



FINANCIAL CONDITION REPORT

For the Year Ended December 31, 2022

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Executive Summary

This Financial Condition Report for JRG Reinsurance Company Ltd. (“JRG Re” or the “Company”) forms part of the annual submission to the Bermuda Monetary Authority (the “BMA” or the “Authority”) in accordance with Insurance (Public Disclosures) Rules 2015. This report outlines the financial condition of JRG Re.

Financial information disclosed in Section iv – Solvency Valuation and Section v – Capital Management were derived on statutory or Economic Balance Sheet (“EBS”) basis. All other financial information was calculated on generally accepted accounting principles (“GAAP”) basis. To facilitate comparison of information across periods, certain reclassifications have been made to prior year amounts to conform to the current year's presentation.

JRG Re was incorporated on November 8, 2007 in Bermuda and is licensed as a Class 3B insurer by the BMA. JRG Re is a wholly owned subsidiary of James River Group Holdings, Ltd. (“JRGH”), a holding company registered in Bermuda. JRG Re began operations January 11, 2008. JRG Re primarily provides non-catastrophe casualty reinsurance to third parties located in the United States (“U.S.”) and through December 31, 2017 to JRGH’s U.S.-based insurance subsidiaries, and from January 1, 2018 through December 31, 2021 Carolina Re Ltd (“Carolina Re”), a Bermuda-based affiliate. During 2022, Carolina Re commuted the outstanding obligations ceded under the stop loss reinsurance treaty with the Company with effect from January 1, 2022. Carolina Re deregistered as a Class 3A reinsurer effective November 16, 2022. Due to this, we modified the presentation format in this report by removing the applicable comparative financial information which included Carolina Re.

DISCLAIMER AND CAUTIONARY STATEMENT

The Company has prepared and is required to disclose this report as an authorized insurance undertaking with the BMA and pursuant to Insurance (Public Disclosures) Rules 2015 (the "Regulation").

Only to the extent required by the Regulation or other applicable law, neither the Company nor any member of the JRGH group of companies (collectively the "Group") nor any of their respective officers, employees, consultants, advisors, representatives or agents:

- (a) Makes any representation or warranty as to the accuracy, completeness, timeliness, fairness, or reliability of the information in this report or the opinions contained herein; or
 - (b) Accepts any liability (including without limitation, any liability arising from fault or negligence on the part of any of them) for any use of this report or otherwise arising in connection with it.
- (c) This report contains forward-looking statements. These statements may be identified by the fact that they do not relate strictly to historical or current facts. In some cases, forward-looking statements may be identified by the use of words such as "anticipates," "estimates," "expects," "intends," "plans", "seeks" and "believes," and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could." These forward-looking statements include, among others, statements relating to future financial performance, business prospects and strategy, anticipated financial position, liquidity and capital needs and other similar matters. These forward-looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Actual results may differ materially from those expressed in, or implied by, the forward-looking statements included as a result of various factors, many of which are beyond the Company's control, including, among others:

- the inherent uncertainty of estimating reserves and the possibility that incurred losses may be greater than the Company's loss and loss adjustment expense reserves;
- inaccurate estimates and judgments in risk management may expose the Company to greater risks than intended;
- the potential loss of key members of the management team or key employees and the ability to attract and retain personnel;
- adverse economic factors resulting in the sale of fewer policies than expected or an increase in the frequency or severity of claims, or both;
- a persistent high inflationary environment could have a negative impact on the Company's reserves, the values of investments and investment returns, and the Company's compensation expenses;
- reliance on a select group of brokers and agents for a significant portion of the business and the impact of the potential failure to maintain such relationships;

- reliance on a select group of customers for a significant portion of the business and the impact of the potential failure to maintain, or decision to terminate, such relationships;
- the ability to obtain reinsurance coverage at prices and on terms that allow the Company to transfer risk and adequately protect the Company against financial loss;
- losses resulting from reinsurance counterparties failing to pay the Company on reinsurance claims;
- inadequacy of premiums the Company charges to compensate for losses incurred;
- changes in laws or government regulation, including tax or insurance law and regulations;
- the ongoing effect of Public Law No. 115-97, informally titled the Tax Cuts and Jobs Act, which may have a significant effect on the Company including, among other things, by potentially increasing the tax rate;
- in the event the Company does not qualify for the insurance company exception to the passive foreign investment company (“PFIC”) rules and are therefore considered a PFIC, there could be material adverse tax consequences to an investor that is subject to U.S. federal income taxation;
- a failure of any of the loss limitations or exclusions the Company utilizes to shield from unanticipated financial losses or legal exposures, or other liabilities;
- losses from catastrophic events, such as natural disasters and terrorist acts, which substantially exceed the expectations and/or exceed the amount of reinsurance purchased to protect from such events;
- the effects of the COVID-19 pandemic and associated government actions on the operations and financial performance;
- potential effects on the business of emerging claim and coverage issues;
- exposure to credit risk, interest rate risk and other market risk in the investment portfolio;
- the potential impact of internal or external fraud, operational errors, systems malfunctions or cyber security incidents;
- the ability to manage our growth effectively; and
- other risks and uncertainties discussed under “Risk Factors” in the Group’s Annual Report on Form 10-K.

Section i. BUSINESS AND PERFORMANCE

a. Name of Insurer

1. JRG Reinsurance Company Ltd.

b. Supervisors

Insurance Supervisor:
Bermuda Monetary Authority
BMA House
43 Victoria Street, Hamilton
Bermuda

Group Supervisor:
Ohio Department of Insurance
50 W Town Street Suite 300
Columbus Ohio 43215
USA

c. Approved Auditor

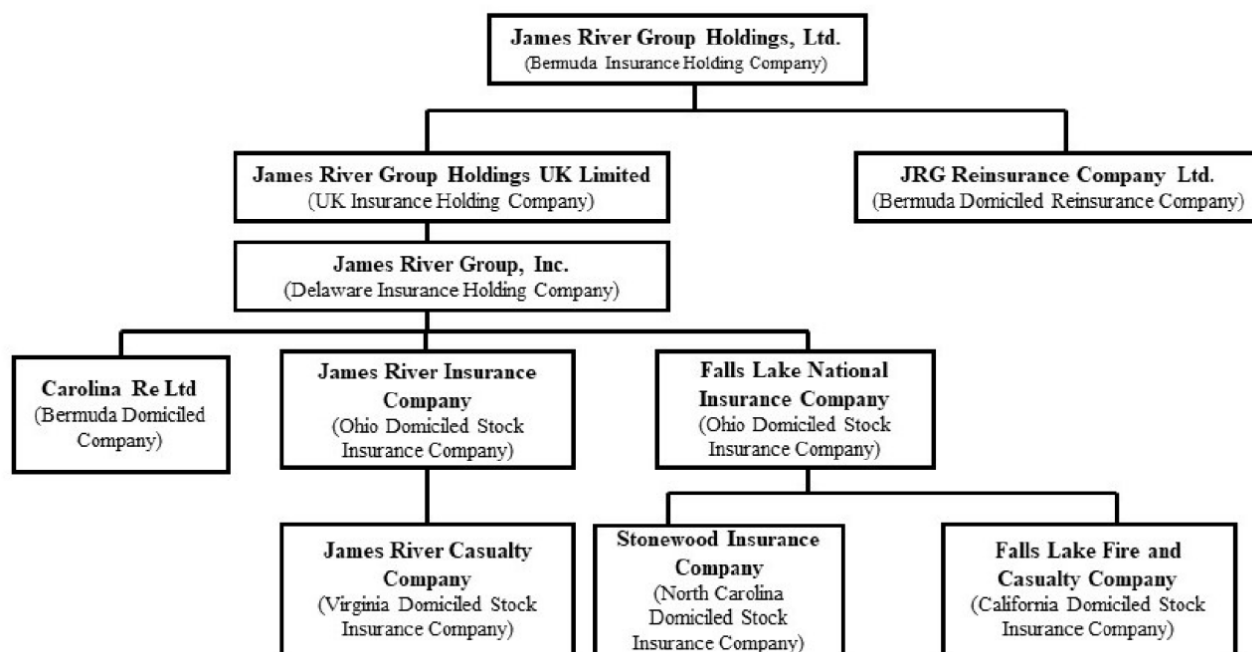
EY Bermuda Ltd.
3 Bermudiana Rd
Hamilton HM 08, Bermuda
Partner: Kent Howard
441-294-5305

d. Ownership Details

JRG Re is a wholly owned subsidiary of JRGH, a holding company registered in Bermuda.

e. Group Structure

The following provides details of the Company in the Group structure as it pertains to holding and operating companies:



f. Insurance Business Written by Segment and by Geographical Region

The following show assumed premiums written by segment and geographic location of risks for the year ended December 31, 2022 (in thousands):

Third Party Reinsurance	<u>\$85,207</u>
United States	<u>\$85,207</u>

JRG Re’s Third Party Reinsurance segment distributes through traditional reinsurance brokers and structures reinsurance contracts usually as quota share arrangements, typically with loss mitigation features such as commissions that adjust based on underwriting results. Most of the policies assumed by the JRG Re’s Third Party Reinsurance segment have a \$1.0 million per occurrence limit, and typically assume only a portion of that exposure. Almost all of the segment’s premiums are for casualty coverages. JRG Re’s Third Party Reinsurance segment writes virtually no reinsurance designed to respond to catastrophic events of any kind.

JRG Re (through to December 31, 2017) and Carolina Re (from January 1, 2018 through December 31, 2021) reinsure the Affiliated Excess and Surplus (“E&S”) Lines and Affiliated Specialty Admitted Lines segments. JRG Re reinsured Carolina Re through a stop loss reinsurance agreement, which was commuted effective January 1, 2022.

The Affiliated Excess and Surplus Lines segment provides E&S commercial lines liability and property insurance from its non-admitted carriers who write business in every state and the District of Columbia. Non-admitted carriers writing in the E&S market are not bound by most of the rate and form regulations imposed on standard market companies, allowing them flexibility to change the coverage terms offered and the rate charged without the time constraints and financial costs associated with the filing of such changes with state regulators.

The Affiliated Specialty Admitted Lines segment focuses on niche classes within the standard insurance markets, such as workers’ compensation coverage for residential contractors, light manufacturing operations, transportation workers and healthcare workers in North Carolina, Virginia, South Carolina, and Tennessee as well as program business from its admitted carriers.

[g. Performance of Investments & Material Income & Expenses for the Reporting Period](#)

Performance of Investments for the Reporting Period:

The Company attempts to generate better than market average risk-adjusted returns in its investment portfolio by taking measured risks based upon detailed knowledge of certain niche asset classes. While the Company is willing to make investments in non-traditional types of investments, the Company avoids risks that it does not understand well, as well as structures or situations the Company thinks could cause substantial loss of capital. The vast majority of the investment portfolio is managed by third party, independent investment managers.

The majority of the investment portfolio is invested in investment grade fixed income securities. This portfolio provides predictable income with low risk of principal loss. The Company seeks to augment the return on this portfolio by investing in bank loans and higher yielding securities. The Company designed these strategies to improve its investment return and is focused on opportunistic investing in areas where it believes its management, directors or employees have expertise or understanding of the risk and return of the investment.

The Company’s strategy is designed to earn higher returns than an investment grade fixed income approach alone while maintaining a high average portfolio credit rating and investing in asset classes and allocations that are consistent with the insurance regulatory and rating agency framework within which the Company operates.

The following table shows return by investment asset class:

	December 31, 2022			December 31, 2021		
	Balance	Return	Return	Balance	Return	Return
	<i>(in thousands U.S. dollars)</i>			<i>(in thousands U.S. dollars)</i>		
			%			%
State and municipal	\$ 101,598	\$ 2,533	2.3	\$ 120,518	\$ 3,189	2.8
Residential mortgage-backed	126,674	2,458	1.9	138,387	2,573	1.8
Corporate	250,167	6,477	2.2	346,753	9,598	2.9
Commercial mortgage and asset-backed	90,626	2,480	2.5	109,471	2,654	2.3
U.S. Treasury securities and obligations guaranteed by the U.S. government	43,049	507	1.4	29,226	706	1.7
Equity securities	3,472	(98)	(4.0)	1,426	508	36.3
Bank loan participations	100,710	(2,911)	(2.8)	104,073	10,876	10.7
Short term investments and cash & cash equivalents	26,426	649	1.5	57,430	20	0.0
	742,722	12,095	1.5	907,284	30,124	3.2
Deposit funding and others		1,932			2,064	
Investment expenses		(1,853)			(1,817)	
Total	\$ 742,722	\$ 12,174	1.5	\$ 907,284	\$30,371	2.1

The return of the investment portfolio is comprised of net investment income and realized investment gains or losses (including mark-to-market changes in equities and bank loan participations). The decrease in investment returns relates mainly to the impact of fair value movements on fixed maturities and bank loans.

Material Income & Expenses for the Reporting Period:

The Company's main revenue source is premium. Assumed premiums for the year ended December 31, 2022 decreased 63.7% compared to the prior year driven by the non-renewals of multiple treaties, lower renewal premium for some treaties and commutation of stop loss.

The combined ratio is a measure of underwriting performance and represents the relationship of incurred losses, loss adjustment expenses and other operating expenses to net earned premiums. A combined ratio of less than 100% indicates an underwriting profit, while a combined ratio greater than 100% reflects an underwriting loss. JRG Re's combined ratio for the year ended December 31, 2022 was 120.6% compared to 166.3% for the year ended December 31, 2021. The year ended December 31, 2022 has lower loss development compared to that in prior year primarily driven by the impact of a loss portfolio transfer and commutation of stop loss. The other underwriting and operating expenses during 2022 increased by \$14.8 million primarily due to the impact of loss development on treaties with contingent commission.

The following table shows underwriting expenses of JRG Re for the year ended December 31, 2022 (in thousands) :

Losses and loss adjustment expenses	\$114,812
Other underwriting and operating expenses	<u>49,711</u>
Total	<u><u>\$164,523</u></u>

h. Any Other Material Information

The Company has been assigned a financial strength group rating from A.M. Best of A- (Excellent), Financial Size Category IX.

Section ii. GOVERNANCE STRUCTURE

The Company's Board of Directors (the "Board") is responsible for maintaining the organizational structure to achieve business goals including:

- An appropriate business strategy;
- Effective governance, including a risk management framework and related policies;
- Appropriate financial resources; and
- Adequate internal controls.

The Board has delegated the authority relating to day-to-day management of operations of the Company to Senior Management. Senior Management is responsible for maintaining and monitoring the Risk Management Framework and related policies and reporting all relevant risk matters to the Board. The Risk Register is used to assist in managing key risks and controls.

a. Board and Senior Executive

i) Board and Senior Executive Structure, Role, Responsibilities and Segregation of Responsibilities:

JRG Re:

Board of Directors:

Name	Board Position
Daniel Heinlein	Executive Director
Michael Hoffmann	Non-Executive Director
Allan Defante	Executive Director
Gareth Tavares	Non-Executive Director

Senior Executives:

Name	Position
Daniel Heinlein	President & Chief Executive Officer
Allan Defante	Chief Financial Officer
Conyers Corporate Services (Bermuda) Limited	Secretary and Resident Representative

The President and/or Chief Executive Officer (“CEO”) oversees the Company's underwriting, claims and actuarial functions. The Chief Financial Officer (“CFO”) oversees the Company's accounting, treasury, investment, regulatory and operational functions. There is no overlap of responsibilities between these two roles. The Secretary and Resident Representative are not employees of the Company but provide administrative and corporate secretarial services to the Company.

The Company follows the JRGH Code of Conduct (the “Code of Conduct”), which is applicable to directors, officers and employees. It complies with the requirements of applicable rules and regulations of the U.S. Securities and Exchange Commission and the NASDAQ Stock Market. This code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of and avoiding actual or apparent conflicts of interest between personal and professional responsibilities to the Company;
- full, fair, accurate, timely and understandable disclosure in reports and documents and in other public communications made by us, as well as communications with insurance and other regulators;
- compliance with applicable governmental laws, rules and regulations;
- prompt reporting of violations of the Code of Conduct; and
- accountability for adherence to the Code of Conduct.

The Company’s Code of Conduct is available on the investor relations portion of the group’s website.

ii) Remuneration Policy:

The Company’s remuneration policy follows the insurance group’s corporate policy. The Compensation Committee of JRGH assists its Board of Directors with reviewing the performance of management in achieving corporate goals and objectives and assuring that executives are compensated effectively in a manner consistent with the strategy, competitive practice and the requirements of the appropriate regulatory bodies. The Compensation Committee also administers the Company’s incentive plans.

Senior executives and employees of the Company are provided competitive compensation packages that are reviewed on an annual basis. Compensation for each employee is benchmarked versus the results of Bermuda compensation surveys. An annual Company bonus pool is determined based on the Company's performance versus its approved budget. Individual participation in the bonus pool is based on the individual's target bonus percentage and his or her work performance during the year. The Company also grants restricted stock units and/or options to its senior executives and employees, with the grants vesting ratably over a period of either three or four years.

Company Executive Directors are not compensated for their Board services.

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

The Company provides all employees with pension benefits through a defined contribution pension programme. The Company provides contributions matching the employee's level of contribution. The 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:

- Each of the Company's U.S. insurance affiliates is a party to a quota share reinsurance agreement that cedes 70% of their net premiums and losses to JRG Re through December 31, 2017 and to Carolina Re from January 1, 2018 through December 31, 2021.
- JRG Re reinsures Carolina Re through a stop loss reinsurance treaty until December 31, 2021. This stop loss reinsurance treaty was commuted effective January 1, 2022 and was settled at \$59.8 million in accordance with the agreement.
- No dividends were paid in 2022.
- JRG Re periodically provides operating funds to its parent company via an intercompany account. JRG Re had \$87.1 million receivable from JRGH as at December 31, 2022.
- JRGH contributed \$34.0 million as additional capital to JRG Re during the year ended December 31, 2022.
- At December 31, 2022, JRG Re had \$8.6 million funds held in favor of Falls Lake Fire and Casualty Company, an affiliate.

b. [Fitness and Propriety Requirements](#)

i) Fit and Proper Process in assessing the Board and Senior Executive:

In determining whether a person is a fit and proper person to hold a particular position, consideration is made to his/her probity, to his/her competence and soundness of judgement for fulfilling the responsibilities of that position, to the diligence with which he is fulfilling or likely to fulfil those responsibilities and to whether the interests of clients or potential clients are, or are likely to be, in any way threatened by his/her holding that position.

The Company ensures the Board and Senior Executive are fit and proper to hold their positions through the following process:

- Board and senior executive positions are staffed with experienced professionals with a history of strong performance in their roles. Before being hired by the Company or nominated by the Board, candidates are vetted to ensure they have the appropriate skills, knowledge, character and experience required for the position;
- The President provides feedback on job performance to each employee annually in connection with the employee's annual compensation review. Non-outsourced Senior Management have written employment contracts and sign the Group-wide Conflict of Interest Statement, Related Party Transaction Statement and Code of Conduct to confirm compliance with employment standards;
- The Company maintains a good reputation within the business community to help attract well-qualified job applicants;
- The JRGH Compensation Committee is charged with ensuring adequate and competitive compensation to attract and retain top talent;
- Every employee signs the employee handbook which outlines JRG Re's employment practices and conditions of employment;
- The Company targets an acceptable return on equity within a strong compliance culture. This is consistent across the Group. All members are remunerated in a manner that fosters positive behavior;
- Appropriate segregation of duties across functions and staff members is maintained, and all staff are adequately supervised by experienced and trained professionals in their relevant field of expertise; and
- Succession plans are discussed periodically by executives of JRGH and the Compensation Committee of the Board of Directors of JRGH.

ii) Board and Senior Executives Professional Qualifications, Skills and Expertise:

Biographies of the Board members and Executive Officers can be found below.

JRG Re:

Executive Board Members:

Daniel Heinlein, Director and Chief Executive Officer – Mr. Heinlein was promoted to President and Chief Executive Officer of JRG Re in April of 2018. He most recently held the position of Vice President of Underwriting for JRG Re. Mr. Heinlein joined JRG Re in June of 2012 from Willis Re Inc. where he produced and serviced US property and casualty treaty reinsurance accounts. Mr. Heinlein is a graduate of Appalachian State University with a Bachelor of Science in Business Administration with majors in Finance and Banking, and Risk Management and Insurance.

Michael Hoffmann, Director and Chief Underwriting Officer of JRGH – Mr. Hoffmann leads a team with responsibility for underwriting, enterprise risk and ceded reinsurance strategy across the Group. Mike joins James River most recently from Everest where he was Head of Risk and Ceded Re. Prior to then, he spent 15 years with Allied World Assurance, where he most recently served as Global Insurance Chief Underwriting Officer. Prior to Allied World, Mike spent 14 years with Chubb in a variety of roles in the U.S. and Bermuda.

Allan Defante, Director and Chief Financial Officer - Mr. Defante joined JRG Re in January 2018 as a Controller. Effective June 2021, Mr. Defante was promoted to Chief Financial Officer (“CFO”). Mr. Defante was appointed as a Director, CFO, and Principal Representative of JRG Re effective June 2021. From July 2012 through December 2017, Mr. Defante held various positions at Allied World Assurance Company, Ltd. (“Allied World”), a global provider of property, casualty and specialty insurance and reinsurance, most recently serving as Assistant Vice President – Assistant Controller. Mr. Defante previously held the positions of Finance Manager – Assistant Controller, Finance Manager – GAAP & Statutory Reporting, and Senior Accountant – GAAP & Statutory Reporting at the same company. Before joining Allied World, Mr. Defante worked in the Insurance Group at Pricewaterhouse Coopers Bermuda, in the Oil and Gas Group at Deloitte Indonesia, and the Banking/Multi-National Companies Group at KPMG Philippines. Mr. Defante received a Bachelor of Science degree (Summa Cum Laude) in Accountancy from Central Philippine University in Iloilo, Philippines. Mr. Defante holds a Certified Public Accountant designation from the Philippine Institute of Certified Public Accountants. He is also a member of the Certified Public Accountants Bermuda.

Gareth M. Tavares, Vice President and Head of Financial Planning & Analysis of JRGH - Mr. Tavares has served in this position since June 2019. Mr. Tavares previously served as Director, Global Head of Financial Planning & Analysis at Apex Group Ltd., a global financial services provider. Prior to that Mr. Tavares served 10 years at Allied World Assurance Company Holdings, AG, a specialty insurer and reinsurer, most recently as Vice President, Financial Planning & Analysis. Mr. Tavares started his career with PwC. Mr. Tavares is a member of the South African Institute of Chartered Accountants (CA (SA)), and a member of the Chartered Professional Accountants Bermuda (CPA). Mr. Tavares holds a Bachelor of Commerce from the University of Cape Town, and a Post Graduate Diploma in Accounting from the University of Natal.

Senior Executives:

Daniel Heinlein, Chief Executive Officer – see biography above.

Allan Defante, Chief Financial Officer - see biography above.

Conyers Corporate Services (Bermuda) Limited (“Conyers”), Secretary - Conyers serves as the Company’s corporate secretary. Conyers is one of the largest providers of corporate secretarial services in Bermuda.

c. Risk Management and Solvency Self-Assessment Systems Implementation

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

The Company's Risk Management Framework ("the Framework") includes the internal mechanisms used to monitor and control key risks. The Framework is embedded within the Company's strategic oversight processes and supported by the internal control environment. The Framework is based on Bermuda Monetary Authority's Code of Conduct, Internal Control - Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Committee ("COSO"), Enterprise Risk Management - Integrated Framework by COSO and other authoritative organizations.

The risk policies set out in this document are updated annually at a minimum. Management monitors all of these risks and updates them periodically, with any significant revision(s) presented to and approved by the JRGH's Board of Directors.

All risk management stems from the Company's risk philosophy. This philosophy is articulated in the Risk Policies that have been formulated for all major risks and is embodied in the Risk Register, along with each risk's corresponding controls. These controls are reflected in the Control Matrices that are in place for each key process (e.g. Underwriting, Claims, Finance, Actuarial, etc.). In addition, detailed flowcharts and/or narratives exist to support these functions.

This structure has been adopted by the Company's Senior Management and communicated to all staff and is the basis for all compliance reviews undertaken.

Risk Appetite:

The risk appetite of the Company encompasses all major risks and focuses on attaining the following business objectives:

- Write business that produces a long-term underwriting profit with an acceptable return on equity throughout the underwriting cycle;
- Expose no more than 3% of the total shareholder's equity to loss from any one contract in any one occurrence;
- Maintain target capital levels consistent with an AM Best A group rating; and
- Maintain a minimum capital level equivalent or higher than the Company's Target Capital Level as determined by the BSCR model.

Responsibility for Risk Management:

The Company's Board has overall responsibility for ensuring the adequacy of the systems and controls underlying the Risk Management Framework. The Board has delegated the responsibility

relating to these controls to Senior Management, who is also responsible for assessing all risks facing the Company and for establishing appropriate controls to manage and or mitigate each risk. Senior Management will assess the level of each risk classification and identify where additional controls or changes to the systems, processes and or controls may be required. Qualitative and quantitative risk assessments shall be performed, both before and after allowance for existing controls.

Risk Management Function:

The Company maintains a risk management function to identify, measure, monitor, manage and continuously report on the risks to which it is or could be exposed. This function is comprised of the requisite strategies, controls and reporting processes. Key elements of the Company's Risk Management function are contained within Senior Management's responsibilities, and through the Risk Management function at JRGH that manages the enterprise risk for the Group. Responsibility for each risk has been assigned to Risk Owners. Senior Management periodically (but at least annually) prepares a report for the Board covering risk management. The Risk Register is presented to the CFO of JRGH on an annual basis for approval. Any material changes in the risk management strategy, policies, processes, procedures and/or financial models require the approval of the Head of Risk Management Function and ultimately by the CFO of JRGH.

ii) Risk Management and Solvency Self-Assessment Systems Implementation:

The Company prepares an annual budget and midyear reforecast. These forecasts are input into the Company's internal capital adequacy model and Bermuda Solvency Capital Requirement model, as are year-end audited results once available. The Company has a strong understanding of the key drivers of its BMA capital requirements. The capital implications of its business decisions are considered and understood by the Senior Executives. The Company maintains capital in excess of BMA requirements and confirms compliance annually via statutory reporting. The Chief Financial Officers of the Company and JRGH have ownership of these forecasts and models. Accordingly, they inform the Company and JRGH Boards of Directors of the performance, including suggested areas of improvement and update the Boards of Directors on the status of efforts to improve previously identified weaknesses.

These forecasts and models are used as a risk management tool and form part of the risk management system.

The following reports are prepared regularly and reviewed by Senior Management:

- Largest exposures and concentration risks;
- Quarterly detailed actuarial reviews;
- Monthly large loss reports;
- Monthly underwriting analytics vs. budget;
- Ceded reinsurance arrangements, including outstanding and uncollectible recoveries;

- Capital model updates including changes to the model; and
- Review of the risks in the Risk Register.

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

When assessing the Company's current and prospective capital needs, the minimum capital requirement is set at the higher of the Company's projected BSCR Target Capital Level and its self-assessed capital requirement. This minimum capital requirement is an integral component of all of the Company's strategic evaluations and capital management discussions.

iv) Solvency Self-Assessment Approval Process:

Once solvency self-assessment has been completed, the CFO sends the output to JRGH's Senior Executive for review and approval. The output is then presented to the Board for approval.

d. Internal Controls

i) Internal Control System:

The Company maintains an effective internal control system, which includes administrative and accounting procedures, an internal control framework, and appropriate reporting arrangements for Sarbanes Oxley Act of 2002, as amended (“SOX”) compliance activities.

SOX compliance activities include management’s assessment to confirm the design and operating effectiveness of internal controls over financial reporting. The Company is a part of a Group-wide process to identify and test key internal controls, including any required remediation. The status of SOX activities and findings are submitted for consolidation and reported to the Audit Committee of JRGH, if necessary.

ii) Compliance Function:

The primary purpose of the Company’s Compliance function is to ensure that operations continue to adhere to standards for Group requirements, BMA and other regulatory requirements and applicable laws.

This is achieved by formulating effective policies and procedures and monitoring adherence to internal strategies, policies, processes and reporting procedures.

The Compliance function is responsible for the ongoing assessment of any possible impact of changes in the legal environment on Company’s operations and for the identification and assessment of Legal / Regulatory risk. The approach to monitor and mitigate this risk is contained within the Risk Register.

The Company’s Compliance function focuses on managing Legal and Regulatory Risk. This is defined as: “the risk of legal or regulatory sanctions, material financial loss or damage to the Company’s reputation as a result of failing to comply with laws, regulations or administrative provisions or best practice relevant to any of the Company’s activities.”

To manage this Legal / Regulatory Risk, management monitors actual and anticipated changes in legislation and regulations. This ongoing monitoring includes insurance and non-insurance related issues. Any impact on operations is discussed with the relevant functional areas, and a plan for implementing the revised approach to ensure compliance is established.

e. Internal Audit

The Company utilizes the expertise of the Group Internal Audit employees to serve as its internal audit function. The Group Internal Audit department is staffed by experienced individuals and is

objective and independent of the Company's day-to-day activities. Where necessary, the Internal Audit department utilizes external resources to support its work.

The internal audit employees have appropriate access to all staff, Senior Management and records, including those relating to third party service providers. No restrictions are placed on the scope of the team's work.

Objectives:

Internal Audit's primary objective, as it relates to the Company, is to work with management to identify and address risks relating to processes integral to the achievement of business objectives. The function serves as an independent and objective source of appraisal and assurance within JRGH to support the management, and the JRGH Audit Committee and Board of Directors in discharging their responsibilities. Internal Audit also assists management and the Board in evaluating the appropriateness and effectiveness of business processes, internal controls and the governance and risk management functions. The Internal Audit department helps to identify process improvements, including those resulting from a changing operating environment. At least annually, Internal Audit employees review and update the documented internal controls with the CFO and process owners.

Internal Audit is available to perform special examinations at the request of management or the Board.

Guiding Principles:

Maintain effective relationships with Senior Management. Seek, obtain and evaluate their input on entity-wide risks, their processes and controls and how the internal audit process can assist them in assuring that those risks are properly controlled and effectively managed.

Focus on business risk alongside operating and financial risks. Contribute to the corporate governance process and achievement of the Company's strategic and operational objectives.

Assist in improving operations including, where necessary, enhanced controls and the implementation of new controls.

Reporting:

The Group Internal Audit department reports directly to the JRGH Audit Committee. The Chairman of the Audit Committee reports any material issues to the JRGH Board of Directors.

Assurance is the means by which management becomes satisfied that existing controls are designed and operating effectively. Reports covering all assurance activities are received by Senior Management and are presented to the JRGH Audit Committee:

- The external auditors conduct a risk-based audit annually and report key observations to the JRGH Audit Committee. Senior Management has the responsibility of responding to audit observations and effecting appropriate remediation;
- The Sarbanes-Oxley Compliance Process assists in maintaining the integrity of internal control over financial reporting throughout the Group. This process includes a risk assessment, the testing of key controls for operating effectiveness and the evaluation/reporting of internal control deficiencies;
- Internal Audit reports to the JRGH Audit Committee on a quarterly basis, providing updates on its ongoing and completed initiatives;
- Senior Executives are responsible for assessing the effectiveness of internal reporting and operating controls. Testing embedded within normal business operations (e.g., reconciliations and reviews of reports) verify data integrity and continual operation of key business processes;
- Any internal control failures are presented to management for further evaluation, including a review of the associated remediation plan. Management is responsible for identifying new, emergent or changing risks and any control changes required to realign the risks with the risk appetite.

f. Actuarial

The Actuarial function for the Company is responsible for:

- Performing reserve estimates, including assessing the quality of underlying data;
- Assisting in the execution of the risk management framework;
- Assisting with the underwriting process, including those surrounding pricing and writing of underwriting contracts and risk transfer mechanisms (e.g., ceding reinsurance, derivative instruments, etc.); and
- Providing support of financial information to multiple internal and external stakeholders including regulatory bodies and rating agencies.

The actuarial function is handled by a Fellow of the Casualty Actuarial Society (FCAS) with in-depth knowledge of actuarial and financial mathematics. The function is staffed appropriately given the nature, scale and complexity of the risks inherent in the integrated operations of the Company.

An independent review of the reserving analysis is conducted by Towers Watson bi-annually, once for the third quarter close and once for the closing of the fourth quarter. Each quarter, the Reserve Committee (Group CEO, CFO, Chief Actuary and Chief Accounting Officer and the Segment Actuary, CEO and CFO) review the Company's reserving analysis provided by the Segment Actuary. The

Segment Actuary reviews the bi-annual Towers Watson analyses to ensure consistency with the Company's analyses.

g. Outsourcing

i) Outsourcing Policy and Key Functions that have been Outsourced:

The Company defines outsourcing as contracting out part or all of a business function to a third party. In this regard, the Company may use the external service provider's processes and controls to perform the agreed upon services. However, the Company will retain all decision making and ultimate responsibility over the business function and maintain the appropriate monitoring mechanisms to ensure adherence to a service level agreement.

The Company outsources selected elements of the business to third party service providers, such as elements of the investment functions. Management ensures that any outsourced responsibilities are delegated and managed appropriately, with ultimate responsibility vesting with Senior Management or the Board, as appropriate.

All outsourcing is undertaken with a view to improve the efficiency of the business. Material outsourcing arrangements require approval of Senior Management and no arrangements would be approved which would:

- Materially impair the quality of the system of governance;
- Unduly increase the operational risk;
- Impair the ability of the various regulatory bodies to monitor compliance of its obligations;
- or
- Undermine continuous and satisfactory service to Company's cedants.

Prior to entering into any material outsourcing agreement, Senior Management will perform the required due diligence and notify the Chief Financial Officer of JRGH; as necessary.

Vendors who provide outsource services across the Group are under supervision of Group personnel who communicate regularly with the Company to assist in identifying issues and monitoring performance.

Selection

One or more factors may drive the need for outsourcing to an external service provider including, but not limited to cost savings, knowledge, and operational expertise. The requesting manager is responsible for ensuring qualified vendors are properly vetted.

Approval

Contracted outsource providers are subject to an approval process that includes:

- Analysis of details of the proposed services, the effect on the current business strategy and overall risk profile and any regulatory considerations;
- Cost analysis including effect on the annual budgets;
- Due diligence of the outsource provider's financial stability and expertise;
- The plan for the Company to monitor and control its operational risk exposure and strategic objectives;
- The plan to transition current operations to the new outsourcing arrangement; and
- Procedures to monitor the outsource provider.

All material outsource providers are engaged under formal contracts. Material contracts must be reviewed and approved by Senior Management.

All material outsource arrangements that provide services across the Group are reviewed and executed by an officer of JRGH.

Monitoring

Upon establishing the arrangement, the Company will implement a plan to ensure service levels are consistently achieved. This plan may include the identification and monitoring of qualitative and/or quantitative performance targets. Any material issues of inadequate performance should immediately be reported to Senior Management and/or JRGH for remedial action.

Vendors who provide outsource services across the Group are under supervision of JRGH personnel who communicate regularly with the provider to assist in identifying issues and monitoring performance.

ii) Material Intra-Group Outsourcing:

The Company's Internal Audit function is centralized and performed by staff members at JRGH. The Internal Audit department reports directly to the Audit Committee of the parent company.

Various elements of the Company's Human Resources and Information Technology functions are supported by staff members at JRGH.

The Company's actuarial function is performed by the Segment Actuary who is the VP – Senior Actuary at James River Group Inc.

h. Other Material Information

No other material information to report.

Section iii. RISK PROFILE

a. Material Risks the Insurer is Exposed to During the Reporting Period

Major risks include:

- Underwriting - the risk of loss, or adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions.
- Investment - the risk the Company will not achieve its investment objectives as a result of systematic and unsystematic risks, liquidity risk, market risk, concentration risk or investment credit risk.
- Liquidity - the risk that the Company is unable to realize investments and other assets in order to settle its financial obligations when they fall due.
- Concentration - the risk that the Company will suffer losses from lack of diversification with regards to a particular sector, industry, or geographic region, security, asset class, etc. in the insurance/reinsurance operations or the investment portfolio. Concentration risk also includes the risk of failure to identify and manage correlation risk between insurance/reinsurance operations and invested assets.
- Market - the risk that changes in financial market prices and rates will reduce the dollar value of an asset or liability.
- Credit - the risk of loss, or adverse change in financial condition, resulting from fluctuations in the credit standing of insureds and reinsurers and any other debtors to which the Company is exposed, in the form of counterparty default risk, or concentration risk. Credit risk includes the risk that a change in the credit quality of a counterparty will affect the value of a premium receivable or reinsurance recoverable.
- Operational - the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events. Operational risk includes the risk of loss resulting from failure to comply with laws as well as prudent ethical standards and contractual obligations. It also includes the exposure to litigation from all aspects of business activities.
- Group - risks related to unregulated entities within the group, implicit or explicit exposure to losses throughout the group (“contagion risk”), risks related to inter-company transactions and double gearing (i.e. where multiple companies are using shared capital to buffer against risk occurring in separate entities without the proper documentation of exposure), the extent to which practical, legal, or regulatory barriers to the transfer of capital between group members exist, and other additional risks which individual members of a group face by virtue of their group membership.

- Strategic - risk that strategic business decisions prove to be ill-founded or poorly executed. Examples of such risk include mergers and acquisitions, moving into new markets, business lines, or regions, changes to the operating model, or failing to anticipate or react to a more general shift in the economic environment, demographics, etc.
- Cyber - risk of financial losses, operational disruption, or damage, and/or reputational impact from a cyber-attack or data breach.
- Reputation - the potential adverse impact of an economic loss through deterioration of reputation, credibility or standing.

The numerical calculation of quantifiable risks arises from a series of metrics performed using modeling tools and other techniques to measure exposures. The risks identified and their related controls are detailed in the Company's Risk Register and are assessed on a gross (i.e. before controls) and net (i.e. after controls) basis. All risks and controls are reviewed regularly by Senior Management. Risk owners are responsible for identifying new, emerging or changing risks and any consequent control changes required to realign the risks with the risk appetite. There were no material changes that occurred during the reporting period.

b. Risk Mitigation in the Organization

All risk management stems from the Company's risk philosophy. This philosophy is articulated in the Risk Policies that have been formulated for all major risks and is embodied in the Risk Register, along with each risk's corresponding controls. These controls are reflected in the Control Matrices that are in place for each key process (e.g. Underwriting, Claims, Finance, Actuarial, etc.). In addition, detailed flowcharts and/or narratives exist to support these functions.

This structure has been adopted by the Senior Management and communicated to all staff and is the basis for all compliance reviews undertaken.

The Company maintains a risk management function to identify, measure, monitor, manage and continuously report on the risks to which it is or could be exposed. This function is comprised of the requisite strategies, controls and reporting processes. Key elements of the Company's Risk Management function are contained within Senior Management's responsibilities.

Responsibility for each risk has been assigned to Risk Owners.

Senior Management periodically (but at least annually) prepares a report for the Board covering risk management. The Risk Register is presented to the CFO of JRGH on an annual basis for approval. Any material changes in the risk management strategy, policies, processes, procedures and/or our financial models require the approval of the Head of Risk Management Function and ultimately by the CFO of JRGH.

c. Material Risk Concentrations

The Company has policies governing risk concentrations. The risk management framework defines the Company's risk appetite for each major risk and sets out controls to ensure limits are met.

As the Company does not underwrite Property Catastrophe business, the Company's reinsurance business is not materially exposed to aggregation risk. The Company maintains Underwriting Guidelines, which include restrictions on lines of business written and exposure limits. The Company actively manages volatility of the portfolio through limits management, line of business and geographic spread, as well as extensive use of sliding scale commissions and other terms and conditions.

In the investment portfolio, concentration risk is mitigated by investing in a diversified, high quality portfolio of assets. Investments are restricted to limit concentrations and exposures by type, asset class and issuer. For fixed income and preferred stock investments, policies specify minimum standards for average credit quality and a permitted duration range to manage interest rate risk.

d. Investment in Assets in Accordance With the Prudent Person Principles of the Code of Conduct

The Investment Portfolio Risk appetite is set by the JRGH Investment Committee and conforms to the Group investment strategy and investment guidelines, which are reviewed at least annually. The Company's primary investment objective is to preserve capital; ensuring adequate liquidity for cedant claims, while supplementing the return on equity generated by the reinsurance operations.

The Company maintains a high investment grade and well-diversified portfolio, primarily invested in fixed income securities, in compliance with regulatory requirements and restrictions, investment guidelines and trust agreements.

The Company's investments are managed by experienced investment managers in accordance with the strategy and risk guidelines set by the JRGH Investment Committee and accepted by the JRGH Board. The utilization of equity and other investments is permitted subject to limitations prescribed within the approved investment policy.

e. Stress Testing and Sensitivity Analysis to Assess Material Risks

The Company performs stress testing within its internal capital adequacy model at least annually as part of its own risk and solvency assessment process. The risk and capital assessments, and conclusions arising, are used within business decision-making processes, including the assessment that the business plan is aligned with risk appetite. Scenarios and stress tests are defined to address both individual risks and risk aggregations. The Company selects plausible, albeit remote, catastrophic loss event scenarios to stress test capital, which are ascertained from the type and location of business written and the nature of assets held.

Based on latest results, calculated losses are within the Company's risk tolerance level and management believes it will have sufficient capital and liquidity to meet regulatory requirements and contractual obligations under all scenarios.

Section iv. 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 Bermuda Monetary Authority's "Guidance Notes 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:

Bonds and Debentures:

Quoted investments classified as "bonds and debentures" are carried at fair value. Fair value generally represents quoted market value prices for securities traded in the public marketplace or prices analytically determined using bid or closing prices for securities not traded in the public marketplace.

Premiums and discounts on fixed maturity securities not backed by other loans are amortized using the effective interest method. Premiums and discounts on mortgage-backed securities and asset-backed securities are amortized or accrued using the constant yield method which considers anticipated prepayments at the date of purchase. To the extent that the estimated lives of such securities change as a result of changes in estimated prepayment rates, the adjustments are included in net investment income using the retrospective method.

Bank loan participations classified as "bonds and debentures" are measured at fair value. Losses due to credit-related impairments on bank loan participations are determined based upon consultations and advice from the Company's specialized investment manager and consideration of any adverse situations that could affect the borrower's ability to repay, the estimated value of underlying collateral, and other relevant factors. Interest income is accrued on the unpaid principal balance. Discounts and premiums are amortized to income using the interest method. Generally, the accrual of interest on a bank loan participation is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest. A bank loan participation may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. Interest received on nonaccrual loans generally is reported as investment income. Generally, bank loan participations are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Short-term investments are carried at cost, which approximates fair value. Short-term investments have maturities greater than three months but less than one year at the date of purchase.

Cash and Cash Equivalents:

The Company considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Premiums Receivable and Funds Held by Ceding Reinsurers:

Premiums receivable are carried at face value net of any allowance for doubtful accounts, which approximates fair value. The allowance for doubtful accounts represents an estimate of amounts considered uncollectible based on the Company's assessment of the collectability of receivables that are past due. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Advances to Affiliates:

Advances to affiliates are carried at face value, which approximates fair value. The Company has neither control nor significant influence and balances are generally less than one year.

b. Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

Technical provisions are valued at an economic value using the best estimate of probability-weighted cash flows, with an additional risk margin. Cash flows are discounted using factors prescribed by the Bermuda Monetary Authority. Risk Margin is calculated using the Cost of Capital method, using rates supplied by the Bermuda Monetary Authority. Cash flows take into account all future cash inflows and outflows required to settle the insurance obligations attributable to the remaining lifetime of the policy. Technical provisions were calculated gross of reinsurance with a separate assessment of the amounts expected to be recovered from the reinsurers consistent with the gross assessment.

The following shows the composition of the Technical Provisions at December 31, 2022 (in thousands):

Best estimate loss and loss expense provision	\$229,116
Best estimate premium provision	(13,931)
Risk margin	24,433
Total	<u><u>\$239,618</u></u>

c. Description of Recoverables from Reinsurance Contracts

Recoverables from reinsurance contracts are based on principles similar to the gross best estimate and include reinstatement premiums required to be paid to the reinsurer, and expenses in relation to the management and administration of reinsurance claims.

On February 23, 2022, the Company entered into a loss portfolio transfer retrocession agreement (the "LPT") with Fortitude Reinsurance Company Ltd. ("FRL") under which FRL reinsures the majority of the Company's reserves. Under the terms of the transaction, which closed on March 31, 2022 (the "Retrocession Closing Date"), the Company (a) ceded to FRL all existing and future claims for losses arising under certain casualty reinsurance agreements with underlying insurance companies with treaty inception dates ranging from 2011 to 2020 (the "Subject Business"), in each case net of third-party reinsurance and other recoveries, up to an aggregate limit of \$400.0 million; (b) continues to manage and retain the benefit of other third-party reinsurance on the Subject Business; (c) paid FRL a reinsurance premium of \$335.0 million, \$310.0 million of which the Company credited to a notional funds withheld account (the "Funds Withheld Account") and \$25.0 million of which was paid in cash to FRL; and (d) pays FRL a 2% per annum crediting rate on the Funds Withheld Account balance on a quarterly basis. The total premium, initial Funds Withheld Account credit, and aggregate limit was adjusted for claims paid from October 1, 2021 to the Retrocession Closing Date. The Company incurred losses of \$11.5 million (including \$6.8 million of net adverse reserve development and \$4.7 million of current accident year losses) in the three months ended March 31, 2022 associated with the LPT. The Funds Withheld Account balance was \$213.6 million at December 31, 2022.

The Company periodically reevaluates the remaining reserves subject to the LPT. Due to adverse paid loss trends on the business subject to the LPT, the Company ceded an additional \$6.1 million of losses recoverable under the LPT for the year ended December 31, 2022, moving the LPT also into a deferred gain position requiring retroactive reinsurance accounting.

At December 31, 2022, the Company had reinsurance recoverables on unpaid losses of \$260.5 million, with \$244.6 million related to the LPT. The balance is adjusted for counterparty credit rating based on rating agency and experience default statistics. All material Balances recoverable from counterparties with a financial strength rating of less than 'A-' are fully collateralized.

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 valuation principles outlined by Bermuda Monetary Authority's "Guidance Notes for Statutory Reporting Regime" which values liabilities at a fair value basis. Other liabilities are primarily reinsurance balances payable and vendor accruals and are stated at the amount estimated to be paid when eventually settling the obligation. These amounts are not discounted.

e. Any Other Material Information

No additional material information to report.

Section v. 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 Company's capital management objective is to prudently deploy capital to underwriting opportunities while maintaining an unrelenting focus on underwriting profit with low volatility. There were no material changes to the capital management policy and process during the year. The Company prepares an annual budget and midyear reforecast. Results from the budget and forecast, and year-end audited results, are input into the Company's internal models and Bermuda Solvency Capital Requirement model. The Company has a strong understanding of the key drivers of its Bermuda Monetary Authority capital requirements and their implications on potential strategic initiatives and capital management plans. The Company maintains capital in excess of the Bermuda Monetary Authority requirements and confirms compliance annually via statutory reporting. The Chief Financial Officer of JRGH will discuss performance with the JRGH Board of Directors, including suggested areas requiring improvement, and updates the Board on the status of efforts to improve any identified weaknesses. When assessing the Company's current and prospective capital needs, the minimum capital requirement is set at the higher of the Company's projected BSCR Target Capital Level and its self-assessed capital requirement. Surplus capital may be paid in dividends. This minimum capital requirement is an integral component of all of the Company's strategic evaluations and capital management discussions.

ii) Eligible Capital Categorized by Tiers in Accordance With the Eligible Capital Rules:

At the end of December 31, 2022, the Company's Eligible Capital was categorized as follows, in thousand dollars:

Tier 1	\$ 395,741
Tier 2	528
Tier 3	-
Total	<u>\$ 396,269</u>

All capital is provided in the form of Common Stock, Contributed Surplus and Statutory Economic Surplus and is considered Tier 1 eligible capital, other than a small transfer to Tier 2 resulting from excess encumbered assets.

iii) Eligible Capital Categorized by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of the Insurance Act:

At the end of the reporting period, the Company's Eligible Capital for its Minimum Margin of Solvency (MSM) and Enhanced Capital Requirement (ECR) was categorized as follows:

	Applied to MSM	Applied to ECR
	<i>(in thousands U.S. Dollars)</i>	
Tier 1	\$ 395,741	\$ 395,741
Tier 2	528	528
Tier 3	-	-
Total	<u>\$ 396,269</u>	<u>\$ 396,269</u>

Tier 1 and Tier 2 capital is entirely comprised of Common Stock, Contributed Surplus and Statutory Economic Surplus. Tier 2 capital resulted from collateral pledged in excess of obligations.

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

None

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

The Company has entered into contracts with cedants that require the Company to fully collateralize estimates of its obligations calculated by the cedant. Assets are held in trust accounts for the benefit for the cedant. These assets are released to the Company upon the payment of the obligations. Interest income arising from these assets accrues to the Company.

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

None to note

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

The differences in Shareholder's Equity as stated in the U.S. GAAP Financial Statements versus the Statutory Economic Capital and Surplus relate to non-admitted assets and the impact of employing statutory-based EBS valuation techniques.

b. Regulatory Capital Requirements

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

At the end of the reporting period, the Company's regulatory capital requirements were assessed as follows, in thousands:

Minimum Margin of Solvency	\$ 38,563
Enhanced Capital Requirement	106,425

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

The Company was compliant with the MSM and ECR requirement throughout the reporting period.

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

Not applicable.

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

Not applicable.

c. Approved Internal Capital Model

Not applicable - the Company has not applied to have its internal capital model approved to determine regulatory capital requirements.

Section vi. SUBSEQUENT EVENTS

The Company has decided to suspend its underwriting activities for 2023. This plan is expected to reduce JRG Re's underwriting risk profile thereby impacting the disclosures in Section iii. RISK PROFILE and will reduce the Company's ECR requirements in relation to premium thereby impacting the disclosures in Section v. CAPITAL MANAGEMENT.

DECLARATION ON FINANCIAL CONDITION

To the best of our knowledge and belief, the financial condition report for JRG Reinsurance Company Ltd. fairly represents the financial condition of JRG Reinsurance Company Ltd. in all material respects.

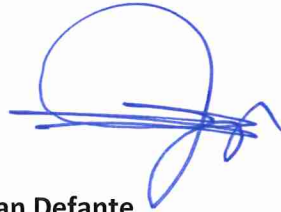
On Behalf of

JRG Reinsurance Company Ltd.



Daniel Heinlein

President & Chief Executive Officer



Allan Defante

Chief Finance Officer & Principal
Representative