JRG REINSURANCE COMPANY LTD.

CAROLINA RE LTD.

FINANCIAL CONDITION REPORT

For the Year Ended December 31, 2020

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Executive Summary

This Financial Condition Report for JRG Reinsurance Company Ltd. ("JRG Re") and Carolina Re Ltd ("Carolina Re") or collectively 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 and Carolina 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 to December 31, 2017 to JRGH's U.S.-based insurance subsidiaries, and commencing during 2018 to Carolina Re.

Carolina Re is a wholly owned subsidiary of James River Group, Inc ("U.S. Holding Company"), a holding company registered in Delaware. Carolina Re was incorporated and began operations in January 2018. Carolina Re is registered as a Class 3A insurer with BMA and made an irrevocable election to be taxed as a United States domestic corporation under Section 953(d) of the U.S. Internal Revenue Code. Carolina Re was incorporated for the sole purpose of providing non-catastrophe, predominantly casualty reinsurance to its affiliated U.S. insurance companies. During 2018, Carolina Re entered into quota share reinsurance agreements with its affiliated U.S. insurance companies, under which 70% of the premiums written by the affiliated U.S. insurance companies are ceded to Carolina Re. Carolina Re also entered into a stop loss reinsurance agreement with JRG 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 decline in financial strength rating resulting in a reduction of new or renewal business;
- 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 Insurers

1. JRG Reinsurance Company Ltd.
2. Carolina Re Ltd

b. Supervisors

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

Group Supervisor:

Not applicable

c. Approved Auditor

EY Bermuda Ltd.
3 Bermudiana Rd
Hamilton HM 08, Bermuda
Partner: Edith Jaworski
441-294-5673

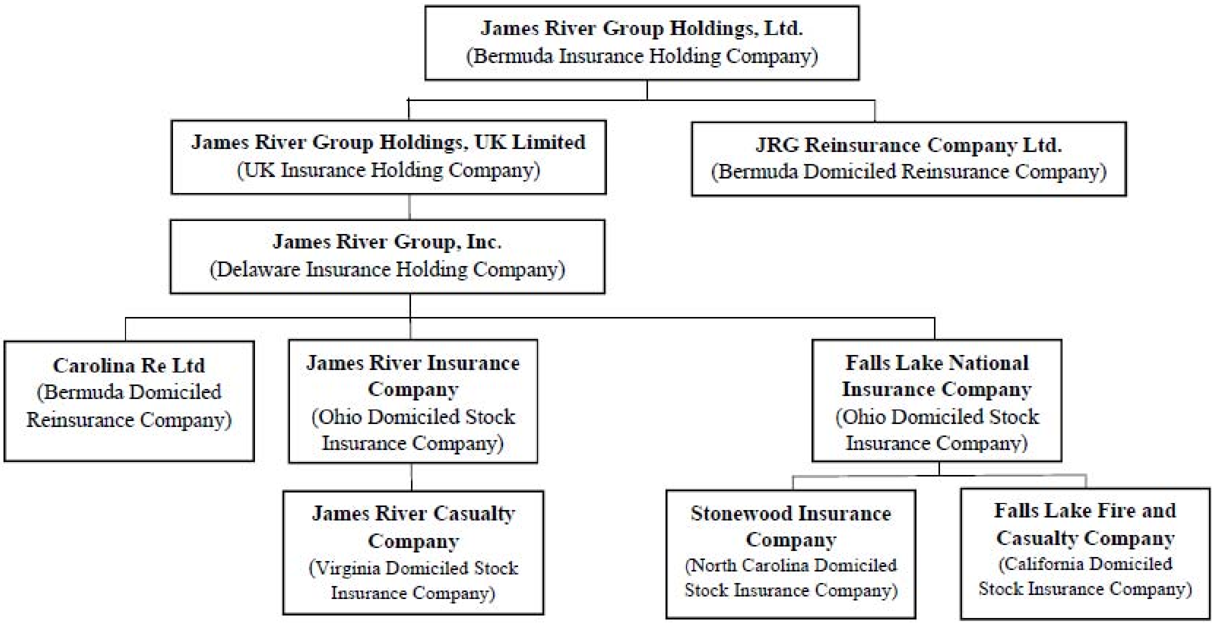
d. Ownership Details

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

Carolina Re is a wholly owned subsidiary of U.S. Holding Company, a holding company registered in Delaware.

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 tables show assumed premiums written by segment for the years ended December 31, 2020 and 2019:

<u>JRG Re:</u>	**Year Ended December 31,**	
	2020	**2019**
	(in thousands U.S. dollars)	
Third Party Reinsurance	$149,166	$160,773
Affiliated Stop Loss Reinsurance	47,652	54,303
Affiliated Excess and Surplus Lines	(126)	2,894
Affiliated Specialty Admitted Lines	(27)	(542)
Total	$196,666	$217,428

<u>Carolina Re:</u>	**Year Ended December 31,**	
	2020	**2019**
	(in thousands U.S. dollars)	
Affiliated Excess and Surplus Lines	$312,639	$476,673
Affiliated Specialty Admitted Lines	40,341	40,500
Total	$352,980	$517,173

The following table shows assumed premiums written by geographic location of risks:

JRG Re:	**Year Ended December 31, 2020**	**2019**
	(in thousands U.S. dollars)	
United States	$196,666	$217,428

Carolina Re:	**Year Ended December 31, 2020**	**2019**
	(in thousands U.S. dollars)	
United States	$352,980	$517,173

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 (beginning 2018) reinsure the Affiliated Excess and Surplus ("E&S") Lines and Affiliated Specialty Admitted Lines segments.

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.

JRG Re reinsures Carolina Re through a stop loss reinsurance agreement.

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:

JRG Re:

	December 31, 2020			December 31, 2019		
	Balance	Return	Return	Balance	Return	
	(in thousands U.S. dollars)		%	*(in thousands U.S. dollars)*		%
State and municipal	$ 107,205	$ 2,676	3.2	$ 57,610	$ 3,214	4.5
Residential mortgage-backed	149,382	3,233	2.2	146,916	3,625	2.6
Corporate	319,120	10,799	3.5	297,929	11,945	3.6
Commercial mortgage and asset-backed	121,126	3,662	3.1	118,667	4,304	3.2
U.S. Treasury securities and obligations guaranteed by the U.S. government	54,679	1,381	2.4	59,208	1,129	1.9
Equity securities	1,375	-526	(40.1)	1,248	-1,107	-71.1
Bank loan participations	99,752	-2,135	(1.5)	182,661	7,254	4.2
Short-term investments and cash & cash equivalents	131,877	476	0.4	96,664	851	1.2
Total	984,516	19,566	2.0	960,903	0 31,215	3.2
Deposit funding and others		1,604			1,563	
Investment expenses		(1,974)			(2,460)	
Total	$ 984,516	$ 19,196	2.0	$ 960,903	$ 30,318	3.1

Carolina Re:

	December 31, 2020			December 31, 2019		
	Balance	Return	Return	Balance	Return	
	(in thousands U.S. dollars)		%	*(in thousands U.S. dollars)*		%
State and municipal	$ 91,129	$ 1,875	2.6	$ 53,114	$ 812	2.4
Residential mortgage-backed	97,893	2,504	2.8	83,024	2,382	3.4
Corporate	305,135	8,108	2.9	254,325	6,112	3.3
Commercial mortgage and asset-backed	152,341	3,180	2.5	103,707	2,169	3.1
U.S. Treasury securities and obligations guaranteed by the U.S. government	5,332	378	3.7	15,162	692	5.4
Equity securities	2,635	418	22.4	1,097	155	15.0
Short-term investments and cash & cash equivalents	29,044	292	0.1	28,953	763	1.6
Total	683,509	16,755	2.7	539,382	13,085	2.6
Intercompany Loan		64	1.0		5	1.5
Investment expenses		(731)			(533)	
Total	$ 683,509	$ 16,088	2.6	$ 539,382	$ 12,557	2.5

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 for 2019 and 2020 and bank loan participations for 2020). For JRG Re, the overall return decreased year over year due to loss on sale of bank loan participations as an impact of Covid-19 pandemic and decline in interest rates with the reduction in the Company's exposure to bank loan participations. For Carolina Re, there is no significant shift in the overall return year over year.

Material Income & Expenses for the Reporting Period:

The Company's main revenue source is premium. JRG Re's assumed premiums for the year ended December 31, 2020 decreased 9.5% compared to the prior year primarily due to non-renewal of two large treaties and change in renewal period of two treaties. Carolina Re's assumed premiums for the year ended December 31, 2020 decreased 31.7% compared to the prior year due to the termination of commercial auto business with one large insured in the Affiliated Excess and Surplus Lines segment effective December 31, 2019.

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, 2020 was 104.9% compared to 113.6% for the year ended December 31, 2019. The combined ratio for the year ended December 31, 2020 is lower primarily because of the lower adverse development on assumed business from affiliated U.S. insurance companies and higher favorable development on Affiliated Stop Loss Reinsurance due to lower estimated losses. The underwriting expenses during 2020 decreased by $8.5 million primarily due to reduction in earned premium and better contractual terms. The following table shows underwriting expenses of JRG Re:

	Year Ended December 31,	
	2020	**2019**
	(in thousands U.S. dollars)	
Losses and loss adjustment expenses	$ 152,841	$ 180,426
Other underwriting and operating expenses	35,092	43,563
Total	$ 187,933	$ 223,989

Carolina Re's combined ratio for the year ended December 31, 2020 was 101.2% compared to 88.0% for the year ended December 31, 2019. The combined ratio for the year ended December 31, 2020 is higher primarily because of the higher adverse development on assumed business from affiliated U.S. insurance companies. The underwriting expenses for the year ended December 31, 2020 increased by $7.3 million primarily due to the growth in E&S core (non-commercial auto) lines of business, which have higher acquisition costs. The following table shows underwriting expenses of Carolina Re.

	Year Ended December 31,	
	2020	2019
	(in thousands U.S. dollars)	
Losses and loss adjustment expenses	$ 198,912	$ 291,514
Other underwriting and operating expenses	86,852	79,591
Total	$ 285,764	$ 371,105

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
Kevin B. Copeland	Executive Director
Helen Gillis	Executive Director
Gareth Tavares	Executive Director

Senior Executives:

Name	**Position**
Daniel Heinlein	President & Chief Executive Officer
Helen Gillis	Chief Financial Officer
Jennifer Kish	Chief Actuary
Conyers Corporate Services (Bermuda) Limited	Secretary and Resident Representative

Carolina Re:

Board of Directors:

Name	Board Position
Robert Myron	Executive Director
Kevin B. Copeland	Executive Director
Jennifer Kish	Executive Director

Senior Executives:

Name	Position
Jennifer Kish	Chief Executive Officer
Helen Gillis	Chief Financial Officer
Ocorian	Secretary

The President and/or Chief Executive Officer 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 Chief Actuary oversees the actuarial function. 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. Generally, two thirds of the bonus amount is paid within the first three months of the following year and the remaining one third is paid one year later. 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. Non-Executive Independent Directors are paid a flat fee on a quarterly basis, as negotiated on an annual basis.

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 beginning 2018.
- JRG Re reinsures Carolina Re through a stop loss reinsurance treaty.
- JRG Re paid dividends to JRGH of $8.0 million in December 2019.

- JRG Re periodically provides operating funds to its parent company via an intercompany account. JRG Re had $19.4 million and $18.8 million receivable from JRGH as at December 31, 2020 and 2019, respectively.
- At December 31, 2020 and 2019, Carolina Re had $44 thousand and $2 thousand net payable to JRGH in the ordinary course of business, respectively.
- At December 31, 2020 and 2019, JRG Re held an investment in a collateralized loan obligation ("CLO") where one of the underlying loans was issued by a bank holding company that is affiliated with JRGH (the Chairman and Chief Executive Officer of JRGH was previously the Lead Independent Director of the bank holding company and an investor in the bank holding company and one of JRGH's directors is a former investor in the bank holding company and is currently a lender to the bank holding company). The investment, with a carrying value of $520,000 at December 31, 2020 ($3.2 million at December 31, 2019), is classified as an available-for-sale fixed maturity.
- On December 15, 2020, Carolina Re executed a $5.0 million promissory note with U.S. Holding Company for general corporate purposes bearing a 0.48% periodic interest per annum on the outstanding principal amount. On November 30, 2019, Carolina Re executed a $4.0 million promissory note with U.S. Holding Company for general corporate purposes bearing a 1.58% periodic interest per annum on the outstanding principal amount. Carolina Re has $9.0 million and $4.0 million receivable from these promissory notes as at December 31, 2020 and 2019, respectively. Carolina Re has $70,000 and $5,000 interest income on these promissory notes for the year ended December 31, 2020 and 2019, respectively. Carolina Re has $1,000 and $5,000 accrued interest income on these promissory notes as at December 31, 2020 and 2019, respectively.
- JRGH contributed $90.0 million as additional capital to JRG Re during the year ended December 31, 2020.
- At December 31, 2020, JRG Re had $10.7 million funds held in favor of Falls Lake Fire and Casualty Company.

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/she 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. 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.

Kevin Copeland, Director (Chief Investment Officer of JRGH) – Mr. Copeland has served in his current position since May 2017, and is responsible for the oversight of the group's investor relations, treasury and investment functions. Mr. Copeland previously held the position of Chief Financial Officer of JRG Reinsurance Company Ltd., from September of 2014 to May 2017. Prior to joining JRG Re, Mr. Copeland was Chief Operating Officer of Tokio Solution Management Ltd, a subsidiary of Tokio Marine Group which focuses on the facilitation of Insurance Linked Securities (or "ILS"). Prior to his time at Tokio, Mr. Copeland was Chief Financial Officer of Argo Re Ltd, a Class 4 Bermuda (re)insurance company, and prior to that was an Investment Analyst with Tewksbury Capital Management Ltd, a large multi strategy hedge fund. Mr. Copeland started his career with KPMG. Mr. Copeland is a Chartered Professional Accountant (Canada) (CPA), a Chartered Financial Analyst (CFA) charterholder, and holds a Bachelor of Commerce from St. Mary's University.

Helen Gillis, Director and Chief Financial Officer - Ms. Gillis has served as Chief Financial Officer since April 2017. Prior to joining JRG Re, Helen held the position of Senior Vice President Financial Reporting and Planning at Allied World Assurance Company, as well as other senior positions during her 10 years with Allied World. Prior to that, she served as Assistant Vice President, Accounting and Finance with American International Co Ltd and worked in the Insurance Group with PricewaterhouseCoopers Bermuda. Helen graduated magna cum laude from Saint Mary's University in Halifax, Nova Scotia with a Bachelor of Commerce and holds a Chartered Accountancy Diploma from the Atlantic School of Chartered Accountancy.

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.

Helen Gillis, Chief Financial Officer - see biography above.

Jennifer Kish, Chief Actuary – Ms. Kish joined JRG Re in September 2013 with over 20 years of experience as a pricing and reserving actuary in the U.S. and Bermuda. Jennifer was promoted to Group Chief Actuary of the JRGH effective January 2018. Prior to joining JRG Re, Jennifer has held senior actuarial positions at Torus Reinsurance, Arch Reinsurance Company, and Transatlantic Reinsurance Company (now TransRe). Jennifer is a Fellow of the Casualty Actuarial Society, with degrees from M.I.T., Yale University, and the NYU Stern School of Business.

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.

Carolina Re:

Executive Board Members:

Robert P. Myron, Director (President and Chief Operating Officer of JRGH) – Mr. Myron has served as President and Chief Operating Officer since August 2019. Previously, Mr. Myron was Chief Executive Officer from January 2018 to August 2019, a position he had previously held from October 2012 to September 2014. Mr. Myron has served as a director of the Group since December 2010. Mr. Myron has held several other executive positions within the Group, including President and Chief Operating Officer from September 2014 to December 2017 and Chief Financial Officer from June 2010 until September 2012. Prior to that time, Mr. Myron served as Senior Vice President, Treasurer and Chief Risk Officer of The Hanover Insurance Group, Inc., a property-casualty insurance company, from 2007 until 2010, and before that, as Executive Vice President and Chief Financial Officer of Argo Group International Holdings Ltd., an insurance and reinsurance company, from August 2007 to October 2007. Prior to that, Mr. Myron was Executive Vice President and Chief Financial Officer of PXRE Group, Ltd., a property reinsurer, from 2005 to August 2007, and before that, served as Treasurer from 2003 to 2005. Prior to PXRE, Mr. Myron was the President of Select Reinsurance Ltd., a privately-held Bermuda-based property-casualty reinsurer, from 1999 to 2003. Mr. Myron received his B.S. in Accounting and his B.A. in American Studies from Babson College. He also holds the Associate in Reinsurance designation and is a Certified Public Accountant.

Jennifer Kish, Chief Executive Officer - see biography above.

Kevin B. Copeland, Director - see biography above.

Senior Executives:

Jennifer Kish, Chief Executive Officer - see biography above.

Helen Gillis, Chief Financial Officer - see biography above.

Ocorian, Secretary – Founded in Jersey in 1971 as Bedell Trust and operates in 16 key locations, Ocorian is a global provider of trust, administration and fiduciary services for companies, institutions, individuals and funds across the world. In February 2020, Ocorian merged with Estera – a provider of corporate, fund and trust services – to create a business of international scale and reputation.

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. 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 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 prior to closing the third quarter and once for the closing of the fourth quarter. Each quarter, the Reserve Committee (CEO, CFO, Chief Actuary of the Company and CEO, CFO, Chief Operating Officer and Chief Accounting Officer of JRGH) review the Company's reserving analysis provided by the Chief Actuary. The Chief 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:

Carolina Re's accounting and actuarial functions are outsourced to staff members at JRG Re. The JRG Re CFO (who is also the Carolina Re's CFO) and JRGH Group Chief Actuary (who is also the Carolina Re's CEO) oversee the accounting and actuarial functions, respectively, and review and approve all reporting.

Carolina Re's compliance function is outsourced to staff members at JRGH.

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.

g. 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 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 an experienced investment manager 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 with exception of extreme widening of credit spreads and severe inflation/monetary policy stress scenarios prescribed by the Authority, which could result in a statutory capital & surplus less than target. The Company would utilize dividend suspension and / or capital injection from parent should that scenario arise.

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. Technical provisions include an estimate of "Bound But Not Incepted" business.

The following shows the composition of the Technical Provisions as at December 31, 2020:

	JRG Re	Carolina Re
	(in thousands U.S. dollars)	
Best Estimate Loss and Loss Expense Provision	$ 535,979	$ 454,461
Best Estimate Premium Provision	(15,917)	92,079
Risk Margin	70,442	10,953
Total	$ 590,504	$ 557,493

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.

The balance is adjusted for counterparty credit rating based on rating agency and experience default statistics. 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, 2020, the Company's Eligible Capital was categorized as follows:

	JRG Re	**Carolina Re**
	(in thousands U.S. dollars)	
Tier 1	$ 485,896	$ 147,528
Tier 2	4,223	19
Tier 3	-	-
Total	$ 490,119	$ 147,547

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:

JRG Re:

	Applied to MSM	Applied to ECR
	(in thousands U.S. Dollars)	
Tier 1	$ 485,896	$ 485,896
Tier 2	4,223	4,223
Tier 3	-	-
Total	$ 490,119	$ 490,119

Carolina Re:

	Applied to MSM	Applied to ECR
	(in thousands U.S. Dollars)	
Tier 1	$ 147,528	$ 147,528
Tier 2	19	19
Tier 3	-	-
Total	$ 147,547	$ 147,547

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:

	JRG Re	Carolina Re
	(in thousands U.S. dollars)	
Minimum Margin of Solvency	$ 84,329	$ 70,893
Transitional Enhanced Capital Requirement	337,316	70,893

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

None to report.

JRG REINSURANCE COMPANY LTD.

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	**Jennifer Kish**
President & Chief Executive Officer	Chief Actuary

Wellesley House, 2nd Floor, 90 Pitts Bay Road
Pembroke HM 08, Bermuda
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tel 441.278.4570 • fax 441.278.4577

JRG REINSURANCE COMPANY LTD.

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.

Jennifer Kish

Daniel Heinlein	**Jennifer Kish**
President & Chief Executive Officer	Chief Actuary

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tel 441.278.4570 • fax 441.278.4577

CAROLINA RE LTD

DECLARATION ON FINANCIAL CONDITION

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

On Behalf of

Carolina Re Ltd

Jennifer Kish

Jennifer Kish

Chief Executive Officer

Helen Gillis

Chief Financial Officer

Wellesley House, 2nd Floor, 90 Pitts Bay Road
Pembroke HM 08, Bermuda
mailing address • P.O. Box HM 1502, Hamilton HM FX, Bermuda
tel 441.278.4570 • fax 441.278.4577

CAROLINA RE LTD

DECLARATION ON FINANCIAL CONDITION

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

On Behalf of

Carolina Re Ltd

Jennifer Kish	**Helen Gillis**
Chief Executive Officer	Chief Financial Officer

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