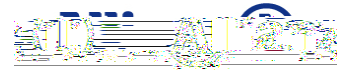


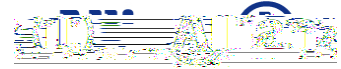
Allianz Risk Transfer (Bermuda) Limited

Financial Condition Report

Year ended December 31, 2021

Allianz 

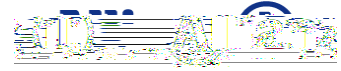




The Company's insurance business written by business segment and by geographical region for the year ended December 31, 2020 was as follows (all figures in this section sourced from the 2020 BSCR):

| | <u>Gross Premium Written</u> | <u>Net Premium Written</u> |
|----------------------------------|--------------------------------|-----------------------------|
| Line of Business | | |
| Property Catastrophe | \$ 539,799,527 | \$ - |
| Property | 164,224,620 | 66,726,957 |
| Credit / Surety | 14,151,009 | 823,892 |
| Credit / Surety Non-Proportional | 1,428,493 | - |
| Energy Offshore / Marine | 44,175,938 | - |
| US Casualty | 78,896,276 | 863,490 |
| International Casualty Non-Motor | <u>169,670,543</u> | <u>-</u> |
| Total | <u>\$ 1,012,346,406</u> | <u>\$ 68,414,339</u> |

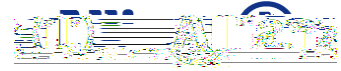
| | <u>Net Premium Written</u> |
|-------------------------------|-----------------------------|
| Geographical Location | |
| Caribbean and Central America | \$ 12,347,426 |
| North-East United States | 823,892 |
| South-East United States | 301,701 |
| Mid-West United States | 54,290,787 |
| Western United States | <u>623,533</u> |
| Total | <u>\$ 68,414,339</u> |



The Company's investment performance by asset class for 2021 was as follows:

PIMCO Total Return Bond Fund

-1 g01 g0



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

Jurisdiction: Bermuda

Phone Number: 441-295-2000

Corporate Secretary

Organisation: Walkers Corporate (Bermuda) Limited

Jurisdiction: Bermuda

Email Address: karen.crowe@walkersglobal.com

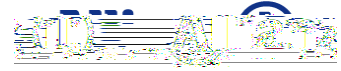
Phone Number: 441-242-1527

Ownership details:

Owner Name: Allianz Global Risks US Insurance Company.

Owner Percentage: 100%

Group organisation chart is attached at Schedule A



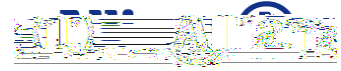
Governance Structure

Board and Senior Executive

The Board of Allianz Risk Transfer (Bermuda) Limited consists of three Directors. Names, roles and responsibilities for the Directors and Officers are as follows:

David Brown

Director and President



Paul Davis

Director (Appointed September 2021)

Paul Davis is the Managing Director Finance, Allianz Global Corporate & Specialty (AGCS) North America and a member of the company's Board of Directors. Paul joined AGCS in 2003 and has helped lead the company during its growth phases and recent turnaround and transformation challenges. During that time this has included the establishment of branches within Europe for the company and whilst in Asia Pacific supporting the doubling of revenues over a five year period including business case creation leading to investments in South Korea and India.

Paul, a qualified accountant since 1999, is a fellow of the Association of Chartered Certified Accountants (FCCA).

Julie A. Garrison

Director (Resigned September 2021)

Julie Garrison is Senior Vice President and Head of Legal & Compliance for Allianz Global Corporate & Specialty North America, located in Chicago, Illinois. She joined the Allianz Group in 1999, serving in the General Counsel's Office of Fireman's Fund Insurance Company, and was responsible for providing legal counsel to its Specialty insurance business. In 2005, she transferred to her current position. Ms. Garrison specializes in insurance regulatory and general corporate and transactional matters, and has more than thirty years of experience serving as in-house counsel in the insurance industry.

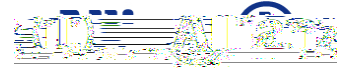
Prior to joining the Allianz Group, she was General Counsel for Concord General Corporation, a California insurance holding company.

Ms. Garrison received a Bachelor of Arts in Political Science from University of California—Davis and her legal education from University of California—Berkeley, Boalt Hall School of Law. She holds Bar Admissions in the States of California and Illinois (limited in-house admission).

All Directors and Officers are Allianz employees and receive no specific additional fees for their services to the Board. As Allianz employees, they are subject to Allianz guidelines covering performance review and an element of overall remuneration is performance-based. There are no supplementary or early retirement schemes in place nor are there any material transactions with the board or senior executive.

Remuneration Policy

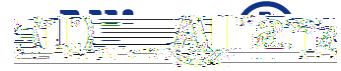
The Company's remuneration program is in line with AGCS guidelines adapted to the specific requirements of the Bermuda market. It includes fixed annual base salary, competitive employee benefits and annual cash bonuses and (for senior management) long-term equity awards based on Group and individual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

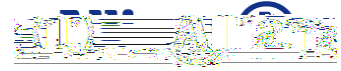


Strategy and objectives

The risk strategy of ART Bermuda is aligned with and embedded in the overall risk strategy of AGCS and is a core element of the ART Bermuda risk management framework that defines a strategy for the management of risks that the company faces during the pursuit of its broader business plan. With the risk strategy, ART Bermuda aims to:

- protect the Allianz brand and reputation,
- remain solvent even in the event of extreme worst-case scenarios,
- maintain sufficient liquidity to always meet its obligations, and
- provide resilient profitability.

Implementation of the risk strategy is supported through the risk appetite, which establishes in more concrete terms the risk tolerance level of the company g0 G[)JTJETQhey g0 G[)JTJETQ9o6(s)-10((t)11(i)



Principle 10: Comprehensive and timely documentation

All business decisions with potential to materially impact ART Bermudas risk profile, including both regularly recurring and ad hoc decisions and all decisions taken by Board of Directors are documented timely and in a manner that clearly reflects consideration of all material risk implications.

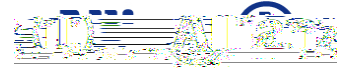
Internal Controls

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
- ART Bermuda is compliant with applicable laws and regulations and administrative provisions as well as with ART Bermuda Ltd.'s, AGCS and Allianz Group internal corporate rules; and
- Both internal and external financial 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. As all results of the ERIC System are recorded in the ERIC tool (OpenPages), a primary source of information is available to internal and external stakeholders.

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.



On a regular basis they form an opinion on:

- the ERIC System with respect to comprehensiveness and consistency
- the existence and execution of clear and consistent operational responsibilities and processes for the ERIC System
- the appropriateness and comprehensiveness of the focus of the risk and control assessment activities (e.g., annual risk focus/improvement areas, key business operations, risk scope, control testing scope);
- the effectiveness of the ERIC System particularly including the materiality of identified control deficiencies

Risk Scoping

Proper risk scoping is crucial to focus risk and control assessment efforts on the significant risks and associated key controls. The scoping is an annual process following a top-down approach coordinated by the ART Risk Management function. Various aspects are considered in this context to ensure comprehensiveness, particularly the consideration of known weaknesses of controls and processes.

Integrated Risk and Control Assessments and Remediation

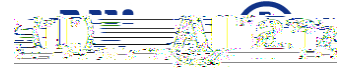
Based on expert judgment, the inventory of the ERIC risks and controls are regularly reviewed and updated. In particular, all in-scope risks and associated key controls are assessed with respect to their potential negative impact on the ERIC objectives during integrated Risk and Control Assessments.

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 Board 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

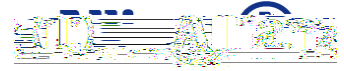


operating effectively (test of operating effectiveness). Control testing activities are carried out through “independent testing” by risk management.

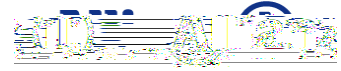
Missing key controls, or key controls that are not deemed to be designed appropriately or operating effectively, lead to a deficiency and require remediation. With the involvement of risk management, the materiality of the deficiency is assessed, and a realistic and detailed remediation plan is set up.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

Monitoring and Reporting

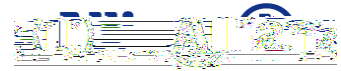
On an annual basis, the



Actuarial covers the main areas Reserving/Analysis, Actuarial Diagnostics, Actuarial Risk Modeling and Actuarial Pricing Analytics.



Outsourcing Agreements with regard to Functions or Services, the approval by the responsible



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 called insurance risk) consists of premium risk, reserve risk and catastrophe risk. Premium risk means the risk that premium is insufficient to meet future obligations. Reserve risk means the risk that an insurer's technical provisions may be insufficient to satisfy its obligations. Catastrophe risk means the risk of a single catastrophic event or series of catastrophic events that lead to a significant deviation in actual claims from the total expected claims.

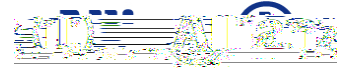
Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Liquidity risk stems from unexpected financial losses due to a failure to meet, or to meet based on unfavorable altered conditions, short-term current or future payment obligations, as well as the risk that in the event of a liquidity crisis of Allianz Risk Transfer (Bermuda) Limited refinancing is only possible at higher interest rates or by liquidating assets at a discount.

Business risk results from unexpected decrease in actual results compared to business assumptions, which lead to a decline in income without a corresponding decrease in expenses; this includes lapse risk.

Reputational risk is defined as an unexpected drop in the value of Allianz share price, value of in-force or future business caused by a decline in the reputation of Allianz Group or one or more of its specific organizational entities from the perspective of its stakeholders.

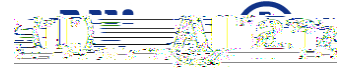
Strategic risk is caused by unexpected negative changes in value of the Company arising from the adverse effect of management decisions regarding business strategies and their implementation.



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.

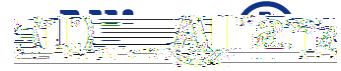
Stress Testing and Sensitivity Analysis

Stress testing and sensitivity analyses are performed as part of the annual BSCR submission in line with the guideline for stress/scenario analysis for class 3A (re)insurers published by the BMA. This analysis includes stress scenarios predefined by BMA covering e.g. a financial



Solvency Valuation

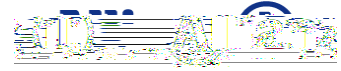
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calculated following the principles issued by the BMA and amounts to USD 4.1 m as per year end 2021. The amount of (net) Technical Provisions (excluding Risk Margin) amounts to USD 110.5m as per year end 2021. Since the book of business has not changed much compared to previous year, the uncertainty within the estimation of the best estimate reserves remains mostly unchanged compared to previous year, and is overall at a moderate level.

Recoverables from reinsurance contracts includes the unearned portion of premiums written on ceded reinsurance contracts and loss reserves recoverable under those contracts.

Other liabilities are recorded at the payable amount, or, in the case of accruals, the unexpired portion of an accrued expense.



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) | | 78,773,850 |
| Statutory Economic Surplus (Tier 2) | | - |
| Total | \$ | <u>128,773,850</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 lease assets and liabilities.

Regulatory Capital Requirements

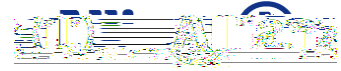
As at December 31, 2021, Regulatory Capital Requirements were as follows:

| | | |
|--------------------------------------|----|------------|
| Enhanced Capital Requirement ('ECR') | \$ | 55,502,165 |
| Minimum Margin of Solvency | \$ | 15,523,776 |

The Company is in compliance with the regulatory capital requirements.

Approved Internal Capital Model used to derive the ECR.

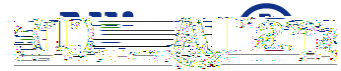
The BSCR model is used for the calculation of all risks; see Risk Profile section for a detailed description of the Company's risk evaluation methodology.



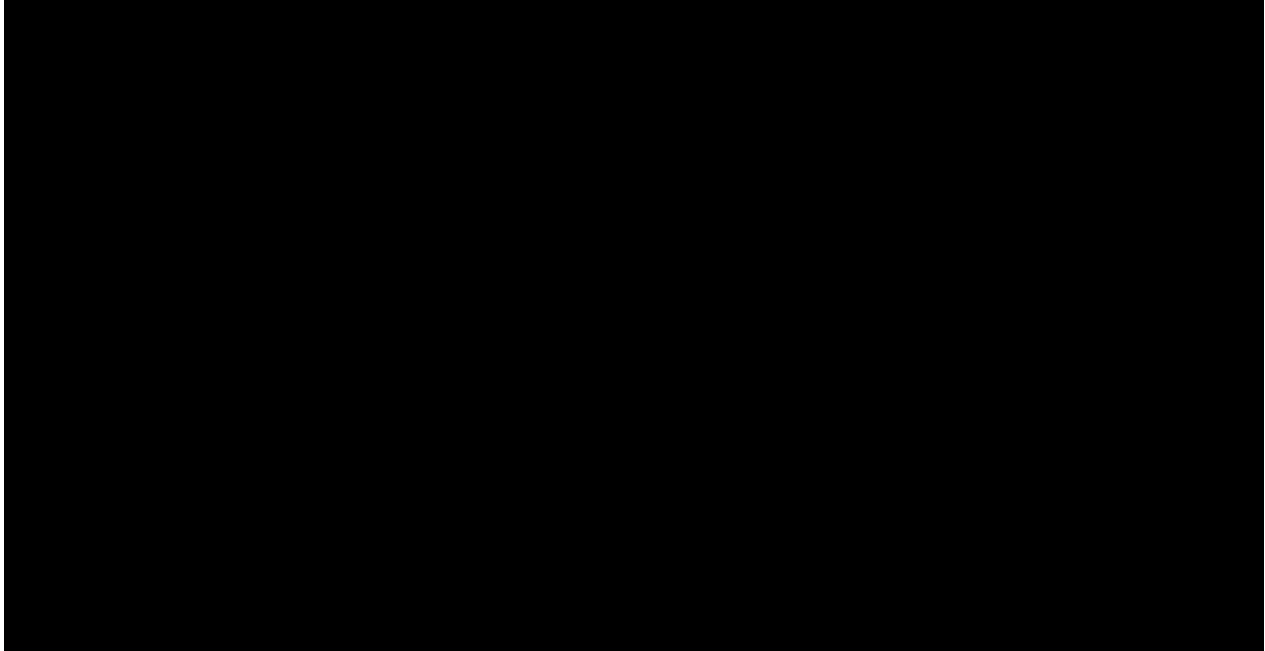
Subsequent Event

The Board of Directors have assessed and evaluated all subsequent events arising from the balance sheet date up until April 29, 2022 the date the financial condition report was available to be issued, and have assessed that the following disclosure is required

On February 22, 2022 Russia commenced an unprovoked military invasion of the Ukraine, for which the international community has responded with unprecedented sanctions against Russia. The Company has evaluated its investment portfolio and insured exposures and does not currently expect a significant impact to results of operations as a result of exposures affected by the conflict. Affected insurance exposures identified to date relate to two fully fronted Aircraft Finance Non

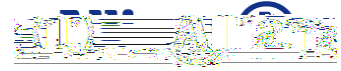


SCHEDULE A – Group Organisation Chart



Note: Subsidiary relationships are 100% owned, except where indicated.





**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 _____