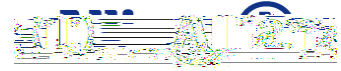


FINANCIAL CONDITION REPORT

for ALLIANZ RISK TRANSFER (BERMUDA) LIMITED

Allianz Risk Transfer (Bermuda) Limited ('ART Bermuda' or the 'Company') is a core part of Allianz Risk Transfer ('ART'), the centre of competence for alternative risk transfer business within the Allianz Group. Our strategy is to provide tailored insurance, reinsurance and other non-



ART Line of Business

Our product range includes traditional coverage, such as quota shares and multi-line aggregate excess coverage, as well as customized structures specifically designed to meet the risk transfer requirements of an individual client. The Company also seeks opportunities in dislocated areas of the market where capacity is in short supply.

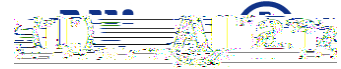
Our corporate clients include leading companies in the energy, construction, pharmaceutical and apparel industries. We specialize in building customized multiyear and multi-line agreements covering a broad range of risks, leveraging both our own expertise in alternative risk transfer and the global capabilities of the Allianz Group. The Company helps corporations manage clients' complex risks over the long term, using a blend of creative risk transfer techniques and traditional insurance to fill gaps in risk management programs of its clients. We also offer captive fronting solutions which require working with sophisticated corporate partners to develop (re)insurance programs that aggregate and consolidate risk (multi-line programs) into the clients' captives.

Allianz Risk Transfer Line of Business ("LOB") underwriters also help clients protect against weather effects negatively impacting financial performance or interrupting or delaying business operations. The protection is tailored to the client's needs and can be structured in insurance or financial product form depending upon the regulatory requirements in the relevant jurisdiction. The weather business is global and deals with companies in any industry sector which is exposed to temperature, rain, snow or wind risks. These risks are P&C in nature but are usually contracted in non-insurance (derivative) form.

The Company is the center of competence within the Allianz Group for weather risk solutions. Our dedicated team of weather risk experts has created weather insurance products and derivatives since 2008. Our tailored solutions include coverage of wind chill, temperature and rainfall as well as weather-related indices such as ground freeze and crop yield.

The range of solutions provided by the Company can cover a wide range of lines of business as the underwriting team is focused on solutions rather than specific product lines. As a result, the Company writes business including, but not necessarily limited to, the following business lines:

- Property (including Property Cat)
- Liability
- Marine, Aviation and Transport
- Motor (all risks)
- Credit and Surety
- Miscellaneous Financial Loss



Business and Performance

The Company's insurance business written by business segment and by geographical region for the year ended December 31, 2019 was as follows (all figures in this section sourced from the 2019 BSCR):

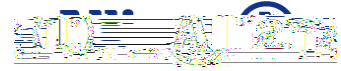
	<u>Gross Premium Written</u>	<u>Net Premium Written</u>
Line of Business		
Property Catastrophe	\$ 351,484,580	\$ -
Property	161,418,963	63,119,372
Credit / Surety	21,079,151	910,138
Credit / Surety Non-Proportional	5,200,039	5,200,039
Energy Offshore / Marine	22,534,967	-
US Casualty	67,521,170	2,016,511
International Casualty Non-Motor	<u>131,441,433</u>	<u>-</u>
Total	\$ <u>760,680,303</u>	\$ <u>71,246,060</u>

	<u>Net Premium Written</u>
Geographical Location	
Caribbean and Central America	\$ 22,376,716
North-East United States	6,208,693
South-East United States	353,338
Mid-West United States	41,646,185
Western United States	<u>661,128</u>
Total	\$ <u>71,246,060</u>



The Company's insurance business written by business segment and by geographical region for the year ended December 31, 2018 was as follows (all figures in this section sourced from the 2018 BSCR):

	<u>Gross Premium Written</u>	<u>Net Premium Written</u>
Line of Business		
Property Catastrophe	\$ 421,489,668	\$ -
Property	111,341,516	17,573,241
Property Non-Proportional	617,512	617,512
Credit / Surety	30,280,459	929,230
Credit / Surety Non-Proportional	1,617,980	1,617,980
US Casualty	146,369,803	4,937,891
International Motor – Non-Proportional	<u>2,134,993</u>	<u>2,134,993</u>
Total	\$	



Contacts and Structure

Insurance Supervisor:

Name: Bermuda Monetary Authority

Jurisdiction: Bermuda

Email Address: insuranceinfo@bma.bm

Phone Number: 441-295-5278

Group Supervisor

Organization: Federal Financial Supervisory Authority (“BaFin”)

Jurisdiction: Germany

Email address: www.bafin.de

Approved Auditor

Organisation: PricewaterhouseCoopers

Name: Marisa Savage

Jurisdiction: Bermuda

Email address: marisa.savage@bm.pwc.com

Phone Number: 441-295-2000

Corporate Secretary

Organisation: Walkers Corporate (Bermuda) Limited

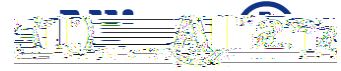
Name: Heather Kitson

Jurisdiction: Bermuda

Email Address: heather.kitson@walkersglobal.com

Phone Number: 441-242-1519

Ownership details:



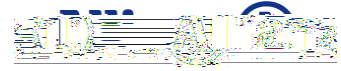
Michael went to law school in New York City at the Benjamin N. Cardozo School of law and attended college at the University of Michigan.

Richard Morris ***Director (resigned May 15, 2020)***

Richard Morris joined Allianz Risk Transfer as Chief Financial Officer, North America in 2008 and has global responsibility for the technical and financial accounting and reporting for all Line of Business transactions. Based in Bermuda, he also has served as Director and Principal Representative for Allianz Risk Transfer (Bermuda) Limited since 2008. Prior to Allianz Risk Transfer (Bermuda) Limited, Mr. Morris was Senior Vice President and Financial Controller of XL Financial Solutions.

Richard, a British Overseas Territory Citizen, is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA), having qualified in 1992.

David Brown



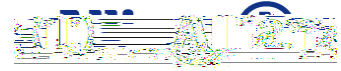
Remuneration Policy

The Company's remuneration program is in line with AGCS guidelines adapted to the specific requirements of the Bermuda market. It includes fixed annual base salary, competitive employee benefits and annual cash bonuses and (for senior management) long-term equity awards based on Group and individual performance.

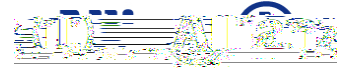
The compensation program is designed to provide a balanced mix of salary, annual incentive compensation, and long-term incentive compensation, the realisation of which depends upon the attainment of a range of performance metrics.

Employees' performance is formally assessed at least twice a year and is graded against a target bonus based on a mix of financial and personal KPIs. There is an overall calibration as part of the year end compensation review.

The Allianz Group's long-term incentive plan currently consists of Restricted Stock Units (RSUs) that vest following a four-year vesting period.



Fitness and Propriety Requirements



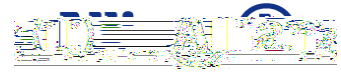
Risk Management and Solvency Self-Assessment

As a provider of financial services, ART Bermuda considers risk management to be one of its core competencies. It is therefore an integral part of its business process. The Company's risk management framework is fully integrated into the risk management framework of the AGCS Group and covers, on a risk-based approach, all operations including IT, processes, products, and departments. The key elements of the risk management framework are:

- Promotion of a strong risk management culture, supported by a robust risk governance structure.

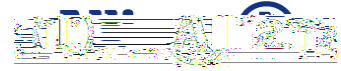
- Consistent application of a risk capital framework (using the Bermuda Solvency Capital Requirement model) to protect the company's capital base and support effective capital management.

- Integration of risk considerations and capital needs into management and decision-making processes.



Strategy and objectives

The ris



Principle 7: Consistent and efficient monitoring

Risk appetite and risk strategy are transferred into standardized limit management processes covering all quantifiable risks throughout the AGCS Group and taking into account the effects of risk diversification and risk concentration. A clearly defined and strict limit breach reporting and escalation process ensures that risk tolerance limits and target ratings for top risks (including for non-quantifiable risks) are adhered to and that, as appropriate, remediation activities are taken immediately if limits are exceeded. Early warning systems such as the monitoring of limits for high risks and emerging risk assessment are established to identify new and emerging risks, including complex risk structures, and identified risks are subject to continuous monitoring and regular reviews.

Principle 8: Consistent risk reporting and risk communication

The risk officer of ART Bermuda generates internal risk reports at both predefined regular intervals and on an ad hoc basis, which contain relevant, risk-related information in a clear and concise form. Internal risk reporting is supplemented by duties of disclosure concerning emerging risks relevant to external stakeholders or constituents (e.g. regulators, rating agencies, shareholders, society).

Principle 9: Integration of risk management into business processes

Risk management processes are embedded wherever possible directly within business processes, including strategic, tactical as well as day to day decisions impacting the risk profile. This approach ensures that risk management exists foremost as a forward looking mechanism to steer risk and only secondarily as a reactionary process.

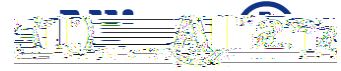
Principle 10: Comprehensive and timely documentation

All relevant methods, procedures, structures and processes are documented in a comprehensive and timely manner in order to ensure clarity and transparency.

Internal Controls

ART Bermuda has implemented a formalized internal control system, the Enterprise-wide Risk-based Integrated Control (ERIC) System to manage significant operational risks to ART Bermuda through control activities on an ongoing basis and to ensure effectiveness of key controls at all times. In compliance with legal and regulatory as well as Allianz SE requirements, and following internationally recognized control frameworks such as Committee of Sponsoring Organizations of the Treadway Commission (COSO) this approach is designed to ensure that:

- The achievement of strategic business objectives is effectively supported and ART Bermuda's ability to conduct business is safeguarded
- Governance elements and business operations are effective



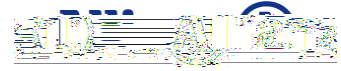
- Internal and external financial reporting and regulatory reporting processes produce complete and accurate information to support effective internal management decisions and to meet expectations of external stakeholders

The ERIC System formalizes key controls required to mitigate significant operational risks to ART Bermuda. A holistic view on these risks and controls is facilitated, and reasonable assurance is provided to The Board of ART Bermuda with regards to meeting the above objectives. Through the harmonized approach when engaging with the individual functions for operational risk and control assessments, the ERIC System also fosters the collaboration and information sharing across the Key Governance Functions: Compliance, Risk Management, Actuarial and Internal Audit.

Furthermore, the ERIC System creates risk and control awareness across the organization and provides transparency with respect to risk and control ownership. The quality of key controls is assessed in a structured and efficient manner. Supported by an effective Operational Risk Management Framework, potentially significant operational risks are identified early and measures are taken to avoid or mitigate these risks, in order to meet the operational risk tolerance defined by The Board of ART Bermuda through the ART Bermuda Top Risk Assessment.

The following key principles are the basis of the ERIC System:

- Focus on significant risks
- Focus on key controls
- Foster and enhance a positive risk and control culture
- Effectiveness of key controls
- Documentation of risks, controls and business processes early and



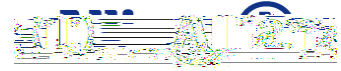
Through these assessment programs, significant risks are first identified and evaluated and then existing associated key controls are explicitly identified and assessed in terms of their appropriateness. Furthermore, operating effectiveness of key controls is assessed through control testing under the ERIC System.

If the level of risk is not acceptable (e.g. due to missing or ineffective key controls or due to inappropriate design of key controls), remediation activities will be defined and taken to meet the risk tolerance.

The ERIC Core Process follows an annual cycle consisting of four steps:

- Risk scoping

- Risk and control assessments including remediation and control updates



to their potential negative impact on the ERIC objectives during integrated Risk and Control Assessments.

Control Testing and Deficiencies

Control testing is crucial to demonstrate the effectiveness of ART Bermuda's internal controls to external stakeholders and to build and maintain the trust of stakeholders in the reliability of these efforts. Clear and up-to-date documentation of key controls forms the basis for efficient control testing.

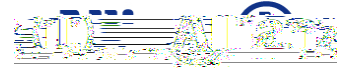
The ART Risk Management function proposes a structured and risk-based control testing scope, considering the outcome of the risk and control assessments. Further aspects such as identified deficiencies and significant changes in processes, controls or IT systems are also considered. The scope is reviewed by the ART Bermuda Management Team with respect to its appropriateness and comprehensiveness.

Following this scope, individual key controls are tested to ensure the effectiveness of risk mitigation activities. Based on documented evidence it is concluded whether or not the control is designed appropriately to mitigate the underlying risks (test of design) and whether or not it is operating effectively (test of operating effectiveness). Control testing activities are carried out through "independent testing" by risk management.

Missing key controls, or key controls that are not deemed to be designed appropriately or operating effectively, lead to a deficiency and require remediation. With the involvement of risk management, the materiality of the deficiency is assessed, and a realistic and detailed remediation plan is set up. When a control deficiency is considered to be remediated, the control needs to be re-tested.

Monitoring and Reporting

On an annual basis, the AGCS Risk Management function prepares the global ERIC report with



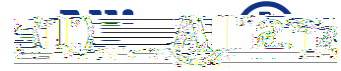
assuming risk / control owner responsibilities). The Compliance Function reports on a regular basis to the Board of Directors. This includes reporting on the results of the preceding Compliance Risk Assessment, any changes in the compliance risk profile, a summary of identified breaches and/or deficiencies and the recommended corrective measures.

Internal Audit

The Company outsources the Internal Audit function to Allianz Internal Audit. As a separate unit within Allianz, their stated mission is to enhance and protect organizational value and aligning business improvement with customer and strategic focus by providing independent, objective assurance, advice, and insight, overall assisting the company in improving its internal control system. To accomplish the mission, they endeavor to act as an equal partner who faces conflicts constructively and clearly communicates recommendations and responsibilities.

Actuarial Function

The Actuarial Function of ART Bermuda is embedded in the overall ART Corporate Actuarial function, which is led by the Appointed Actuary (Loss Reserve Specialist) of ART Bermuda, who is at the same time the Appointed Actuary of Allianz Risk Transfer AG. In order to avoid potential conflicts of interest, business actuaries (i.e. actuaries that perform first line of defense tasks in Underwritingetede



Risk Profile

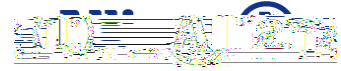
Key risks/risk categories:

Allianz Risk Transfer (Bermuda) Limited is exposed to quantifiable and non-quantifiable risks. Quantifiable risks consist of the following risk categories: market risk, credit risk, underwriting risk and operational risk. Non-quantifiable risk categories are: liquidity risk, business risk, reputational risk and strategic risk.

Market risk comprises fixed income risk, equity risk, interest rate risk, currency risk and concentration risk. Fixed income risk reflects investment risk from fixed income instruments. Equity risk results from fluctuation in the value of or the income from equity investments. Interest rate risk refers to risk resulting from interest rate changes. Currency risk stems from movements in foreign currency exchange rates. Concentration risk means the risk of exposure to losses associated with inadequate diversification of portfolios of assets or obligations.

Credit risk includes the risk of loss arising from an inability of Allianz Risk Transfer (Bermuda) Limited to collect funds from debtors.

Underwriting risk (synonymously call



Risk profile/materiality of risks – BSCR view

ART Bermuda measures the quantifiable risks using the BSCR model

In the BSCR model, the largest risk exposures are premium risk, reserve risk, catastrophe risk and **credit** risk. Other contributors to the risk exposure are fixed income investment risk, equity investment risk, interest rate/liquidity risk, currency risk, concentration risk.

Risk profile/materiality of risks – TRA view



Adherence to the limits is monitored at the inception.

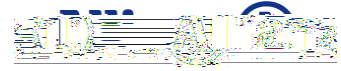
Quantitative limits for market and credit risk:

Quantitative limits for market and credit risk are defined for Allianz Risk Transfer (Bermuda) Limited. The limits refer to the asset allocation, duration and risk concentrations. Adherence to the limits is monitored centrally by AGCS CF&T at least on a quarterly basis.

Underwriting Risk:

Underwriting risk is mitigated not only by means of limits (see above), but also by following the global underwriting process of the ART and Capital Solutions LoB which includes a thorough risk assessment.

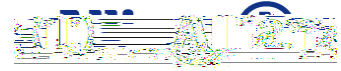
With respect to the residual risks, ART Bermuda regularly monitors the development of technical provisions Ba4(:)] TJETQq0.00000912 0 612 792 reW*ñBT/F3 12.025 Tf1 0 0 1 163.42 566.17 Tm0 g0 G[()] T



The effectiveness of the mitigation methods is ensured through the ERIC system, which includes controls on entity level as well as on process level. The effectiveness of the ERIC system is globally assessed by the AGCS Advisory Group.

Stress Testing and Sensitivity Analysis

Stress testing and sensitivity analyses are performed as part of the annual BSCR updates

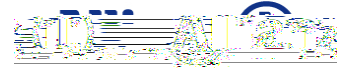


Solvency Valuation

The valuation bases, assumptions and methods used to derive the value of each asset class are as follows:

Cash and cash equivalents are carried at cost.

Quoted investments: Fixed maturity investments are classified as available for sale or held for trading and recorded at fair value. Changes in unrealized gains or losses, net of related tax effects, for investments classified as available for sale are reflected in the statutory statement of capital and surplus and for investments classified as held for trading in the statement of income. The fair



Capital Management

Eligible Capital

The Company uses the BSCR model to determine capital needs for business planning. There have been no material changes during the course of the reporting period.

The Company's eligible capital by categories is as follows:

Tier 1 and Tier 2 Eligible Capital

Fully paid common shares	\$	120,000
Contributed Surplus		49,880,000
Statutory Economic Surplus (Tier 1)		1,648,122
Statutory Economic Surplus (Tier 2)		<u>39,905,002</u>
Total	\$	<u><u>91,553,124</u></u>

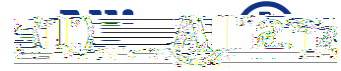
The categorisation above is in accordance with the Eligible Capital Rules used to meet the Enhanced Capital Requirement and the Minimum Margin of Solvency.

Differences in shareholder's equity as stated in the condensed financial statements versus available statutory capital and surplus arise as a result of the net after tax impact of the accounting treatment of prepayments and lease liabilities.

Regulatory Capital Requirements

As at December 31, 2019, Regulatory Capital Requirements were as follows:

Enhanced Capital Requirement

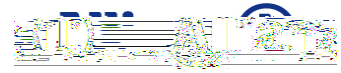


Subsequent Event

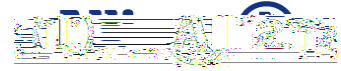
No significant events have occurred, other than noted below, since the balance sheet date up to the date of filing this report.

To date in 2020 COVID-19 has evolved into an unprecedented public health emergency around the world, causing disruption to business and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event.

The situation remains dynamic as governments around the globe take unprecedented measures to slow the spread and mitigate the human tragedy. Management is still assessing the potential impacts and as the circumstances are evolving rapidly, we do not consider it practicable to provide a quantitative measure of the potential impacts on the Company.



SCHEDULE A – Group Organisation Chart



**DECLARATION ON THE FINANCIAL CONDITION REPORT of
ALLIANZ RISK TRANSFER (BERMUDA) LIMITED (the “Company”)**

We, Thomas Schatzmann, Director, and David Brown, President, of Allianz Risk Transfer (Bermuda) Limited, **DO SOLEMNLY DECLARE THAT** to the best of our knowledge and belief, the Financial Condition Report fairly represents the financial condition of the Company in all material respects.

Signatory _____DB_____

Print Name David Brown
Director
Allianz Risk Transfer (Bermuda) Limited

Date 25 June, 2020

Signatory _____TS_____

Print Name Thomas Schatzmann
Director
Allianz Risk Transfer (Bermuda) Limited

Date 25 June, 2020