requirements and the Company's desired rating. Harrington Re's Solvency Standard is used to set the Company's overall capital and solvency requirements. It is divided into four components:

1. Target Rating - Capital to support desired financial strength rating under a stress scenario. Target capital is estimated based upon requirements derived from relevant rating agency models. Target rating capital is stressed to reflect the occurrence of internally defined underwriting and investment events.
2. Regulatory Minimum - Capital to maintain the BMA minimum equivalent to 100% of the Enhanced Capital Requirement ("ECR") under a severe, internally defined, stress scenario.
3. Selected Minimum - Maximum of Target Rating and Regulatory Minimum Capital.
4. Internal Excess - Capital in excess of the Selected Minimum is considered "excess" to current needs and management should consider appropriate capital management actions.

The Chief Financial Officer, with the assistance of the CEO, the Chief Risk Officer and Sponsor resources, continuously evaluate and monitor the most effective management of capital, including issuances of share equity or debt to fund new strategic opportunities. Credit facilities are relied upon for provision of additional liquidity (or short-term capital relief) to the Company through senior secured borrowing facilities, which have been negotiated by the Company and its Sponsors through established bank relationships.

#### *ii) Eligible Capital Categorized by Tiers in Accordance to the Eligible Capital Rules*

As at December 31, 2024 all of Harrington Re's eligible capital is categorized as Tier 1 capital in accordance with the Eligible Capital Rules. As at December 31, 2024 and December 31, 2023, the amount of Harrington Re's eligible capital was \$832.9 million and \$996.2 million, respectively.

#### *iii) Eligible Capital Categorized by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and Minimum Solvency Margin ("MSM") Requirements of the Insurance Act*

All eligible capital is categorized as Tier 1 capital in accordance with the Eligible Capital Rules and was used to meet ECR and MSM requirements of the Insurance Act.

#### *iv) Confirmation of Eligible Capital That is Subject to Transitional Arrangements*

Not applicable.

v) *Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR*

Not applicable.

vi) *Identification of Ancillary Capital Instruments Approved by the Authority*

Not applicable.

vii) *Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus*

Other than the impact of employing statutory-based technical provision valuation techniques, the only significant differences between U.S. GAAP shareholder equity and available statutory capital and surplus relate to the reduction in available statutory capital for prepaid expenses.

**b) Regulatory capital requirements**

i) *ECR and MSM Requirements at the End of the Reporting Period*

The Company's target regulatory capital positions as at December 31, 2024 and December 31, 2023 (values in US\$000s) were as follows:

<b><u>Requirement</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Minimum Solvency Margin	119,172	146,179
Enhanced Capital Requirement	400,736	430,305

ii) *Identification of Any Non-Compliance with the MSM and the ECR*

The Company was compliant with the MSM and ECR requirements at the end of the reporting period.

iii) *A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness*

As at December 31, 2024, the Company was in compliance with all requirements of the Insurance Act.

iv) *Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance*

Not applicable.

**c) Approved Internal Capital Model**

i) *Description of the Purpose and Scope of the Business and Risk Areas Where the Internal Model is Used*

Not applicable.

ii) *Where a Partial Internal Model is Used, Description of the Integration with the BSCR Model*

Not applicable.

iii) *Description of Methods Used in the Internal Model to Calculate the ECR*

Not applicable.

*iv) Description of Aggregation Methodologies and Diversification Effects*

Not applicable.

*v) Description of the Main Differences in the Methods and Assumptions Used for the Risk Areas in the Internal Model Versus the BSCR Model*

Not applicable.

*vi) Description of the Nature & Suitability of the Data Used in the Internal Model*

Not applicable.

*vii) Any Other Material Information*

Not applicable.

## **Section 6 – Subsequent Events**

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2024, through May 30, 2025, the date of the filing of this financial condition report and has determined that there were no subsequent events requiring adjustment to or disclosure in the consolidated financial statements.